

## 1. Related party transactions

In the normal course of conducting its business, the Company transacts with the following related parties:

Related party	Relationship
AIAGL	Ultimate Parent Company
AIA	Intermediate Parent Company
BPLAC	Subsidiary
PELAC	Subsidiary
PAMI	Subsidiary
KRC	Subsidiary
PERF	Subsidiary
PPC	Subsidiary
PCCSI	Subsidiary
PTMC	Subsidiary
Tower Club, Inc. ("TCI")	Entity under common control through PPC

## 2. Summary of transactions with related parties

The significant related party balances and transactions as at and for the years ended December 31 are summarized as follows:

### (a) Investments in mutual funds

The Company invests in mutual funds managed by PAMI, a subsidiary (Note 9). The funds are redeemable any time. Outstanding balances invested in PAMI-managed mutual funds at December 31 are as follows:

	2015		2014	
	Amount of transaction for the year	Outstanding receivable balance at December 31	Amount of transaction for the year	Outstanding receivable balance at December 31
PAMI-managed funds				
Philam Strategic Growth Fund, Inc.	-	5,227	-	5,587
Philam Bond Fund, Inc.	-	2,218	-	2,238
Philam Dollar Bond Fund, Inc.	-	1,644	-	1,545
	-	9,089	-	9,370

The mutual funds are classified as AFS financial assets with mark-to-market movements taken up direct to equity (Note 4).

### (b) Mortgage, bonds and other loans (including accrued interest income)

	2015		2014	
	Amount of transaction for the year	Outstanding receivable balance at December 31	Amount of transaction for the year	Outstanding receivable balance at December 31
Parent Company				
AIAGL	121,810	9,264,824	56,015	4,509,438
Subsidiaries				
PERF	17,968	751,925	18,223	333,957
KRC	2,988	22,216	3,083	22,216
PCCSI	(1,575)	-	1,740	4,158
	141,191	10,038,965	79,061	4,869,769

(i) *Notes receivable from AIAGL*

The Company invested in medium term notes issued by Parent Company AIA Group Limited. The movement of the investment in notes receivable of AIAGL for the years ended December 31 follow:

	2015	2014
At January 1	\$ 100,000	\$ 60,000
Additional investments	97,000	40,000
At December 31	\$ 197,000	\$ 100,000
In Philippine peso	9,264,824	4,509,438

The above notes will mature on 2023 and 2025 and bear interest based on LIBOR.

For the year ended December 31, 2015, interest earned on these notes receivable amounts to P122.0 million (2014 - P56.0 million).

(ii) *Mortgage and other loans with PERF*

The Company entered into various loans payable on demand with PERF for operations and investments purposes which bears interest of 14% a year. The movement of the loan balance with PERF for the years ended December 31 follow:

	2015	2014
At January 1	130,164	130,164
Additional loan availment	400,000	-
At December 31	530,164	130,164

As approved by its BOD, PERF borrowed an additional P400 million from the Company to partly finance the acquisition of certain office units and parking slots at Philam Life Tower in 2015. The loan availment is subject to floating rate based on PDST-R2 plus a spread and is payable quarterly. Both principal and interest are payable up to one (1) year from the date of the loan.

The related interest receivable arising from the loan balance above as at December 31 is as follows:

	2015	2014
At January 1	203,793	185,570
Additional investments	17,968	18,223
At December 31	221,761	203,793

(iii) *Loans and interest receivables from KRC*

The Company's loans receivable from KRC consist of various loans in 1974 which bear interest at the rate of 12% per annum. The loans have maturities of 50 years with an option to make a balloon payment on the 25th year. KRC did not make a balloon payment on the 25th year; instead, it executed a deed of mortgage extending the term of the loan to 2025, with a two-year grace period on the principal, and increasing the interest rate to 15.5%.

The movement of the loan balance with KRC for the years ended December 31 follow:

	2015	2014
At January 1	18,796	19,461
Principal payment	-	(665)
At December 31	18,796	18,796

These loans are collateralized by a parcel of land of KRC with a carrying amount of P0.36 million and fair value of P43.50 million (2014 - P43.00 million).

Interest income from the above loan amounts to P2,988 and P3,083 for the years ended December 31, 2015 and 2014, respectively.

Interest receivable from KRC at December 31, 2015 amounts to P2,988 (2014 - nil).

