READY AND STRONGER
FOR THE ASEAN INTEGRATION

CARD MUTUAL BENEFIT ASSOCIATION, INC.
ANNUAL REPORT 2015

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CARD MBA ANNUAL REPORT 2015
PUBLISHED JUNE 2016

ABOUT THE COVER

As Southeast Asian countries unite into one single region, CARD Mutually Reinforcing Institutions continues to synergize to bring socioeconomically challenged women, their families and their community a holistic approach to development. CARD Mutual Benefit Association (CARD MBA) aims to provide mircoinsurance and community development services to its members and their families.

Each client in the covers of the annual reports represent an institution, completing a bigger picture. The blue, red, and yellow waves merges and unifies the institution, signifying how the economic integration made our institutions stronger and united as a group.

Dolor Lingo survived the supertyphoon Yolanda that devastated the country in 2013. She found the hope and strength to restart her life through the support of CARD MBA and other like-minded organizations.

VISION

CARD MBA is a global leader in the microinsurance industry, owned and led by members upholding the core values of competence, family spirit, integrity, simplicity, humility, excellence and stewardship.

MISSION

CARD MBA is committed to:

> promote the welfare of marginalized sectors of the Philippine society and to other sectors as may be determined by the Board;
> extend financial assistance to its members in the form of death benefits, medical subsidy, pension and loan redemption assistance;
> ensure continued access to benefits/resources by actively involving the members in the direct management of the association that will include implementation of policies and procedures geared towards sustainability and improved services; and
> adopt a prudent cash management program to invest profitably all cash in excess of current disbursement through a majority vote of its Board of Trustees.

10 member countries of the ASEAN region

- BRUNEI DARUSSALAM
- CAMBODIA
- INDONESIA
- LAO PDR
- MALAYSIA
- MYANMAR
- PHILIPPINES
- SINGAPORE
- THAILAND
- VIETNAM

What is the ASEAN integration?

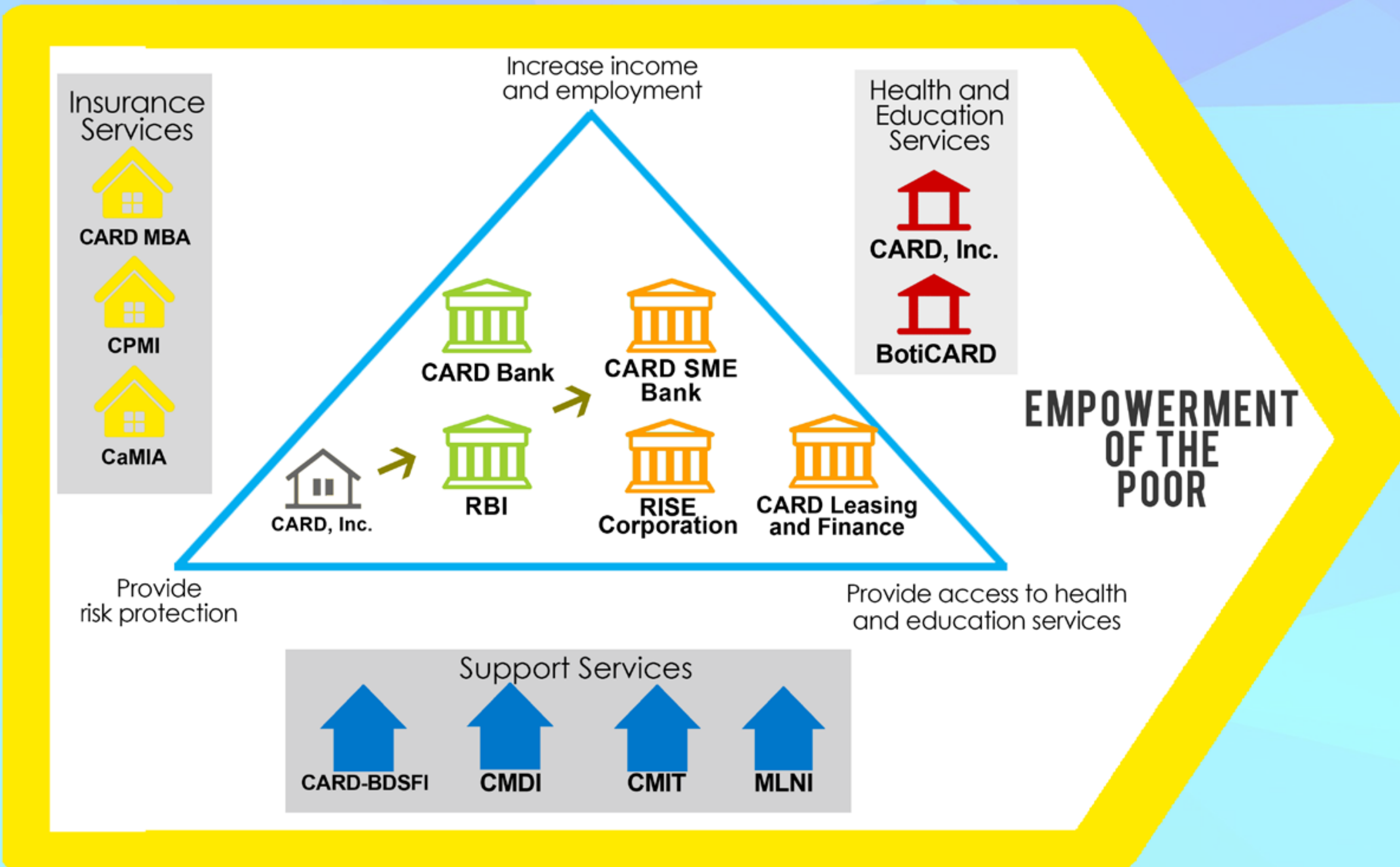
10 SOUTHEAST ASIAN COUNTRIES ONE SINGLE MARKET

FOR THE FREE FLOW OF

GOODS SERVICES CAPITAL LABOR

FOUNDED ON FOUR BASIC INITIATIVES

CREATING A SINGLE MARKET AND PRODUCTION BASE
INCREASING COMPETITIVENESS
PROMOTING EQUITABLE ECONOMIC DEVELOPMENT
INTEGRATING ASEAN WITH THE GLOBAL ECONOMY



5-8-40 CARD MRI STRATEGIC DIRECTION

Along with the introduction of the ASEAN integration, our stronghold to be versatile and pliant is the 5-8-40 CARD MRI Strategic Direction. We are confident that with the implementation of this 5-year strategic plan, we will be able to empower the poor through increasing income and employment and providing insurance, health and education services to them. Through 5-8-40, we aim to achieve a friendly environment for financial inclusion of a bigger unbanked, uninsured and unserved population.

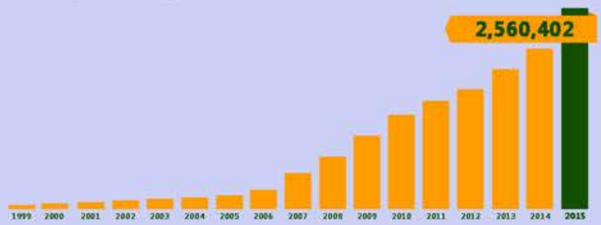
FOCUS AREAS

FOCUS 1	FOCUS 2	FOCUS 3
INCOME AND EMPLOYMENT	**HEALTH AND EDUCATION**	**RISK PROTECTION**
We want to help improve income and create employment opportunities.	We want to improve health and reduce the incidence of sickness and death. We aspire to provide opportunities for higher education for deserving Nanays and children of poor families.	We aspire to provide risk protection against loss of life or property caused by sickness, death or catastrophic events.
How?	How?	How?
We are providing financing for micro-, small- and medium-scale businesses, non-financial business, development services.	We are facilitating access to professional healthcare providers and facilities universal healthcare affordable medicines We will provide financing opportunities for higher education.	We are providing affordable life and non-life microinsurance.

CREATING IMPACT

ACCOMPLISHMENTS AS OF DECEMBER 2015

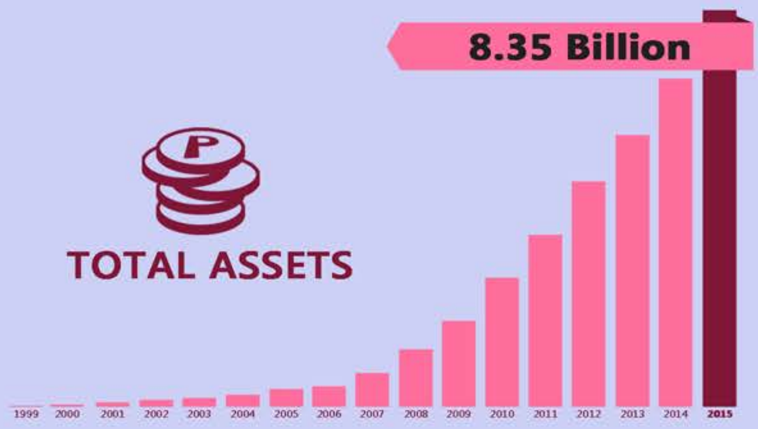
TOTAL ACTIVE MEMBER
2,560,402



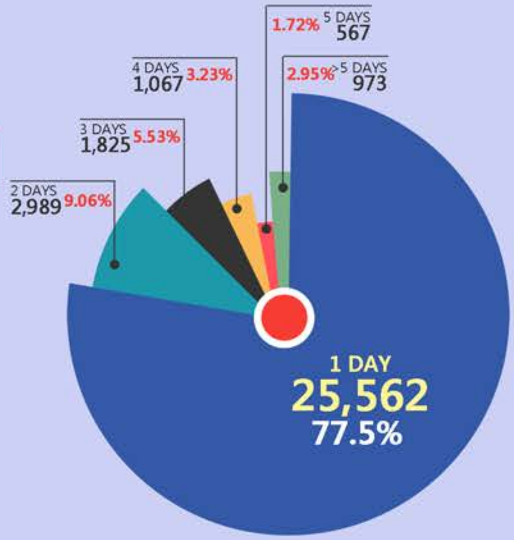
TOTAL INSURED INDIVIDUAL
12,802,010

TOTAL CLAIMS

TOTAL ASSETS



TOTAL CONTRIBUTION



97.05%
paid within 1-3-5 day target

PROVINCIAL OFFICE	49	
STAFF	359	
MBA COORDINATOR	1,160	

BASIC LIFE INSURANCE

NUMBER OF CLAIMS PAID
29,720
AMOUNT OF CLAIMS PAID
P 486,584,087.22

GOLDEN LIFE INSURANCE

NUMBER OF CLAIMS PAID
14
AMOUNT OF CLAIMS PAID
P 650,000.00

RETIREMENT SAVINGS FUND

NUMBER OF CLAIMS PAID
2,433
AMOUNT OF CLAIMS PAID
P 4,467,953.52

LOAN REDEMPTION FUND

NUMBER OF CLAIMS PAID
5,132
AMOUNT OF CLAIMS PAID
P 67,426,730.08

REFUND OF CONTRIBUTION

LIFE INSURANCE

NUMBER OF CLAIMS PAID
174,045
AMOUNT OF CLAIMS PAID
P 139,500,839.25

RETIREMENT

NUMBER OF CLAIMS PAID
173,771
AMOUNT OF CLAIMS PAID
P 103,818,495.63

GLIP Cash Surrender Value

NUMBER OF CLAIMS PAID
34
AMOUNT OF CLAIMS PAID
P 16,900.03

CARD MRI DISASTER RELIEF ASSISTANCE PROGRAM(CDRAP)

NUMBER OF AFFECTED MEMBERS
174,342
AMOUNT
P 27,242,597.00

MASS WEDDING

NUMBER OF COUPLE
343

MESSAGE FROM THE FOUNDER & MANAGING DIRECTOR

DR. JAIME ARISTOTLE B. ALIP

Microinsurance has proven to be a vital component in the fight against poverty in countries around the world. Through microinsurance, the poor and their families are provided with assurance in times of calamities and tragedies at an affordable and reasonable price, which commercial insurance providers cannot directly provide. With CARD MBA's close relationship with its target clients, the poor has found an ally as they traverse the long path out of poverty.

CARD MBA has been providing its services for 16 years not only in the Philippines, but also in other parts of the Southeast Asian region through technical assistance and technology transfer. Even before the arrival of ASEAN Integration, CARD MBA has fully equipped itself for the upcoming opportunities and challenges ahead.

We do this by making ourselves relevant. We continue to position ourselves as the champion of the poor by innovating products and services that are responsive to our clients' needs.

Once the big players are here, there would be staff and client poaching. But we can prevent that through better and improved loyalty programs and provision of responsive products and services such as stockholdings, training and development, provision of health programs, insurances, etc.

As always, we apply the right recruitment process to hire individuals whose passion are aligned to providing service for the poor. This way, we know that our staff wouldn't just stay, they would also be one with us in our fight against poverty.

Many institutions view the stiff competition brought about by the economic integration as a challenge, but for us, we see this as an opportunity to ensure better service, provide competitive products and ensure efficiency in the implementation of all our products and services.

We also make sure that our clients coming from the marginalized areas feel that they are part of the CARD family. We continue to customize our services at the center level. We implement effective staff and client training development, continue and scale up community development programs, improve our mobile banking, provide agri-financing to our farmers, implement bundled loans composed of microinsurance products, provide Credit with Education, expand internationally and be more efficient with our 1-3-5 days target in insurance claims settlements.

