



渣打平安保險公司
Charter Ping An

2018

ANNUAL REPORT

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MESSAGE FROM THE CHAIRMAN

We are poised for growth.

Last year, 2018, had its share of challenges for the national economy. The steep rise in inflation and the cost of everyday goods became a daily topic of conversation for our countrymen. Yet these challenges did not slow down spending—and neither did it slow us down. Through various channels—online, in-person, through ads, articles, and agents—AXA Philippines communicated the importance of having a future-oriented outlook and encouraged consumers to value the things that will matter in the long run; health and wellness, financial security, and peace of mind. Our efforts were rewarded with a 17% increase in combined total premium income for AXA Philippines, and for Charter Ping An, which this year began operating under the AXA name.

With reports that the Philippine insurance market reached its highest penetration rate last year, it's evident that Filipinos are beginning to make that important mind-shift. As inflation rates soften this year and free up spending for Filipinos, we must prepare to stake our claim in this vibrant, growing, and competitive marketplace.

Since becoming part of the AXA group, Charter Ping An's ranking has risen to top two insurer with Php 4.08 billion in net premiums, based on the Insurance Commission's (IC) most recent assessment, jumping from our number five spot the year before. Last year, we also maintained our positive growth in assets, registering an 10% increase to reach Php 13 billion. General Insurance (GI) products gross written premiums stayed steady last year, even while last year's focus was on Protection & Health products, a sector that grew by 15%. AXA Philippines as a whole continues to outstep the rest of the industry, with Php 3.1 billion in net income and a 29% increase in total premium income, higher than the market's 20%.

We can forecast steady, if not expansive, growth for all areas of our business, with a projected 22% rise in income this year for parent company AXA Philippines, driven by the 44% increase in our sales force. The transition to carrying a full-suite of life and non-life products carries with it the challenge of integration as every aspect of our business must show consistency in delivering excellence, from our distributors to our service centers to our claims agents. As of now, we have 2,062 licensed GI agents, with the goal of training and licensing our full workforce to handle both life and GI transactions so we can advance unified as AXA Philippines.



Along with our on-the-ground, in-person distributors, digital innovations will help drive the expansive growth we project for 2019. Last year, AXA's e-commerce business rose by 82% in APE and posted an astounding 251% increase in GWP, with the digital GI products Smart Traveller and Car Insurance Online contributing to this milestone.

Technology is also spurring growth not just in sales but in data-gathering and analysis. Data is how we learn how to serve our customers better, what products should be developed, and how to capitalize on opportunities and maximize our advantage. The focus on data-driven innovation is shared by AXA Global, and we are proud to be one of the countries to be on the forefront of digital advancements, data science, and information technology.

As AXA Philippines, we have the prime position of being the country's first and only leading financial services provider to offer a full-suite of life and non-life insurance products. Others will follow suit; others will try to challenge us. But with the support of our joint venture partner, the strength of our strategic alliances, the visionary leadership of our Philippine team, and the hard work and passion of our growing workforce, we will continue to do what we do best: face the future with assurance and optimism.

We thank our customers for entrusting their future to us. It is a privileged responsibility we aim to honor everyday with our efforts to deliver excellence. Together with you, our valued shareholders, we will move forward courageously and confidently for an even better 2019.

Sincerely,
Solomon S. Cua
Chairman

MESSAGE FROM THE **PRESIDENT** AND **CEO**

One AXA, one mission

It feels good to be first. We are now the country's only leading full-range insurance provider, as 2018 marked the first year that Charter Ping An fully took on the AXA Philippines brand. The name our customers trust for their life insurance needs is now also be the name that comes to mind for their general insurance needs. Moving forward, "One AXA" is now not only a company rallying call, but our declaration and promise to the public.

COMMITMENT TO CUSTOMER-CENTRICITY

With the opening of the AXA Service Center in Binondo in October 2018, we were able to provide a service hub that caters to all our customers' insurance needs. This will serve as a cornerstone upon which to build our unified customer service systems as we continue to transition all AXA and CPAIC branches to become consolidated AXA branches, able to handle both life and general insurance transactions.

