



**Empowering people
to live the life
they choose.**

**20
18**

ANNUAL REPORT



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**20
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MESSAGE FROM THE CHAIRMAN

Where others see obstacles, we see opportunities.

With the inflation rate sharply rising to the highest it's been in almost 10 years and affecting the cost of everyday goods, consumers' confidence in the economy dipped to negative values as they were forced to reassess the value of their peso and the power of their money in the bank. In this fragile economic environment, when finances seemed uncertain, AXA Philippines remained committed to reach, educate, and empower our countrymen and restore a spirit of optimism. At the close of the year, though their present financial state may have been uncertain, Filipinos found solace in securing their financial future, with the Philippine insurance market hitting its highest penetration in five years. AXA is privileged to have played a role in that future-driven mindset, through our growing range of life and non-life insurance products.

That range now also includes our investment-linked product Asset Master. Designed as a single-payment insurance plan enhanced with an investment component, Asset Master allows customers to build a diversified investment portfolio of local and global investments, which helps take our clients' peso today and turn it into a lifeline for their retirement years or a legacy for the next generation.

In 2018, our GI subsidiary Charter Ping An began fully operating under the AXA Philippines name. To aid this transition, we launched both the "Choose AXA" campaign, which encouraged customers to entrust "all they value" to AXA, and the One AXA Service Center in Binondo, set up to handle both life and GI transactions. Our goal is for the AXA name to become synonymous with insurance and assurance in the client's mind. Thanks to effective PR and marketing campaigns, our strong digital and online presence, and the tireless work of our growing sales force and agency (now up to 5,270 licensed agents), brand preference shares saw positive growth, most notably in the areas of consideration for future purchase (up 4%) and intent to buy (6%). More people know, and with an all-time high customer satisfaction score of 79.5%, more people trust AXA. As of December, we are now serving 1.5 million customers nationwide.

We have the numbers to back our customers' trust. Our life business outpaced industry growth both in terms of total premium income (TPI) at 26% and new business annual



premium equivalent (APE) at 13.2%. Both Variable Life and Traditional Life products performed better than market growth, with Variable Life making up 75% of the TPI growth, contributing Php130 billion to the Php175 billion TPI. We finished the year ranked second in both life and non-life categories in the Insurance Commission's most recent reports, with life insurance products bringing in Php 26.18 billion and GI products posting Php 3.904 billion.

Just as we must adapt to changes in the economic climate, we must continue to be a step ahead of the cultural shifts and trends, especially in technology and innovation. Clients, both current and potential, expect a higher level of interaction that cannot be serviced by our sales force alone. Our ability to develop relevant and efficient digital channels and services will help set us apart. Last year, we saw the unprecedented growth of our e-Commerce business (82% in APE and 251% in GWP), with clients able to purchase life and non-life insurance products completely online. We also rolled out digital initiatives such as e-Policy access through the myAXA app, and teleconsultation, a service that allows Health Max and Global Health Access policyholders to consult with medical professionals on-the-go. Fintech and IT will be the emerging battleground in 2019. We continue to strive to be the first, and if not the first, then the best.

I can confidently say that, in 2019, AXA's 20th year of business in the Philippines, we are strategically positioned for exponential growth. Synergy will be the name of the game as we work doubly hard to fully integrate life and GI operations, online and on the ground. In every area, we bring with us the AXA name, which through changes external and internal, continues to stand for customer-driven excellence that exceeds expectation. Together, valued employees, distinguished shareholders, and integral business partners, we can make AXA Philippines the country's one choice for insurance.

MESSAGE FROM THE PRESIDENT & CEO

We are One AXA.

We are not just in the business of insurance, but of education. With the Philippines still having the third highest insurance gap in the world, our biggest challenge is not that our potential client will choose to go to a competitor, but that he or she will choose not to be insured at all.

Last year, we at AXA celebrated a milestone on the integration of our life and non-life operations with Charter Ping An taking on the AXA Philippines name. As One AXA, not just in mission but in service, what we are now able to offer the customer as a wide-range insurance provider is protection for all that they value. We can speak to the mother who wants to secure her child's university education and make sure she and her husband have a retirement plan for a full life long after that child has graduated. With the addition of our General Insurance line of insurance products, we can even insure the house they come home to, as well as that trip to Europe they can enjoy because of their wise financial choices.

The challenge and the ongoing responsibility of our distributors is this: to communicate to the uninsured and underinsured Philippine majority that insurance is an investment rather than an option. We must help them choose protection—and then, “choose AXA.”

Consumers are choosing AXA. We reached double-digit growth for total premium income and gross written premiums; our life business enjoyed an increase in market share as well. Our 2018 growth is in part due to the stellar performance of our sales force and agency in stepping up to that challenge. They are the engine that drove up the numbers and helped us even outperform industry growth. AXA Philippines agency force grew to 5,270 agents. But numbers aside, what we should be most proud of is the quality of the service these professionals provide as they proudly bear the AXA Philippines name. That's why the launch of AXA Academy, our new state-of-the-art development center, is so important and will be integral in our continued growth and success. By providing them with training and investing in their personal and professional development, we're future-proofing our people so they are equipped to take care of the futures of millions of Filipinos we aim to serve.



Their other partner in representing the AXA Philippines brand is technology. Dubbed in the industry as ‘Insurtech,’ these digital innovations allow our clients to play a more active role as they partner with us for their insurance needs. Technology has given us the ability to provide excellent customer service, when our agents cannot serve the client in person, for all the times of the day when the critical decision to commit to coverage could be made. Our e-Commerce premiums soared last year, for both life and non-life products. We currently offer five life and two GI products that can be purchased completely online through our proprietary AXA ion store, which when it was launched in 2014 was a Philippine first. Through the AXA web store, customers can find information, receive a quote, submit documents, and get their policy approved. They can also check their premium deadlines and even print and distribute their e-policy through the myAXA app. There is also an AXA app that helps our Protection & Health clients consult with a medical professional round-the-clock, as well as an app for our auto insurance clients to call for emergency vehicle assistance.

Our customers—younger, tech-savvy, and information hungry—embrace digital, and as a customer-first brand, we not only recognize but anticipate their needs. Our clients should be telling their network, to paraphrase the saying, “There's an AXA app for that.” Adopting a digital-first approach is in step with AXA Global's strategic push for developing more tools that truly serve the customer and reach the customer wherever they are. With cloud technology on the horizon, we can expect even more exciting developments.

This year, 2019, marks AXA Philippines' 20th year of business. We have come this far through the spirit of exceeding expectations, which is at the heart and soul of One AXA.

We look forward to see what the future will bring.

CORPORATE PROFILE

Who we are

AXA is a global leader in financial protection engaged in three main lines of business:



Protection &
Health



Property &
Casualty



Savings &
Asset Management

AXA as a global brand



GLOBAL INSURANCE
BRAND FOR THE
10TH CONSECUTIVE
YEAR*



#47
BEST
GLOBAL
BRAND



#3
BEST GLOBAL
BRAND ACROSS ALL
FINANCIAL SERVICES

Nº 1 non-life insurer in Asia
(excluding Korea
and Japan)*

Nº 1 direct
insurer
in Europe

Nº 27 In Fortune
Global
500 list

Nº 33 Forbes
Global
2000

We now have **171,000** employees worldwide
serving **105** million customers in **61** countries



AXA Philippines

- Established in **1999**
- A **joint venture** between AXA (45%) and the Metrobank Group (55%)
- Present in the **life insurance** and **general insurance** business
- **Top 3 player** in the Philippine life insurance industry according to the Insurance Commission on a consolidated channels basis.
- **One of the first in bancassurance** operations in the country
- One of the pioneers and leaders to introduce **investment-linked insurance**