Credit pollution is also one of the expected effects of the economic integration. We need to be responsible enough so that our clients will not experience credit pollution. We face this by spearheading the creation of a credit bureau and actively participating in it. The credit bureau is also a way to unite the microfinance institutions.

It is not only in the financial sector that these players will be coming in; it can also be in the agriculture and retail sectors. This is where product development through CARD-BDSFI will be relevant. If we want to be relevant, we must keep prices competitive for the benefit of our clients. We must continue to develop the products of our clients by assisting them in product packaging. CARD-BDSFI and Mga Likha ni Inay will be stepping up to the next level in order to assist our clients.

Meanwhile, we must build on our strengths as a nation to make the most of the ASEAN Integration. The Philippines is an agricultural country. In the agricultural industry, education and training is important in making an agricultural business more productive and profitable. MFIs can link farmers to institutions that provide agricultural information and technology. If an MFI has an education program like the Credit with Education program or other learning techniques, it can also develop specific education sessions that would respond to the needs of its clients from farm inputs to farm management.

Despite the challenging nature of agricultural microfinance, there are strategies that can be implemented in order to surpass these challenges in the 2015 ASEAN Integration. The holistic program implementation by providing not only microfinance but other value added products and services like education, microinsurance, and business development is a key strategy to make CARD as a relevant and responsive microfinance institution. This way we will continue to eradicate poverty in the country and abroad.

CARD MBA gave me the opportunity to learn and to lead. I learned to believe in myself, that I am capable of doing something bigger— bigger than what I can imagine, bigger than myself.

Being the president of a multi-billion company is no joke for anyone else, especially me. I was a just a humble member of CARD Bank for six years before this great opportunity came. I never expected that I can become a President of a big association but because of the support my family gave, I didn't think twice and grabbed it. I knew, and they knew, this will be a venue for me to serve and to pay forward.

Doubts to myself were inevitable but I became stronger because of the trust and respect of the people who believed in me. I would have never discovered a new self in me if CARD MBA and the rest of the CARD MRI community didn't give me the chance to be a part of this growing organization.

I would like to extend my gratitude to the CARD MRI community, especially to CARD MBA's Board of Trustees for believing in me and helping me to continuously learn and lead that paved the way for me to become who I am today.

I feel so much greatness and I don't want this to end in myself. I want to share it to everyone, as much as I can. I started with my family. My husband and my only child are members for four years now and my son-in-law is also a member for a year now. I spread the word to our neighborhood, to our community and to strangers. I want them to be informed as much as CARD MBA informed me.

MESSAGE FROM THE PRESIDENT

ABUNDIA C. MANABES

I am very grateful to the empowerment they gave me. I now have the confidence to talk and to share my opinions. I now have the voice to represent the people behind me. I can now empathize with people from different walks of life, especially to the grassroots who we serve.

To all the CARD members, staff, and the rest who made CARD a strong institution, thank you very much! Let us continue to be an inspiration to other people and continue to work and reach a bigger and a wider marginalized population.

UPHOLDING THE INTEREST OF THE MARGINALIZED

MAY S. DAWAT
General Manager

Our interest lies on the interest of the marginalized. Our passion is fueled by our desire to uplift the poor's living condition. CARD MBA continues to empower women by being 100% owned and led by our members. Our Board of Trustees, who are elected by members of the Association, are continuously being honed into becoming remarkable leaders through trainings and experiences.

Coming from compassion, we want our products to be affordable, simple and accessible. We ensure that our products are within our stakeholders' reach and capacity because we want to enable them to secure their families' lives.

The success of our institution can be attributed to our tried-and-tested model, the 1-3-5 claims payment. We have successfully implemented paying the claims of our clients within one, three, and five days. Based on research, 96% of our members are satisfied with our services because of the efficiency of our processes. We, at CARD MBA, continuously strive to improve our services to our clients. At the end of the day, the success of CARD MBA is ensuring that we are able to quickly deliver our services to our clients.

BEYOND OUR BOUNDARIES

CARD MBA, being the pioneer of the Microinsurance Mutual Benefit Association (MI-MBA) model in the Philippines, sure is going places. The ASEAN integration is our time to go beyond our comfort zone and expand our outreach so we can bring our services to the ASEAN region and hopefully, make them adopt the "CARD MBA way". Having our model demonstrated in Cambodia, Vietnam, Laos, and Indonesia, we already gained a global standpoint of the integration. We have also set a partnership with Union Life, a life insurance company based in Bangkok, Thailand, so we can learn a more dynamic and global perspective on commercial life insurance.

On the other side of the coin, there is a foreseen influx of competition and CARD MBA's eyes are set to gear up for the integration. Our endeavor to improve our products and services has brought them to a higher pedestal so that our clients' changing needs are met. Along with their needs, climate change is also of our consideration because our country is known to be highly affected by the changes in our environment.

This mission led to the formation of the Product Development and Innovation Committee (PDIC) to ensure the quality development of products and services of CARD MBA. PDIC spearheads the enhancements of existing products and the creation of new products based on our clients' feedback. This resulted to the development of new products like health insurance, memorial plan and educational plan.

YEAR OF SUCCESS

Parallel to the efforts on improving our products and services, we are also stepping the game up when it comes to our staff. Continuous capacity building activities are done to make sure that they are competitive and ready to serve our clients. As of December 2015, 98.45% of our employees attended capacity building program in CMDI and in other affiliated training institutions, 252 staff were given compliance exam, and six senior staff are attending masteral degree program in Development Academy of the Philippines (DAP), Southeast Asia Interdisciplinary Development Institute (SAIDI) and University of the Philippines (UP).

As of November 2015, our Board Members attended series of seminars and trainings such as Governance and AMLA Training, Leadership Training Workshop, Governance Training, Basic Orientation on Financial Management, and ICMIF 5-5-5

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CLINGING TO THE THREAD OF HOPE

DOLOR LINGO
CARD MBA member

If there's one thing I want to fully forget, it would be my experience during the super typhoon Yolanda. The pain of losing the things we own and the people we love is just too devastating. I can still remember how the 20-foot flood and strong winds destroyed properties and took away lives. We lost almost everything we own but the most excruciating of it all is losing three of our children. Perhaps the hardest part was we had to bury our children on our own.

CARD MBA helped us in this time of need. Together with other local and international NGO, CARD MBA helped us rise up just when we thought hope is nowhere to be found. We received insurance benefit for the death of my three children even when I am still a new member of CARD MBA. The amount we received may appear little to some, but at that time of need, it was all we ever needed to start our lives again.

A MATTER OF ACCEPTANCE

All hurts heal in time. Though I am still emotional when I talk about my experience, I have learned to accept what happened and learned to move on with my life. I faced the reality that tragedies and deaths happen.

I started to rebuild my life together with my husband and my remaining child. We gathered scraps together and sold them to a buyer from Manila. It was really hard but we continued to take the challenge. It was what we need to do to get by.

THE FAITH CARD MBA GAVE

Even as an ordinary member, I took all the responsibilities and policies of CARD seriously. For me, CARD is more than getting loans. I honestly feel that they care for my development as a person. We become educated in different topics like healthcare and safety through the Credit with Education sessions during center meetings. Scholarship grants are also provided for clients and their children. They also care enough to provide insurance to the underserved sector.

CARD MBA gave me another chance at life when they offered me to become a coordinator. I embrace being a CARD member so I am thankful for this opportunity. This special task has also helped lessen my longing for my children. My experience also made it easier to explain to others how important insurance is. My story became the motivation for others to become prepared because life can really be unpredictable.

THE CARD MBA WAY

Unlike other insurance companies, CARD MBA has the sense of urgency to give clients' their rightful claims. They are compassionate enough to make the processes easier and more convenient for those who have faced unfortunate calamities. When the situation calls for it, they even release partial claims as long as validation has been done. I can feel that they do this because of their genuine interest to help their members especially in times of need.

I am very proud and grateful to CARD MBA for giving me and my family the opportunity to be insured at a very affordable cost. When we lost almost everything, we found hope in CARD MBA.

From page 12

Inclusive Mutual Insurance Symposium. We have also conducted nine batches of Lakbay-Aral participated by 308 MBA Coordinators through CMDI.

We were able to add 1,214 new members to our Golden Life Insurance Program (GLIP) and were able to conduct 40 GLIP caravans with 6,942 member-participants. We were also able to open four provincial offices in Nueva Ecija, Zamboanga Sibugay, Negros Occidental and Oriental Mindoro 2. For our BOAT program, we have four new partnerships with Media Once Farmers MPC, Sto. Niño Visares Transport Services MPC, Tinagacan Agrarian Reform Beneficiaries Cooperative (TARBC) and Grains Multi-purpose Cooperative (Grains), served 27,452 members and provided scholarship program to 16 sons and daughters of members of our BOAT Partners.

Mass weddings were continuously conducted and have served 343 couples this year. We have also started the Loss Prevention Program, which aims to educate the members about health and safety issues. We have also launched "Project Tala," which aims to ensure accurate and complete records of member's contributions.

CONTRIBUTING TO A GREATER CAUSE

We are privileged to be playing a crucial role in the fulfillment of CARD MRI's 5-8-40 goal. As the microinsurance provider of CARD MRI, our unwavering devotion to provide 40 million individuals with microinsurance by 2020 will never falter. Through our continuous endeavor to enhance, create, and innovate our products and services, we will continue to uplift the interest of the marginalized.

EVENTS AND ACTIVITIES

2015 is a fruitful year for CARD MBA. We celebrated our accomplishments and strived hard to improve our operations. Below are the different events and activities, which we participated in here and abroad:

Annual Citation. As part of our reward system, we recognized the efforts of the best performing Provincial Offices, MBA coordinators, and staff.

ICMIF AOA 5-5-5 Inclusive Mutual Insurace Symposium. Our General Manager May S. Dawat and Founder/ Managing Director Dr. Jaime Aristotle B. Alip spoke about how we do microinsurance the CARD MBA way.

Trainings. We continue to develop and improve the capacities of our staff by sending them to relevant and empowering trainings.

Annual General Membershp Meeting. New members of the Board of Trustees were led by Dr. Alip as they recite their pledge to the whole Association.

Development Academy of the Philippines. We let our management staff reach their full potentials. This year, Cluster Manager Marivic B. Buenaobra graduated in the course Master in Productivity and Quality Management.

Opening Provincial Offices. We opened four new provincial offices to serve more members better.

Anti-Money Laundering Act (AMLA) Seminar. Newly-elected members of the Board of Trustees and Provincial Managers participated in the Good Governance and Anti-Money Laundering Act Workshop conducted by RIMANSI.

COMMUNITY DEVELOPMENT

CARD MBA actively participates in nation building through its community development activities. Being a member institution of the CARD Mutually Reinforcing Institutions (CARD MRI), we contribute to the different social development programs in health, education, and livelihood.

We also continuously provide our Build-Operate-and-Transfer Program to cooperatives all over to the country. Through this, we are able to transfer our tried and tested methodologies in microinsurance, enabling these cooperatives to provide microinsurance to community members like we do.

Through the program, we also continue to provide scholarships for the children of the members of the BOAT partners.

We ensure that the whole family of our members get the full benefits they deserve. We encourage our members with live-in partners to join our mass wedding program so that they could get the full coverage of our products. All the expenses for documentary requirements are covered by CARD MBA, except for the Certificate of No Marriage.

Finally, we continue to help those in need in times of calamities. We immediately repond to the needs of our members and the community by providing relief assistance during typhoons, earthquakes, floods, fires, and other calamities through the CARD MRI Disaster Relief Assistance Program (CDRAP).

CORPORATE GOVERNANCE

CARD MBA, the Philippines' first and biggest Microinsurance - Mutual Benefit Association, actively participates in building a nation where everyone, especially families in socioeconomically challenged communities, has access to microinsurance. In order to achieve our goals, we believe that financial stability should be paired with sound corporate governance.

We are anchored to our core values of competence, family spirit, integrity, simplicity, humility, excellence and stewardship. We consider these values when making decisions for the institution, when designing products and programs for our members, and when we plan for the direction of our institution. We ensure that everyone gets the kind of service they deserve.

BOARD OF TRUSTEES

Majority of the seats in the Board of Trustees are occupied by members of the Association who were elected by our 2.5 million members. The Board of Trustees is the governing body of the Association. Trustees are primarily responsible for approving and overseeing the implementation of the policies and procedures, action plans, and preserving corporate values. They are also responsible in overseeing the performance of the senior management towards the attainment of the Association's strategic objectives.

Because they, too, are members of the Association, they know exactly what our members need and how we can solve them. Having them as our leaders will only lead to a sound corporate governance for the Association. These Trustees are sent to different trainings and seminars so that they can further enhance their skills and capabilities as leaders.

The 13 elected members of the Board of Trustees are joined by two independent directors who are professionals and experts in their own fields. Each of the members of the BOT receives a monthly allowance of P5,000.00.

