

As of December 31, 2017, the Company has NOLCO and MCIT as follows:

Year Incurred	Year of Expiry	NOLCO	MCIT
2017	2020	<b>₱15,539,190</b>	₱9,331,599
2016	2019	<b>110,389,187</b>	4,248,604
2015	2018	-	5,839,000
		<b>₱125,928,377</b>	<b>₱19,419,203</b>

The movements of NOLCO are as follows:

	2017	2016
At January 1	<b>₱110,389,187</b>	₱10,317,250
Additions	<b>15,539,190</b>	110,389,187
Expiration	-	(10,317,250)
Application	-	-
At December 31	<b>₱125,928,377</b>	<b>₱110,389,187</b>

The movements of MCIT are as follows:

	2017	2016
At January 1	<b>₱15,171,344</b>	₱14,507,135
Additions	<b>9,331,599</b>	4,248,604
Expiration	<b>(5,083,740)</b>	(3,584,395)
At December 31	<b>₱19,419,203</b>	<b>₱15,171,344</b>

The reconciliation of the statutory income tax rate to the effective income tax rate follows:

	2017	2016
Statutory income tax rate	<b>30.00%</b>	30.00%
Add (deduct) tax effects of:		
Interest income subjected to final tax	<b>(24.04)</b>	(10.31)
Income exempt from tax	<b>(13.14)</b>	(21.19)
Temporary deductible differences for which no deferred tax asset is recognized	<b>23.33</b>	8.44
Deferred tax on temporary difference recognized in 2017	<b>(12.40)</b>	(8.18)
Nondeductible expenses	<b>18.59</b>	1.54
Effective income tax rate	<b>22.35%</b>	0.30%

## 27. Related Party Transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by or under common control with the Company, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.



Significant transactions with related parties follow:

Category	Amount		Outstanding		Terms	Conditions
	2017	2016	2017	2016		
<i>Parent Company</i>						
<i>Allianz SE</i>						
Net increase in RSU, including fair value adjustments (Note 25)	₱11,166,202	₱6,575,005	₱11,166,202	₱6,575,000	Noninterest-bearing	Due and demandable, settled in cash
Net increase in derivative asset in relation to RSU, including fair value adjustment (Note 25)	2,956,313	25,557,557	28,513,871	25,557,557	Noninterest-bearing	Due and demandable, settled in cash
<i>Significant investor</i>						
<i>PNB</i>						
Savings and current accounts	311,553,971	297,404,086	311,553,971	297,404,086	Interest-bearing	Unsecured, no impairment
Time deposits	577,602,000	2,233,417,500	–	178,992,000	Interest-bearing	Unsecured, no impairment
Retirement fund	13,726,608	10,000,000	46,686,554	46,142,642	Interest-bearing	Unsecured, no impairment
Referral fees	124,742,991	69,248,269	38,759,484	18,688,292	Noninterest-bearing	Due and demandable
Rent expense	18,767,767	25,149,312	–	–	30-day Non-interest bearing	Due and demandable
Premiums collected	13,007,562	80,974,916	–	–	Non-interest bearing	Due and demandable
Claims paid	10,857,665	9,702,430	–	–	Non-interest bearing	Due and demandable
Claims payable	–	–	9,298,550	7,179,556	Noninterest-bearing	Due and demandable
<i>Entities under common control</i>						
<i>Allianz Investment Management Singapore (AIMS)</i>						
Investment Management	1,391,116	–	–	–	Noninterest-bearing	Due and demandable, settled in cash
<i>Allianz Technology (Thailand) Co. Ltd.</i>						
EDP-Software	10,227,903	–	–	–	Noninterest-bearing	Due and demandable, settled in cash
Software Maintenance	1,214,627	–	–	–	Noninterest-bearing	Due and demandable, settled in cash
<i>Allianz Asia Pacific</i>						
Consultancy Fee	19,270,274	1,280,369	–	–	Noninterest-bearing	Due and demandable, settled in cash
Consultancy Fee - Payable	–	–	11,509,721	1,280,369	Noninterest-bearing	Due and demandable
<i>Allianz Reinsurance Asia Pacific (ARAP)</i>						
Reinsurance	7,805,965	–	7,805,965	–	Noninterest-bearing	Due and demandable
(Forward)						



Category	Amount		Outstanding		Terms	Conditions
	2017	2016	2017	2016		
<i>Other related parties</i>						
<i>PNB Savings</i>						
Savings and current accounts	₱7,131,087	₱11,614,909	₱7,131,087	₱11,614,909	Interest-bearing	Unsecured, no impairment
Time deposits	125,000,000	129,078,904	125,000,000	–	Interest-bearing	Unsecured, no impairment
Referral Fees	5,637,612	2,567,670	582,894	492,114	Noninterest-bearing	Due and demandable
Premiums collected	68,131,084	9,027,090	–	–	Non-interest bearing	Due and demandable
Claims paid	–	–	–	–	Non-interest bearing	Due and demandable
<i>PNB Capital and Investment Corporation</i>						
Premiums collected	9,805	11,890	–	–	Non-interest bearing	Due and demandable
<i>Japan PNB Finance and Leasing Corporation</i>						
Premiums collected	29,878	33,532	–	–	Non-interest bearing	Due and demandable
<i>PNB General Insurers, Inc.</i>						
Premiums collected	164,492	–	–	–	Non-interest bearing	Due and demandable
<i>PNB Securities, Inc.</i>						
Premiums collected	6,660	–	–	–	Non-interest bearing	Due and demandable
<i>Key management compensation</i>						
Salaries and other short-term benefits	86,579,938	41,512,730	–	–		
RSUs	2,306,383	18,620,784	–	–		
Relocation benefits	–	1,173,988	–	–		
Retirement cost	2,967,401	1,662,554	–	–		
<b>Total</b>	<b>₱1,422,255,304</b>	<b>₱2,974,613,495</b>	<b>₱598,008,299</b>	<b>₱593,926,525</b>		

The Company granted loans to officers which is included in “Other receivables” under loans and receivables account in the statement of financial position (see Note 6). The loans are interest bearing and have maturity of five (5) to ten (10) years. As of December 31, 2017 and 2016, the outstanding balance of the loans amounted to nil and ₱725, respectively.

## 28. Capital Management and Management of Insurance and Financial Risks

Although life insurance companies are in the business of taking risks, the Company limits its risk exposure only to measurable and quantifiable risks. The main objective of the Company’s risk management policies is to ensure that the Company remains financially viable and capable in paying its liabilities.

There are many risks associated in the life insurance business such as insurance risks, investment risks, asset depreciation, and other business risks. These risks are managed separately to ensure that the Company is not exposed to risks that are unnecessary or risks with no commensurate expected benefits or returns.

### *Governance framework*

The Company has established a risk management function with clear terms of reference and with the responsibility for developing policies on market, credit, liquidity, insurance and operational risks. It

