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**REPORT OF INDEPENDENT AUDITORS  
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING  
WITH THE BUREAU OF INTERNAL REVENUE**

The Board of Directors and Stockholders  
**Paramount Life & General Insurance Corporation**  
14<sup>th</sup> & 15<sup>th</sup> Floors, Sage House  
110 V.A. Rufino Street, Legaspi Village  
Makati City

We have audited the accompanying financial statements of Paramount Life & General Insurance Corporation (the Company), a wholly-owned subsidiary of Paramount Life & General Holdings Corporation as at and for the year ended December 31, 2018, on which we have rendered our report dated May 14, 2019.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholder of the Company.

**R.G. MANABAT & CO.**

*Vanessa P. Macamos*

**VANESSA P. MACAMOS**

Partner

CPA License No. 0102309

IC Accreditation No. F-2017-017-O, valid until November 26, 2020

SEC Accreditation No. 1619-A, Group A, valid until March 15, 2020

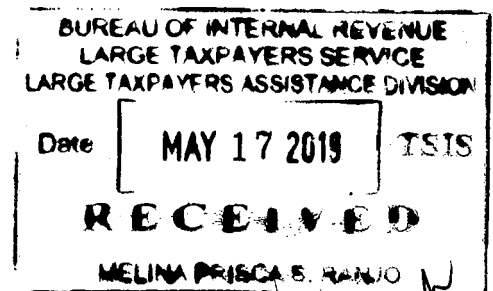
Tax Identification No. 920-961-311

BIR Accreditation No. 08-001987-38-2016

Issued December 16, 2016; valid until December 15, 2019

PTR No. MKT 7333621

Issued January 3, 2019 at Makati City



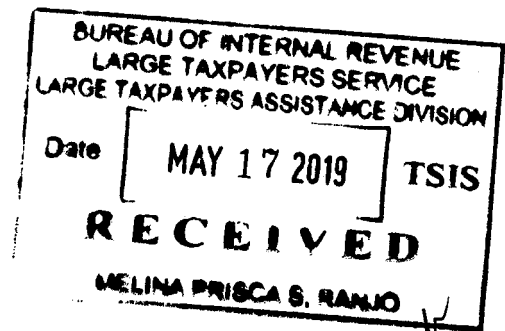
May 14, 2019  
Makati City, Metro Manila



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## REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders  
**Paramount Life & General Insurance Corporation**  
14<sup>th</sup> & 15<sup>th</sup> Floors, Sage House  
110 V.A. Rufino Street, Legaspi Village  
Makati City



### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Paramount Life & General Insurance Corporation (the Company), a wholly-owned subsidiary of Paramount Life & General Holdings Corporation, 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, comprising significant accounting policies and other explanatory information.

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 (PFRS).

#### *Basis for Opinion*

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



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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with PFRS, 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.

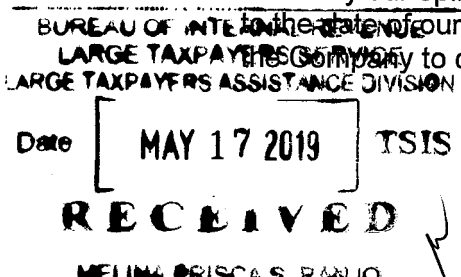
Those charged with governance are responsible for overseeing the Company's financial reporting process.