The Board holds regular meetings every other month. Below is the attendance for the meetings held in 2015:

NAME OF TRUSTEES	NO. OF MEETINGS ATTENDED	TOTAL NO. OF MEETINGS	PERCENTAGE RATING
Virginia D. Baldo*	5	5	100%
Abundia C. Manabes	6	6	100%
Charito L. Rivera*	5	5	100%
Adoracion C. Balmonte*	5	5	100%
Edna B. Royo*	5	5	100%
Genalyn P. Rivadeniera*	5	5	100%
Angelita D. Ismael*	5	5	100%
Nimfa M. Santos	6	6	100%
Evangeline R. Yonson	6	6	100%
Cynthia D. Fajarito	6	6	100%
Haydee G. Eulin	6	6	100%
Shirley V. Isidro	6	6	100%
Lelibeth A. Alberio	6	6	100%
Arlette A. Umali	6	6	100%
Atty. Jomer H. Aquino	6	6	100%

**Terms has ended on September 9, 2015*

Newly Elected Board of Trustee September 9, 2015			
Juvelyn D. Garcia	1	1	100%
Eden A. Jacalne	1	1	100%
Charito A. Antolin	1	1	100%
Analyn R. Andrade	1	1	100%
Eulalia A. Villanueva	1	1	100%
Thelma M. Magculang	1	1	100%
Eden A. Jacalne	1	1	100%

BOARD COMMITTEE

Audit Committee

Ms. Arlette A. Umali - Chairperson
Ms. Charito L. Rivera (term until September 2015)
Ms. Genalyn P. Rivadeniera (term until September 2015)
Mr. Josef M. Leron
Ms. Edna B. Royo (term until September 2015)
Ms. Eulalia A. Villanueva (started October 2015)
Ms. Cynthia D.Fajarito(started October 2015)
Ms. Juvelyn D. Garcia(started October 2015)

The Audit Committee provides oversight of the internal and external audit functions. It is responsible for setting up the internal audit department and for the appointment of internal auditor as well as the independent external auditor who shall both report directly to the audit committee. In cases of appointment or dismissal of external auditors, it is encouraged that the decision be made by independent and non-executive audit committee members. It approves and reviews the audit scope and frequency and shall receive key audit reports and ensure that senior management is taking necessary corrective actions in a timely manner to address weaknesses, non-compliance with policies, laws and regulations identified by auditors. It has an explicit authority to investigate any matter within its terms of reference, full access to and cooperation by management and full discretion to invite any director or executive officer to attend its meetings, and with adequate resources to enable it to effectively discharge its functions. The Committee may also perform other tasks, as the board may from time to time designate.

CARD MBA Audit Committee certifies that CARD MBA Inc, has sufficient internal control systems and is aware that constant review of the said systems and procedures is a must to keep abreast with the changing times.

The Audit Committee meets every first Monday of every month.

Audit Committee Member	No. of Audit Committee Meetings	No. of Meetings Attended	Percentage
Arlette A. Umali (Independent Trustee)	12	12	100%
Charito L. Rivera	9	9	100%
Genalyn P. Rivadeniera	9	9	100%
Josef M. Leron	12	11	92%
Edna B. Royo	9	9	100%
Eulalia A. Villanueva	3	3	100%
Cynthia D. Fajarito	3	3	100%
Juvelyn D. Garcia	3	3	100%

Remuneration Committee

Atty. Jomer H. Aquino - Chairperson
Deverna dT. Briones
May S. Dawat
Solomon A. Aramil
Abundia C. Manabes

Remuneration Committee is a separate and independent body established to ensure that remuneration arrangements support the strategic aims of the association and enable recruitment, motivation and retention of personnel while complying with the requirements of regulatory and governance bodies, satisfying the expectations of the members and remaining consistent with the expectations of the wider employee population.

The Remuneration Committee meets at least twice a year and as the need arises.

Name	No. of Remuneration Committee Meetings	No. of Meetings Attended	Percentage
Atty. Jomer H. Aquino (Independent trustee)	3	3	100%
Deverna dT. Briones	3	3	100%
May S. Dawat	3	3	100%
Solomon A. Aramil	3	3	100%
Abundia C. Manabes	3	2	67%

Treasury Committee

Mary Jane A. Perreras - Chairperson
Virginia Baldo (term until September 2015 only)
Adoracion Balmonte (term until September 2015 only)
Abundia Manabes (started September 2015)
Eden Jacalne (started September 2015)
Lorenza dT. Bañez
Janet D. Caneo
Marie Sharon D. Roxas
Jennifer Redublo

The roles of Treasury Committee are to review, advice and recommend approval, decision or action on financial matters.

The Treasury Committee meets every 3rd Friday every two months.

Name of Treasury Member	No. of Treasury Committee Meetings	No. of Meetings Attended	Percentage
Virginia Baldo	6	4	100%
Adoracion Balmonte	6	4	100%
Abundia Manabes	6	2	100%
Eden Jacalne	6	2	100%
Mary Jane A. Perreras	6	6	100%
Lorenza Dt. Banez	6	6	100%
Janet D. Caneo	6	5	83%
Marie Sharon D. Roxas	6	6	100%
Jennifer Redublo	6	6	100%

Product Development and Innovation Committee (PDIC)

Wilfredo M. Llanto - Chairperson
Virginia D. Baldo (term until September 2015 only)
Abundia C. Manabes
May S. Dawat
Janet D. Caneo
Arlene R. Umandap
Rona R. Nava (term until August 2015 only)
Michael Kelvin N. Junos
Nimfa Santos (started October 2015 only)
Mauricio Maur

The Product Development Committee and Innovation Committee's primary role is to develop new and/or additional benefit packages and services that meet the emerging needs of members.

PDIC meets every 1st Friday every two months. The chairperson is an independent consultant who has deep knowledge and expertise in the field of microinsurance and product development.

Name	No. of PDIC Committee Meetings	No. of Meetings Attended	Remarks
Wilfedo M. Llanto	6	6	100%
Virginia D. Baldo	5	5	100%
Abundia C. Manabes	6	6	100%
May S. Dawat	6	6	100%
Janet D. Caneo	6	6	100%
Arlene R. Umandap	6	5	83%
Rona R. Nava	4	3	75%
Michael Kelvin N. Junos	6	5	83%
Nimfa Santos	1	1	100%
Mauricio Maur	2	2	100%

IT Steering Committee

May S. Dawat - Chairperson
Roselito A. Magpantay
Arlene A. Umandap
Janet D. Caneo
Mauricio M. Maur
Oliver M. Reyes
Rona R. Nava
Nemie G. Mendoza
Jennifer O. Redublo
Michael Kelvin N. Junos

The IT Steering Committee overseas the Information Technology related issues and initiatives. The Committee provides strategic leadership for IT through the alignment of the activities with the Association's strategic objectives and processes. It also informs the Board on the current and future IT-related issues and initiatives and submits recommendations to the Board.

The IT Steering Committee meets every month and is headed by the General Manager.

Name	No. of IT steering Committee Meetings	No. of Meetings Attended	Percentage
May S. Dawat	6	5	83%
Roselito A. Magpantay	6	6	100%
Arlene A. Umandap	6	5	83%
Janet D. Caneo	6	6	100%
Mauricio M. Maur	6	6	100%
Oliver M. Reyes	6	6	100%
Rona R. Nava	6	6	100%
Nemie G. Mendoza	6	6	100%
Jennifer O. Redublo	6	6	100%
Michael Kelvin N. Junos	6	5	83%

Nomination and Election Committee

Deverna dt Briones - Chairperson
May S. Dawat
Pilar B. Garcia
Pascuala Genoso
Nilda B. Basilan
Atty. Aseria C. Turiano
Rona R. Nava
Mauricio B. Maur
Jennifer O. Redublo

The Cluster Nomination Committee's task is to check and validate the nominated MBA coordinators. Validation includes background check of the nominees. Evaluation of the result of the background investigation and recommendation of nominees to the Central Selection Committee (CSC) follows. The Cluster Nomination Committe held a meeting on May 21, 2015. Meanwhile, the Central Selection Committee met on June 4, 2016.

The Election Committee is composed of three independent party who are responsible to facilitate the whole election process during the Annual Meeting. This committee supervise the voting ceremony during the AGM up to the counting of votes and announcing the result of the election.

INDEPENDENT CHECKS AND BALANCES

To ensure the soundness of our operations, we are implementing the following independent functions:

Internal Auditor

Under the direct supervision of the Board Audit Committee, the Internal Audit Group is tasked to provide independent assessment and reasonable assurance of the adequacy and effectives of the Association's internal controls. The Internal Audit Unit is headed by Ms. Jennifer P. Masa.

External Auditor

Ms. Bernalette L. Ramos from Sycip Gorres Velayo & Co. with CPA Certificate No. 0091096 is authorized to certify financial statements of the association. The external auditor was paid P550,000.00 for its engagement to audit the financial statements for the year 2015. There were no non-audit audit engagement in 2015, hence, no non- audit fees paid.

Company Compliance

The Compliance Unit ensures full compliance to the requirements, policies, circulars, memoranda, and guidelines issued by regulatory agencies such as the Insurance Commission, Securities and Exchange Commission, Bureau of Internal Revenue, Local Government Units and other government agencies.

The unit is headed by a Compliance Officer who is appointed by the Board.

CODE OF CONDUCT AND BUSINESS ETHICS

The Association institutionalizes the highest ethical standards through the strict implementation of the CARD MRI Code of Conduct that outlines the policies governing the activities of the institutions, its trustees, officers and employees.The Code specifies the fair treatment of employees and business partners.

Related Party Transactions

The Association complies with the legal and regulatory requirements pertaining to the approval and disclosure of the related party transactions. All related party transactions are presented to the Board of Trustees for their approval and ensured that these are conducted to the best interest of the Association, its members and stakeholders. Details of Related Party transactions (RPTs) are provided in Note 23 of the Audited Financial Statement.

Transparency and Disclosures

One of the core values of corporate good governance is transparency. The Board together with the management and employees commit to promote and ensure full disclosure, transparency and accountability. This is a commitment and a policy of the Board.

To ensure wider access by the members and stakeholder, these disclosures and other corporate information are also uploaded in the CARD MBA's official website - www.cardmba.com, including the revised Corporate Governance Manual.

Board Performance Evaluation

The performance assessment was conducted to further distinguish well and improve the performance and effectiveness of the Board by identifying things that need improvement.

The Board conducted the performance assessment on November 6, 2015. The criteria of assessment is on the Board of Trustees Performance of Duties and Responsibilities. Every

Board is invited to rate their colleagues using rating scale with numerical scores and merit interpretations below.

Rating Scale
1 - Strongly Agree
2 - Agree
3 - Disagree
4 - Strongly Disagree

STAKEHOLDER INTEREST

The Association is committed to protect the welfare and rights of its stakeholders by ensuring that quality service and programs are given to them and that every transaction with them are conducted in a transparent and fair manner.

Member's Health And Safety

Orientation of Proper Heart Care
An orientation on proper heart care was conducted for members of the Association to be well-informed on how to maintain the good health of their circulatory system. This module is part of the Loss Prevention Program conducted by the Association to educate the members on health and safety issues.

Community Health Days
Under the Community Development Group, the Microfinance and Health Protection (MaHP) Unit visit communities where members of the Association and their family members are present. They conduct Community Health Days wherein free medical and dental services can be availed. In 2015, MaHP has provided these health services to a total of 94,164 people.

Disaster Preparedness Training
Last September 8, 2015, a representative from Red Cross, Mr. Alvin Kuan, conducted a disaster preparedness training to the employees and members of the association. This aims to orient and teach all the participants on how to be prepared in times of inevitable and sudden disaster. This is also in preparation for "Big One," a worst case earthquake scenario found in the West Valley Fault. The West Valley Fault is a 100 kilometer fault that runs through six cities in Metro Manila and nearby provinces.

Supplier/Contractor Selection Criteria

Last August 15, 2015, the Bidding Committee conducted a review of the accredited suppliers to ensure that the Association get an effective and efficient third-party products and services. The due diligence considered the financial stability of the supplier, the ability to provide competitive price and good product and services and its compliance with the regulatory requirements.

Environmentally-friendly Value Chain

CARD MBA supports the Republic Act 9003 also known as the "Ecological Solid Waste Management Act of 2000 by implementing proper segregation and disposal of solid wastes through the formation and adoption of the best environmental practices in ecological waste management.

As the issue of climate change continues to threaten our water resources, we implemented a policy that encourages all our offices to use water efficiently. All our employees are requested to save water when raining, to use a glass when brushing their teeth, and to use a basin when washing their clothes.

CARD MBA also supports reciprocal and mutual benefits among CARD MRI institutions. This year, we have availed solar panels through CARD Leasing and Finance Corporation (CARD LFC) to ensure continuous provincial offices' (POs) operations despite of certain calamities, specially storms and typhoons. This endeavor is also in support to CARD-Business Development Service Foundation Inc.'s (CARD-BDSFI) renewable energy initiatives.

Interaction with Communities

CARD MBA takes part in activities in the communities. This year, we participated in three fun run activities that support the same mission as ours in empowering marginalized people. The fun runs were held on June 15, 2015, October 25, 2015 and November 22, 2015.

Anti-Corruption Program

As CARD MBA is committed to observe the value of integrity in all its transactions, the Board and the Management ensure that there is a strict implementation of the control over cash policy. Moreover, they strictly observe the code of discipline stated in the Personnel Manual, otherwise, a corresponding action will be imposed for committing any fraud against the Association.

Creditors' Right

The Association has no credit obligation/s to any third party. However, the Association is committed to meet its obligations to the members, suppliers and third party service providers by monthly monitoring the liquidity ratio and by matching of asset versus the liabilities to ensure enough liquidity to meet its obligations. And in accordance with the law, Association's creditors, if any, are given priority in payment of obligations in the normal course of business and in the event of liquidation.

