



# #TomorrowToday

AXA PHILIPPINES ANNUAL REPORT 2015



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# CHAIRMAN'S MESSAGE



SOLOMON S. CUA  
Chairperson

Dear Shareholder,

We are enormously pleased that 2015 has allowed AXA Philippines to take advantage of the encouraging economic environment to sustain its momentum and expand its business. Allow us to share some of the company's remarkable accomplishments for the past year.

The insurance industry in 2015 has benefited tremendously from the favorable business climate. Vigorous stock market performance and sound macroeconomic fundamentals have driven the industry forward, allowing it to reap a staggering P188.5 billion in Total Premiums and register a growth of 19%.

As partakers in the insurance sector's robust performance, we are proud to let you know that we have grown by 24% this year, posting a Total Premium Income of P22.8 billion compared to the P18.3 billion we had in 2014. This allowed us to further cement our market share from 11.6% a year ago to 12.1% to date and solidify our presence — as the strong second in the life insurance industry per the Insurance Commission's rankings.

Henri de Castries and Rien Hermans during the media briefing of #HDCinManila.





CSR activity of AXA Hearts in Action with Young Focus.

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Our ability to break ground into new product lines that includes the prospects from the acquisition of Charter Ping An shows our unwavering commitment to become one of the best financial institutions in the sector, giving us plenty to be optimistic about in the years to come.

Part of our success lies with the strong performance delivered by the people working in the distribution channels of AXA Philippines. Strong market growth of single premium investment products during the first half of the year provided steady foundations for the Bancassurance channel. On the other hand, the 2,700-strong team of financial advisors and the opening of multiple branches gave the Agency channel the boost they needed to grow their footprint. As a result, their combined tireless effort rewarded AXA Philippines with a 21% increase in new business sales equal to P4.76 billion as measured in Annualized Premium Equivalent (APE) — of which, two thirds came from the Bancassurance channel with the balance coming from the Agency channel.

*And we're only halfway through.*

Our strong partnership with Metrobank and PSBank – our main distribution channels – had overwhelmingly positive effects on our financial output, especially in terms of our earnings. In addition, AXA Philippines' regular premium income rose to P7.7 billion last year, a 24% growth that eclipses the industry's 22%. The stellar business development we enjoyed the previous year was capped by a 13% increase in our net income, which we saw rise to P1.4 billion. With over 800,000 lives insured and a growing pool of individual customers now at 215,000, year 2015 has indeed been exceptional for us.



Top Performers from Bancassurance were rewarded with a trip to Paris

Serving you has been a privilege that I am deeply grateful for. On behalf of the board, allow me to thank you, our valued customers, for your continued trust and condence in us. I would also like to thank our dedicated employees whose individual contributions over the past year continue to help us become a company others look up to, want to do business with, want to invest in, and want to be a part of. We are looking forward to another exciting year with you.

Thank You,

*Solomon*  
Solomon S. Cua  
Chairperson



Signing ceremony of the Sale and Purchase Agreement (SPA) for Charter Ping An Insurance Corporation, the non-life insurance company of GT Capital Holdings.

Benoit Claveranne takes a selfie during the AXA PH Townhall.



## MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

AXA Philippines has made significant progress on different fronts in 2015—not just in sales achievement but also in important value drivers such as weighted premium income, assets under management and risk assumed. AXA has consistently outpaced market growth in weighted premium income, growing at 24% versus the industry's 22%. This momentum has led to further increasing our assets under management by 21%, and total individual sum insured by 25%. For our shareholders, the results have been attractive with a 30% return on equity. This impressive success has been achieved with the support of our bank partner, and the joint effort of our distributors and our employees having one shared goal: **to be the best in the eyes of our customers**. As we move forward with the ambition of accelerated growth by 2020, we are guided by this very same commitment to our customers.

### Our Growth Strategy

The local economic growth and demographic changes have created the environment in which a growing middle class can emerge. This presents a tremendous opportunity for growth in the insurance market. We look to sustain our strong position with our transformative growth strategy that will enable us to serve according to the changing behavior and needs of our customers, and be ready in responding to emerging trends and shifts in technology and communication.