Last year we exceeded our CXT target, achieving a record-breaking 103% of our target at 79.5 points. While this is a point of pride, it is simply a jumping-off point on which we can propel ourselves for the coming year. We can always find ways to improve.

COMMITMENT TO EQUIP AND EMPOWER OUR EMPLOYEES

We are only as strong as our people—the lifeblood of our company. Through a push for integration and training, AXA's agents (now an unprecedented 5,270 of them) are being licensed to also sell general insurance products, and vice versa.

It is in this environment that we launched the AXA Academy last July 10. We are committed to professionalism and our employees' personal advancement, because their growth translates into the growth of our business. It is through our new state-of-the-art training center that we will be equipping the people who will be empowering people to live their best lives and to pursue their dream futures. Supporting our agents and employees with world-class training allows them to give our clients world-class service, befitting the global brand that has been named by Interbrand as the #1 insurance brand for the 10th consecutive year.



COMMITMENT AND DRIVE TO INNOVATE

Our customers are younger, more dynamic, not content with business as usual, with more choices and more power to choose, a privilege afforded to them by the digital information age we now live in. We not only protect what is valuable to our customer, but we recognize what the customer sees as valuable: relevant information delivered accurately and efficiently. Through technology, we can close the gaps in the customer acquisition funnel. Through our digital content, we can be there with the customer in all the times when our agents cannot be, times when the decision to invest or commit to insurance is made, perhaps while scrolling through travel destinations on Instagram or working overtime to launch a small home business late at night. With a click of a button, they can become AXA policyholders.

The AXA Auto Assist app, launched last December, also gave our auto security clients a digital lifeline in case of car trouble, with an emergency button to press for assistance. When they become AXA customers they are not just paying for an insurance policy, but for peace of mind, whenever, wherever. Through customer-centric solutions like this, AXA delivers and exceeds expectations.

By continuing to focus on people, those we serve, those we employ, those we aim to reach, we stay true to our mission and fulfill our purpose. We can boast that even in a time of national financial uncertainty, Filipinos still chose to secure their future with AXA Philippines. Despite personal finances being stretched due to inflation, our agents helped customers see the long game and envision a better future through various AXA products and services. This year, as inflation softens and personal finances stabilize, we can project even more growth, for all the insurance solutions we offer.

Sincerely,
Rahul Hora
President and CEO
AXA Philippines

OPERATIONAL HIGHLIGHTS

Charter Ping An finished 2018 strong, leaping up in the rankings of the Insurance Commission from the fifth spot to top two, with Php 4.08 billion in net premiums.

After its full acquisition by AXA in 2016, Charter Ping An began operating under the AXA Philippines brand name in 2018, making AXA Philippines the country's only leading insurance provider that offers a full range of insurance products that now includes not only life insurance but also fire, motor/car, marine cargo, bonds, casualty, and engineering coverage, as well as comprehensive travel insurance and personal accident insurance products.

This milestone was successfully communicated through the "Choose AXA" campaign, which highlighted the proposition that AXA can now also be entrusted with our customers' businesses, homes, vehicles, and travel plans alongside life products such as educational plans, health insurance, and wealth management.

Empowered employees empower customers



Our AXA family grew radically in 2018: 44% increase in the number of advisors, 30% larger sales force, 61% more managers. It is a testament to our brand that we are able to attract and hire so many passionate, driven, and committed individuals. Of our 5,270 agents, roughly 39% are licensed to sell general insurance products.

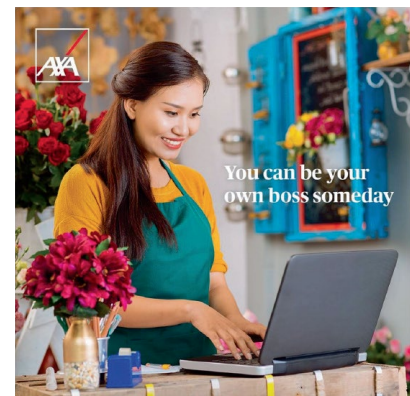
To equip them and maintain our high standard of professionalism, competence, and customer service, the almost 1,000-square-meter AXA Academy opened its doors last July 10 in Makati. This state-of-the-art training facility, which serves as the company's center for people development, was praised by Insurance Commissioner Dennis Funa for its integral role in improving the financial literacy of the Filipino people. AXA Philippines' President and CEO Rahul Hora called the center a "symbol of what our people mean to us as an organization."