EMPLOYEES' DEVELOPMENT PROGRAM

Annual Physical Examination (APE)

To ensure that all staff are in their best condition to serve our members, an annual physical examination was conducted. A total of 359 staff underwent APE.

Training And Development

Local Trainings

RANK	AVERAGE TRAINING HOURS	EQUIVALENT NO. OF DAYS
Staff	37	4 days
Manager	65	8 days

International Trainings

RANK	AVERAGE TRAINING HOURS	EQUIVALENT NO. OF DAYS
Manager	72	5 days

The Association places high value on its human resources including Board of Trustees and recognizes the importance of competence, hence, all Board Members and Officers shall be eligible for continuous development program such as local and international trainings, seminars, workshops and conferences.

As part of the management's goal to give more training and development of staff. Ms. Janet D. Caneo Deputy Director for Admin & Finance was giving an opportunity to study short course of Advance Risk Management Program in Wharton University in Pennsylvania last May 30 to June 9, 2015. This is also in preparation of creating risk management committee next year.

Further, below are the trainings and seminars attended by the Board of Trustees.

Trainings and Seminars Attended by the Board of Trustees

Name	Disaster Preparedness	BOT Orientation & Social Grace Training	Governance & AMLA Workshop	1st ICMIF ASA 5-5-5 Srilanca Symposium Seminar
	September 8, 2015	November 4-5, 2016	October 22-23, 2015	December 5-9, 2015
Abundia C. Manabes	√	√		
Nimfa M. Santos	√	√		
Eulalia Villanueva	√	√	√	
Eden A. Jacalne	√	√	√	
Cynthia Fajarito	√	√	√	
Haydee G. Eulin	√	√		
Juvelyn D. Garcia	√	√	√	
Charito A. Antolin	√	√	√	
Analyn R. Andrade	√	√	√	
Thelma A. Magculang	√	√	√	
Lelibeth A. Alberio	√	√		
Shirley V. Isidro	√	√		
Evangeline R. Yonson	√	√		
Angelita Ismael				√

BOARD OF TRUSTEES PROFILES

Abundia C. Manabes, 56, Filipino, is a member of the Board of Trustees since September 9, 2014 and was elected as President of CARD-Mutual Benefit Association, Inc. in September 2015. She is a graduate of midwifery and currently resides in Bay, Laguna. She is a sari-sari store owner.

Nimfa M. Santos, 47, Filipino, is a member of the Board of Trustees since September 9, 2014 and was elected as Vice President of CARD-Mutual Benefit Association, Inc. She is a graduate of BS Accountancy and currently resides in Tarlac. She is into buy-and-sell business.

Eulalia A. Villanueva, 52, Filipino, is a member of the Board of Trustees since September 9, 2015 and was elected as Secretary of CARD Mutual Benefit Association, Inc. She is also a member of the CARD MBA Audit Committee. She has a degree in Business Administration and currently resides in Candelaria, Quezon. She is into buy-and-sell business.

Eden A. Jacalne, 47, Filipino, is a member of the Board of Trustees since September 9, 2015 and was elected as Treasurer of CARD-Mutual Benefit Association, Inc. She is an elementary graduate and currently resides in Dasmariñas, Cavite. She has a peanut butter business.

Cynthia D. Fajarito, 48, Filipino, is a member of the Board of Trustees since September 9, 2014. She is also a member of the CARD MBA Audit Committee. She has a degree in Hotel and Restaurant Management and currently resides in Pangasinan. She has a piggery business.

Shirley V. Isidro, 55, Filipino, is a member of the Board of Trustees since September 9, 2014. She was able to take a degree course in college and currently resides in General Santos. Today, she owns a tuna processing business.

Haydee G. Eulin, 39, Filipino, is a member of the Board of Trustees since September 9, 2014. She was able to take a degree course in college and currently resides in Samar. Today, she owns a motor shop/repair shop.

Lelibeth A. Alberio, 43, Filipino, is a member of the Board of Trustees since September 9, 2014. She was able to take a degree course in college and currently resides in Masbate City. Today, she owns a motor-CAD business.

Charito A. Antolin, 58, Filipino, is a member of the Board of Trustees since September 9, 2015. She has a degree in Secretarial (1976) and is now residing in Roxas Oriental Mindoro. She owns a sari-sari store.

Thelma M. Magculang, 43, Filipino, is a member of the Board of Trustees since September 9, 2015. She was able to take a degree course in college and currently resides in Mogpog, Marinduque. She is an owner of a sari-sari store.

Juvelyn D. Garcia, 39, Filipino, is a member of the Board of Trustees since September 9, 2015. She is also a member of the CARD MBA Audit Committee. She is a High School graduate and currently resides in Bungallon Pangasinan. She has a rice field and is into buy-and-sell business.

Evangeline R. Yonson, 55, Filipino, is a member of the Board of Trustees since September 9, 2014. She currently resides in Agusan Del Norte and is a sari-sari store owner.

Analyn R. Andrade, 38, Filipino, is a member of the Board of Trustees since September 9, 2015. She has a degree in Banking & Finance (1998) and currently resides in Occidental Mindoro. She was a staff at AVSJ from 1996 to 2011 and is now a smoked fish dealer.

Arlette A. Umali, 65, Arlette A. Umali, 65, Filipino, has been an Independent Trustee of CARD-Mutual Benefit Association, Inc's Board of Trustees since November 1, 2010. She is the Chairman of the CARD MBA Audit Committee. She has a degree in B. A. in Public Administration (1971), and Master's degree in Public Administration (1977), Development Banking (1982) and in Business Administration (2002). She currently resides in Marikina City.

Atty. Jomer H. Aquino, 44, Filipino, has been an Independent Trustee of CARD-Mutual Benefit Association, Inc.'s Board of Trustees since September 9, 2012. He is the Chairman of the CARD MBA Remuneration Committee. He is a graduate of AB Philosophy (1989) and attained his degree in Laws in 1997. He currently resides in Pasig City and is a Managing Partner of Burkley and Aquino Law Office.

OUR MANAGEMENT COMMITTEE

May S. Dawat
General Manager

Janet D. Caneo
Deputy Director for Admin and Finance

Oliver M. Reyes
Deputy Director for Operations

Ma. Joyce M. Alimagno
Cluster Manager

Janicekith P. Navera
Cluster Manager

Marivic B. Buenaobra
Cluster Manager

Gerardo H. Batarlo
Cluster Manager

Michael Kelvin N. Junos
In-house Actuary

Edison P. Tuico
DCC and Underwriting Manager

Mauricio B. Maur
Deputy Director for Operations

Nemie G. Mendoza
Deputy Director for Operations

Gina C. Abata
Cluster Manager

Edison R. Reyes
Cluster Manager

Carla Fe L. Liboon
Cluster Manager

Solomon A. Aramil
Senior Admin Manager

Jennifer O. Redublo
Compliance Officer

Mary Anne M. Amatus
Business Analyst

Arlene R. Umandap
Senior Program Manager

Rona R. Nava
Deputy Director for Operations

Aristopher F. Punzalan
Cluster Manager

Francis R. Montilla
Cluster Manager

Catherine M. Patay
Cluster Manager

Aileen B. Castro
Claims Manager

Kathryn Joyce M. Bonilla
Finance Manager

Heart L. Empeño
IT Head

DIRECTORY

CARD MBA Main Office
San Pablo City, Laguna

LUZON CLUSTER

Luzon 1
Urdaneta City, Pangasinan
Baguio City, Benguet
Bantay, Ilocos Sur
Bayombong, Nueva Vizcaya
Tuguegarao, Cagayan Valley
Matatalaib, Tarlac
Cabanatuan, Nueva Ecija

Luzon 2
Dinalupihan, Bataan
Puerto Princesa, Palawan
San Fernando, Pampanga
Dasmariñas, Cavite
Pasay City, Metro Manila
Quezon City, Metro Manila

Luzon 3
Pinamalayan, Oriental Mindoro
Calapan City, Oriental Mindoro
Sablayan, Occidental Mindoro
Lipa City, Batangas
Lemery, Batangas
San Pablo City, Laguna
Siniloan, Laguna
Sta.Rosa, Laguna

Luzon 4
Gumaca, Quezon
Lucena City, Quezon
Naga City, Camarines Sur
Legaspi City, Albay
Daet, Camarines Norte
Gasan, Marinduque

VISAYAS CLUSTER

Visayas 1
Tacloban City, Leyte
Calbayog City, Western Samar
Borongan City, Eastern Samar
Baybay City, Leyte

Visayas 2
San Nicolas. Cebu City
Masbate City, Masbate
Iloilo City, Panay
Roxas City, Capiz
Dumaguete City, Negros Oriental
Tagbilaran City, Bohol
Cebu City, Cebu
Talisay, Negros Occidental

MINDANAO CLUSTER

Mindanao 1
Matina, Davao City, Davao del Sur
Mintal, Davao City, Davao del Sur
Tagum City, Davao del Norte
General Santos, South Cotabato
Kidapawan City, North Cotabato

Mindanao 2
Cagayan de Oro City, Misamis Oriental
Dipolog City, Zamboanga del Norte
San Francisco, Agusan del Sur
Butuan City, Agusan del Norte
Ipil, Zamboanga Sibugay

BOAT PARTNERS

Bagnos Multipurpose Cooperative
Bukidnon Integrated Network of Home Industries (BINHI), Inc.
Caunayan Multipurpose Cooperative (MPC)
Los Arcos Multi-purpose Cooperative (LAMPCO)
Maddela Integrated Farmers Savings Development Cooperative
Magdiwang Agrarian Reform Multipurpose Cooperative
Malaya Development Cooperative
Media Once Farmers Multipurpose Cooperative
Naguilian Christian Multipurpose Cooperative
Nangalisan Multipurpose Cooperative
New Massba Agrarian Reform Cooperative
Padre Burgos Multipurpose Cooperative
Progressive Women Agrarian Reform Cooperative
San Julian Multipurpose Cooperative
Dumlog Coconut Farmers Multipurpose Cooperative
Libercon Multipurpose Cooperative
Sipsipin Multipurpose Cooperative
Tinabangay sa Igsoong Mag-uuma Gasa ni San Isidro (TIMGAS) Multipurpose Cooperative
USWAG Development Foundation
Tinagacan Agrarian Reform Beneficiaries Cooperative (TARBC)
Grains Multipurpose Cooperative
Sto. Niño Visares Transport Services Multipurpose Cooperative

AUDITED FINANCIAL STATEMENTS

CENTER FOR AGRICULTURE AND RURAL DEVELOPMENT (CARD) MUTUAL BENEFIT ASSOCIATION, INC.
(A Nonstock, Not-for-Profit Association)

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2015	2014
ASSETS		
Cash and Cash Equivalents (Notes 6 and 25)	**₱378,155,071**	₱275,692,723
Financial Assets (Note 25)		
Held-to-maturity investments (Notes 7 and 27)	**6,297,160,291**	5,104,317,821
Loans and receivables (Note 8)	**522,542,100**	400,910,720
Available-for-sale financial assets (Note 9)	**436,964,668**	509,658,294
Financial assets at fair value through profit or loss (Note 10)	**–**	20,180,000
Property and Equipment - net (Note 11)	**176,596,378**	240,021,459
Investment Properties (Note 12)	**210,372,898**	36,780,456
Investments in Associates (Note 13)	**304,457,354**	268,288,962
Pension Asset - net (Note 24)	**14,358,226**	12,633,123
Other Assets (Note 14)	**6,368,198**	8,280,388
	₱8,346,975,184	₱6,876,763,946
LIABILITIES AND FUND BALANCE		
Liabilities		
Insurance contract liabilities (Note 16)	**₱3,936,843,932**	₱3,320,191,416
Retirement savings fund (Note 17)	**2,429,552,226**	1,963,727,108
Accounts payable and accrued expenses (Notes 15 and 25)	**87,022,943**	110,176,583
Total Liabilities	**6,453,419,101**	5,394,095,107
Fund Balance		
Appropriated fund balance (Note 27)	**159,658,082**	142,580,190
Unappropriated fund balance	**1,685,783,527**	1,285,160,743
Other comprehensive income	**48,114,474**	54,927,906
Total Fund Balance	**1,893,556,083**	1,482,668,839
	₱8,346,975,184	₱6,876,763,946

See accompanying Notes to Financial Statements.