*Auditors' 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 auditors' 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 PSA 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 PSA, 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 auditors' 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 auditors' 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 No. 15-2010 of the Bureau of Internal Revenue**

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 38 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 supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

**R.G. MANABAT & CO.**

*Vanessa P. Macamos*

VANESSA P. MACAMOS

Partner

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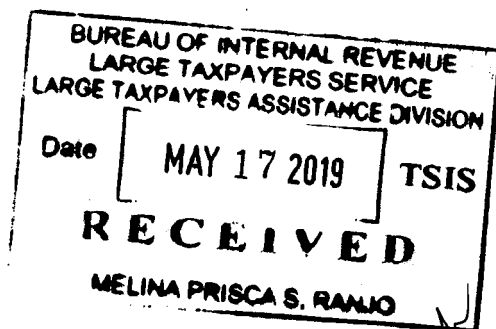
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**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR ANNUAL INCOME TAX RETURN**


The Management of Paramount Life & General Insurance Corporation (the "Company"), is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2018. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements as at and for the year ended December 31, 2018 and the accompanying Annual Income Tax Return are in accordance with the books and records of the Company, complete and correct in all material respects. Management likewise affirms that:

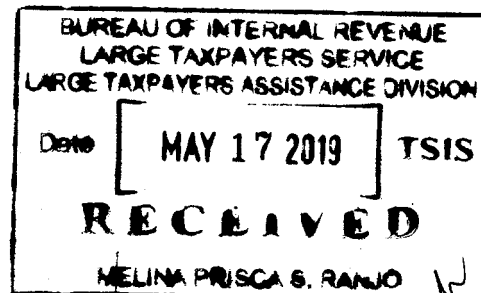
- (a) The Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, As Amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- (b) Any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to Philippine Financial Reporting Standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the Company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances; and
- (c) The Company has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

  
Patrick L. Go  
Chairman of the Board & Chief Executive Officer

  
George F. Tiu  
President & COO

  
Encarnacion G. Concepcion  
VP - Comptroller & Chief Financial Officer

Signed this 16 th day of MAY 2019



**GROW EXPONENTIALLY.**

**PARAMOUNT LIFE & GENERAL INSURANCE CORPORATION**  
**(A Wholly-owned Subsidiary of Paramount Life & General Holdings Corporation)**

**STATEMENTS OF FINANCIAL POSITION**

	Note	December 31, 2018	December 31, 2017 (As restated - see Note 35)	January 1, 2017 (As restated - see Note 35)
<b>ASSETS</b>				
Cash and cash equivalents	8	P320,415,458	P427,821,477	P411,559,890
Insurance receivables - net	9	817,934,231	696,591,129	651,787,658
Available-for-sale (AFS) financial assets - net	10	1,303,012,276	1,035,139,189	796,519,387
Loans and receivables	11	444,605,863	515,181,356	589,524,801
Accrued interest receivables	12	88,196,334	90,062,487	88,298,966
Reinsurance assets	13	207,498,957	154,521,486	122,846,787
Investment properties	14	1,325,512,000	1,300,874,500	1,328,314,000
Property and equipment - net	15	292,038,846	244,676,657	206,986,342
Intangible assets - net	16	7,225,139	953,491	26,783
Deferred acquisition costs	17	59,678,903	54,325,822	50,298,927
Goodwill - net	7	252,073,849	269,579,587	287,407,123
Deferred tax assets - net	28	-	54,424,296	75,614,328
Other assets	18	267,369,605	70,422,331	69,176,127
		<b>P5,385,561,461</b>	<b>P4,914,573,808</b>	<b>P4,678,361,119</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Liabilities</b>				
Insurance contract liabilities	19	P2,186,705,251	P2,434,153,155	P2,375,684,864
Policyholders' dividends		32,301,998	30,292,068	33,620,168
Premium deposit fund		17,497,442	14,757,934	21,146,504
Deferred commission income	17	25,143,939	18,031,644	18,270,753
Other insurance payables	20	138,983,999	75,151,846	46,274,630
Accounts payable and accrued expenses	21	388,423,444	378,356,433	371,457,284
Income tax payable		4,431,125	9,133,167	5,331,814
Retirement liability	27	142,203,557	153,656,238	120,869,583
Deferred tax liabilities - net	28	42,545,224	-	-
Other liabilities	22	251,855,410	247,013,349	230,955,962
<b>Total Liabilities</b>		<b>3,230,091,389</b>	<b>3,360,545,834</b>	<b>3,223,611,562</b>
<b>Equity</b>				
Capital stock	6	500,000,000	500,000,000	500,000,000
Contributed capital	6	65,490,273	65,490,273	65,490,273
Contingency surplus	6	1,244,673,651	745,673,651	745,673,651
Retained earnings	6	493,791,316	503,219,286	486,330,353
Remeasurement of fair value of AFS financial assets	10	(397,040,929)	(341,865,603)	(348,656,368)
Revaluation reserve on property	15	105,443,769	63,163,072	41,928,231
Remeasurement of life insurance policy reserves		160,023,652	41,082,582	(31,291,727)
Remeasurement of retirement liability		(16,911,660)	(22,735,287)	(4,724,856)
<b>Total Equity</b>		<b>2,155,470,072</b>	<b>1,554,027,974</b>	<b>1,454,749,557</b>
		<b>P5,385,561,461</b>	<b>P4,914,573,808</b>	<b>P4,678,361,119</b>