### Providing Customer-Centric Propositions

AXA has always taken pride in bringing innovative and relevant solutions to our customers. In 2015 for example, AXA launched the first critical illness product in the local market that provides coverage up to age 100. Central to meeting our ambition is offering superior value propositions that address the whole range of our customers' financial needs, be it basic protection, health, retirement or investments, while also recognizing the different servicing and communication demands of the different customer segments.

### Transforming Customer Experience

We strive to provide exemplary customer service and increased efficiency through the digitalization and simplification of our processes. We look forward to increasing our presence in digital platforms, including a self-service portal for our customers to more conveniently transact with us.

We also continue to make investments in digital assets and data so we can understand our customers' needs better.

### Strengthening our Distribution Footprint

AXA Philippines' distribution channels strongly contributed to our accomplishments last year by increasing our new business sales. We continue to sustain this momentum, while increasing the level of professionalism and productivity of our distributors so that our customers can continue to benefit from the best financial advice and solutions they can offer.

### Expanding into Non – Life Insurance

Among the important strategic accomplishments our group achieved recently was the expansion of our business. Our venture into the non – life insurance industry shows our ability to transform our business and pursue attractive and promising opportunities for growth where they exist.

By extending our product range, we can now provide customers the convenience of having life, health and general insurance solutions in one place. In addition, this venture will also allow us to establish our presence in the corporate segment for commercial lines and employee benefits. We are truly excited and optimistic about this new endeavor. We are confident about its potential to strengthen our customer's access to our distribution channels, which will help us grow our customer base, building wider and deeper relationships with the people we serve.

We have come far as an organization and our success could not have happened without the dedicated efforts of our employees, financial executives, agents, and our bank partners, after all, success is not delivered by strategies, it is delivered by people.

I would like to thank our shareholders for their continued confidence in our organization and in our ability to secure our customer's financial future through the unquestionable capability of our company. As we persist toward the ambitions that unite us as a group, let us never lose sight of our ambition: to be the best in the eyes of our customers. I am confident that by remaining faithful to what we promise to deliver, AXA Philippines will be able to provide financial security and prosperity to more Filipinos.



*Rahul.*  
**Rahul  
Hora**  
PRESIDENT & CEO



# FINANCIAL HIGHLIGHTS

**12.1%**  
MARKET SHARE

Php **1.4B**  
IN NET INCOME

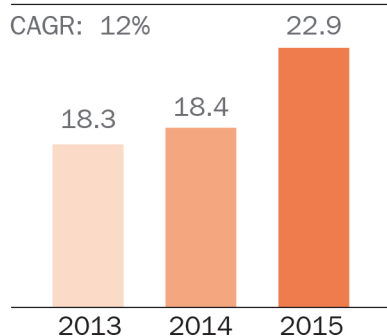
OVER  
**800,000**  
LIVES INSURED  
WITH **800** COMPANIES  
AND  
**215,000**  
INDIVIDUAL CUSTOMERS