CENTER FOR AGRICULTURE AND RURAL DEVELOPMENT (CARD) MUTUAL BENEFIT ASSOCIATION, INC.
(A Nonstock, Not-for-Profit Association)

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2015	2014
REVENUE		
Gross premiums on insurance contracts (Note 18)	**₱1,839,785,168**	₱1,552,346,799
Reinsurance' share on gross earned premium on insurance contracts (Note 18)	**(1,477,500)**	(1,074,000)
Net premiums on insurance contracts	**1,838,307,668**	1,551,272,799
Interest income (Notes 6, 7, 8, 19 and 24)	**199,476,726**	165,034,017
Dividend income (Notes 9 and 10)	**24,340,922**	29,010,638
Surrender charge	**16,357,739**	16,249,632
Equity in net earnings of associates (Note 13)	**11,219,179**	–
Rental income (Notes12, 20 and 22)	**5,683,660**	1,250,934
Others	**2,657,771**	3,064,783
Other revenue	**259,735,997**	214,610,004
	2,098,043,665	1,765,882,803
BENEFITS, CLAIMS AND EXPENSES		
Gross change in insurance contract liabilities (Note 16)	**616,652,516**	568,369,120
Gross insurance contract benefits and claims paid	**692,479,452**	600,820,853
Insurance benefits and claims	**1,309,131,968**	1,169,189,973
General and administrative expenses (Note 21)	**300,395,279**	275,750,142
Equity in net losses of associates - net (Note 13)	**–**	16,125,810
Fair value losses from financial assets at fair value through profit or loss (Note 10)	**180,000**	860,000
Expenses and losses	**300,575,279**	292,735,952
	1,609,707,247	1,461,925,925
EXCESS OF REVENUE OVER EXPENSES BEFORE PROVISION FOR TAXES	**488,336,418**	303,956,878
PROVISION FOR CURRENT TAX	**(127,522)**	–
PROVISION FOR FINAL TAX	**(43,265,622)**	(32,736,004)
EXCESS OF REVENUE OVER EXPENSES	**444,943,274**	271,220,874

(Forward)

	Years Ended December 31	
	2015	2014
EXCESS OF REVENUE OVER EXPENSES	**₱444,943,274**	₱271,220,874
OTHER COMPREHENSIVE INCOME		
Item that will be reclassified to profit or loss in subsequent periods (Note 9)		
Fair value gains (losses) on available-for-sale financial assets	**(1,080,051)**	3,076,005
Items that will not be reclassified to profit or loss in subsequent periods (Notes 13 and 24)		
Equity in other comprehensive income (loss) of an associate	**(2,447,787)**	2,277,292
Remeasurement gain (loss) on defined benefit plan	**(3,285,594)**	38,969,481
TOTAL COMPREHENSIVE INCOME	**₱438,129,842**	₱315,543,651

See accompanying Notes to Financial Statements.

CENTER FOR AGRICULTURE AND RURAL DEVELOPMENT (CARD) MUTUAL BENEFIT ASSOCIATION

(A Nonstock, Not-for-Profit Association)

STATEMENTS OF CHANGES IN FUND BALANCE

			Other Comprehensive Income				
	Appropriated Fund Balance (Note 27)	**Unappropriated Fund Balance**	**Reserve for Fluctuation in Value of Available-for-Sale Financial Assets** (Note 9)	**Remeasurement of Actuarial Gains/Losses** (Note 24)	**Equity in other comprehensive income of an associate** (Note 13)	**Total Other Comprehensive Income**	**Total Fund Balance**
At January 1, 2015	**₱142,580,190**	**₱1,285,160,743**	**₱42,860,697**	**₱9,789,917**	**₱2,277,292**	**₱54,927,906**	**₱1,482,668,839**
Appropriation during the year (Notes 10 and 27)	**44,320,490**	**(44,320,490)**	–	–	–	–	–
Utilization of appropriation	**(27,242,598)**	–	–	–	–	–	**(27,242,598)**
Total comprehensive income:							
Excess of revenue over expenses	–	**444,943,274**	–	–	–	–	**444,943,274**
Other comprehensive income (loss) (Notes 9,13, and 24)	–	–	**(1,080,051)**	**(3,285,594)**	**(2,447,787)**	**(6,813,432)**	**(6,813,432)**
Balance at December 31, 2015	**₱159,658,082**	**₱1,685,783,527**	**₱41,780,646**	**₱6,504,323**	**(₱ 170,495)**	**₱48,114,474**	**₱1,893,556,083**
At January 1, 2014	₱217,349,164	₱989,991,384	₱39,784,692	(₱29,179,564)	₱–	₱10,605,128	₱1,217,945,676
Appropriation during the year (Notes 10 and 27)	66,500,000	(66,500,000)	–	–	–	–	–
Reversal of appropriation	(90,448,485)	90,448,485	–	–	–	–	–
Utilization of appropriation	(50,820,489)	–	–	–	–	–	(50,820,489)
Total comprehensive income:							
Excess of revenue over expenses	–	271,220,874	–	–	–	–	271,220,874
Other comprehensive income (Notes 9, 13, and 24)	–	–	3,076,005	38,969,481	2,277,292	44,322,778	44,322,778
Balance at December 31, 2014	₱142,580,190	₱1,285,160,743	₱42,860,697	₱9,789,917	₱2,277,292	₱54,927,906	₱1,482,668,839

See accompanying Notes to Financial Statements.

CENTER FOR AGRICULTURE AND RURAL DEVELOPMENT (CARD) MUTUAL BENEFIT ASSOCIATION, INC.

(A Nonstock, Not-for-Profit Association)

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses before provision for current and final tax	**₱488,336,418**	₱303,956,878
Adjustments for:		
Increase in aggregate reserves (Note 16)	**598,595,673**	559,282,322
Amortization of bond premium (discount) (Note 7)	**22,937,395**	24,583,735
Pension expense (Note 24)	**3,562,765**	9,655,132
Depreciation (Notes 11, 12, and 21)	**9,035,200**	5,598,410
Provision for impairment losses (Note 8)	**3,285,338**	16,449,145
Fair value losses from financial assets at fair value through profit or loss (Note 10)	**180,000**	860,000
Loss on retirement of transportation equipment (Note 11)	**35,817**	–
Interest expense (income) on pension asset (Note 24)	**(740,436)**	1,546,852
Equity in net losses (earnings) of an associate - net (Note 13)	**(11,219,179)**	16,125,810
Dividend income (Notes 9 and 10)	**(24,340,922)**	(29,010,638)
Interest income (Notes 6, 7, and 19)	**(198,736,290)**	(165,034,017)
Cash generated from operations before changes in working capital	**890,931,779**	744,013,629
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	**(34,430,306)**	61,326,365
Other assets	**1,912,190**	(42,014)
Increase (decrease) in:		
Claims payable (Note 16)	**18,056,843**	9,086,798
Retirement savings fund	**465,825,118**	383,103,460
Accounts payable and accrued expenses	**(23,153,640)**	39,573,645
Net cash generated from operations	**1,319,141,984**	1,237,061,883
Contribution to pension fund (Note 24)	**(7,833,026)**	(18,487,572)
Utilization of appropriation	**(27,242,598)**	(50,820,489)
Taxes paid	**(43,393,144)**	(32,736,004)
Net cash flows provided by operating activities	**1,240,673,216**	1,135,017,818
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**186,037,620**	158,877,203
Cash dividends received (Notes 9 and 13)	**20,023,116**	30,588,438
Acquisitions of:		
Available-for-sale financial assets (Note 9)	**(3,383,800)**	–
Investment properties (Note 12)	**(71,405,700)**	–
Investments in associates (Note 13)	**(28,300,000)**	(55,256)
Property and equipment (Note 11)	**(48,236,414)**	(142,968,472)
Held-to-maturity investments (Note 7)	**(1,338,942,053)**	(1,643,543,090)
Short-term investments (Note 8)	**(294,513,149)**	(168,261,152)

(Forward)

	Years Ended December 31	
	2015	2014
Proceeds from sale/maturities of:		
Held-to-maturity investments (Note 7)	**123,162,188**	255,725,449
Available-for-sale financial assets (Note 9)	**74,997,375**	7,500,000
Financial assets at fair value through profit or loss (Note 10)	**20,000,000**	–
Short-term investments (Note 8)	**222,349,949**	244,650
Net cash flows used in investing activities	**(1,138,210,868)**	(1,501,892,230)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**102,462,348**	(366,874,712)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**275,692,723**	642,567,435
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱378,155,071**	₱275,692,723

See accompanying Notes to Financial Statements.

CENTER FOR AGRICULTURE AND RURAL DEVELOPMENT (CARD) MUTUAL BENEFIT ASSOCIATION, INC.
(A Nonstock, Not-for-Profit Association)

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Center for Agriculture and Rural Development (CARD) Mutual Benefit Association, Inc. (the Association) was registered with the Securities and Exchange Commission (SEC) as a nonstock, not-for-profit association on October 29, 1999. It was granted a license by the Insurance Commission (IC) on May 22, 2001 to engage as a mutual benefit association that extends benefits and services for the welfare and financial security of its members and their families in the form of death benefits, medical subsidy, pension and loan redemption assistance and ensuring continued access to benefits and resources. The Association actively involves the members in the direct management of the Association including the implementation of policies and procedures geared towards sustainability and improved services.

As a nonstock, not-for-profit and mutual benefit association, the Association was granted tax exemption with respect to income and value-added taxes (VAT) except for those activities which are conducted for profit and are not directly related to its main purpose as provided under the National Internal Revenue Code of 1997 as amended by Republic Act 8424 known as the Comprehensive Tax Reform Program by the Bureau of Internal Revenue (BIR).

On June 2015, the Association obtained its registration from BIR as a VAT registered entity in relation to its rental income earned from investment properties. This income is subjected to current income taxes and VAT.

The registered office address of the Association is located at Colago Avenue, Barangay 1-A, San Pablo City, Laguna.

The accompanying financial statements of the Association were authorized for issue by the Board of Trustees on March 14, 2016.

2. Basis of Preparation

The Association's financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVPL) and available-for-sale (AFS) financial assets which have been measured at fair value. The financial statements are presented in Philippine Peso (₱), which is the Association's functional and presentation currency. All amounts are rounded to the nearest peso, unless otherwise indicated.

<u>Statement of Compliance</u>
The financial statements of the Association have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

3. **Changes in Accounting Policies**

The accounting policies adopted are consistent with those of the previous financial years except for the adoption of the following amended PFRSs which became effective beginning January 1, 2015.

- PAS 19*, Employee Benefits – Defined Benefit Plans: Employee Contributions* (Amendments)
- *Annual Improvements to PFRSs* (2010-2012 cycle)
  The Annual Improvements to PFRSs (2010-2012 cycle) are not expected to have a material impact on the Association. They include the following:
  - PFRS 2, *Share-based Payment – Definition of Vesting Condition*
  - PFRS 3, *Business Combinations – Accounting for Contingent Consideration in a Business Combination*
  - PFRS 8, *Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  - PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation* (Amendment)
  - PAS 24, *Related Party Disclosures - Key Management Personnel* (Amendment)
- *Annual Improvements to PFRSs* (2011-2013 cycle)
  The Annual Improvements to PFRSs (2011-2013 cycle) are not expected to have a material impact on the Association. They include the following:
  - PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  - PFRS 13*, Fair Value Measurement - Portfolio Exception*

There are new PFRS, amendments, annual improvements and interpretations to existing standards that are effective for periods subsequent to 2015 and these will be adopted on their effectivity dates in accordance with the transition provisions. Except as otherwise indicated, the Association does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on the financial statements.

Effective in 2016
- PAS 1, *Presentation of Financial Statements - Disclosure Initiatives*
- PAS 16*, Property, Plant and Equipment, and* PAS 38*, Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
- PAS 16*, Property, Plant and Equipment, and* PAS 41*, Agriculture – Bearer Plants* (Amendments)
- PAS 27, *Separate Financial Statements – Equity Method in Separate Financial Statements* (Amendments)
- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- PFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations* (Amendments)
- PFRS 14, *Regulatory Deferral Accounts*
- *Annual Improvements to PFRSs* (2012-2014 cycle)
  The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the Association. They include the following:
  - PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal*

- PFRS 7, *Financial Instruments: Disclosures – Servicing Contracts*
- PFRS 7 - *Applicability of the Amendments to* PFRS 7 *to Condensed Interim Financial Statements*
- PAS 19, *Employee Benefits – regional market issue regarding discount rate*
- *PAS 34, Interim Financial Reporting – disclosure of information 'elsewhere in the interim financial report'*

Effective in 2018

- PFRS 9, *Financial Instruments* - Classification and Measurement (2010 version)
  PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, Financial Instruments: Recognition and Measurement. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an impact on the Association's classification and measurement of financial assets but will not have an impact on the classification and measurement of financial liabilities.

- PFRS 9, *Financial Instruments* - Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)

- PFRS 9*, Financial Instruments* (2014 or final version)
  In July 2014, the final version of PFRS 9 was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39 and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Association's financial assets but will not have an impact on the classification and measurement of financial liabilities.

The following new standard issued by the International Accounting Standards Board(IASB) has not yet been adopted by Financial Reporting Standards Council (FRSC), Board of Accountancy (BOA) and Professional Regulation Commission (PRC)

- IFRS 15, *Revenue from Contracts with Customers*
- IFRS 16, *Leases*

4. **Summary of Significant Accounting Policies**

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of placement and that are subject to an insignificant risk of changes in value.

Financial Instruments

Date of recognition

Financial instruments are recognized in the statement of assets, liabilities and fund balance when the Association becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

Initial recognition of financial instruments

Financial instruments are initially recognized at fair value of the consideration given (in case of an asset) or received (in case of a liability). Except for financial instruments at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs. The Association classifies its financial assets in the following categories: held-to-maturity (HTM) investments, AFS investments, FVPL investments, and loans and receivables. The Association classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every end of the reporting period.

Fair Value Measurement

The company measures financial instruments at fair value. Also, fair values of financial instruments measured at amortized cost and non-financial assets and investment properties carried at cost are disclosed in Note 27.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Association.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Association uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Association determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Day 1 profit
Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Association recognizes the difference between the transaction price and fair value (a Day 1 profit) in the statement of comprehensive income. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Association determines the appropriate method of recognizing the Day 1 profit amount.