(iv) *Operating loans to PCCSI*

In March 2014, the Company provided the PCCSI a cash advance for its operational requirements which bear interest at the rate of 6% per annum. The advance has a maturity of 12 months, payable in cash on demand. The movement of the loan balance with PCCSI for the years ended December 31 follow:

	2015	2014
At January 1	2,537	2,537
Principal payment	(2,537)	-
At December 31	-	2,537

Interest income from the above loan amounts to P45 and P119 for the years ended December 31, 2015 and 2014, respectively.

(c) *Reinsurance and premium cession transactions*

	2015		2014	
	Amount of transaction for the year	Outstanding receivable (payable) balance at December 31	Amount of transaction for the year	Outstanding receivable (payable) balance at December 31
AIA and other foreign entities under common control	154,985	(38,511)	110,876	(40,864)
Subsidiary				
BPLAC	194,106	(168,960)	-	-
PELAC	652,762	(353,281)	1,008,776	(466,974)

The outstanding balances as at December 31 are presented under Insurance payables (Note 14).

(d) *Shared service and other transactions*

Transactions include non-interest bearing cash advances to and from subsidiaries and entities under common control for payment of other expenses, rental, management and other service fees. The Company has outstanding net receivable from (payable to) entities under common control included in Accounts receivable under Loans and receivables (Note 5) and Due to related parties under Accounts payable and accrued expenses (Note 15) in the statements of financial position.

	2015		2014	
	Amount of transaction for the year	Outstanding receivable (payable) balance at December 31	Amount of transaction for the year	Outstanding receivable (payable) balance at December 31
AIA and other foreign entities under common control	(683,413)	(53,971)	(510,268)	(35,310)
Subsidiaries				
BPLAC	700,003	47,122	383,666	289,025
PAMI	494,353	131,789	313,237	74,797
KRC	166,085	6,561	99,819	1,414
PPC	13,034	12,760	(30,783)	8,657
PCCSI	(997)	69,459	(29,581)	23,845
PELAC	24,165	9,060	21,901	13,328
PTMC	(2,673)	(1,134)	(1,411)	(558)
PERF	33,315	5,639	852	(2,364)
Entity under common control				
TCI	(23)	23	-	-

### 3. Reconciliation of outstanding related party balances at December 31

The outstanding balances presented are unguaranteed and unsecured, non-interest bearing and collectible/payable on demand. The amounts will be settled in cash. There are no guarantees provided or collaterals held arising from transactions with related parties. No provision for impairment has been made for amounts owed by related parties since collection is deemed to be reasonably certain.

#### (a) Receivable balances

From the detailed schedule under Note 30.1 above:

	2015	2014
Subsidiaries		
PERF	766,296	333,957
PAMI	131,789	74,797
PCCSI	69,459	26,382
BPLAC	48,308	289,025
KRC	28,345	20,210
PPC	12,760	8,657
PELAC	9,060	13,328
Entity under common control		
TCI	23	-
	1,066,040	766,356

Receivable balances are booked under the following accounts in the statements of financial position at December 31:

	Notes	2015	2014
Loans and receivables, net	5		
Mortgage loans		549,391	151,497
Intercompany receivables		292,711	409,465
Accrued income	8	223,938	205,394
		1,066,040	766,356

As at December 31, 2015 and 2014, allowance for impairment losses for intercompany receivables amount to nil.

#### (b) AFS financial assets

From the detailed schedule under Note 30.1 above, the Company has invested in unsecured floating rate medium term notes issued by AIAGL which is presented as part of AFS financial assets.

As of December 31, 2015, market value including accrued interest income of these unsecured floating rate medium term notes amounts to P9,264.82 million (2014 - P4,509.44 million).

#### (c) Payable balances

From the detailed schedule under Note 30.1 above:

	2015	2014
AIA and other foreign entities under common control	92,482	76,174
Subsidiaries		
PELAC	353,281	466,974
BPLAC	168,960	-
PTMC	1,134	558
PERF	-	2,364
	615,857	546,070

The above due to related party balances reconciles to the amounts presented in Accounts payable and accrued expense (Note 15).

Payable balances are booked under the following accounts in the statements of financial position at December 31:

	Notes	2015	2014
Insurance payables	14	517,518	486,738
Accounts payable and accrued expenses; Other liabilities	15		
Due to related parties		98,339	59,332
		615,857	546,070