Php **4.8B**  
IN ANNUALIZED  
PREMIUM EQUIVALENT

Php **22.9B**  
IN GROSS  
WRITTEN PREMIUMS

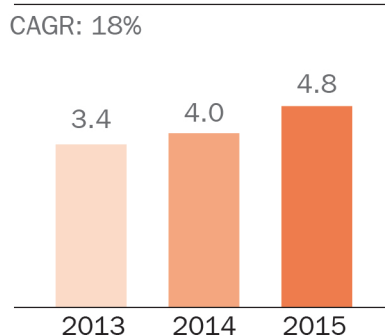
## GROSS WRITTEN PREMIUMS

In Php Billion



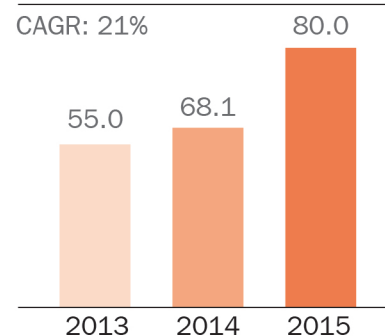
## ANNUALIZED PREMIUM EQUIVALENT

In Php Billion



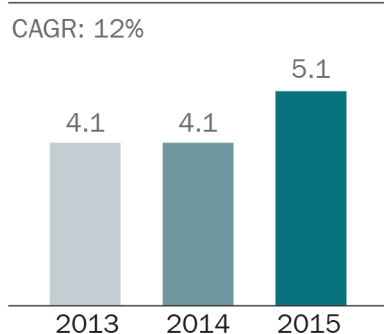
## TOTAL ASSETS

In Php Billion



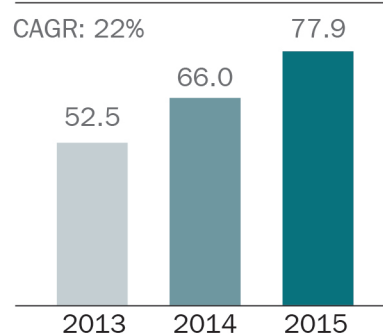
## TOTAL EQUITY

In Php Billion



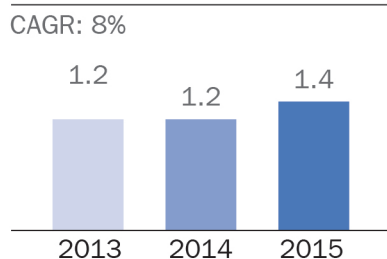
## ASSETS UNDER MANAGEMENT

In Php Billion

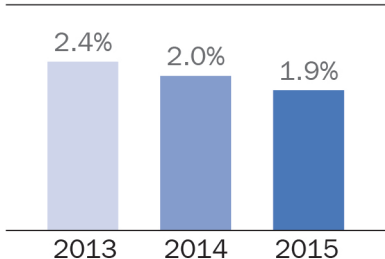


## NET INCOME

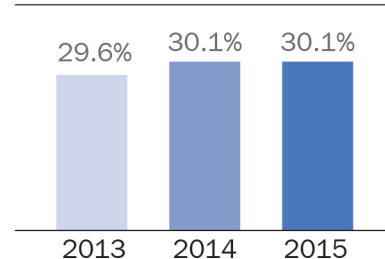
In Php Billion



## RETURN ON ASSETS



## RETURN ON EQUITY





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# Board of Directors

# BOARD OF DIRECTORS

## Solomon S. Cua

**CHAIRMAN**

60 years old, Filipino

- Chairman of AXA Philippines since 2010
- Chairman of Charter Ping An Insurance Corporation since April 2016
- Vice Chairman of First Metro Investment Corporation since 2005
- Director of First Metro Investment Corporation since 2001
- President/Director of Philippine Racing Club, Inc. since 2001 - 2012 / Vice Chairman since 2012
- Director of Grand Titan Holdings, Inc. since 2011
- Director of Metropolitan Bank, China 2014 – 2016



- Undersecretary of Department of Finance from 1998 to 2000
- Graduated from the University of Melbourne with a degree of Bachelor of Arts in Economics & Mathematical Science
- Graduated from University of Queensland with a degree of Bachelor of Law
- Graduated from London School of Economics & Political Science with Masters in Law

## Fernand Antonio

### A. Tansingco

**VICE CHAIRMAN**

49 years old, Filipino

- Vice Chairman AXA Philippines since 2010
- Head of the Financial Markets Sector, Senior Executive Vice President and Treasurer of Metropolitan Bank and Trust Company
- Chairman and Director of Metrobank (Bahamas) limited since 2010
- Director, Metrobank (China) limited since 2012
- Chartered Financial Analyst (CFA)
- Bachelor of Science degree in Electrical Engineering from the University of the Philippines



## Rahul Hora

**MEMBER/PRESIDENT & CEO**

42 years old, Indian

- President and Chief Executive Officer of AXA Philippines since April 2016
- Director of AXA Philippines since April 2016
- Director of Charter Ping An Insurance Corporation since 2016
- Graduated from St. Stephen's College with a degree in Bachelor of Science
- Post Graduate from Centre of Management Development with MBA Marketing





# BOARD OF DIRECTORS



## Alesandra T. Ty

MEMBER/TREASURER

36 years old, Filipino

- Director/Treasurer of AXA Philippines since 2010
- Director and Assistant Treasurer of GT Capital Holdings, Inc. since 2012
- Director of Federal Homes, Inc. since 2007
- Director of Sumisho Motorcycle Finance Corporation since 2009
- Corporate Treasurer of Metrobank Card Corporation since 2007
- Corporate Secretary and Corporate Treasurer of First Metro Investment Corporation since 2009
- Corporate Secretary of Metrobank Foundation, Inc.
- Graduated from the Ateneo de Manila University with a degree in Bachelor of Science in Legal Management
- Graduated from China Europe International Business School, Shanghai, China with Masters in Business Administration