**according to interbrand.com*

CORPORATE PHILOSOPHY



Our purpose

EMPOWER PEOPLE TO LIVE A BETTER LIFE



Our vision

FROM PAYER TO PARTNER



Our values

CUSTOMER FIRST

INTEGRITY

COURAGE

ONE AXA



FINANCIAL HIGHLIGHTS

12.9%

MARKET SHARE

2.7 B

NET INCOME

743

NO. OF COMPANIES OR
ORGANIZATIONS INSURED

7.1 B

ANNUALIZED
PREMIUM EQUIVALENT

5.671 B

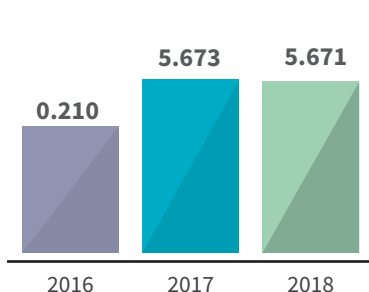
GROSS
WRITTEN PREMIUMS

1,352,924

NO. OF LIVES INSURED

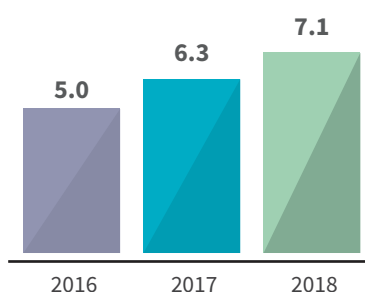
GROSS WRITTEN PREMIUMS
IN PHP BILLION

CAGR: 17%



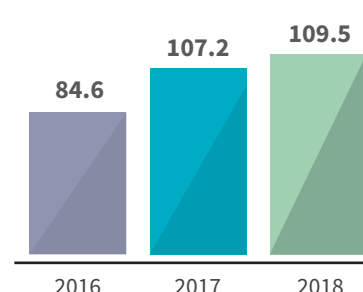
ANNUALIZED PREMIUM
EQUIVALENT
IN PHP BILLION

CAGR: 20%



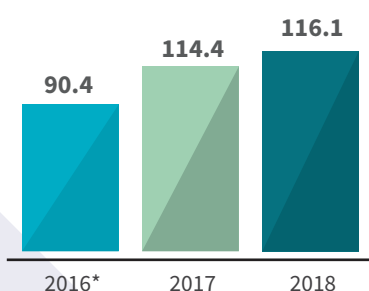
ASSETS UNDER
MANAGEMENT
IN PHP BILLION

CAGR: 14%



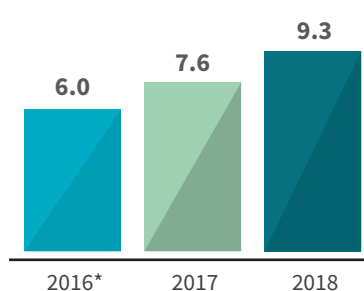
TOTAL ASSETS
IN PHP BILLION

CAGR: 13%



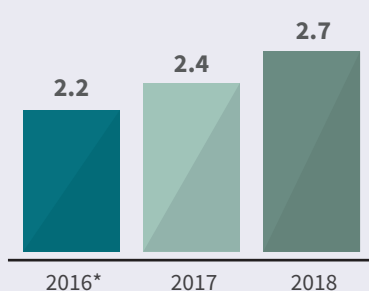
TOTAL EQUITY
IN PHP BILLION

CAGR: 25%

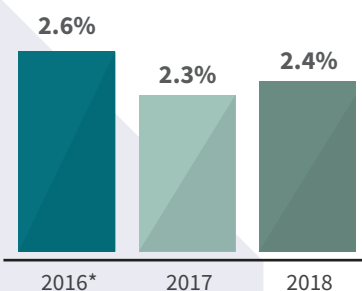


NET INCOME
IN PHP BILLION

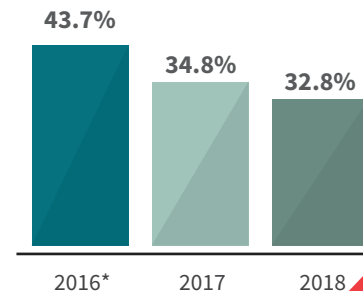
CAGR: 11%



RETURN ON ASSETS



RETURN ON EQUITY



* as restated using the new valuation methodology prescribed by the Insurance Commission

OPERATIONAL HIGHLIGHTS

With 2017 being an exceptional one for AXA Philippines, expectations were high for 2018. It's not easy to surpass the performance of a highly successful year but thanks to the drive and dedication of the men and women of AXA, we continue to build on the momentum created to sustain our operational excellence and reach even greater heights.

Sustained excellence

The annual premium equivalent of AXA Philippines' life business increased by around 16% while total premium income (TPI) jumped to 17%. AXA Philippines' e-commerce business received a big shot in the arm and recorded an 82% hike in annual premium equivalent and a 251% growth in gross written premium (GWP) compared to 2017. The GWP of our General Insurance business also grew by 1%.

As our sales team reached an all-time high of 5,270 agents, Agency sales grew to 34%. Protection & Health (P&H) accounted for 15% of this growth. The Agency and bancassurance new business also jumped to 40% as AXA Philippines aims to further boost the profile of our P&H products. AXA Philippines' overall market share also increased in 2018, with the company's growth in total premium income exceeding the market.

One AXA serving the Philippines

In 2018, our 'One AXA' dream in the Philippines was finally realized when Charter Ping An began operating under the AXA Philippines brand name. This allowed AXA Philippines to offer both life and general insurance products to our valued customers. We opened our first One AXA service center in Binondo, Manila, and our Finance team successfully integrated life and GI functions so we can better serve our stakeholders. When super typhoons Ompong and Rosita ravaged parts of the Philippines, our quick response team was able to process total loss claims faster due to our increased efficiency.

Building our brand and customer base

AXA Philippines was able to enhance its brand last year, as brand preference shares increased in terms of overall image (1%), consideration for future purchase (4%), and intent to buy (6%). Our PR share of voice also received a top three placement and brought in more than P200 million worth of PR values.

Our continuous efforts to serve customers better are also bearing fruit. AXA Philippines is proud to share that we recorded our best ever customer experience transformation (CXT) score in 2018 and achieved 103% of our CXT target. We also received a customer satisfaction score of 79.5 versus our target of 79.2.

AXA True Stories show how we help customers live better lives

The numbers speak volumes but aside from performance metrics, testimonials from happy customers affirm that AXA Philippines is indeed making a big difference. AXA True Stories, our latest brand campaign, allows us to share the positive impact of our services to people's lives.

Glen Hare and Kenneth So are two inspiring examples of positivity in the face of adversity. Glen got an AXA Global Health Access plan even though she had no previous illnesses but fate dealt her a bad hand; a few months after purchasing her health plan, she noticed a swelling on her jaw. The swelling turned out to be ameloblastoma, a rare type of tumor that can spread to the brain. Glen's AXA health plan enabled her to get the necessary treatment. "I was so relieved that I had the health plan which covered all of my hospital expenses. I didn't need to unnecessarily burden my parents with the costs. They didn't need to worry," Glen recalls.



GLEN HARE

Kenneth is a businessman who owns Granville Corporation Supply Holdings, a logistics and distribution company involved in the rapid movement of consumer goods across key markets. In 2016, Kenneth and the 400 employees who rely on his company for their livelihood saw their futures literally going up in flames when a fire razed Grandville's four-storey warehouse in La Trinidad, Benguet.



KENNETH SO

Millions of pesos in inventory were lost. Fortunately, Kenneth's comprehensive fire insurance courtesy of Charter Ping An helped Granville rise from the ashes. "Now, our warehouse is being rebuilt. This is the start of a new beginning," Kenneth shares.

Investing in the future through the AXA Academy

To sustain our operational excellence in the years to come, AXA Philippines inaugurated the state-of-the-art AXA Academy. This training facility will empower our insurance professionals to set the bar higher in the industry. Located at the 11th floor of the Bank of Makati Building, the AXA Academy's six training rooms and two meeting rooms have space for more than 300 participants. It also features a business station that allows continuity of operations for agents and employees even during training sessions.



AXA VIPs during the inauguration of the AXA Academy

Increasing convenience and sustainability with e-Policy

In 2018, we continued to enhance the services we provide in our proprietary digital platform MyAXA by unveiling our e-Policy. This paperless system allows customers to conveniently receive and view their policies on their preferred devices in real time, even while on the go. After creating a MyAXA account, they can go to “My Policies” to view their e-Policy (as well as other documents) immediately after the policy is issued on their desktop, laptop, or mobile gadget. The e-Policy is currently available on the web portal but it will soon be available on the mobile app.