Date: MAY 17 2019 TSIS  
 See Notes to the Financial Statements.

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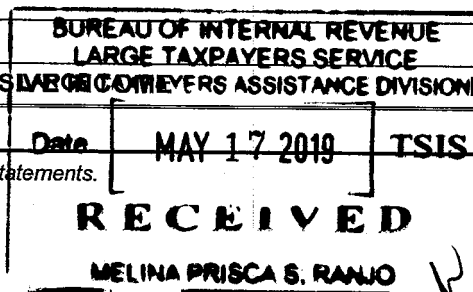
MELINA PRISCA S. RANJO

**PARAMOUNT LIFE & GENERAL INSURANCE CORPORATION**  
**(A Wholly-owned Subsidiary of Paramount Life & General Holdings Corporation)**

**STATEMENTS OF COMPREHENSIVE INCOME**

		Years Ended December 31	
	Note	2018	2017 (As restated - See Note 35)
<b>NET UNDERWRITING INCOME</b>			
Gross premiums earned on insurance contracts		P1,940,697,650	P1,772,066,764
Gross change in provision for unearned premiums		(7,692,120)	(30,511,800)
Reinsurers' share of gross premiums on insurance contracts		(276,996,088)	(244,744,653)
Reinsurers' share of gross change in provisions for unearned premiums	13	22,804,631	(6,589,979)
Net underwriting income	23	1,678,814,073	1,490,220,332
Investment income	24	148,320,478	240,062,342
Other income		50,550,108	62,888,828
Fees and commission income		40,792,028	38,413,738
<b>TOTAL REVENUES</b>		<b>1,918,476,687</b>	<b>1,831,585,240</b>
<b>BENEFITS, CLAIMS AND OTHER EXPENSES</b>			
Gross benefits and claims on insurance contracts		946,011,422	818,298,489
Reinsurers' share of gross benefits and claims paid on insurance contracts		(100,191,267)	(67,576,993)
Gross change in insurance contract liabilities		(69,252,878)	98,721,937
Reinsurers' share of gross change in insurance contract liabilities		(30,172,840)	(38,264,678)
Net insurance benefits and claims	25	746,394,437	811,178,755
General and administrative expenses	26	770,962,371	673,475,409
Underwriting expenses	26	358,687,416	312,349,939
Insurance taxes		10,995,929	12,374,008
Interest expense		1,201,414	2,141,725
Total other expenses		1,141,847,130	1,000,341,081
<b>TOTAL BENEFITS, CLAIMS AND OTHER EXPENSES</b>		<b>1,888,241,567</b>	<b>1,811,519,836</b>
<b>INCOME BEFORE TAXES</b>		<b>30,235,120</b>	<b>20,065,404</b>
<b>INCOME TAX EXPENSE</b>	28	<b>39,663,090</b>	<b>3,176,471</b>
<b>NET INCOME (LOSS)</b>		<b>(9,427,970)</b>	<b>16,888,933</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
<b>Items that may be reclassified to profit or loss</b>			
Net change in fair value of AFS financial assets	10	(55,175,326)	6,790,765
Net change in fair value of building - net of tax	15	42,280,697	21,234,841
<b>Items that will not be reclassified to profit or loss</b>			
Remeasurement gain (loss) on retirement liability - net of tax	27	5,823,627	(18,010,431)
Remeasurement of life insurance policy reserves - net of tax		118,941,070	72,374,309
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>		<b>102,442,098</b>	<b>P99,278,417</b>