Delivering customer service in ways that matter

Our customer satisfaction score grew to 79.5%, 1.3% higher than 2017's CXT. Through intensive training for all our employees, including integrating the different business processes for life and general insurance, we were able to improve productivity by 10% compared to last year, leading to faster claims and more cases handled per agent. By synergizing our operations and training frontliners and support staff to handle both life and non-life transactions and cases, we improved the customer experience in ways that are relevant to the customer: less time spent looking for information from various sources, talking to different people for their diverse coverage needs, and a greater sense of partnership between policyholder and provider.

The Finance division fully integrated life and non-life insurance functions to speed up claims processing and other transactions.

The AXA Service Center in Binondo, on soft launch in the last quarter of 2018, is our new integrated financial services hub, which we hope to learn from and replicate in AXA and CPAIC branches nationwide.



Securing our future through technology

In 2018, we continued our push to provide innovative digital solutions to all policyholders and potential clients, by launching a number of apps, digital products, and website-based services to support the general insurance products we offer. Through the AXA Assist app, auto security policyholders can file damage claims on-site, as well as opt for premium benefits, such as roadside assistance, medical help, towing, and other emergency services. Auto insurance can also be availed online directly through the AXA Philippines website, providing an end-to-end e-commerce customer experience, from receiving an accurate quote and submitting documents and receiving approval for coverage, to making a claim.

We also started transitioning to e-policies last year, providing clients (starting with life insurance but targetting to include general insurance clients in 2019) with easy access to all policy details, as well as being a completely valid and legal document approved and recognized by the Insurance Commission. E-policies can be printed out and stored securely and instantly, or emailed to and accessed by beneficiaries, in case the need arises suddenly.



Recognizing excellence

Our president and CEO Rahul was honored as an Outstanding Leader in Asia at the Asia Corporate Excellence & Sustainability Awards, for his business acumen, professionalism, and entrepreneurship.

MyAXA Café, our online insight community took home the Silver Award at the prestigious Efma-Accenture Innovation in Insurance Awards, recognizing our desire to lead the industry in digital initiatives and to use technology to seek out opportunities for growth and innovation in service of the customer. Vision Critical, a cloud-based customer intelligence platform provider, also named MyAXA Café as New Community of the Year at its 2018 international Visionary Awards.



We continue to be lauded for our drive to advance Filipinos' perception and relationship with insurance services. At the 16th Philippine Quill Awards, which honors achievements in business communication, AXA Philippines received 3 Excellence awards and 4 Merit Awards, including one for our campaign for online travel insurance product Smart Traveller.

AXA Global remained in the top spot as Interbrand's Best Global Insurance Brand for the tenth consecutive year.



渣打平安保險公司
Charter Ping An

BOARD OF DIRECTORS

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 Raymundo
Chief Distribution Officer



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

BOARD OF DIRECTORS



SOLOMON S. CUA
CHAIRMAN

Age: 63 years old

Date of first appointment: 2016

Length of Service: 2 years

Directorship in other companies: AXA Philippines, Philippine Racing Club, Inc. Grand Titan Holdings, Inc., Philippine Newton Global Solutions, Palm Integrated Commodities, Inc., SC & SSC Holdings, Inc., and Profriends Developer, Inc.

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: 2018

Length of Service: Less than a year

Directorship in other companies: Metropolitan bank & Trust Company, Metropolitan Bank (China) Ltd., GT Capital Holdings, Inc., First Metro Investment Corporation, Philippine Savings Bank, AXA Philippines.