Enhancing customers’ resources with Financial Needs Analysis

A sound financial plan, which includes proper planning for the future, helps our customers live the life they choose. This is why AXA Philippines launched its Financial Needs Analysis (FNA) platform last year. Both an application and a service, the FNA allows our agents to easily explain the importance of having life insurance. AXA financial advisors facilitate the full version of the FNA (customers just need to fill out an online form at www.axa.com.ph/appointments) while a shorter version of the FNA platform is available at www.axa.com.ph/efna.

Smarter investments through Asset Master

Asset Master, our new single-pay, investment-based insurance plan was introduced to customers last year to help them build local and global investment portfolios with the support of AXA’s global team of expert fund managers. Plan holders get access to growth opportunities in five major markets: Asia Pacific (excluding Japan), Japan, Europe, the United States, and the emerging markets (including Latin America, Eastern Europe, and the Middle East. Their investment is also secured with a built-in volatility management feature that protects against extreme market drops and adapts to changing market environments.



Nurturing future insurance stars at the AXA Bootcamp

Always on the lookout for the best-possible talent to join our team, AXA Philippines conducted the first AXA Bootcamp, a management training program for students of top universities. The three-day workshop was designed to introduce participants to the critical skills that will help them succeed in their careers. It also gives them the opportunity to embark on exciting AXA careers in the future. The camp started with AXA Philippines senior management having a welcome dinner with the students. A volunteer activity and hands-on training sessions were conducted in the succeeding days.

Seven new branches expand AXA Philippines' reach

AXA Philippines also welcomed seven new centers in La Union, Greenhills, Fairview, Vigan, Daet, Malolos, and Marikina allowing us to help even more customers to live the lives they choose. Our company now has close to a hundred branches throughout the country plus more than 800 AXA Advisory Corners within the Metrobank and PSBank networks.

Binibining Pilipinas get Charter Ping An insurance coverage

The alluring candidates of the 2018 Binibining Pilipinas beauty pageant, led by Catriona Gray (who was eventually crowned Miss Universe 2018), paid a courtesy call to AXA Philippines leaders. The lovely ladies received full personal accident, medical reimbursement, and travel insurance both locally and abroad courtesy of Charter Ping An, the official insurance provider of Binibining Pilipinas.



Creating greater brand awareness

For the 10th consecutive year, global brand consultancy firm Interbrand named AXA as the top insurance brand worldwide. AXA was also recognized as the 47th overall best global brand and the 6th best financial services brand.

AXA received the Interbrand citation shortly after inking a prestigious multi-year partnership with Liverpool Football Club to become the latter's Official Global Insurance Partner. With an estimated value of USD 1.94 billion, Liverpool FC was the world's eighth most valuable football club according to Forbes.

Peers and the business community recognize AXA's achievements

Asia Corporate Excellence Sustainability Awards

AXA Philippines president and chief executive officer Rahul Hora was also honored as one of the Outstanding Leaders in Asia at the Malaysia-based AsiaCorporate Excellence Sustainability (ACES) Awards. ACES recognized Rahul's outstanding business acumen, professionalism, and entrepreneurial skills.



Efma-Accenture Innovation in Insurance Awards and Visionary Awards

Our drive to innovate and commitment to excellence has earned recognitions from our peers and the larger business community. MyAXA Café, our online insight community, bagged silver at the Efma-Accenture Innovation in Insurance Awards, a prestigious global awards program that recognizes the industry's most innovative ideas, initiatives, and projects. It was also named New Community of the Year at the international Visionary Awards by Vision Critical, a cloud-based customer intelligence platform provider.



Philippine Quill Awards

AXA's digital tools, which drive our growth and keep us miles ahead of the competition, earned the company five citations at the Philippine Quill Awards, the country's most prestigious business communication awards program. AXA Philippines bagged five awards under the Digital Communications category: Excellence Awards for "Your Digital Selling Companion: Boosting digital maturity and agent productivity through AXA Solutions Native App" and "AXA is changing the online customer journey: Revamping the AXA Philippines Corporate Website", as well as Merit Awards for "Smart Traveller microsite: Flying high with AXA's travel insurance", "Making insurance easy to manage through MyAXA App", and "Workplace Launch: Fostering One AXA through a Virtual Community".

Additionally, AXA won an Excellence Award under the Internal Communication category for the "AXA Philippines Diversity and Inclusion Campaign", which highlighted our culture of acceptance, and a Merit Award under the Employee Engagement category for "Corporate Responsibility Week: AXA Hearts in Action", our company's international volunteer program.



CORPORATE SOCIAL RESPONSIBILITY

AXA Philippines imbibes its noble purpose of empowering people to live better lives not just in business but also in the communities where it operates. Part of its strategy for corporate sustainability includes shining a ray of light in the lives of the underprivileged, one good deed at a time.

In 2018, AXA Philippines employees went the extra mile to share their time and their talents in different volunteer activities throughout the year.

During the company's Corporate Responsibility (CR) Week, more than 400 AXA Philippines employees joined other AXA entities around the globe in celebrating the spirit of volunteerism during the week-long affair in June. First held in 2011, CR Week gives AXA employees a chance to show their caring side. Themed "CR Week in Action," the 2018 edition saw AXA Philippines joining hands with non-government organizations and foundations with educational, environmental, and health advocacies. These groups include the Adarna House, Inc., Hands on Manila, Make-A-Wish Foundation, Metrobank Foundation, National Bookstore Foundation, Philippine Red Cross (Cebu and Rizal chapters), Rise Against Hunger, Simply Share, and the University of San Carlos.

The AXA Philippines volunteers took part in the following activities: Packing food for Aeta mothers and their families good for six months in Porac, Pampanga; delivering books and packing food for students of Napo Elementary School in Sapangdaku, Cebu City; preparing 150 candles and mosquito traps for mothers in Trece Martires, Cavite; participating in a blood drive in coordination with the Philippine Red Cross and Manila Doctors Hospital; undergoing first aid and financial literacy training for mothers and children in Cebu; joining the Philippine Red Cross run for a cause; donating Project Aral Kits from National Book Store to underprivileged students; and fulfilling the wishes of children with life-threatening illnesses.

Overall, AXA Philippines touched the lives of 2,250 people through CR Week.



Outside of CR Week, AXA sustains its efforts of uplifting needful communities throughout the year. AXA joined forces with the Metrobank Foundation to give back to dedicated public school teachers by helping them enhance their financial health. During National Teachers' Month, AXA and Metrobank conducted financial literacy sessions for selected teachers, who also received non-life insurance products. "The Financial Literacy for Teachers" sessions were patterned after AXA's "What's Your Game Plan" module, which seeks to broaden clients' understanding of their finances so they can better prepare for the future.

AXA volunteers, in cooperation with MAD Travel, visited the Yangil tribe, a community of indigenous people in San Felipe, Zambales, to help rehabilitate the area by planting more than 1,000 seedlings. They also gave art and reading lessons to the Yangil youth. The tribe's elders showed their appreciation to the volunteers by teaching them traditional archery.



AXA also held a safety awareness workshop aimed at equipping participants with know-how on responding to emergencies and mitigating their impact. Conducted in partnership with the University of Makati (UMak) Office of Academic Affairs and the Philippine Red Cross - Rizal Chapter, the workshop was attended by 40 student athletes and teacher-coaches from UMak's Athletic Development Center. Topics of the workshop included disaster preparedness, first aid including cardiopulmonary resuscitation, and road safety.

As the official insurance partner of the National Basketball Association (NBA) in the Philippines, AXA supported the run of deserving but underprivileged young basketball players during the Jr. NBA Philippines presented by Alaska Regional Selection Camp in Metro Manila in April. The Jr. NBA event is the NBA's global youth basketball participation program, which teaches the fundamental skills and core values of basketball.





BOARD OF DIRECTORS

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BOARD OF DIRECTORS

SOLOMON S. CUA

CHAIRMAN

Age: 63 years old

Date of first appointment: 2010

Length of Service: 8 years

Directorship in other companies: Charter Ping An Insurance Corporation, Philippine Racing Club, Inc. Grand Titan Holdings, Inc., Philippine Newton Global Solutions, Palm Integrated Commodities, Inc., SC & SSC Holdings, Inc., and Profriends Developer, Inc., Metropolitan Bank and Trust Co.