See Notes to the Financial Statements.



**PARAMOUNT LIFE & GENERAL INSURANCE CORPORATION**  
**(A Wholly-owned Subsidiary of Paramount Life & General Holdings Corporation)**

**STATEMENTS OF CHANGES IN EQUITY**

	Years Ended December 31								
	Capital Stock (Note 6)	Contributed Capital (Note 6)	Contingency Surplus (Note 6)	Retained Earnings (Note 6)	Remeasurement of Fair Value of AFS Financial Assets (Notes 10, 35)	Revaluation Reserve on Property (Note 6)	Remeasurement of Life Insurance Policy Reserves	Remeasurement of Retirement Liability (Note 27)	Total
Balances at January 1, 2017	P500,000,000	P65,490,273	P745,673,651	P566,095,609	P350,630,368	P41,928,231	P31,291,727	P4,724,856	P1,622,540,813
Impact of restatements (Note 35)	-	-	-	(69,765,256)	1,974,000	-	-	-	(67,791,256)
Balance as at January 1, 2017, as restated	500,000,000	65,490,273	745,673,651	496,330,353	(348,656,368)	41,928,231	(31,291,727)	(4,724,856)	1,454,749,557
Total comprehensive income:									
Other comprehensive income (loss)	-	-	-	-	6,790,765	21,234,841	72,374,309	(18,010,431)	82,389,484
Net income	-	-	-	41,732,704	-	-	-	-	41,732,704
Impact of restatement	-	-	-	(24,843,771)	-	-	-	-	(24,843,771)
Total comprehensive income, as restated	-	-	-	16,888,933	6,790,765	21,234,841	72,374,309	(18,010,431)	99,278,417
Balance at December 31, 2017, as restated	500,000,000	65,490,273	745,673,651	503,219,286	(341,865,603)	63,163,072	41,082,582	(22,735,287)	1,554,027,974
Total comprehensive income (loss)	-	-	-	-	(55,175,326)	42,280,697	118,941,070	5,823,627	111,870,068
Net income	-	-	-	(9,427,970)	-	-	-	-	(9,427,970)
Total comprehensive income	-	-	-	(9,427,970)	(55,175,326)	42,280,697	118,941,070	5,823,627	102,442,098
Additional contingency surplus	-	-	499,000,000	-	-	-	-	-	499,000,000
Balance at December 31, 2018	P500,000,000	P65,490,273	P1,244,673,651	P493,791,316	P397,040,929	P105,443,769	P160,023,652	P16,911,660	P2,155,470,072

See Notes to the Financial Statements.

BUREAU OF INTERNAL REVENUE  
LARGE TAXPAYERS SERVICE  
LARGE TAXPAYERS ASSISTANCE DIVISION

Date **MAY 17 2019** TSIS

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MELINA PRISCA S. RAMO



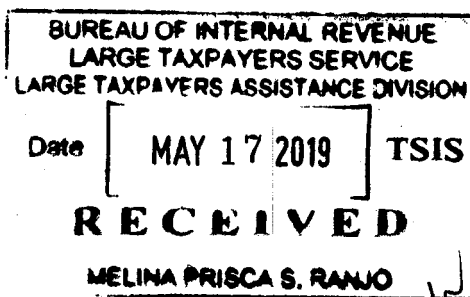
**PARAMOUNT LIFE & GENERAL INSURANCE CORPORATION**  
**(A Wholly-owned Subsidiary of Paramount Life**  
**& General Holdings Corporation)**