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: 2018

Length of Service: Less than a year

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: AXA Philippines

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



NICOLAS FAUVARQUE

CHIEF RISK OFFICER AND HEAD OF INSURANCE OFFICE FOR ASIAN MARKETS, NON EXECUTIVE DIRECTOR

Age: 39

Date of first appointment: 2018

Length of Service: Less than 1 year

Directorship in other companies: AXA Philippines

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.



JAIME C. LAYA

INDEPENDENT DIRECTOR

Age: 80 years old

Date of first appointment: 2016

Length of Service: 2 years

Directorship in other companies: AXA Philippines, Philtrust Bank, Escuela Taller de Filipinas Foundation, Inc., GMA Network, Inc., GMA Holdings, Inc., Ayala Land, Inc., Manila Water Company, Inc.

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 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

BOARD OF DIRECTORS



LOPE M. YUVIENCO INDEPENDENT DIRECTOR

Age: 75 years old

Date of first appointment: 2016

Length of Service: 2 years

Directorship in other companies: AXA Philippines

Relevant experience: Mr. Yuvienco was an Independent Director of ORIX Metro Leasing 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

VY TONNE SO ADVISER TO THE BOARD

ROBERT YU ADVISER TO THE BOARD

BRUNO PESENTI ADVISER TO THE BOARD

ANGELICA S. REYES CORPORATE SECRETARY

JILL MARIE B. LOPEZ ASST. CORPORATE SECRETARY

ARIC JUSTIN TY ASST. CORPORATE SECRETARY

WENDY T. SAEZ CO TREASURER

CORPORATE GOVERNANCE

CPAIC is committed to the highest standard of corporate governance.

CPAIC 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 CPAIC. 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 seven highly qualified business professionals. Of the seven, 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 CPAIC 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
Solomon S. Cua	●	●	●	●	●
Bienvenido E. Laguesma*	●				
Rahul Hora	●	●	●	●	●
Alexander T. Chua**	●				
Jaime C. Laya	●	●	●	●	●
Lope Yuvienco	●	●	●	●	●
Claude Seigne***					
Vy Tonne So	●	●	●	●	●
Ronaldo San Jose****	●				
Gerry Tee*****	●				
Doina Palici-Chehab*****					
Bruno Pesenti*****		●			●
Arthur V. Ty*****		●	●	●	●
Fernand Antonio Tansingco*****		●	●	●	●
Nicolas Fauvarque*****		●	●	●	●
Robert Yu	●	●	●	●	●
Wendy Saez Co		●	●	●	●
Angelica Reyes*****		●	●	●	●
Aric Justin Ty*****		●	●	●	

Notes:

*Resigned effective 25 April 2018

**Resigned effective 25 April 2018

***Resigned effective 25 April 2018

****Resigned effective 25 April 2018

*****Resigned effective 25 April 2018

*****Resigned effective 28 February 2018

*****Elected on 28 February 2018

*****Elected on 25 April 2018

*****Elected on 25 April 2018

*****Elected on 25 April 2018

*****Elected on 25 April 2018

*****Elected on 25 April 2018

BOARD COMMITTEES

CPAIC 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.

	28 Feb	2 Apr	28 May	31 Aug
Solomon S. Cua	●	●	●	●
Robert T. Yu*	●		●	
Rahul Hora	●	●	●	●
Ronaldo San Jose**	●	●	●	●
Claude Seigne***				
Vy Tonne So****	●	●	●	●
Bienvenido E. Laguesma*****	●		●	
Fernand Antonio A. Tansingco*****			●	●
Nicolas Fauvarque*****			●	●
Arthur Ty*****				●

Notes:

*Resigned effective 25 April 2018

**Resigned effective 25 April 2018

***Resigned effective 25 April 2018

****Resigned effective 25 April 2018

*****Resigned effective 25 April 2018

*****Elected on 25 April 2018

*****Elected on 25 April 2018

*****Elected on 25 April 2018

Board Investment Committee (BIC)

The BIC approves material acquisitions and disposal of Company property.