## Liong Tiong "Gerry" Y. Tee

MEMBER

70 years old, Filipino

- Director of AXA Philippines since 2011
- Chairman and President of GAF Export & Import Corp. since 1979
- Chairman and President of 3G Tiptrends Asia Corp. since 2006
- Chairman of Metro Sportswear MFG. Corp. since 1987
- Chairman of G8 Realty Dev. Corp. since 2009
- Graduated from the University of the East with degree in Bachelor of Science in Business Administration



## Benoit Claveranne

MEMBER

41 years old, French

- Director of AXA Philippines since 2014
- Director Chief Executive Officer of AXA Life, South East Asia since 2014
- Graduated from La Sorbonne with degree in B.A. Economics
- Graduated from University of Paris with Assas, M.A. Economics





# BOARD OF DIRECTORS

## Arthur Ty

### MEMBER

49 years old, Filipino

- Director of AXA Philippines since April 2016
- Chairman of Metropolitan bank & Trust Company since 2012
- Chairman of Metropolitan Bank (China) Ltd. since 2010
- Chairman/Director of Grand Titan Capital Holdings, Inc. since 2007
- Vice Chairman of GT Capital Holdings, Inc. since 2014
- Vice Chairman/Director First Metro Investment Corporation since 2012
- Vice Chairman of Philippine Savings Bank since 2001
- Graduated from University of California, Los Angeles with a degree in Bachelor Science in Economics
- Graduated from Columbia University, New York with Masters in Business Administration



## Jaime C. Laya

### MEMBER/INDEPENDENT DIRECTOR

77 years old, Filipino

- Independent Director of Charter Ping An Insurance Corporation since 2016
- Chairman and President of Philtrust Bank
- Director of GMA Holdings, Inc.
- Director of GMA Network, Inc.
- Director of Manila Water Co. Inc.
- Director of Ayala Land, Inc.
- Trustee of Cultural Center of the Philippines, St. Paul's University – Quezon City, Ayala Foundation, Inc., Escuela Taller de Filipinas Foundation, Inc., Foundation Santiago, among others.
- Minister of Budget (1975-1981)
- Minister of Education, Culture and Sports (1984-1986)
- Governor of the Central Bank of the Philippines (1981-1984)
- Chairman of the National Commission for Culture and the Arts (1996-2001)
- Professor and Dean of Business Administration of the University of the Philippines (until 1976)
- Graduated from the University of the Philippines with a degree in B.S.B.A (Accountancy), 1957
- Graduated from Stanford University with Ph. D. in Financial Management, 1966

## Ronaldo C. San Jose

### MEMBER

50 years old, Filipino

- Director of AXA Philippines since 2014
- Chief Finance Officer of AXA Philippines since 2010
- Fellow, Actuarial Society of the Philippines since 1993
- Graduated from Ateneo de Manila University with a degree in Mathematics



# BOARD OF DIRECTORS

## Lope M. Yuvienco

MEMBER/INDEPENDENT DIRECTOR

71 years old, Filipino

- Independent Director of AXA Philippines since 2008
- Independent Director of Charter Ping An Insurance Corporation since 2016
- Graduated from the University of the Philippines with a degree in Bachelor of Science in Business Administration
- Graduated from the University of the Philippines with Masters in Business Administration



## Dr. George S.K. Ty

SENIOR ADVISER TO THE BOARD

## Jameson Ong

ADVISER TO THE BOARD

## Angelica Reyes

CORPORATE SECRETARY

## Jill Marie B. Lopez

ASST. CORPORATE SECRETARY

## Jean Drouffe

MEMBER

41 years old, French

- Director of AXA Philippines since April 2016
- Director of Charter Ping An Insurance Corporation since 2016
- Chief Executive Officer of General Insurance, AXA Asia since 2016
- Graduated from Ecole Polytechnique, Paris with Diploma in Economics, Statistics and Finance
- Graduated from ENSAE, France with Diploma in Economics and Applied Mathematics





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# Senior Management Team



# SENIOR MANAGEMENT TEAM



**John Hilson**  
Chief Transformation & Operations Officer



**Rahul Hora**  
President and CEO



**Don San Jose**  
Chief Financial Officer



**Marie Raymundo**  
Chief Distribution Officer



**Amor Balagtas**  
Chief Marketing & Customer Experience Officer

# 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 11 highly qualified business professionals. Of the 11, two are independent directors.