**STATEMENTS OF CASH FLOWS**

Years Ended December 31

	Note	2018	2017 (As restated - See Note 35)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before taxes		P30,235,120	P20,065,404
Adjustments for:			
Gross change in insurance contract liabilities	19, 23, 25	155,313,962	134,993,191
Gain on revaluation of investment properties	14, 24	(85,798,900)	(185,423,133)
Interest income		(44,213,369)	(55,018,788)
Depreciation and amortization	15, 16, 26	39,950,773	37,717,863
Retirement benefit expense	26, 27	18,161,720	15,415,809
Impairment loss on goodwill	7, 26	17,505,738	17,827,536
Impairment loss on insurance receivables	9, 26	24,762,801	2,835,290
Impairment loss on Input VAT	18, 26	7,520,200	-
(Gain) loss on sale of investment properties	14, 24	(6,237,750)	4,321,714
Unrealized foreign exchange loss (gain)		(2,482,541)	(549,873)
Dividend income	24	(4,052,345)	(2,444,548)
Gain on sale of AFS financial assets	10, 24	(2,714,465)	(4,048,191)
Change in deferred acquisition costs and deferred commission income	17	1,759,214	(4,266,004)
Interest expense		1,201,414	2,141,725
Gain on disposal of property and equipment		(182,685)	(465,973)
Impairment loss on AFS financial assets	10, 26	150,800	-
Operating income (loss) before working capital changes		150,879,687	(16,897,978)
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Insurance receivable		(153,626,103)	(47,638,761)
Loans and receivables	11	70,575,493	74,343,443
Reinsurance assets	13	(52,977,471)	(31,674,699)
Other assets		13,555,927	(1,246,201)
Increase (decrease) in:			
Insurance contract liabilities		(232,846,050)	26,866,965
Policyholders' dividends		2,009,930	(3,328,100)
Premium deposit fund		2,739,508	(6,388,570)
Other insurance payables	20	63,832,153	28,877,216
Accounts payable and accrued expenses	21	10,067,011	6,899,149
Other liabilities		12,015,430	10,970,979
Cash (used in) generated from operations		(113,774,485)	40,783,443
Contributions to the retirement fund	27	(21,294,935)	(8,358,340)
Income taxes paid		(18,986,495)	(10,584,533)
Interest received		22,564,346	27,596,000
Interest paid		(1,201,414)	(2,141,725)
Net cash (used in) provided by operating activities		(P132,692,983)	P47,294,845

Forward



**Years Ended December 31**

	<b>Note</b>	<b>2018</b>	<b>2017</b> (As restated - See Note 35)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Deposit for future stock investment		(P210,503,200)	P -
Interest received		23,515,177	25,659,267
Dividends received		4,052,345	2,444,548
Acquisitions of:			
AFS financial assets	10	(929,272,827)	(514,683,497)
Investment properties		-	(379,367)
Property and equipment	15	(25,877,570)	(45,976,583)
Intangible asset		(8,035,935)	(1,020,957)
Proceeds from sale/maturity of:			
AFS financial assets		608,788,079	286,902,651
Investment properties		67,399,150	208,920,286
Property and equipment		912,572	1,464,119
Net cash used in investing activities		(469,022,209)	(36,669,533)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Additional capital contribution from the Parent Company		499,000,000	-
(Decrease) increase in obligation under capital lease		(7,173,368)	5,086,401
Net cash provided by financing activities		491,826,632	5,086,401
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(109,888,560)</b>	<b>15,711,713</b>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		<b>2,482,541</b>	<b>549,874</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>427,821,477</b>	<b>411,559,890</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>8</b>	<b>P320,415,458</b>	<b>P427,821,477</b>

*See Notes to the Financial Statements.*