Loan and receivables
Receivables include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which the Association has no intention of trading. Receivables are carried at amortized cost using the EIR method, reduced by allowance for impairment losses. Gains and losses are recognized in the statement of comprehensive income when the receivables are derecognized or impaired based on comparison with fair value.

Short-term Investments
Short-term investments are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of more than three months but less than one year from dates of placement. These earn interests at the respective short-term investment rates.
Long-term Investments
Long-term investments are non-current assets that are not used in operating activities to generate revenues. In other words, long-term investments are assets that are held for more than one year or accounting period and are used to create other income outside of the normal operations of the Association.

Financial assets or financial liabilities at FVPL
This category consists of financial assets or financial liabilities that are held for trading or designated by management as at FVPL on initial recognition. Derivative instruments, except those covered by hedge *accounting* relationships, are also classified under this category.

Financial assets or financial liabilities at FVPL are recorded in the Association's statement of financial position at fair value, with changes in fair value being recorded under "Fair value gains from financial assets at FVPL" account in the association statement of comprehensive income.

Financial assets or financial liabilities are classified in this category are designated by management on initial recognition when any of the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on a different basis; or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

AFS financial assets
AFS financial assets are those investments which are designated as such or do not qualify to be classified as designated as at FVPL, HTM investments or loans and receivables. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. They include equity investments, money market papers and other debt instruments.

These investments are initially recorded at cost, being the fair value of the consideration paid for the acquisition of the investment, including all transaction costs directly attributable to the acquisition. After initial recognition, AFS financial assets are subsequently measured at fair value. Interest earned on holding AFS financial assets are reported as interest income using the EIR. The unrealized gains and losses arising from the fair valuation of AFS financial assets are excluded from reported earnings and are reported as "Reserve for fluctuation in value of AFS financial assets" (net of tax, where applicable) in the other comprehensive income in the fund balance section of the Association's statement of financial position. When the security is disposed of, the cumulative gains or losses previously recognized in equity is recognized in the Association's statement of comprehensive income.

When the fair value of AFS financial assets cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, these investments are carried at cost, less any allowance for impairment losses. Dividends earned on holding AFS financial assets are recognized in the Association's statement of comprehensive income when the right of payment has been established. The losses arising from impairment of such investments are recognized as "Provision for impairment losses" included under "Operating expenses" in the Association's statement of comprehensive income.

As of December 31, 2015, AFS financial assets include investment in mutual fund and investment in unquoted shares. Investments in mutual fund are initially recorded at fair value and revalued at year end in reference to published net asset value. The investments in unquoted preferred shares are initially recorded at cost, being the fair value of the investment at the time of acquisition. The investment in unquoted preferred shares is carried at cost due to the unpredictable nature of future cash flows and the lack of other suitable methods of arriving at a reliable fair value. The investment in mutual fund is carried at market value.

HTM investments
HTM investments are non-derivative financial assets that comprise fixed or determinable income securities of which the Association has the positive intension and ability to hold until maturity. Investments intended to be held for an undefined period are not included in this classification. These investments are initially recognized at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. Subsequent to initial recognition, these investments are carried at amortized cost, using the effective interest rate (EIR) method. The cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the EIR method of any difference between the initially recognized amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the EIR, transaction costs and all other premiums and discounts. Gains and losses are recognized in the statement of comprehensive income when the investments are derecognized or impaired, as well as through the amortization process. These investments represent debt securities where the Association has the positive intent and financial capability to hold to maturity.

Other financial liabilities
Issued financial instruments or their components, which are not designated at FVPL are classified as other financial liabilities where the substance of the contractual arrangement results in the Association having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

This accounting policy applies primarily to the Association's "Accounts payable and accrued expenses", "Retirement savings fund" and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable and pension liability).

Classification of Financial Instruments Between Debt and Equity
A financial instrument is classified as debt if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Association; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of equity shares.

If the Association does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount, after deducting from the instrument as a whole, the amount separately determined as the fair value of the liability component on the date of issue.

Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Impairment of Financial Assets

An assessment is made at each reporting date as to whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognized in the statement of comprehensive income.

Assets carried at amortized cost

If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original EIR (i.e., the EIR computed at initial recognition). The carrying amount of the asset shall be reduced through use of an allowance account. The amount of the loss shall be recognized in the statement of comprehensive income.

The Association first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS financial assets

If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the statement of comprehensive income, is transferred from equity to the statement of comprehensive income. Reversals in respect of equity instruments classified as AFS financial assets are not recognized in the statement of comprehensive income. Reversals of impairment losses on debt instruments are reversed through the statement of comprehensive income if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the statement of comprehensive income.

Derecognition of Financial Assets and Liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired;
- the Association retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Association has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Association has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Association's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the carrying amount of the asset and the maximum amount of consideration that the Association could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the Association's statement of comprehensive income.

Investments in Associates

Investments in CARD MRI Information Technology, Inc. (CMIT), BotiCARD, Inc. (BotiCARD), CARD Pioneer Microinsurance Inc. (CPMI), and CARD Leasing and Finance Corporation (CLFC), associates, are accounted for under the equity method of accounting. An associate is an entity in which the Association has significant influence and which is neither a subsidiary nor a joint venture. Under the equity method, the investment in associate is carried in the statement of financial position at cost plus post-acquisition changes in the Association's share in the net assets of the investee. The statement of comprehensive income reflects the Association's share of the results of the operations of the investee. Unrealized gains arising from inter Association transactions are eliminated to the extent of the Association's interest therein. Unrealized losses are eliminated similarly but only to the extent that there is no evidence of impairment of the asset transferred. Dividends received are treated as a reduction in the carrying value of the investment.

Property and Equipment

Property and equipment, except for land, are stated at cost less accumulated depreciation and any impairment in value. Land is carried at cost less any impairment in value. The initial cost of property and equipment comprises its purchase price, including taxes and directly attributable cost to bring the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance are normally charged to income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation is computed using the straight-line method over the estimated useful lives (EUL) of the assets as follows:

	Years
Building	10-15
Transportation equipment	5
Computer and office equipment	3
Office furniture and fixtures	3

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made with respect to these assets.

The useful life and the depreciation method are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

The carrying values of the property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, an impairment loss is recognized in the statement of comprehensive income.

Investment Properties

Investment properties comprise of land and building that are held to earn rentals or capital appreciation or both and that are not occupied by the Association.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at cost less accumulated depreciation and amortization and any impairment in value. Depreciation and amortization of investment properties are computed using the straight-line method over the estimated useful lives (EUL) of assets as follows:

	In Years
Building	10-15

Construction in-progress is carried at cost and transferred to the related investment property account when the construction and related activities to prepare the property for its intended use are complete, and the property is ready for occupancy.

The EUL and depreciation and amortization method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of investment properties.

Investment properties are derecognized when they have either been disposed of or when the investment properties are permanently withdrawn from use and no future benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in profit or loss in which it arises.

Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are normally charged to operations in the period in which the costs are incurred.

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease to another party. Transfers are made from investment properties when, and only when, there is a change in use, as evidenced by commencement or owner occupation or commencement of development with a view to sale.

Impairment of Nonfinancial Assets

The Association assesses at each end of the reporting period whether there is an indication that property and equipment may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Association makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is made at each end of the reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in statement of comprehensive income unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Fund Balance

Fund balance represents accumulated excess of revenue over expenses.

Revenue Recognition

The Association assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Association has concluded that it is acting as principal and agent in its revenue agreements. The following specific recognition criteria must also be met before revenue is recognized:

Premiums revenue

Premiums are recognized when collected. When premiums are recognized, actuarial liabilities are computed, with the result that benefits and expenses are matched with such revenue. The Association collects its premiums through the following affiliates that are considered as collecting institutions: (a) CARD Bank, Inc., (b) CARD Inc., (c) CARD SME Bank, Inc. and (d) Rizal Rural Bank, Inc.

Surrender charge
Surrender charge pertains to the fee imposed by the Association for the cancellation of the member's policy. This is intended for the administration costs incurred by the Association. Surrender charge is recognized when earned.

Interest income
Interest on interest-bearing placements and securities are recognized based on the accrual accounting using the effective interest rate (EIR).

Rental income
Rental income is the income generated from the investment properties of the Association and recognized when earned.

Other income
Income from other sources is recognized when earned.

Insurance Contract Liabilities
Life insurance contract liabilities
Life insurance contract liabilities are recognized when the contracts are entered into and the premiums are recognized. The reserve for life insurance contracts is calculated in compliance with the statutory requirements as set by the Insurance Commission (IC) where the assumptions used are based on 60% of gross premiums of the Association for the year.

Golden life contract liabilities
Golden life insurance contract liabilities are recognized when the contracts are entered into and the premiums are recognized. The reserve for golden life insurance contracts is calculated on the basis of a prudent prospective actuarial valuation method wherein the assumptions used are the 1980 Commissioners Standard Ordinary (CSO) Male – Age Nearest Birth Table for mortality and 4% as discount rate per annum. Both assumptions are duly approved by IC.

Loan redemption contract liabilities
Loan redemption contract liabilities are recognized when the contracts are entered into and the premiums are recognized. The reserve for loan redemption contracts is equal to 60% of gross premiums of the Association for the year

Liability adequacy test
Liability adequacy tests are performed annually to ensure the adequacy of the insurance contract liabilities. In performing these tests, current best estimates of future contractual cash flows, claims handling and policy administration expenses are used. Any deficiency is immediately charged against the statement of comprehensive income initially by establishing a provision for losses arising from the liability adequacy tests.

Claim Costs
Liabilities for unpaid claim costs and loss adjustment expenses relating to insurance contracts are accrued when insured events occur. The liabilities for unpaid claims, including those for incurred but not reported losses, are measured using the chain ladder method, based on a reasonable estimate of ultimate claim amounts. The method of determining such estimates and establishing reserves are continually reviewed and updated. Changes in estimates of claim costs resulting from the continuous review process and differences between estimates and payments for claims are recognized as income or expense in the period when the estimates are changed or payments are made.

Expense Recognition

Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants.

Benefits and claims

Life insurance claims reflect the cost of all claims arising during the year, including claims handling costs. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due. Benefits recorded are then accrued as liabilities.

Claims handling costs include internal and external costs incurred in connection with the negotiation and settlement of claims. Internal costs include all direct expenses of the claims department and any part of the general and administrative expenses directly attributable to the claims function.

General and administrative expenses

Expenses consist of costs of administering the business. These are recognized as expenses as incurred.

Defined benefit plan

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service cost, past service cost and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the statement of comprehensive income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Association. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

<u>Leases</u>
The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at inception date, and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
b) a renewal option is exercised or an extension granted, unless that term of the renewal or extension was initially included in the lease term;
c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or
d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for any of the scenarios above, and at the renewal or extension period for the second scenario.

The Association as lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the statement of comprehensive income on a straight-line basis over the lease term. Indirect costs incurred in negotiating an operating lease are added to the carrying value of the leased asset and recognized over the lease term on the same basis as the lease income. Minimum lease payments are recognized on a straight-line basis while the variable rent is recognized as an expense based on the terms of the lease contract.

The Association as lessor
Leases where the Association retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Contingent rents are recognized as revenue in the period in which these are earned.

<u>Provisions</u>
Provisions are recognized when an obligation (legal or constructive) is incurred as a result of a past event and where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Contingent Liabilities and Contingent Assets
Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Events After the End of the Reporting Period
Any post period year-end event that provides additional information about the Association's position at the end of the reporting period (adjusting event) is reflected in the financial statements. Any post year-end event that is not adjusting event, is disclosed when material to the financial statements.

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5. **Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the financial statements in accordance with PFRS requires the Association to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments
Product classification
The Association has determined that the insurance policies it issues have significant insurance risk and therefore meet the definition of an insurance contract and should be accounted for as such.

Classification of HTM investments
The Association classifies non-derivative financial assets with fixed or determinable payments and fixed maturities as HTM investments. This classification requires significant judgment. In making this judgment, the Association evaluates its intention and ability to hold such investments to maturity. If the Association fails to keep these investments to maturity other than in certain specific circumstances, the Association will be required to reclassify the entire portfolio as AFS financial assets and to measure these at fair value and not at amortized cost. The Association has HTM investments amounting to ₱6,297.16 million and ₱5,104.31 million as of December 31, 2015 and 2014, respectively (see Note 7). As of December 31, 2015 and 2014, the fair value of HTM investments amounted to ₱6,357.13 million and ₱5,276.24million, respectively (see Note 12).

Operating leases - Association as lessee
The Association has entered into lease agreements related to various properties for its head office and provincial offices. The Association has determined that the lessors retain all significant risks and rewards of ownership of these properties and thus accounts for these as operating leases.

Operating leases - Association as lessor
The Association has entered into contracts of lease for its investment properties. The Association has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases. The rental income is included in "Others" in statement of comprehensive income.

Distinction between investment properties and owner-occupied properties
The Association determines whether a property qualifies as an investment property. In making its judgment, the Association considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to the other assets used in the production or supply process.

Classification of financial assets
The Association classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's-length basis. The carrying value of AFS financial assets not quoted in an active market amounted to ₱165.68 million and ₱163.69 million as of December 31, 2015 and 2014, respectively (see Note 9).

Fair value of financial instruments
The Association carries certain financial assets at fair value, which requires extensive use of accounting estimates and judgments. Fair value determinations for financial assets and liabilities are based generally on listed or quoted market prices. If prices are not readily determinable or if liquidating the positions is reasonably expected to affect market prices, fair value is based on either internal valuation models or management's estimate of amounts that could be realized under current market conditions, assuming an orderly liquidation over a reasonable period of time.