The Members of the Board collectively have the full range of skills needed for the effective and prudent operation of the 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;
- 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 2015, the Board held six (6) meetings with attendance rate of 92%. Below is the record of attendance of the directors at the meetings:

	Feb 23	Apr 30	Jul 31	Aug 28	Oct 28	Dec 14
Solomon S. Cua	✓	✓	✓	✓	✓	✓
Fernand Antonio A. Tansingco	✓	✓	✓	✓	✓	✓
Severinus Petrus Paulus Hermans	✓	✓	✓	✓	✓	✓
Liong Tiong “Gerry” Yao Tee	✓	✓	✓	✓	✓	✓
Alesandra T. Ty	✓	✓	✓	✓	✓	✓
Lope M. Yuvienco	✓	✓	✓	✓	✓	✓
Jaime C. Laya	✓	✓	✓		✓	✓
Benoit M. Claveranne			✓	✓		✓
Roberto Juanchito T. Dispo	✓	✓	✓	✓	✓	✓
Maria Faustina B. Raymundo	✓	✓	✓	✓	✓	✓
Ronaldo C. San Jose	✓	✓	✓		✓	✓

## 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.

### 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.

### Board Remuneration Committee and Board Nominations Committee

The Board Remuneration Committee and Board Nominations Committee appoint and if appropriate, terminate the contract of the Chief Executive Officer. They ensure the adequacy of succession planning and review the performance of the Chairman, the Board and its Committees.

### Board Investment Committee (BIC)

The BIC approves material acquisitions and disposal of Company property.

## 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 to be 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 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 BRMACC 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;
- G. Reviews and monitors fraud and anti-money laundering policies of the Company;
- H. The scope of the systems of internal control, as reviewed by the BRMACC, includes 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 BRMACC to form an opinion on the integrity of the publicly reported results and disclosures made in the financial statements of AXA Philippines, BRMACC –

- 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 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.
- C. 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 BRMACC to form an opinion on the effectiveness, performance and independence of the Company's external auditors, BRMACC –

- A. Reviews the external auditors' assignment plan, annual report and management letter.
- B. Reviews the breakdown of the fees paid to the external auditors by the Company.
- C. 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.

#### **Internal Auditors**

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

- a. Reviews and approves the Company's internal audit plan, charter, and activities particularly with regard to it being adequately resourced and free from constraint by management.
- b. Reviews the major findings presented by internal audit and consider the appropriateness of management's response to them.
- c. Reviews the quarterly report on resolution of internal audit issues, requesting further management explanation where

necessary for high priority issues that are overdue.

- D. Reviews a periodic independent assessment of the effectiveness of the internal audit function, including compliance with generally accepted auditing standards
- E. Considers the appointment, appraisal, resignation and dismissal of the Head of Audit with the AXA Asia Head of Audit.

#### Other Duties

BRMACC –

- 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.



AXA Philippines monitors and manages the risks inherent to its business through tools, programs and methods which include development of policies and processes, use of risk rating systems, establishment of limits, periodic reporting to the BRMACC, Key Risk Indicators, and review of strategies and performance of key functional areas or indicators, and Business Continuity Planning.

#### WHISTLE BLOWING POLICY

AXA Philippines adheres to AXA Asia Regional 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



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# Financial Statements



# INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors  
Philippine AXA Life Insurance Corporation

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Philippine AXA Life Insurance Corporation, which comprise the statements of financial position as at December 31, 2015 and 2014, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

## MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, 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.

## AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of Philippine AXA Life Insurance Corporation as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

## 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 27 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 Philippine AXA Life 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.

