

**PARAMOUNT LIFE & GENERAL INSURANCE
CORPORATION**

**(A Wholly-owned Subsidiary of Paramount Life & General Holdings
Corporation)**

**FINANCIAL STATEMENTS
December 31, 2017 and 2016**



R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226
Telephone +63 (2) 885 7000
Fax +63 (2) 894 1985
Internet www.kpmg.com.ph
Email ph-inquiry@kpmg.com.ph

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Paramount Life & General Insurance Corporation
14th & 15th 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, 2017 and 2016, 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, 2017 and 2016 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 36 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 management. 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.

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. 6615139MD

Issued January 3, 2018 at Makati City

April 26, 2018

Makati City, Metro Manila



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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
14th & 15th 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, 2017, on which we have rendered our report dated April 26, 2018.

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
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**REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING
WITH THE SECURITIES AND EXCHANGE COMMISSION**

The Board of Directors and Stockholders
Paramount Life & General Insurance Corporation
14th & 15th 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, 2017, on which we have rendered our report dated April 26, 2018.

In compliance with Securities Regulation Code Rule 68, As Amended, we are stating that the Company has one (1) stockholder owning one hundred (100) or more shares.

R.G. MANABAT & CO.

Vanessa P. Macamos

VANESSA P. MACAMOS
Partner
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April 26, 2018
Makati City, Metro Manila

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

STATEMENTS OF FINANCIAL POSITION

		December 31, 2016	January 1, 2016
	<i>Note</i>	December 31, 2017	(As restated - see Note 35)
			(As restated - see Note 35)
ASSETS			
Cash and cash equivalents	8	P427,821,477	P411,559,890
Insurance receivables - net	9	696,591,129	651,787,658
Available-for-sale (AFS) financial assets	10	1,035,139,189	796,519,387
Loans and receivables	11	515,181,356	589,524,801
Accrued interest receivables	12	90,062,487	88,298,966
Reinsurance assets	13	121,960,837	102,876,381
Investment properties	14	1,300,874,500	1,328,314,000
Property and equipment - net	15	244,676,657	206,986,342
Intangible assets - net	16	953,491	26,783
Deferred acquisition costs	17	54,325,822	50,298,927
Goodwill - net	7	269,579,587	287,407,123
Deferred tax assets - net	28	13,877,570	45,714,933
Other assets	18	70,422,331	69,176,127
		P4,841,466,433	P4,628,491,318
			P4,506,945,888
LIABILITIES AND EQUITY			
Liabilities			
Insurance contract liabilities	19	P2,268,410,753	P2,258,023,807
Policyholders' dividends		30,292,068	33,620,168
Premium deposit fund		14,757,934	21,146,504
Deferred commission income	17	18,031,644	18,270,753
Other insurance payables	20	75,151,846	46,274,630
Accounts payable and accrued expenses	21	378,356,433	371,457,284
Income tax payable		9,133,167	5,331,814
Retirement liability	27	153,656,238	120,869,583
Other liabilities	22	247,013,349	230,955,962
Total Liabilities		3,194,803,432	3,105,950,505
Equity			
Capital stock	6	500,000,000	500,000,000
Contributed capital	6	65,490,273	65,490,273
Contingency surplus	6	745,673,651	745,673,651
Retained earnings	6	597,828,313	556,095,609
Remeasurement of fair value of AFS financial assets	6, 10	(343,839,603)	(350,630,368)
Revaluation reserve on property	16	63,163,072	41,928,231
Remeasurement of life insurance policy reserves	35	41,082,582	(31,291,727)
Remeasurement of retirement liability	6, 27	(22,735,287)	(4,724,856)
Total Equity		1,646,663,001	1,522,540,813
		P4,841,466,433	P4,628,491,318
			P4,506,945,888

See Notes to the Financial Statements.

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

STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31	
	Note	2017	2016 (As restated - see Note 35)
REVENUES			
Gross premiums earned on insurance contracts		P1,772,066,764	P1,567,096,776
Gross change in provision for unearned premiums		(36,803,700)	(10,295,628)
Reinsurers' share of gross premiums on insurance contracts		(244,744,653)	(260,696,077)
Reinsurers' share of gross change in provisions for unearned premiums		(2,159,936)	3,918,164
Net earned insurance premiums	23	1,488,358,475	1,300,023,235
Investment income	24	240,062,342	241,357,152
Other revenue		62,888,828	48,575,340
Fees and commission income		38,413,738	40,559,787
TOTAL REVENUES		1,829,723,383	1,630,515,514
BENEFITS AND EXPENSES			
Gross benefits and claims on insurance contracts		818,298,489	680,189,933
Reinsurers' share of gross benefits and claims paid on insurance contracts		(67,576,993)	(125,934,264)
Gross change in insurance contract liabilities		44,348,693	44,899,167
Reinsurers' share of gross change in insurance contract liabilities		(21,244,392)	38,013,602
Net insurance benefits and claims	25	773,825,797	637,168,438
General and administrative expenses	26	673,475,409	678,161,038
Underwriting expenses	26	312,349,939	258,156,611
Insurance taxes		12,374,008	12,830,483
Interest expense		2,141,725	1,248,260
TOTAL OTHER EXPENSES		1,000,341,081	950,396,392
TOTAL BENEFITS AND EXPENSES		1,774,166,878	1,587,564,830
INCOME BEFORE TAXES		55,556,505	42,950,684
TAXES (BENEFIT)	28	13,823,801	(11,332,860)
NET INCOME		41,732,704	54,283,544
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that may be reclassified to profit or loss			
Net change in fair value of AFS financial assets	10	6,790,765	(15,632,027)
Net change in fair value of building - net of tax	15	21,234,841	12,124,819
Items that will not be reclassified to profit or loss			
Remeasurement loss (gain) on retirement liability - net of tax	27	(18,010,431)	8,657,562
Remeasurement of life insurance policy reserves		72,374,309	(5,290,436)
		82,389,484	(140,082)
TOTAL COMPREHENSIVE INCOME		P124,122,188	P54,143,462