	22 Feb	13 Jun	31 Aug		
Fernand Antonio A. Tansingco	●	●	●	●	●
Rahul Hora	●	●	●		●
Alesandra T. Ty	●	●		●	●
Jean Drouffe*	●	●	n.a.	n.a.	n.a.
Ronaldo C. San Jose	●	●	●	●	●
Gerry Y. Tee**	●	n.a.	n.a.	n.a.	n.a.
Solomon Cua	n.a.	●	●	●	●
Doina Palici-Chebab***	n.a.	n.a.	●		

Notes:

*Resigned effective 30 August 2017

**Term ended effective 26 April 2017

***Elected on 30 August 2017

RISK MANAGEMENT AND COMPLIANCE

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

CPAIC commits to comply with all insurance and consumer laws and regulations. In this regard, CPAIC 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 CPAIC. 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:

- 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;
- Reviews regular updates from management on significant complaints, external and internal fraud.
- 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;
- Obtains regular updates from Legal on the status of material open litigation and other proceedings and the related reserves;
- Reviews periodically any significant complaints received;
- Reviews business risk profiles and periodic risk management statements including key risk report and action plan progress;
- Reviews and monitors fraud and anti-money laundering policies of the Company;
- 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 CPAIC
 - 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 CPAIC and its contribution to the CPAIC 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; and
 - 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

CPAIC 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 CPAIC and the entire group where CPAIC 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 CPAIC, 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 CPAIC, 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 CPAIC Philippines. Directors and officers with personal interest in the transaction shall abstain from the discussion, approval and management of such transaction or matter affecting CPAIC.

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

DIVIDEND POLICY

CPAIC 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.

There were no dividends declared and paid in 2018.

WHISTLE BLOWING POLICY

CPAIC adheres to the AXA Philippines 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:

Charter Ping An

29/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

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Charter Ping An Insurance Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Charter Ping An Insurance Corporation (the Company), which comprise the statements of financial position as at December 31, 2018 and 2017, and the 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, 2018 and 2017, 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.

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 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 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 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 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 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.

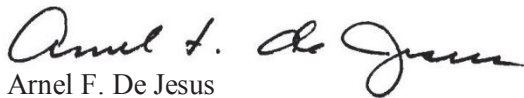
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 29 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Charter Ping An Insurance Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic 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

CHARTER PING AN INSURANCE CORPORATION
STATEMENTS OF FINANCIAL POSITION

	December 31, 2018	December 31, 2017 (As Restated)	January 1, 2017 (As Restated)
ASSETS			
Cash and cash equivalents	₱986,510,697	₱1,262,840,629	₱1,507,028,832
Short-term investments	3,000,000	113,500,000	2,000,000
Insurance receivables - net	2,870,072,384	2,651,096,021	1,658,080,506
Financial assets			
Available-for-sale financial assets	3,889,308,191	3,675,586,063	3,121,224,133
Loans and receivables - net	80,793,674	55,940,744	33,058,691
Reinsurance assets	3,903,053,703	3,004,988,932	3,003,293,618
Deferred acquisition costs	600,952,599	523,022,648	398,581,438
Property and equipment - net			
At cost	144,513,351	101,758,008	72,831,799
At revalued amount	132,990,192	141,719,166	150,448,141
Assets held for sale	54,812,000	27,338,997	33,514,420
Net deferred tax assets	235,915,775	158,032,587	33,895,804
Other assets	177,928,338	154,909,585	67,905,205
TOTAL ASSETS	₱13,079,850,904	₱11,870,733,380	₱10,081,862,587
LIABILITIES AND EQUITY			
Liabilities			
Insurance contract liabilities	₱7,946,692,281	₱6,982,073,079	₱6,129,407,654
Insurance payables	757,678,655	779,700,262	812,865,307
Accounts payable and accrued expenses	2,189,417,505	1,832,958,989	914,190,649
Net retirement benefit obligation	57,905,744	72,767,110	135,613,685
Income tax payable	13,313,287	—	—
Deferred reinsurance commissions	137,836,227	109,268,658	111,905,838
Total Liabilities	11,102,843,699	9,776,768,098	8,103,983,133
Equity			
Capital stock	512,500,000	512,500,000	512,500,000
Contingency surplus	1,800,000,000	1,800,000,000	1,800,000,000
Additional paid-in capital	6,634,245	6,634,245	6,634,245
Revaluation reserve on:			
Available-for-sale financial assets	(69,722,384)	39,576,513	37,765,489
Property and equipment	96,980,228	96,980,228	96,980,228
Remeasurement loss on defined benefit obligation	(26,857,112)	(37,180,991)	(81,804,618)
Deficit	(342,527,772)	(324,544,713)	(394,195,890)
Total Equity	1,977,007,205	2,093,965,282	1,977,879,454
TOTAL LIABILITIES AND EQUITY	₱13,079,850,904	₱11,870,733,380	₱10,081,862,587