While significant components of fair value were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates), the amount of changes in fair value of these financial assets and liabilities would affect profit and loss and equity.

The following are the details of financial instruments carried at fair value:

	2015	2014
Financial assets		
Financial assets at FVPL (Note 10)	**₱–**	₱20,180,000
AFS financial assets (Note 9)	**269,889,469**	345,966,895

The fair values of the Association's financial instruments follow (see Note 25):

	2015	2014
Financial assets	**₱7,671,034,417**	₱6,480,425,850
Financial liabilities	**87,022,943**	110,176,583

Estimates
Estimating useful lives of property and equipment and investment properties
The Association estimates the EUL of its property and equipment and investment properties based on the period over which these assets are expected to be available for use. The EUL of property and equipment and investment properties are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets. It is possible that future results of operations could be materially affected by changes in estimates brought about by changes in these factors.

As of December 31, 2015 and 2014, there were no changes in the EUL and residual values of the Association's property and equipment and investment properties.

Impairment of nonfinancial assets
The Association assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Association considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

The Association recognizes an impairment loss whenever the carrying amount of the asset exceeds its recoverable amount. Recoverable amounts are estimated for individual assets or, if it is not possible, for the CGU to which the asset belongs.

For the years ended December 31, 2015 and 2014, no impairment loss has been recognized for the Association's property and equipment.

The following table sets forth the carrying values of property and equipment and investment properties as of December 31:

	2015	2014
Property and equipment (Note 11)	**₱181,294,960**	**₱240,021,459**
Investment property (Note 12)	**205,674,316**	**36,780,456**

Impairment losses of receivables
The Association reviews its receivables to assess impairment annually. In determining whether an impairment loss should be recorded in the statement of revenue and expenses, the Association makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. Total receivables net of allowance for impairment losses amounted to ₱209.44 million and ₱159.97 million as of December 31, 2015 and 2014, respectively (see Note 8). Allowance for impairment losses amounted to ₱20.42 million and ₱17.54 million as of December 31, 2015 and 2014, respectively (see Note 8).

Impairment of AFS financial assets
The Association determines that AFS financial assets are impaired when there has been a significant or prolonged decline in the fair value below cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Association evaluates among other factors, the normal volatility in price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows. As of December 31, 2015 and 2014, the fair value of AFS financial assets amounted to ₱4356.96 million and ₱509.66 million, respectively (see Note 9).

Retirement and other employee benefits
The cost of defined benefit pension plans and other post-employment benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations

are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The net pension liability amounted to ₱13.76 million as at December 31, 2015 and the net pension asset amounted to ₱12.63 million as at December 31, 2014. Further details are provided in Note 24.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific

Provision for reserves
The estimation of ultimate liability arising from claims made under life insurance contracts is the Association's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Association will ultimately pay for such claims. Previous experience and trends are fundamentally considered in determining the liability. In determining the provision for reserves, estimates are made as to the expected number of deaths, illness or injury for each of the years in which the Association is exposed to risk. These estimates are based on standard industry and national mortality and morbidity tables. The estimated number of deaths, illness or injury determines the value of possible future benefits to be paid out, which will be factored into ensuring sufficient cover by reserves, which in return is monitored against current and future premiums. Estimates are also made to future investment income arising from the assets backing life insurance contracts. These estimates are based on weighted average rate of return arising from the assets backing life insurance contracts. Refer to Note 25 for the key assumptions used in the estimation of provision for reserves.

6. Cash and Cash Equivalents

This account consists:

	2015	2014
Cash on hand	**₱1,345,678**	₱3,330,957
Cash in banks	**86,869,375**	99,668,499
Cash equivalents	**289,940,018**	172,693,267
	₱378,155,071	₱275,692,723

Cash in banks earns interest at the prevailing bank deposit rates ranging from 0.13% to 1.50% in 2015 and in 2014.

Cash equivalents are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Association and earn interest at the prevailing rates ranging from 1.25% to 2.00% and 1.15% to 2.00% in 2015 and 2014, respectively.

Interest income earned from cash and cash equivalents amounted to ₱6.12 million and ₱1.27 million in 2015 and 2014, respectively (see Note 19).

7. **Held-to-Maturity Investments**

As of December 31, 2015 and 2014, the carrying amounts and fair values of these securities follow:

	2015		2014	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Fixed treasury notes	**₱3,939,718,630**	**₱3,980,418,564**	₱3,149,668,295	₱3,259,318,500
Retail treasury bonds	**1,925,763,507**	**1,931,335,850**	1,494,277,569	1,534,592,977
Government bonds	**117,819,930**	**191,536,083**	117,140,432	134,573,719
Corporate bonds	**188,100,000**	**130,229,343**	216,735,030	216,735,030
Guaranty fund	**125,758,224**	**123,612,347**	126,496,495	131,017,547
	₱6,297,160,291	**₱6,357,132,187**	₱5,104,317,821	₱5,276,237,773

These investments bear annual interest rates which range from 3.25% to 9.13% in 2014 and in 2015 and will mature between one (1) and ten (10) years from the statements of financial position date. Interest income from these investments net of premium amortization amounted to ₱182.71 million and ₱157.13 million in 2015 and 2014, respectively (see Note 19).

The carrying value of HTM investments follows:

	2015	2014
At January 1	**₱5,104,317,821**	₱3,741,083,915
Additions	**1,338,942,053**	1,643,543,090
Amortization of bond premium	**(22,937,395)**	(24,583,735)
Maturities	**(123,162,188)**	(255,725,449)
At December 31	**₱6,297,160,291**	₱5,104,317,821

As at December 31, 2015 and 2014, HTM investments include government securities classified as guaranty fund amounting to ₱125.76 million and ₱126.50 million, respectively. These investments are deposited with the IC, in accordance with the provisions of Section 392 of the 2013 Revised Insurance Code, as security for the benefit of policyholders and creditors of the Association.

8. **Loans and Receivables**

As of December 31, 2015 and 2014, the Association's loans and receivables are as follows:

	2015	2014
Receivables - net	**₱209,440,373**	₱159,972,193
Short term investments	**240,420,682**	168,257,482
Long term investments	**72,681,045**	72,681,045
	₱522,542,100	₱400,910,720

Receivables

This account consists of:

	2015	2014
Receivables		
Related parties (Note 23)	**₱79,782,447**	₱80,484,167
Members and employees	**1,474,989**	821,257
Others	**1,884,299**	2,751,592
Accrued interest receivable	**70,078,688**	57,380,018
Advances for future stock subscription	**44,177,000**	3,000,000
Loans receivable (Note 23)	**25,833,334**	31,666,666
Dividends receivable	**6,627,008**	1,406,200
	229,857,765	177,509,900
Less allowance for impairment losses	**20,417,392**	17,537,707
	₱209,440,373	₱159,972,193

Receivables from related parties pertain to premiums collected by related parties from the Association's members, commissions and claims paid on behalf of CARD MRI Insurance Agency (CaMIA). These are generally on 1-to-30 day terms.

Receivables from members and employees include receivables from the Association's members of Build-Operate and Transfer (BOAT) program representing unremitted premiums. It also includes receivables from the Association's employees due to the excess claims and benefits disbursed to its members. These receivables are expected to be settled and collected within thirty (30) days.

Other receivables represents claims from the different suppliers of the Association due to overpayment of services and products availed and purchased. These amounts are expected to be settled within seven (7) days.

Accrued interest receivable pertains mainly to interest accrued arising from cash and cash equivalents, short-term and long term investments, investments in government securities, corporate bonds and notes.

Advances for future stock subscriptions pertains to deposit made by the Association in 2015 to CARD Bank Inc. and UniHealth Lucena Hospital and Medical Center (Medical Center) for the subscription of 213,385 shares at ₱200 par and 3,000 shares at ₱1,000 par, respectively. As of December 31, 2015, Bangko Sentral ng Pilipinas (BSP) has not yet issued approval for the increase in authorized capital stock of CARD Bank, Inc. Authorized capital stocks of the Medical Center are still waiting for approval by Securities and Exchange Commission (SEC).

Loans receivable pertain to loan agreements of the Association with its related parties. The movements in loans receivable follow:

	2015	2014
At January 1	**₱31,666,667**	₱38,333,333
Additions	**10,000,000**	5,000,000
Principal collections	**(15,833,333)**	(11,666,667)
At December 31	**₱25,833,334**	₱31,666,666

Details of the loan receivable per related party follow:

	Amount	Release date	Interest rate	Terms
Responsible Investments for Solidarity and Empowerment (RISE) Financing Company	₱5,000,000	Oct. 16, 2014	6% per annum payable quarterly	Principal payable quarterly for 2 years until October 28,2016
CARD Employees Multipurpose Cooperative (EMPC)	20,000,000	Oct. 10, 2013	5% per annum payable quarterly	Principal payable semi-annually for 3 years until October 28, 2016
CARD Leasing and Finance Corporation (CLFC)	20,000,000	Oct. 04, 2013	6% per annum payable quarterly	Principal payable semi-annually for 3 years until October 04, 2016
	10,000,000	Sept. 04, 2015	4.5% per annum payable quarterly	Principal payable upon maturity on September 03, 2018

The outstanding loan balance of RISE, EMPC and CLFC are ₱2.50 million, ₱6.67 million and ₱ 16.67 million as of December 31, 2015 and ₱5.00 million, ₱13.33 million and ₱13.33 million as of December 31, 2014. Total interest income received from the loans receivable amounted to ₱1.47 million and ₱1.35 million in 2015 and 2014, respectively (see Note 19).

As of December 31, 2015 and 2014, allowance for impairment losses for receivables determined based on specific identification and assessment follows:

	Receivables from Related Parties	Other Receivables	Total
At January 1, 2014	₱698,178	₱390,384	₱1,088,562
Provision for impairment losses (Note 21)	16,093,189	355,956	16,449,145
At December 31, 2014	**16,791,367**	**746,340**	**17,537,707**
Write-off	**(13,078)**	**(392,575)**	**(405,653)**
Provision for impairment losses (Note 21)	**3,220,227**	**65,111**	**3,285,338**
At December 31, 2015	**₱19,998,516**	**₱418,876**	**₱20,417,392**

Amounts written off represent accounts from CARD MRI staff which are assessed to be uncollectible after due effort to collect since the involved persons have already resigned.

Short Term Investments

Short-term investments are money market placements with maturity of more than three (3) months but less than one (1) year that bear annual interest at rates that ranged from 0.75% to 1.83% in 2015 and 0.75% to 1.50% in 2014. Interest income earned from these investments amounted to ₱4.07 million and ₱1.34 million in 2015 and 2014, respectively (see Note 19).

The rollforward analysis of short-term investments follows:

	2015	2014
Balance at January 1	**₱168,257,482**	₱240,980
Additions	**294,513,149**	168,261,152
Maturities	**(222,349,949)**	(244,650)
Balance at December 31	**₱240,420,682**	₱168,257,482

Long Term Investments
The long-term investments are placements with maturity of more than one (1) year but less than five (5) years that bear annual interest of 6.00% in 2015 and in 2014. Interest income earned from these investments amounted to ₱4.36 million and ₱4.62 million in 2015 and 2014, respectively (see Note 19).

9. Available-for-Sale Financial Assets

This account consists of:

	2015	2014
Quoted securities - at fair value		
Mutual funds	**₱269,889,468**	₱269,819,559
Preferred shares	–	76,147,335
	269,889,468	345,966,894
Unquoted securities - at cost		
Preferred shares	**167,075,200**	163,691,400
	₱436,964,668	₱509,658,294

The carrying values of AFS financial assets have been determined as follows:

	Quoted Equity Securities	Unquoted Equity Securities	Investments in Mutual Funds	Total
At January 1, 2014	₱76,147,335	₱171,191,400	₱266,743,554	₱514,082,289
Fair value gains	–	–	3,076,005	3,076,005
Disposals	–	(7,500,000)	–	(7,500,000)
At December 31, 2014	**76,147,335**	**163,691,400**	**269,819,559**	**509,658,294**
Additions	–	**3,383,800**	–	**3,383,800**
Fair value gains (losses)	**(1,149,960)**	–	**69,909**	**(1,080,051)**
Disposals	**(74,997,375)**	–	–	**(74,997,375)**
At December 31, 2015	**₱-**	**₱167,075,200**	**₱269,889,468**	**₱436,964,668**

Investments in quoted securities pertain to the Association's investments in San Miguel Corporation preferred shares which was redeemed in September 2015 for a settlement price of ₱75.00 million.

Investments in unquoted preferred shares pertain to the Association's investments in CARD Bank, Inc. As of December 31, 2015 and 2014, the Association owns 828,376 and 818,457 preferred shares of CARD Bank, Inc. amounting to ₱165.68 million and ₱163.69 million, respectively. Dividends received from this investment amounted to ₱23.94 million and ₱27.60 million in 2015 and 2014, respectively presented as "Dividend income" in the statements of comprehensive income.

On December 28, 2015, CARD, Inc. transferred 14,000 common shares at ₱100 par value to the Association for an amount of ₱1.40 million representing title and rights of ownership on its investment to CLFC which is also included under investment in unquoted shares.

Investment in mutual funds pertains to the prosperity bonds acquired from SunLife Financial in 2011 with a maturity of five (5) years.