*Bernalette L. Ramos*

Bernalette L. Ramos

Partner

CPA Certificate No. 0091096

SEC Accreditation No. 0926-AR-1 (Group A),

April 15, 2013, valid until April 14, 2016

Tax Identification No. 178-486-666

BIR Accreditation No. 08-001998-81-2015,

May 12, 2015, valid until May 11, 2018

PTR No. 5321681, January 4, 2016, Makati City

February 22, 2016

# STATEMENTS OF FINANCIAL POSITION

## YEARS ENDED DECEMBER 31

	2015	2014
<b>ASSETS</b>		
Cash and cash equivalents (Notes 4, 23 and 24)	<b>P2,039,628,575</b>	P3,767,723,738
Insurance receivables (Notes 5, 23 and 24)	<b>111,573,286</b>	186,182,590
Financial assets (Notes 6, 23 and 24)		
Financial assets at fair value through profit or loss	<b>3,378,712,907</b>	1,135,135,574
Available-for-sale financial assets	<b>8,061,843,745</b>	6,492,090,593
Loans and receivables - net	<b>672,405,081</b>	571,828,930
Accrued income (Notes 7, 23 and 24)	<b>110,957,681</b>	93,595,041
Investment properties - net (Notes 8 and 25)	<b>—</b>	8,159,805
Property and equipment - net (Note 9)	<b>199,345,210</b>	213,383,418
Intangible assets - net (Note 10)	<b>681,990</b>	1,587,373
Deferred tax assets - net (Note 22)	<b>84,347,773</b>	47,623,109
Other assets	<b>69,100,089</b>	73,726,699
	<b>14,728,596,337</b>	12,591,036,870
Assets held to cover unit-linked liabilities (Notes 11 and 24)	<b>65,318,344,897</b>	55,478,598,595
	<b>P80,046,941,234</b>	P68,069,635,465
<b>LIABILITIES &amp; EQUITY</b>		
<b>LIABILITIES</b>		
Insurance contract liabilities (Notes 12, 13, 23 and 24)	<b>P8,022,217,572</b>	P7,141,015,428
Premium deposit fund (Note 23)	<b>93,544,364</b>	107,261,237
Life insurance deposits (Note 23)	<b>220,133,090</b>	148,752,604
Insurance payables (Notes 14 and 23)	<b>135,430,301</b>	142,236,945
Trade and other liabilities (Notes 15, 23, 24 and 25)	<b>950,652,354</b>	843,188,286
Pension liability - net (Note 21)	<b>89,188,060</b>	21,720,810
Income tax payable (Note 22)	<b>105,067,344</b>	100,400,230
	<b>9,616,233,085</b>	8,504,575,540
Unit-linked liabilities (Note 11)	<b>65,318,344,897</b>	55,478,598,595
	<b>74,934,577,982</b>	63,983,174,135
<b>EQUITY</b>		
Capital stock (Note 16)	<b>1,000,000,000</b>	1,000,000,000
Contributed surplus	<b>50,000,000</b>	50,000,000
Contingency surplus	<b>9,343,183</b>	9,343,183
Revaluation reserves on available-for-sale financial assets (Note 17)	<b>611,545,530</b>	923,822,499
Actuarial losses on defined benefit plan (Note 21)	<b>(45,821,290)</b>	(361,151)
Retained earnings (Note 16)	<b>3,487,459,207</b>	2,103,820,177
Treasury stock (Note 16)	<b>(163,378)</b>	(163,378)
	<b>5,112,363,252</b>	4,086,461,330
	<b>P80,046,941,234</b>	P68,069,635,465

See accompanying Notes to Financial Statements.