CHARTER PING AN INSURANCE CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2018	2017 (As Restated)
Gross earned premiums on insurance contracts	¥5,663,188,909	¥5,234,470,078
Reinsurers' share of gross earned premiums on insurance contracts	(1,820,209,100)	(1,723,375,885)
Net insurance earned premiums	3,842,979,809	3,511,094,193
Commission income	215,060,453	147,982,855
Interest income	172,243,249	142,228,702
Gain on sale of available-for-sale financial assets	610,652	18,649,508
Dividend income	3,812,566	4,403,542
Others – net	18,960,670	29,125,137
Other income	410,687,590	342,389,744
Total income	4,253,667,399	3,853,483,937
Gross insurance contract benefits and claims paid	2,848,774,537	2,040,243,019
Reinsurers' share of gross insurance contract benefits and claims paid	(819,867,661)	(341,572,119)
Gross change in insurance contract liabilities	925,644,229	393,080,308
Reinsurers' share of gross change in insurance contract liabilities	(920,860,836)	(110,742,998)
Net insurance benefits and claims	2,033,690,269	1,981,008,210
Operating expenses	1,378,651,649	1,169,900,147
Commission expense	882,160,460	720,892,829
Interest expense	3,520,038	7,466,384
Other expenses	2,264,332,147	1,898,259,360
Total benefits, claims and other expenses	4,298,022,416	3,879,267,570
Loss before income tax	(44,355,017)	(25,783,633)
Current	56,076,487	48,309,022
Deferred	(82,448,445)	(143,743,832)
Income tax benefit	(26,371,958)	(95,434,810)
NET INCOME (LOSS)	(17,983,059)	69,651,177
OTHER COMPREHENSIVE INCOME (LOSS)		
<i>Item that will be reclassified into profit or loss in subsequent periods:</i>		
Unrealized fair value gains/(losses) on available-for-sale financial assets	(108,688,245)	20,460,532
Fair value gain on available-for-sale financial assets transferred to profit or loss	(610,652)	(18,649,508)
<i>Items that will not be reclassified into profit or loss in subsequent periods:</i>		
Remeasurement losses on defined benefit obligation, net of tax effect	10,323,879	44,623,627
Total other comprehensive income (loss)	(98,975,018)	46,434,651
TOTAL COMPREHENSIVE INCOME (LOSS)	(¥116,958,077)	¥116,085,828