Relevant experience: Mr. Cua was Vice Chairman of First Metro Investment Corporation from 2005 to 2016, Director of First Metro Investment Corporation from 2001 to 2016, and Director of Metropolitan Bank, China from 2014 to 2016.

Qualifications: Chairman Cua completed his Bachelor of Arts in Economics & Mathematical Science from the University of Melbourne, Bachelor of Law from University of Queensland, and Masters in Law from London School of Economics & Political Science. He was Undersecretary of Department of Finance from 1998 to 2000

Trainings Attended in 2018: Corporate Governance Seminar



ARTHUR V. TY

VICE CHAIRMAN / NON-EXECUTIVE DIRECTOR

Age: 52 years old

Date of first appointment: 2016

Length of Service: 2 years

Directorship in other companies: Metropolitan Bank & Trust Company, Metropolitan Bank (China) Ltd., GT Capital Holdings, Inc., First Metro Investment Corporation, Philippine Savings Bank, Charter Ping An Insurance Corporation (2018).

Relevant experience: Mr. Ty is currently the Chairman of Metropolitan Bank & Trust Company, Metropolitan Bank (China) Ltd., and GT Capital Holdings. He is currently the Vice Chairman of First Metro Investment Corporation, and Philippine Savings Bank.

Qualifications: Mr. Ty completed his Bachelor of Science in Economics from University of California, Los Angeles, and Masters in Business Administration from Columbia University, New York.

Trainings Attended in 2018: Advanced Corporate Governance Training Program, Institute of Corporate Directors

BOARD OF DIRECTORS

FERNAND ANTONIO A. TANSINGCO

VICE CHAIRMAN / NON-EXECUTIVE DIRECTOR

Age: 52 years old

Date of first appointment: 2010

Length of Service: 8 years

Directorship in other companies: Metrobank (Bahamas) Limited, Charter Ping An Insurance Corporation (2018)

Relevant experience: Mr. Tansingco is currently the Head of the Financial Markets Sector, Senior Executive Vice President and Treasurer, of Metropolitan Bank and Trust Company. Director of Metrobank (China) limited from 2012 to 2016. Adviser of Metrobank (China) Limited since 2016.

Qualifications: Mr. Tansingco completed his Bachelor of Science in Electrical Engineering from the University of the Philippines. He is a Chartered Financial Analyst (CFA).

Trainings Attended in 2018: Corporate Governance Seminar



RAHUL HORA

MEMBER, PRESIDENT & CEO

Age: 45 years old

Date of first appointment: 2016

Length of Service: 2 years

Directorship in other companies: Charter Ping An Insurance Corporation.

Relevant experience: Mr. Hora was the Chief Operating Officer of AXA Philippines from 2015 to 2016, Chief Agency officer from 2009 to 2016, Board member from 2012 to 2014, and Regional Distribution Head of AXA ASIA from 2007 to 2009. He also held different positions in other life insurance companies from 1996 to 2007.

Qualifications: Mr. Hora completed his Bachelor of Science from St. Stephen's College and Post Graduate Degree from Centre of Management Development with MBA Marketing.

BOARD OF DIRECTORS

GORDON WATSON

MEMBER, NON-EXECUTIVE DIRECTOR

Age: 55 years old

Date of first appointment: 2018

Length of Service: less than 1 year

Directorship in other companies: AXA ASIA (2018), AXA China Region Insurance Company (Bermuda) Limited (2018), AXA China Region Insurance Company Limited (2018), AXA Wealth Management (HK) Limited (2018), AXA General Insurance Hong Kong Limited (2018).

Relevant experience: Mr. Watson has been with AIG / AIA for over thirty years and has held many key senior roles based out of London, New York, Nairobi, Dubai, Tokyo, Seoul and Hong Kong. The last 20 years he has been based in Asia. From 2008 to 2010, he was the Regional President for AIG Life Companies in Japan & Korea and then Global Executive Vice Chairman for ALICO responsible for the Japan business and also overseeing the remaining 50 countries for strategy, distribution, corporate solutions, product and marketing. Since 2011, Gordon Watson has been Regional Chief Executive responsible for AIA Group's operations in Hong Kong & Macau, Australia, the Philippines, Vietnam and New Zealand as well as the Group's Corporate Solutions, Healthcare, Partnership and AIA Vitality businesses.

Qualifications: Mr. Watson has an MBA and is both a Fellow of the Chartered Insurance Institute and the Society of Marketing.

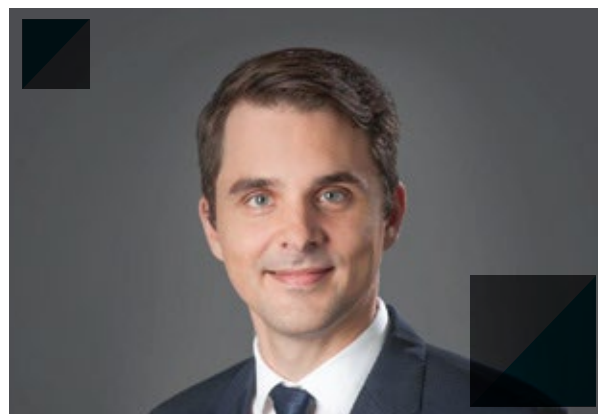
NICOLAS FAUVARQUE

NON-EXECUTIVE DIRECTOR

Age: 39

Date of first appointment: February 2018

Length of Service: Less than a year



Directorship in other companies: Charter Ping An Insurance Corporation

Relevant experience: Mr. Fauvarque has been Chief Risk Officer and Head of Insurance Office (insurance office – technical excellence) at AXA for the Asian Markets since February 2018.

Prior to his current role, he was Chief Actuary, and a Commissioner in Indonesia for Chubb Life in Asia. Before joining Chubb, Mr. Fauvarque was Chief Risk Officer and Chief Actuary for the AXA Asia Region from 2015 to 2016, and has held several positions at AXA Group, including Chief Financial Officer for Krungthai-AXA (2012-2015) and Chief Risk Officer at AXA Belgium (2009-2012). Before that, he held various positions at Ageas where he was responsible for the health insurance P&L in Belgium and Bain & Company for the Banking and Insurance Sector in Belgium and abroad.

Qualifications: Mr. Fauvarque holds both a Masters in Actuarial Sciences and in Mathematical Sciences from the Catholic University of Louvain in Belgium. He is also a fully qualified actuary from the Belgian Institute of Actuaries and speaks French, Dutch, and English fluently.

BOARD OF DIRECTORS

ALESANDRA T. TY

MEMBER / TREASURER
/ NON-EXECUTIVE DIRECTOR

Age: 39 years old

Date of first appointment: 2010

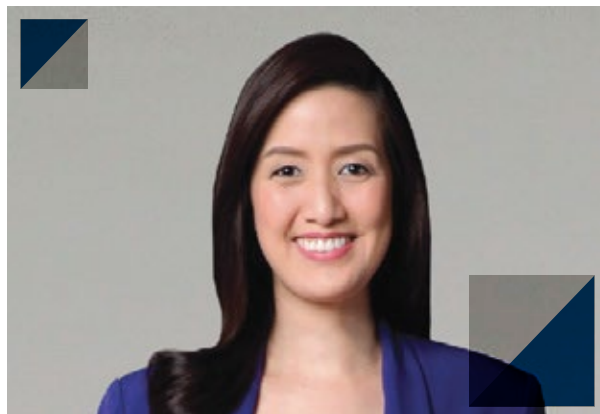
Length of Service: 8 years

Directorship in other companies: GT Capital Holdings, Inc., Federal Homes, Inc., Sumisho Motor Finance Corporation, First Metro Investment Corporation, GT Foundation, Inc.

Relevant experience: GT Capital Holdings, Inc., Federal Homes, Inc., Sumisho Motor Finance Corporation, First Metro Investment Corporation, GT Foundation, Inc., ORIX Metro Leasing and Finance Corporation.

Qualifications: Ms. Ty completed her Bachelor of Science in Legal Management from the Ateneo de Manila University, and Masters in Business Administration from China Europe International Business School, Shanghai, China.