## STATEMENTS OF COMPREHENSIVE INCOME

YEARS ENDED DECEMBER 31

	2015	2014
<b>REVENUE</b>		
Gross premiums on insurance contracts issued	<b>P22,923,255,221</b>	P18,404,482,543
Premiums ceded to reinsurers	<b>(102,364,610)</b>	(56,021,799)
Net insurance premiums (Notes 18 and 24)	<b>22,820,890,611</b>	18,348,460,744
Subscriptions allocated to investment in unit-linked funds	<b>(17,334,016,010)</b>	(13,447,645,011)
	<b>5,486,874,601</b>	4,900,815,733
Income on assets held to cover unit-linked liabilities (Notes 19 and 24)	–	4,852,371,906
Increase in unit-linked liabilities due to income on assets held to cover unit-linked liabilities	–	(4,852,371,906)
Asset management fees (Note 24)	<b>1,045,442,595</b>	785,466,460
Investment income (Notes 8, 18 and 24)	<b>598,387,413</b>	687,051,348
Foreign exchange gains - net	<b>38,825,160</b>	21,888,403
Gain on sale of property and equipment	–	616,371
Other income	<b>2,407,398</b>	52,875
	<b>7,171,937,167</b>	6,395,891,190
<b>BENEFITS, CLAIMS AND OPERATING EXPENSES</b>		
Gross benefits and claims	<b>8,019,383,555</b>	7,058,709,380
Reinsurers' share of gross benefits and claims (Note 18)	<b>(7,802,926)</b>	(46,423,142)
Policyholders' dividends and interest (Note 12)	<b>63,791,781</b>	47,056,669
Decrease in unit-linked liabilities due to surrenders	<b>(7,154,144,507)</b>	(6,115,109,772)
Net benefits and claims incurred (Notes 18 and 24)	<b>921,227,903</b>	944,233,135
Increase in legal policy reserves (Note 12)	<b>657,468,586</b>	713,825,128
Increase in reserves for policyholders' dividends (Note 12)	<b>9,512,556</b>	6,069,648
Net insurance benefits and claims	<b>1,588,209,045</b>	1,664,127,911
Loss on assets held to cover unit-linked liabilities (Notes 19 and 24)	<b>1,332,532,194</b>	–
Decrease in unit-linked liabilities due to loss on assets held to cover unit-linked liabilities	<b>(1,332,532,194)</b>	–
Operating and administrative expenses (Notes 20 and 24)	<b>2,299,566,392</b>	1,999,054,212
Commission expense (Note 24)	<b>1,237,571,200</b>	1,006,258,093
Premium and documentary stamp taxes	<b>69,865,715</b>	59,980,677
Agency development expenses	<b>63,908,317</b>	34,319,933
Interest on premium deposit fund	<b>2,139,128</b>	2,816,229
Medical and inspection fees	<b>2,920,872</b>	1,490,225
Interest on defined benefit obligation	<b>992,641</b>	507,496
	<b>5,265,173,310</b>	4,768,554,776
<b>INCOME BEFORE INCOME TAX</b>	<b>1,906,763,857</b>	1,627,336,414
<b>PROVISION FOR INCOME TAX (Note 22)</b>	<b>523,124,827</b>	400,854,526
<b>NET INCOME</b>	<b>1,383,639,030</b>	1,226,481,888
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that will not be reclassified into profit or loss:		
Remeasurement loss on defined benefit plan (Note 21)	<b>(64,943,055)</b>	(11,809,472)
Income tax effect	<b>19,482,916</b>	3,542,842
	<b>(45,460,139)</b>	(8,266,630)
Item that will be reclassified into profit or loss:		
Net change in fair value of available-for-sale financial assets (Note 17)	<b>(312,276,969)</b>	(145,274,120)
	<b>(357,737,108)</b>	(153,540,750)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>P1,025,901,922</b>	P1,072,941,138

See accompanying Notes to Financial Statements.



## STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 16)	Contributed Surplus	Contingency Surplus	Revaluation Reserves on Available-for sale Financial Assets (Note 17)	Actuarial Gains (Losses) on Defined Benefit Plan (Note 21)	Retained Earnings (Note 16)	Treasury Stock (Note 16)	Total
As of January 1, 2015	P1, 000, 000, 000	P50, 000, 000	P9, 343, 183	P923, 822, 499	(P361,151)	P2, 103, 820, 177	(P163,378)	P4,086,461,330
Net income	–	–	–	–	–	1,383,639,030	–	1,383,639,030
Other comprehensive loss	–	–	–	(312,276,969)	(45,460,139)	–	–	(357,737,108)
Total comprehensive income (loss)	–	–	–	(312,276,969)	(45,460,139)	1,383,639,030	–	1,025,901,922
As of December 31, 2015	P1, 000, 000, 000	P50, 000, 000	P9, 343, 183	P611, 545, 530	(P45,821,290)	P3,487,459,207	(P163,378)	P5,112,363,252
As of January 1, 2014	P1, 000, 000, 000	P50, 000, 000	P9, 343, 183	P1,069,096,619	P7,905,479	P1,920,338,289	(P163,378)	P4,056,520,192
Net income	–	–	–	–	–	1,226,481,888	–	1,226,481,888
Other comprehensive income (loss)	–	–	–	(145,274,120)	(8,266,630)	–	–	(153,540,750)
Total comprehensive income (loss)	–	–	–	(145,274,120)	(8,266,630)	1,226,481,888	–	1,072,941,138
Cash dividends	–	–	–	–	–	(1,043,000,000)	–	(1,043,000,000)
As of December 31, 2014	P1, 000, 000, 000	P50, 000, 000	P9, 343, 183	P923,822,499	(P361,151)	P2,103,820,177	(P163,378)	P4,086,461,330