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

	Note	Capital Stock	Contributed Capital	Contingency Surplus	Retained Earnings	Revaluation Reserve on AFS Financial Assets (Note 10)	Revaluation Reserve on Property (Note 6)	Remeasurement of Retirement Liability (Note 27)	Remeasurement of Life Insurance Policy Reserves (Note 35)	Total
Balances at January 1, 2016, as previously presented		P500,000,000	P65,490,273	P745,673,651	P487,739,398	P(334,998,341)	P29,803,412	(P13,382,418)	P -	P1,480,325,975
Impact of restatement	35	-	-	-	14,072,667	-	-	-	(26,001,291)	(11,928,624)
Restated Balance at January 1, 2016		500,000,000	65,490,273	745,673,651	501,812,065	(334,998,341)	29,803,412	(13,382,418)	(26,001,291)	1,468,397,351
Total comprehensive income (restated)		-	-	-	-	(15,632,027)	12,124,819	8,657,562	(5,290,436)	(140,082)
Other comprehensive income		-	-	-	54,283,544	-	-	-	-	54,283,544
Net income		-	-	-	54,283,544	-	-	-	-	54,283,544
Total comprehensive income (restated)		-	-	-	54,283,544	(15,632,027)	12,124,819	8,657,562	(5,290,436)	54,143,462
Restated Balance at December 31, 2016		500,000,000	65,490,273	745,673,651	556,095,609	(350,630,368)	41,928,231	(4,724,856)	(31,291,727)	1,522,540,813
Total comprehensive income (loss) (restated)		-	-	-	-	6,790,765	21,234,841	(18,010,431)	72,374,309	82,389,484
Other comprehensive income (loss)		-	-	-	41,732,704	-	-	-	-	41,732,704
Net income		-	-	-	41,732,704	-	-	-	-	41,732,704
Total comprehensive income		-	-	-	41,732,704	6,790,765	21,234,841	(18,010,431)	72,374,309	124,122,188
Balance at December 31, 2017		P500,000,000	P65,490,273	P745,673,651	P597,828,313	(P343,839,603)	P63,163,072	(P22,735,287)	P41,082,582	P1,646,663,001

See Notes to the Financial Statements.

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

STATEMENTS OF CASH FLOWS

Years Ended December 31

	Note	2017	2016 (As restated - see Note 35)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before taxes		P55,556,505	P42,950,684
Adjustments for:			
Gross change in insurance contract liabilities	19, 23, 25	86,911,847	98,739,342
Depreciation and amortization	15, 16, 26	37,717,863	35,327,933
Impairment loss on goodwill	7, 26	17,827,536	17,945,577
Retirement benefit expense	26, 27	15,415,809	15,727,099
Loss (gain) on sale of investment properties	14, 24	4,321,714	(891,700)
Impairment loss on insurance receivables	9, 26	2,835,290	3,541,078
Interest expense		2,141,725	1,248,260
Gain on disposal of property and equipment		(465,973)	166,064
Unrealized foreign exchange gains		(549,873)	(13,569,681)
Dividend income		(2,444,548)	(2,598,560)
Gain on sale of AFS financial assets	10, 24	(4,048,191)	(3,459,687)
Change in deferred acquisition costs and deferred commission income	17	(4,266,004)	747,721
Interest income		(55,018,788)	(56,871,046)
Gain on revaluation of investment properties	14, 24	(185,423,133)	(168,532,800)
Operating loss before working capital changes		(29,488,221)	(29,529,716)
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Loans and receivables	11	74,343,443	(55,776,365)
Insurance receivable	9	(47,638,761)	(87,045,649)
Reinsurance assets		(19,084,456)	38,013,601
Other assets		(1,246,201)	(10,786,138)
Increase (decrease) in:			
Insurance contract liabilities		26,866,965	(46,115,411)
Other insurance payables	20	28,877,216	(5,790,196)
Accounts payable and accrued expenses	21	6,899,149	11,421,469
Policyholders' dividends		(3,328,100)	(10,681,270)
Premium deposit fund		(6,388,570)	(1,765,644)
Other liabilities		10,970,979	(1,960,902)
Cash generated from (used in) operations		40,783,443	(200,016,221)
Interest paid		(2,141,725)	(1,248,260)
Income taxes paid		(10,584,533)	(10,206,942)
Contributions to the retirement fund	27	(8,358,340)	(2,655,916)
Net cash provided by (used in) operating activities		19,698,845	(214,127,339)

Forward

Years Ended December 31

	<i>Note</i>	2017	2016 (As restated - see Note 35)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		P53,255,267	P59,186,049
Dividends received		2,444,548	2,598,560
Acquisitions of:			
AFS financial assets	10	(514,683,497)	(281,618,842)
Investment properties		(379,367)	-
Property and equipment	15	(45,976,583)	(29,878,451)
Intangible asset		(1,020,957)	-
Proceeds from sale/maturity of:			
AFS financial assets		286,902,651	334,494,858
Investment properties		208,920,286	15,648,500
Property and equipment		1,464,119	469,874
Net cash (used in) provided by investing activities		(9,073,533)	100,900,548
CASH FLOWS FROM A FINANCING ACTIVITY			
Increase in obligation under capital lease		5,086,401	9,724,475
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		15,711,713	(103,502,316)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
		549,874	13,569,682
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	8	411,559,890	501,492,524
CASH AND CASH EQUIVALENTS AT END OF YEAR	8	P427,821,477	P411,559,890

See Notes to the Financial Statements.