CHARTER PING AN INSURANCE CORPORATION

STATEMENTS OF CHANGES IN EQUITY

				Revaluation Reserves				
	Capital stock	Contingency surplus	Additional paid-in capital	Available-for-sale financial assets	Property and equipment	Remeasurement loss on defined benefit obligation	Retained earnings (deficit)	Total
As of January 1, 2018, as previously presented	₱512,500,000	₱1,800,000,000	₱6,634,245	₱39,576,513	₱96,980,228	(₱37,180,991)	(₱193,386,685)	₱2,225,123,310
Prior period adjustments	—	—	—	—	—	—	(131,158,028)	(131,158,028)
As restated	512,500,000	1,800,000,000	6,634,245	39,576,513	96,980,228	(37,180,991)	(324,544,713)	2,093,965,282
Net loss for the year	—	—	—	—	—	—	(17,983,059)	(17,983,059)
Other comprehensive income (loss)	—	—	—	(109,298,897)	—	10,323,879	—	(98,975,018)
Total comprehensive income (loss)	—	—	—	(109,298,897)	—	10,323,879	(17,983,059)	(116,958,077)
As of December 31, 2018	₱512,500,000	₱1,800,000,000	₱6,634,245	(₱69,722,384)	₱96,980,228	(₱26,857,112)	(₱342,527,772)	₱1,977,007,205
As of January 1, 2017, as previously presented	₱512,500,000	₱1,800,000,000	₱6,634,245	₱37,765,489	₱96,980,228	(₱81,804,618)	(₱305,575,087)	₱2,066,500,257
Prior period adjustments	—	—	—	—	—	—	(88,620,803)	(88,620,803)
As of January 1, 2017, as restated	512,500,000	1,800,000,000	6,634,245	37,765,489	96,980,228	(81,804,618)	(394,195,890)	1,977,879,454
Net income for the year, as previously presented	—	—	—	—	—	—	112,188,402	112,188,402
Prior period adjustments	—	—	—	—	—	—	(42,537,225)	(42,537,225)
Net income for the year, as restated	—	—	—	—	—	—	69,651,177	69,651,177
Other comprehensive income (loss)	—	—	—	1,811,024	—	44,623,627	—	46,434,651
Total comprehensive income (loss)	—	—	—	1,811,024	—	44,623,627	69,651,177	116,085,828
As of December 31, 2017	₱512,500,000	₱1,800,000,000	₱6,634,245	₱39,576,513	₱96,980,228	(₱37,180,991)	(₱324,544,713)	₱2,093,965,282

CHARTER PING AN INSURANCE CORPORATION

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2018	2017 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(P44,355,017)	(P25,783,633)
Adjustments for:		
Interest income	(172,243,249)	(142,228,702)
Depreciation and amortization	60,498,817	42,145,560
Loss (gain) on sale of available-for-sale financial assets	(610,652)	(18,649,508)
Impairment losses on insurance receivables and reinsurance assets- net	35,880,745	104,504,099
Dividend income	(3,812,566)	(4,403,542)
Loss (gain) on sale of property and equipment	(97,513)	(3,669,152)
Bad debts expense	-	909,737
Retirement expense	24,283,367	26,768,688
Interest on defined benefit obligation	3,403,921	6,304,691
Interest Expense	116,117	1,161,693
Operating loss before working capital changes	(96,936,030)	(12,940,069)
Decrease (increase) in:		
Reinsurance assets	(898,064,771)	(1,695,314)
Insurance receivables	(254,857,108)	(1,098,429,351)
Deferred acquisition costs	(77,929,951)	(124,441,210)
Short-term investments	110,500,000	(111,500,000)
Assets held for sale	(27,473,003)	6,175,423
Loans and receivables	(25,825,537)	(5,833,077)
Other assets	(2,991,683)	(66,777,310)
Increase (decrease) in:		
Insurance contract liabilities	964,619,202	852,665,425
Insurance payables	(22,021,607)	(33,165,045)
Deferred reinsurance commissions	28,567,569	(2,637,180)
Accounts payable and accrued expenses	356,458,516	918,768,340
Net cash generated from operations	54,045,597	320,190,632
Interest received	181,364,352	144,576,806
Interest paid	(116,117)	(1,161,693)
Dividends received	3,812,566	4,403,542
Contributions paid to the pension fund	(27,800,255)	(32,171,916)
Income tax paid	(63,287,016)	(68,336,092)
Net cash provided by operating activities	148,019,127	367,501,279
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale/maturities of:		
Available-for-sale financial assets	746,437,672	627,179,093
Property and equipment	246,606	7,563,557
Acquisition of:		
Available-for-sale financial assets	(1,076,359,058)	(1,180,194,932)
Property and equipment	(94,674,279)	(66,237,200)
Net cash used in investing activities	(424,349,059)	(611,689,482)

(Forward)

	Years Ended December 31	
	2018	2017 (Restated)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(276,329,932)	(244,188,203)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,262,840,629	1,507,028,832
CASH AND CASH EQUIVALENTS AT END OF YEAR	₱986,510,697	₱1,262,840,629



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