## STATEMENTS OF CASH FLOWS

## YEARS ENDED DECEMBER 31

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	<b>P1,906,763,857</b>	P1,627,336,414
Adjustments for:		
Depreciation and amortization (Notes 8,9, 10 and 20)	<b>95,009,519</b>	83,564,720
Impairment loss on loans and receivables (Note 6)	<b>2,463,081</b>	208,292
Amortization of discount on AFS financial assets (Note 6)	<b>74,831,411</b>	11,101,854
Gain on sale of investment property (Notes 8 and 18)	<b>(7,056,415)</b>	(225,733)
Gain on sale of property and equipment	<b>–</b>	(616,371)
Unrealized foreign exchange gains	<b>(16,936,754)</b>	(12,081,433)
Dividend income (Note 18)	<b>(17,010,740)</b>	(19,490,299)
Gain on sale of available-for-sale financial assets (Note 17)	<b>(176,724,738)</b>	(76,234,668)
Fair value losses (gains) on financial assets at fair value through profit or loss (Note 6)	<b>46,373,600</b>	(89,925,486)
Interest income (Note 18)	<b>(443,192,717)</b>	(498,608,568)
Operating income before changes in working capital	<b>1,464,520,104</b>	1,025,028,722
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Short-term investments	<b>–</b>	154,413,194
Insurance receivables	<b>74,609,304</b>	(27,865,855)
Other assets	<b>4,626,609</b>	(9,305,990)
Loans and receivables	<b>(103,039,232)</b>	(12,302,497)
Increase (decrease) in:		
Insurance contract liabilities	<b>881,202,144</b>	876,952,324
Trade and other liabilities	<b>107,464,068</b>	(85,694,211)
Life insurance deposits	<b>71,380,486</b>	30,768,468
Pension liability - net	<b>2,524,194</b>	4,073,975
Insurance payables	<b>(6,806,644)</b>	55,526,246
Premium deposit fund	<b>(13,716,873)</b>	(21,577,286)
Net cash generated from operations	<b>2,482,764,160</b>	1,990,017,090
Proceeds from disposal/maturities of:		
Available-for-sale financial assets (Note 6)	<b>903,204,895</b>	689,248,781
Financial assets at fair value through profit or loss (Note 6)	<b>1,758,289,320</b>	–
Acquisitions of:		
Available-for-sale financial assets (Note 6)	<b>(2,683,341,689)</b>	(956,776,869)
Financial assets at fair value through profit or loss (Note 6)	<b>(4,048,240,253)</b>	(7,390,527)
Interest received	<b>425,731,042</b>	495,357,590
Dividends received	<b>17,109,775</b>	20,052,869
Income taxes paid	<b>(535,699,460)</b>	(385,173,986)
Net cash provided by (used in) operating activities	<b>(1,680,182,210)</b>	1,845,334,948
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of:		
Investment property (Note 8)	<b>P15,216,220</b>	P6,000,000
Property and equipment	<b>–</b>	766,645
Acquisitions of:		
Property and equipment (Note 9)	<b>(80,065,928)</b>	(74,509,230)
Net cash used in investing activities	<b>(64,849,708)</b>	(67,742,585)
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Cash dividends paid	<b>–</b>	(1,043,000,000)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(1,745,031,918)</b>	734,592,363
<b>EFFECTS OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS</b>	<b>16,936,755</b>	12,081,433
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>3,767,723,738</b>	3,021,049,942
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)</b>	<b>P2,039,628,575</b>	P3,767,723,738

See accompanying Notes to Financial Statements.

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