Trainings Attended in 2018: Corporate Governance Seminar



RONALDO C. SAN JOSE

MEMBER

Age: 53 years old

Date of first appointment: 2014

Length of Service: 4 years

Directorship in other companies: Charter Ping An Insurance Corporation (from April 2017 to April 2018)

Relevant experience: Mr. San Jose is the Chief Financial Officer of AXA Philippines since 2010. He is a Fellow at the Actuarial Society of the Philippines since 1993.

Qualifications: Mr. San Jose completed his Bachelor of Science in Mathematics from Ateneo de Manila University.

BOARD OF DIRECTORS

LOPE M. YUVIENCO

INDEPENDENT DIRECTOR

Age: 74 years old

Date of first appointment: 2008

Length of Service: 10 years

Directorship in other companies: Charter Ping An Insurance Corporation

Relevant experience: Mr. Yuvienco was an Independent Director of ORIX Metro Leasing and Finance Corp. from 2005 to 2007, Director for Regulatory and Government Sector of Buenaventura Echaz & Partners from 2001 to 2003, and Vice President of Citibank N.A., Manila from 1972 to 1994.

Qualifications: Mr. Yuvienco completed his Bachelor of Science in Business Administration and Master in Business Administration from the University of the Philippines.

Trainings Attended in 2018: Corporate Governance Seminar



Central Bank of the Philippines from 1981 to 1984, Chairman of the National Commission for Culture and the Arts from 1996 to 2001, Professor and Dean of Business Administration of the University of the Philippines until 1987.

Qualifications: Mr. Laya is a Certified Public Accountant since 1957. Mr. Laya completed his B.S.B.A Accountancy from the University of the Philippines, MS in Industrial Management from Georgia Institute of Technology, and Ph.D. in Financial Management from Stanford University.

Trainings Attended in 2018: Corporate Governance Seminar

DR. GEORGE S.K. TY†

GROUP CHAIRMAN/DIRECTOR

Until November 23, 2018

JAMESON ONG*

ADVISER TO THE BOARD

ANGELICA S. REYES

CORPORATE SECRETARY

JILL MARIE B. LOPEZ

ASST. CORPORATE SECRETARY

ARIC JUSTIN TY

ASST. CORPORATE SECRETARY

**To attend twice a year only*

JAIME C. LAYA

INDEPENDENT DIRECTOR

Age: 80 years old

Date of first appointment: 2006

Length of Service: 12 years

Directorship in other companies: Charter Ping An Insurance Corporation, Philtrust Bank, Escuela Taller de Filipinas Foundation, Inc., GMA Network, Inc., GMA Holdings, Inc., Ayala Land, Inc., Manila Water Company, Inc., Cultural Center of the Philippines, St. Paul University QC, Ayala Foundation, Yuchengco Museum, Don Norberto Ty Foundation Inc., Metropolitan Museum of Manila

Relevant experience: Mr. Laya was the Minister of Budget from 1975 to 1981, Minister of Education, Culture, and Sports from 1984 to 1986, Governor of

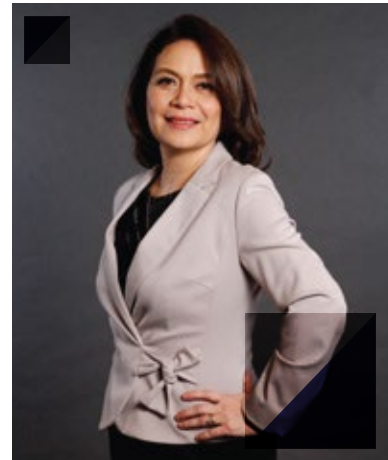
EXECUTIVE LEADERSHIP TEAM



Rahul Hora
President and CEO



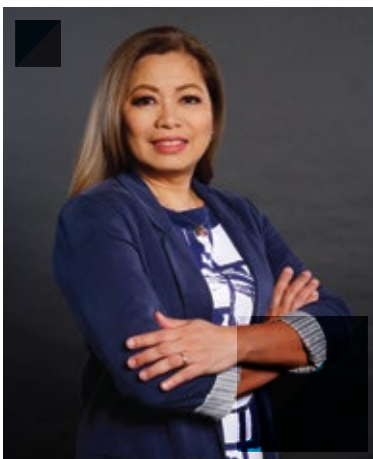
Alok Kumar Arunkumar Roongta
Chief of Retail Propositions



Ma. Amor T. Balagtas
Chief Customer Officer



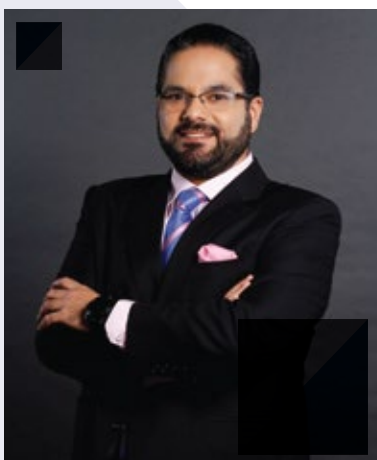
Nicasio F. Rollan III
Chief of Commercial Business



Aleta Y. Lepatan
Chief Operations Officer



Ronaldo C. San Jose
Chief Financial Officer



Jaspreet Singh Kakar
Chief Human Resources Officer



Maria Faustina B. Raymundo
Chief Distribution Officer



John Hilson
Chief Transformation and
Technology Officer
**Resigned effective Sept. 7, 2018*

CORPORATE GOVERNANCE

AXA Philippines is committed to the highest standard of corporate governance.

AXA Philippines board-approved Corporate Governance Manual (CGM) is the local implementation of the Regional Corporate Governance Blueprint (RCGB) rolled-out by the Regional Office in 2008. The CGM seeks to bridge the gaps between the Regional Corporate Governance Standards and the existing corporate governance structure in AXA Philippines. The CGM also embodies the corporate governance rules and regulations of the Securities & Exchange Commission (SEC), and the Insurance Commission (IC) and incorporates policies on the compliance system.

THE BOARD OF DIRECTORS

Board Composition

The Board is composed of eleven highly qualified business professionals. Of the eleven, two are independent directors. The Members of the Board collectively have the full range of skills needed for the effective and prudent operation of AXA Philippines. Each director has skills that allow him or her to make an effective contribution to the Board deliberations and processes.

The Board will have at least two (2) independent directors.

Duties and Responsibilities of the Board

The Board of Directors has the overall responsibility for:

- governance of the Company including its strategic direction;
- reviewing and approving plans established by management;
- monitoring of performance against agreed plans;
- establishment and monitoring of internal controls and compliance with applicable legislative and regulatory requirements; and
- delegation of authority to management.

The directors consider that there are fundamental ethical values that underpin their role as directors and as members of its Board and committees. At all times, directors are expected to:

- act with integrity;
- be honest and open with each other;
- ensure whenever and wherever possible that they do not engage in any activities that may result in a conflict of interest with their duties to the Company and that cannot be appropriately managed;
- work co-operatively among themselves and with management in the best interests of the Company;
- recognise the separate roles and responsibilities of the Board and management;
- be diligent and continuously strive to improve the Company and Board operations and performance;
- observe the letter and the spirit of the constitution, laws, regulations and any policies under which the Company operates;
- have an active interest in and concern for the communities in which the Company operates; and
- avoid any behaviour that is likely to reflect badly on the Board or the Company.

Policy on Conflicts of Interest

Under AXA Philippines' CGM, Directors are required to disclose any conflicts of interest and to abstain from participating in any discussion or voting on any matter in which they have a material personal interest except with the prior approval of the Board.

Board Attendance

The Board holds regular meetings, at least four (4) times a year, on dates set at the beginning of every year. In 2016, the Board held six (6) meetings with attendance rate of 85%.

	28 Feb	25 Apr	19 Jul	20 Sep	26 Nov
George S.K. Ty	●				
Solomon S. Cua	●	●	●	●	●
Fernand Antonio A. Tansingco	●	●	●	●	●
Rahul Hora	●	●	●	●	●
Alesandra T. Ty	●	●	●	●	●
Ronaldo C. San Jose	●	●	●	●	●
Arthur V. Ty		●	●	●	●
Jaime Laya	●	●	●	●	●
Lope M. Yuvienco	●	●	●	●	●
Etienne Bouas-Laurent*					
Jameson Ong**		●	●		
Angelica S. Reyes	●	●	●	●	●
Doina Palici-Chehab***					
Gordon Watson****		●	●	●	●
Marc Blotier*****					
Nicolas Fauvarque*****		●	●	●	●
Aric Justin Ty	●	●	●	●	

Notes:

*Resigned effective 28 February 2018
 **Attends twice a year
 ***Resigned effective 28 February 2018
 ****Elected on 28 February 2018
 *****Elected on 28 February 2018
 /Resigned effective 25 April 2018
 *****Elected on 25 April 2018

BOARD COMMITTEES

AXA Philippines exercises authority over specific aspects of its business through various Board Committees.

Executive Committee (EXCOM)

The EXCOM is currently composed of seven (7) directors which includes the Chairman of the Board, Vice-Chairman, and President and CEO. The EXCOM acts within the power and authority granted by the Board and is called upon when the Board is not in session to exercise the powers of the latter in the management of the Company.

	2 Apr	28 May	31 Aug
Solomon S. Cua	●	●	●
Fernand Antonio A. Tansingco	●	●	●
Rahul Hora	●	●	●
Arthur V. Ty	●	●	●
Ronaldo C. San Jose	●	●	●
Etienne Bouas- Laurent*	●		
Marc Blotier**			
Nicolas Fauvarque***		●	●
Alesandra T. Ty	●	●	●

Notes:

**Resigned effective 28 February 2018
 **Elected on 02 February 2018/ Resigned effective 25 April 2018
 ***Elected on 25 April 2018

Board Risk Management, Audit & Compliance Committee (BRMACC)

AXA Philippines BRMACC monitors and approves internal controls, risk management policies and procedures. BRMACC reviews and approves material or significant related-party transactions (RPTs). It monitors AXA Philippines business conduct and compliance with laws, regulations, Company policies and relevant codes of conduct.

	28 Feb	25 Apr	19 Jul	20 Sep	26 Nov
Jaime C. Laya	●	●	●	●	●
Lope M. Yuvienco	●	●	●	●	●
Solomon Cua	●	●	●	●	●
Etienne Bouas- Laurent*					
Marc Blotierre**					
Nicolas Fauvarque***			●	●	●
Angelica Reyes	●	●	●	●	●

Notes:

*Resigned effective 28 February 2018

**Elected on 02 February 2018 /

Resigned effective 25 April 2018

***Elected on 25 April 2018

Board Investment Committee (BIC)

The BIC approves material acquisitions and disposal of Company property.

	5 Feb	25 May	14 Sep	14 Dec
Fernand Antonio A. Tansingco	●	●	●	●
Rahul Hora	●	●	●	
Alesandra T. Ty	●		●	●
Doina Palici-Chehab	●			
Ronaldo C. San Jose	●			●
Solomon Cua	●	●	●	●
Nicolas Fauvarque		●	●	

RISK MANAGEMENT AND COMPLIANCE

AXA Philippines is in the business of risk, and risk management for our customers is one of its core competencies. AXA Philippines considers risks are owned by the respective business units and process owners. Therefore, everyone in AXA Philippines is expected to proactively manage the risks inherent in their respective areas.

AXA Philippines commits to comply with all insurance and consumer laws and regulations. In this regard, AXA Philippines shall continuously enhance its compliance programs that will assist its employees and the Board in identifying, measuring, monitoring, reporting and controlling compliance and business risks.

Board Risk Management, Audit and Compliance Committee (BRMACC)

The BRMACC is mandated to assist the Board in overseeing the risk management and compliance of AXA Philippines. The BRMACC's primary duties and responsibilities are as follows:

Compliance, Risk Management & Internal Control

To allow the Committee to review and form an opinion on the effectiveness of the Company's compliance, risk management and internal control frameworks, the Committee:

- a. Considers management's and/or internal / external auditors' assessments of the effectiveness of the internal control and risk management processes including any weaknesses or other issues revealed by investigations of the causal factors behind events such as internal frauds, significant legal actions and reported operational failures, as well as the results of reviews performed by bodies such as internal and external audit, compliance, management control functions, and regulators;
- b. Reviews regular updates from management on significant complaints, external and internal fraud.
- c. Obtains regular updates from management, Compliance and Legal on significant regulatory compliance matters, the effectiveness of systems for monitoring compliance and any instances of non-compliance;
- d. Obtains regular updates from Legal on the status of material open litigation and other proceedings and the related reserves;
- e. Reviews periodically any significant complaints received;
- f. Reviews business risk profiles and periodic risk management statements including key risk report and action plan progress;
- g. Reviews and monitors fraud and anti-money laundering policies of the Company;
- h. Discusses with management the Group's framework for assessing and managing the Group's exposure to risks, the results of the risk assessments performed, and the steps management has taken to monitor that such exposures remain within the risk appetite set by the Group;
- i. The Board validates local entity's risk appetite position, as endorsed by the LRC, and set alert levels and limits on all functional risk indicators at least once every year, and should make all necessary decisions to manage risk consistently with their risk appetite;
- j. Assists the Board in performing its oversight functions for avoiding conflicts of interest of related parties by:
 - i. Implementing effective controls to effectively manage and monitor Related Party Transactions (RPTs) and ensure compliance with the approved RPT policy guidelines, as well as regulatory requirement;
 - ii. Reviewing and approving RPTs and ensure that dealings with RPTs are conducted on an arm's length basis at all times;
 - iii. Overseeing the evaluation of RPTs to ensure that approvals are conducted at arm's length basis, and made for the best interest of AXA Philippines
 - iv. Ensuring that appropriate steps are taken to control or mitigate the risks, and
 - v. Ensuring that these duties and duties that may from time to time be required under the existing Related Party Guidelines of the Company are performed.
- k. The scope of the systems of internal control, as reviewed by the Committee, should include internal control systems, including information technology security, that help ensure sound financial reporting and safeguarding of the Company's assets.

Financial Statements & Reporting Processes

To allow the Committee to form an opinion on the integrity of the publicly reported results and disclosures made in the financial statements of AXA Philippines and its contribution to the AXA Group and/ or Metrobank Group consolidated financial statements, the Committee:

- a. Reviews recent professional and regulatory issues and pronouncements and their impact on the financial statements and reporting processes of the Company;

- b. Reviews the results of management's testing of internal controls over financial reporting designed to assure the integrity of the entities' financial statement disclosures;
- c. Reviews the draft local GAAP financial statements to be submitted for approval to the Board to consider the quality, accuracy, completeness and clarity of the information provided and challenge, where necessary, the actions and judgments of management, particularly focusing upon:
 - i. Significant accounting policies or practices and any changes thereto;
 - ii. Compliance with Accounting Standards;
 - iii. Material decisions requiring a major element of judgment or significant estimates;
 - iv. The treatment and disclosure of any new complex and/or unusual transactions during the period;
 - v. Any significant adjustments resulting from external audit work or otherwise;
 - vi. Any qualifications or non-compliance with accounting standards or any listing, regulatory and/or legal requirements with regard to financial reporting;
 - vii. Any matters drawn to the attention of the Committee by the Company's external auditors;
- d. Considers the reconciliation between local GAAP financial statements and the financial statements reported for consolidation by the AXA Group and/ or Metrobank Group;
- e. Considers the results of, and procedures for the receipt, retention and investigation of, any significant complaints received by the Company regarding accounting, internal controls over financial reporting, or auditing matters.

External Auditors

To allow the Committee to form an opinion on the effectiveness, performance and independence of the Company's external auditors, the Committee:

- a. Considers the external auditors' internal policies and procedures regarding independence and quality control and receive confirmation that they have been applied;
- b. Reviews the external auditors' assignment plan, annual report and management letter;
- c. Monitors the statutory audit of the annual and consolidated financial statements;
- d. Informs the Board of Directors of the outcome of the statutory audit and explain how the statutory audit contributed to the integrity of financial reporting and what the role of the Committee was in that process;
- e. Reviews and monitors the independence of the external auditors;
- f. Reviews and makes a recommendation to the Board of Directors as to the appointment of the external auditors to provide non-audit services after analysing the threats to their independence and relevant safeguards that have been applied by the auditors;
- g. Considers the Group Non-Audit Services Policy and its implementation and advise the Board as to whether any updates or changes should be made to this Policy on a regular basis;
- h. Reviews the breakdown of the fees paid to the external auditors by the Company;
- i. Considers the appointment, reappointment, dismissal or resignation of the external auditors and oversee the process for selecting the external auditors, making recommendations regarding their appointment, reappointment, or dismissal to the Board;
- j. Reviews the additional report required from the external auditors and including their declaration of independence.

Internal Auditors

To allow the Committee to form an opinion on the effectiveness, performance and independence of the Company's internal auditors:

- a. Reviews and approves the Company's internal audit plan, charter, and activities particularly with regard to the Company's strategy and risk and control profile, ensuring it being adequately resourced and free from constraint by management;
- b. Considers the adequacy of resources available to the Company's internal audit function (both financial budget and skills available) in the context of the risk and control profile of the Company;
- c. Reviews the major findings presented by Internal Audit and consider the appropriateness of management's response to them;
- d. Reviews the quarterly report on resolution of internal audit issues, requesting further management explanation where necessary for high priority issues that are overdue;
- e. Review a periodic independent assessment of the effectiveness of the internal audit function, including compliance with the International Professional Practices Framework or generally accepted auditing standards;
- f. Reviews the performance of the internal audit function including a periodic objective assessment of the effectiveness of the internal audit function; and
- g. Considers the appointment, appraisal, resignation and dismissal of the Head of Audit

Other Duties

The Committee shall:

- a. Performs other activities according to the applicable regulatory requirements and the joint venture agreement between the shareholders;
- b. Performs other activities related to these terms of reference as requested by the Board;
- c. Reviews and assesses the adequacy of these terms of reference annually, requesting Board approval for proposed changes;
- d. Confirms annually that all responsibilities outlined in these terms of reference have been carried out; and
- e. Evaluates the performance of the Committee and its members on a regular basis.

RELATED PARTY TRANSACTIONS

AXA Philippines has an existing Related Party Guidelines being implemented pursuant to Insurance Commission Circular No. 2017-29 dated May 2, 2017. Said Guidelines is being implement to: (1) Ensure that Related Party transactions are only undertaken on an arm's length basis for the financial, commercial and economic benefit of AXA Philippines and the entire group where AXA Philippines belongs; (2) Identify, manage or avoid conflict of interest and comply with regulatory and best practices; and (3) Ensure that a process for approval or rejection of Related Party transaction has been undertaken.

The RPT policy guidelines cover and capture a broader spectrum of transactions not only those that give rise to credit and/or counterparty risks but also those that could pose material risk or potential abuse to AXA Philippines, and its stakeholders. Approval and endorsement by the appropriate Related Party Committee (Committee) is required for all related party transactions which would have significant risks to AXA Philippines, among others.

Under the guidelines, the members of the board, stockholders, and management shall disclose to the Committee whether they directly, indirectly or on behalf of third parties, have a financial interest in any transaction or matter affecting AXA Philippines. Directors and officers with personal interest in the transaction shall abstain from the discussion, approval and management of such transaction or matter affecting AXA Philippines.

The Guidelines also require disclosure and reporting according to the requirements of regulations.

DIVIDEND POLICY

AXA Philippines shall declare and pay dividends out of the unrestricted retained earnings which shall be payable in cash, property or stock to all stockholders on the basis of outstanding stock held by them, as often and at such times as the Board of Directors may determine and in accordance with law and applicable rules and regulations. In so doing, the Board of Directors shall take into account the provisions of applicable law, the By-laws, and the reasonable financial requirements of the Corporation for the following 12 months in order for the Corporation to maintain a solvency ratio that is at least compliant with the applicable laws plus such margin as is determined by the Board of Directors from time to time.

For 2018, AXA Philippines declared and paid cash dividends of Php 1.595 Billion from its unrestricted retained earnings as of 31 December 2017, payable to its stockholders in proportion to their respective shareholdings.

WHISTLE BLOWING POLICY

AXA Philippines adheres to its 2018 Local Whistleblower Policy which is designed to facilitate fair and thorough investigations of all reported instances of improper conduct through a mechanism that ensures that the person making the disclosure is protected from any potential reprisals or retaliatory actions. All reported incidents and any information given will be treated in confidence and every effort will be made not to reveal the identity of the person making the disclosure.

Reporting of any concerns or suspicions on possible violation of rights or unethical behavior may be made through the following details below:

AXA Philippines

34/F GT Tower, 6813 Ayala Avenue corner H.V. dela Costa Street, Makati City

Tel. No.: +63 2 885-0101

Email: whistleblower@axa.com.ph

AXA Group

Email: speak-up@axa.com



FINANCIAL STATEMENTS

20
18 ANNUAL
REPORT

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Philippine AXA Life Insurance Corporation

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the parent company financial statements of Philippine AXA Life Insurance Corporation (the Parent Company), which comprise the parent company statements of financial position as at December 31, 2018 and 2017, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Parent Company as at December 31, 2018 and 2017, and its parent company 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 Parent 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 parent company 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.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the information included in the Annual Report for the year ended December 31, 2018, but does not include the parent company financial statements and our auditor's report thereon. The Annual Report for the year ended December 31, 2018 is expected to be made available to us after the date of this auditor's report.

Our opinion on the parent company financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the parent company financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the parent company financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE PARENT COMPANY FINANCIAL STATEMENTS

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

In preparing the parent company financial statements, management is responsible for assessing the Parent 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 Parent Company or to cease operations, or has no realistic alternative but to do so.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE PARENT COMPANY FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the parent company 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 parent company 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 parent company 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 Parent 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 Parent 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 parent company 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 Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the parent company financial statements, including the disclosures, and whether the parent company 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

Our audits were conducted for the purpose of forming an opinion on the basic parent company financial statements taken as a whole. The supplementary information required under Revenue Regulation No. 15-2010 in Note 28 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic parent company financial statements. Such information is the responsibility of the management of Philippine AXA Life Insurance Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic parent company financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic parent company financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Arnel F. De Jesus
Partner

CPA Certificate No. 43285
SEC Accreditation No. 0075-AR-4 (Group A),
May 1, 2016, valid until May 1, 2019
Tax Identification No. 152-884-385
BIR Accreditation No. 08-001998-15-2018,
March 14, 2018, valid until March 13, 2021
PTR No. 7332542, January 3, 2019, Makati City
April 25, 2019

PHILIPPINE AXA LIFE INSURANCE CORPORATION
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2018	2017
ASSETS		
Cash and cash equivalents	₱3,552,862,997	₱3,418,444,893
Short-term investments	—	1,048,400,600
Insurance receivables	163,130,262	169,164,506
Financial assets		
Financial assets at fair value through profit or loss	1,509,204,606	1,445,022,657
Available-for-sale financial assets	8,854,599,092	8,016,079,657
Loans and receivables - net	947,270,138	926,242,198
Accrued income	153,455,170	146,998,009
Investment in a subsidiary	3,559,440,576	3,901,960,000
Property and equipment - net	462,878,225	292,837,314
Intangible assets - net	5,917,186	8,153,252
Deferred tax assets - net	98,234,344	297,469,426
Other assets	179,736,666	126,292,543
	19,486,729,262	19,797,065,055
Assets held to cover unit-linked liabilities	96,629,658,936	94,581,559,455
	₱116,116,388,198	₱114,378,624,510
LIABILITIES AND EQUITY		
Liabilities		
Insurance contract liabilities	₱7,406,316,858	₱9,402,001,483
Premium deposit fund	130,165,830	103,596,998
Life insurance deposits	254,177,134	259,788,786
Insurance payables	172,586,511	159,020,752
Trade and other liabilities	1,676,437,414	1,760,882,322
Net pension liability	172,806,606	209,970,822
Income tax payable	372,611,764	337,649,593
	10,185,102,117	12,232,910,756
Unit-linked liabilities	96,629,658,936	94,581,559,455
	106,814,761,053	106,814,470,211
Equity		
Capital stock	1,000,000,000	1,000,000,000
Contributed surplus	50,000,000	50,000,000
Contingency surplus	9,343,183	9,343,183
Retained earnings	8,307,738,057	7,167,509,804
Revaluation reserves on available-for-sale financial assets	(500,170,863)	177,370,185
Remeasurement gain (loss) on life insurance reserves	512,902,145	(751,187,248)
Actuarial losses on defined benefit plan	(78,021,999)	(88,718,247)
Treasury stock	(163,378)	(163,378)
	9,301,627,145	7,564,154,299
	₱116,116,388,198	₱114,378,624,510

PHILIPPINE AXA LIFE INSURANCE CORPORATION
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2018	2017
REVENUE		
Gross premiums on insurance contracts issued	₱29,708,433,098	₱26,359,115,868
Premiums ceded to reinsurers	(265,100,272)	(174,561,371)
Net insurance premiums	29,443,332,826	26,184,554,497
Subscriptions allocated to investment in unit-linked funds	(20,564,884,103)	(17,681,972,251)
	8,878,448,723	8,502,582,246
Asset management fees	1,765,038,596	1,518,159,886
Investment income	603,957,967	702,733,848
Foreign exchange gains - net	34,273,015	752,437
Other income	109,095,904	12,550,233
	11,390,814,205	10,736,778,650
BENEFITS, CLAIMS AND OPERATING EXPENSES		
Gross benefits and claims	11,051,699,029	12,875,160,947
Reinsurers' share of gross benefits and claims	(68,745,160)	(62,296,223)
Policyholders' dividends and interest	90,493,213	85,308,811
Decrease in unit-linked liabilities due to surrenders	(9,710,664,916)	(10,605,133,107)
Net benefits and claims incurred	1,362,782,166	2,293,040,428
Increase (decrease) in legal policy reserves	(719,873,293)	(53,021,102)
Net insurance benefits and claims	642,908,873	2,240,019,326
Loss (gain) on assets held to cover unit-linked liabilities	10,064,064,857	(14,252,650,111)
Increase (decrease) in unit-linked liabilities due to (loss) gain on assets held to cover unit-linked liabilities	(10,064,064,857)	14,252,650,111
Operating and administrative expenses	4,582,846,848	3,461,993,455
Commission expense	1,879,304,948	1,541,301,754
Agency development expenses	157,083,027	131,009,831
Premium and documentary stamp taxes	97,621,588	85,600,809
Interest on defined benefit obligation	10,231,420	6,009,811
Medical and inspection fees	5,184,544	4,781,514
Interest on premium deposit fund	4,200,210	1,757,888
	7,379,381,458	7,472,474,388
INCOME BEFORE INCOME TAX	4,011,432,747	3,264,304,262
PROVISION FOR INCOME TAX	1,276,204,494	903,730,659
NET INCOME	2,735,228,253	2,360,573,603
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that will not be reclassified into profit or loss, net of tax:		
Remeasurement gains (losses) on defined benefit plan	10,696,248	(14,266,104)
Net change in remeasurement on life insurance reserves	1,264,089,393	343,111,639
	1,274,785,641	328,845,535
Item that will be reclassified into profit or loss:		
Net change in fair value of available-for-sale financial assets	(677,541,048)	(119,375,713)
	597,244,593	209,469,822
TOTAL COMPREHENSIVE INCOME	₱3,332,472,846	₱2,570,043,425

PHILIPPINE AXA LIFE INSURANCE CORPORATION
PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

	Capital Stock	Contributed Surplus	Contingency Surplus	Revaluation Reserves on Available-for-sale Financial Assets	Remeasurement gain (loss) on life insurance reserves	Actuarial Gains (Losses) on Defined Benefit Plan	Retained Earnings	Treasury Stock	Total
Balances as at January 1, 2018	₱1,000,000,000	₱50,000,000	₱9,343,183	₱177,370,185	(₱751,187,248)	(₱88,718,247)	₱7,167,509,804	(₱163,378)	₱7,564,154,299
Net income for the year	—	—	—	—	—	—	2,735,228,253	—	2,735,228,253
Other comprehensive income (loss)	—	—	—	(677,541,048)	1,264,089,393	10,696,248	—	—	597,244,593
Total comprehensive income (loss)	—	—	—	(677,541,048)	1,264,089,393	10,696,248	2,735,228,253	—	3,332,472,846
Cash Dividends	—	—	—	—	—	—	(1,595,000,000)	—	(1,595,000,000)
As of December 31, 2018	₱1,000,000,000	₱50,000,000	₱9,343,183	(₱500,170,863)	₱512,902,145	(₱78,021,999)	₱8,307,738,057	(₱163,378)	₱9,301,627,145
Balances as at January 1, 2017	₱1,000,000,000	₱50,000,000	₱9,343,183	₱296,745,898	(₱1,094,298,887)	(₱74,452,143)	₱5,806,936,201	(₱163,378)	₱5,994,110,874
Net income for the year	—	—	—	—	—	—	2,360,573,603	—	2,360,573,603
Other comprehensive income (loss)	—	—	—	(119,375,713)	343,111,639	(14,266,104)	—	—	209,469,822
Total comprehensive income (loss)	—	—	—	(119,375,713)	343,111,639	(14,266,104)	2,360,573,603	—	2,570,043,425
Cash dividends	—	—	—	—	—	—	(1,000,000,000)	—	(1,000,000,000)
As of December 31, 2017	₱1,000,000,000	₱50,000,000	₱9,343,183	₱177,370,185	(₱751,187,248)	(₱88,718,247)	₱7,167,509,804	(₱163,378)	₱7,564,154,299

PHILIPPINE AXA LIFE INSURANCE CORPORATION
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱4,011,432,747	₱3,264,304,262
Adjustments for:		
Interest income	(659,423,821)	(528,727,509)
Provision for impairment loss on investment in subsidiary	342,519,424	—
Depreciation and amortization	128,691,485	120,044,479
Fair value losses (gains) on financial assets at fair value through profit or loss	99,164,712	(77,434,236)
Amortization of bond discount	76,832,797	41,679,812
Retirement expense	58,117,512	43,877,821
Unrealized foreign exchange gains	(34,273,015)	(752,437)
Dividend income	(16,039,437)	(17,173,574)
Interest on defined benefit obligation	10,231,420	6,009,811
Provision for credit losses on loans and receivables	9,886,640	7,174,350
Loss on disposal of property and equipment	1,302,044	—
Gain on sale of available-for-sale financial assets	—	(71,979,883)
Operating income before changes in working capital	4,028,442,508	2,787,022,896
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Other assets	(53,444,124)	(31,367,496)
Insurance receivables	6,034,244	(53,818,745)
Loans and receivables	(30,914,580)	(217,801,044)
Increase (decrease) in:		
Trade and other liabilities	(84,444,908)	600,277,155
Insurance contract liabilities	(731,595,232)	430,727,241
Life insurance deposits	(5,611,652)	62,985,261
Premium deposit fund	26,568,832	19,604,587
Insurance payables	13,565,759	13,759,144
Net cash generated from operations	3,168,600,847	3,611,388,999
Proceeds from disposal/maturities of:		
Available-for-sale financial assets	3,897,025,824	737,716,358
Financial assets at fair value through profit or loss	457,579,276	3,090,435,841
Acquisitions of:		
Available-for-sale financial assets	(5,489,919,104)	(550,816,401)
Financial assets at fair value through profit or loss	(620,925,937)	(3,590,176,269)
Interest received	652,865,644	520,891,831
Contributions paid to the pension fund	(90,232,794)	—
Dividends received	16,140,453	18,359,333
Income taxes paid	(1,046,591,346)	(835,531,269)
Net cash provided by operating activities	944,542,863	3,002,268,423

(Forward)

	Years Ended December 31	
	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturity of:		
Short-term investment	₱1,048,400,600	₱282,348,789
Acquisitions of:		
Property and equipment	(297,798,374)	(220,972,658)
Short-term investment	—	(1,048,400,600)
Net cash provided by (used in) investing activities	750,602,226	(987,024,469)
CASH FLOWS FROM FINANCING ACTIVITY		—
Cash dividends paid	(1,595,000,000)	(1,000,000,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS	100,145,089	1,015,243,954
EFFECTS OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS	34,273,015	752,437
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,418,444,893	2,402,448,502
CASH AND CASH EQUIVALENTS AT END OF YEAR	₱3,552,862,997	₱3,418,444,893



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