The increase in reserve for fluctuation in value of the investments in mutual funds amounted to ₱0.07 million and ₱3.08 million in 2015 and 2014, respectively. This is presented as “Other comprehensive income” in the statements of comprehensive income.

The rollforward of the reserve for fluctuation in value of AFS financial assets follows:

	2015	2014
At January 1	**₱42,860,697**	₱39,784,692
Fair value gains (losses) on AFS financial assets	**(1,080,051)**	3,076,005
	₱41,780,646	₱42,860,697

10. **Financial Assets at FVPL**

This account consists of San Miguel Corporation quoted preferred shares. Rollforward analysis of this investment follows:

	2015	2014
At January 1	**₱20,180,000**	₱21,040,000
Fair value losses on financial assets at FVPL	**(180,000)**	(860,000)
Disposal	**(20,000,000)**	–
At December 31	**₱–**	₱20,180,000

All San Miguel Corporation shares were retired on February 24, 2015. Total dividend income amounted to ₱0.40 million and ₱1.60 million in 2015 and in 2014, respectively.

11. **Property and Equipment -** net

The composition and movements in this account follow:

2015	**Land**	**Land improvement**	**Transportation equipment**	**Computer and office equipment**	**Office furniture and fixtures**	**Building**	**Construction in - progress**	**Total**
Cost								
At January 1	**₱186,167,373**	**₱–**	**₱5,839,109**	**₱19,795,387**	**₱2,071,320**	**₱8,613,576**	**₱39,094,454**	**₱261,581,219**
Additions	**–**	**7,328**	**–**	**3,037,619**	**432,470**	**882,321**	**43,876,676**	**48,236,414**
Reclassifications	**(373,501)**	**152,422**	**(30,235)**	**(103,950)**	**103,950**	**4,287,472**	**(4,439,894)**	**(403,736)**
Retirement	**–**	**–**	**(61,400)**	**(23,500)**	**–**	**–**	**–**	**(84,900)**
Transfers to investment properties (Note12)	**(47,640,920)**	**–**	**–**	**–**	**–**	**–**	**(58,898,427)**	**(106,539,347)**
At December 31	**138,152,952**	**159,750**	**5,747,474**	**22,705,556**	**2,607,740**	**13,783,369**	**19,632,809**	**202,789,649**
Accumulated Depreciation								
At January 1	**–**	**–**	**4,060,123**	**15,485,627**	**1,428,024**	**585,986**	**–**	**21,559,760**
Depreciation (Note 21)	**–**	**2,601**	**1,003,971**	**2,034,144**	**409,183**	**1,232,696**	**–**	**4,682,595**
Reclassifications	**–**	**–**	**–**	**(11,550)**	**11,550**	**–**	**–**	**–**
Retirement	**–**	**–**	**(25,583)**	**(23,500)**	**–**	**–**	**–**	**(49,083)**
At December 31	**–**	**2,601**	**5,038,511**	**17,484,721**	**1,848,757**	**1,818,682**	**–**	**26,193,272**
Net Book Value	**₱138,152,952**	**₱157,149**	**₱708,963**	**₱5,220,835**	**₱758,983**	**₱11,964,687**	**₱19,632,809**	**₱176,596,378**

2014	Land	Land Improvement	Transportation equipment	Computer and office equipment	Office furniture and fixtures	Building	Construction in - progress	Total
Cost								
At January 1	₱116,631,907	₱–	₱5,808,874	₱19,182,671	₱1,433,595	₱5,028,870	₱9,310,989	₱157,396,906
Additions	69,535,466	–	30,235	758,366	637,875	38,317,861	33,688,669	142,968,472
Reclassifications	–	–	–	150	(150)	–	–	–
Retirement	–	–	–	(145,800)	–	–	–	(145,800)
Transfers to investment properties (Note 12)	–	–	–	–	–	(34,733,155)	(3,905,204)	(38,638,359)
At December 31	186,167,373	–	5,839,109	19,795,387	2,071,320	8,613,576	39,094,454	261,581,219
Accumulated Depreciation								
At January 1	–	–	2,748,888	13,073,532	1,066,180	1,076,453	–	17,965,053
Depreciation (Note 21)	–	–	1,311,235	2,557,895	361,844	1,367,436	–	5,598,410
Retirement	–	–	–	(145,800)	–	–	–	(145,800)
Transfers to investment properties (Note 12)	–	–	–	–	–	(1,857,903)	–	(1,857,903)
At December 31	–	–	4,060,123	15,485,627	1,428,024	585,986	–	21,559,760
Net Book Value	₱186,167,373	₱–	₱1,778,986	₱4,309,760	₱643,296	₱8,127,590	₱39,094,454	₱240,021,459

Reclassifications amounting to ₱0.40 million in 2015 represent amounts that were previously capitalized as property and equipment but should be expensed directly. The transfers to investment properties were due to management's intention over the properties, in which the management decided to keep the property for capital appreciation and lease purposes (see Note 20).

Loss on retirement of transportation equipment amounted to ₱35,817.

The cost of fully depreciated property and equipment still in use amounted to ₱16.30 million and ₱9.89 million as of December 31, 2015 and 2014, respectively.

12. Investment Properties

The movement of this account follows:

	2015			
	Land	**Building**	**Construction in Progress**	**Total**
Cost				
At January 1	**₱–**	**₱34,733,155**	**₱3,905,204**	**₱38,638,359**
Additions	**64,120,035**	**3,874,712**	**3,410,953**	**71,405,700**
Reclassifications	**–**	**7,316,157**	**(7,316,157)**	**–**
Transfers from property and equipment (Note 11)	**47,640,920**	**–**	**58,898,427**	**106,539,347**
At December 31	**111,760,955**	**45,924,024**	**58,898,427**	**216,583,406**
Accumulated Depreciation				
At January 1	**–**	**1,857,903**	**–**	**1,857,903**
Depreciation (Note 21)	**–**	**4,352,605**	**–**	**4,352,605**
At December 31	**–**	**6,210,508**	**–**	**6,210,508**
Net Book Value	**₱111,760,955**	**39,713,516**	**₱58,898,427**	**210,372,898**

	2014			
	Land	Building	Construction in Progress	Total
Cost				
At January 1	₱–	₱–	₱–	₱–
Transfers from property and equipment (Note 11)	–	34,733,155	3,905,204	38,638,359
At December 31	–	34,733,155	3,905,204	38,638,359
Accumulated Depreciation				
At January 1	–	–	–	–
Transfers from property and equipment (Note 11)	–	1,857,903	–	1,857,903
At December 31	–	1,857,903	–	1,857,903
Net Book Value	₱–	₱32,875,252	₱3,905,204	₱36,780,456

In 2015, the Association transferred portion of its property and equipment with a carrying value of ₱106.54 million and ₱38.64 million in 2015 and 2014, respectively, to investment properties. The transfers from property and equipment were due to management's intention over the properties to keep them for capital appreciation and lease purposes (see Note 20).

The investment properties have a fair value of ₱236.61 million and ₱38.80 million as of December 31, 2015 and 2014, respectively. The fair values of properties are based on valuations performed by Architect Reynald Francis D. Guevarra, an accredited independent valuer with a recognized and relevant professional qualification and with recent experience in the location and category of the investment property being valued. The appraised value of investment property is classified under Level 3 of fair value hierarchy. This is determined using sales comparison approach. This is a comparative approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison. Listings and offerings may also be considered. The properties used as basis for comparison are situated within the subject building and land nearby. Comparison would be premised on the factors such as floor level location, interior finishes, parking slot allocation and facilities offered and the time element.

The Association has determined that the highest and best use of the property is its current use.

As of December 31, 2015 and 2014, no investment has been pledged as collateral or security for any of the Association's liabilities.

The Association earned rental income amounting to ₱5.68 million and ₱1.25 million from its investment properties in 2015 and 2014, respectively (see Notes 20 and 22)

13. Investments in Associates

This account consists of the following:

	2015	2014
Acquisition cost	**₱305,239,152**	₱276,939,152
Accumulated equity in net earnings	**291,697**	(7,943,482)
Dividends received	**(903,000)**	(2,984,000)
Accumulated equity in other comprehensive income	**(170,495)**	2,277,292
	₱304,457,354	₱268,288,962

Details of the Association's investments in associates follow:

	2015		2014	
	Amount	**Percentage***	Amount	Percentage*
CMIT	**₱50,673,593**	**40.00%**	₱25,052,695	40.00%
BotiCARD	**12,980,645**	**30.00%**	7,132,610	30.00%
CPMI	**240,803,116**	**47.00%**	236,103,657	47.00%
	₱304,457,354		₱268,288,962	

**Percentage ownership of the Associates in the total outstanding number of shares of the Associates.*

CARD MRI Information Technology, Inc. (CMIT)

The details of the investment follow:

	2015	2014
Acquisition cost:		
At January 1	**₱15,000,000**	₱15,000,000
Placements	**22,800,000**	–
At December 31	**37,800,000**	15,000,000
Accumulated equity in net earnings:		
At January 1	**7,775,403**	5,357,933
Equity in net earnings	**6,167,405**	5,126,470
Dividend income	**(903,000)**	(2,709,000)
At December 31	**13,039,808**	7,775,403
Accumulated equity in other comprehensive income		
At January 1	**2,277,292**	–
Equity in other comprehensive income	**(2,443,507)**	2,277,292
At December 31	**(166,215)**	2,277,292
	₱50,673,593	₱25,052,695

In 2011, the Association subscribed 400,000 common shares at ₱100 par value representing 40% ownership in CMIT. In 2015, an amount of ₱22.80 million was paid to CMIT representing portion of the Association's subscription balance. Remaining 22,000 subscribed shares remain unpaid as of December 31, 2015. As of December 31, 2015 and 2014, the Association's investment in CMIT amounted to ₱50.67 million and ₱25.05 million, respectively.

BotiCARD, Inc.

The details of the investment follow:

	2015	2014
Acquisition cost		
At January 1	**₱3,900,000**	₱3,900,000
Placement	**5,500,000**	–
At December 31	**9,400,000**	3,900,000
Accumulated equity in net earnings:		
At January 1	**3,232,610**	2,463,100
Equity in net earnings	**348,035**	1,044,510
Dividends received	**–**	(275,000)
At December 31	**3,580,645**	3,232,610
	₱12,980,645	₱7,132,610

In 2011, the Association purchased 780,000 common shares at ₱5 par value of BotiCARD Inc. (BotiCARD) amounting to ₱3.90 million.

In 2012, the Association deposited ₱3.00 million which will be used to subscribe to 600,000 additional common shares of BotiCARD initially recorded as advances for future stock subscription (see Note 8). On May 19, 2015, the Securities and Exchange Commission (SEC) already approved BotiCARD's request for increase in authorized capital stock. The ₱3.00 million advances were reclassified as investment in BotiCARD as of December 31, 2015 together with the additional investment of ₱2.5 million. As of December 31, 2015 and 2014, the Association's investment in BotiCARD amounted to ₱12.98 million and ₱7.13 million, respectively.

CARD Pioneer Microinsurance, Inc.

The details of the investment follow:

	2015	2014
Acquisition cost		
At January 1	**₱258,039,152**	₱257,983,896
Placements	**–**	55,256
At December 31	**258,039,152**	258,039,152
Accumulated equity in net loss:		
At January 1	**(21,935,495)**	361,295
Equity in net earnings (loss)	**4,703,739**	(22,296,790)
At December 31	**(17,231,756)**	(21,935,495)
Accumulated equity in other comprehensive income		
Equity in other comprehensive income	**(4,280)**	–
At December 31	**(4,280)**	–
	₱240,803,116	₱236,103,657

On July 16, 2013, the Association entered into an agreement with CPMI, formerly named as Pioneer Asia Insurance Corporation (PAIC), for the purchase of 2,303,428 shares at ₱100 par value representing 47.00% ownership in CPMI. On September 30, 2013, the consideration paid to CPMI amounted to ₱257.98 million. No goodwill was recognized since the consideration paid is equal to the proportionate ownership in CPMI. In 2014, an amount of ₱0.06 million was added to the investment in CPMI representing adjustments at the time of its acquisition.

	CPMI
Fair value of net assets	**₱548,901,906**
Proportionate ownership in the associate	**47%**
Consideration paid	**₱257,983,896**

As of December 31, 2015 and 2014, the Association's investment in CPMI amounted to ₱240.69 million and ₱236.10 million, respectively.

The total undistributed accumulated equity in associate's net earnings are included in the Association's unappropriated fund balance and are not available for dividend declaration until these are actually received.

Financial information of the Association's associates follow:

	2015	2014
CMIT		
Total assets	**₱113,718,156**	₱80,909,198
Total liabilities	**10,287,208**	8,070,462
Net income	**15,418,512**	12,816,176
BotiCARD		
Total assets	**34,111,262**	28,005,863
Total liabilities	**7,581,351**	10,793,135
Net income	**803,157**	3,481,700
CPMI		
Total assets	**731,081,503**	604,701,161
Total liabilities	**224,306,696**	107,925,201
Net income	**10,007,955**	(47,439,978)

14. **Other Assets**

This account consists of:

	2015	2014
Supplies inventory	**₱2,266,967**	₱1,427,924
Prepaid rent	**1,573,107**	1,476,014
Prepaid expenses	**1,287,892**	1,955,255
Prepaid insurance	**563,195**	563,195
Deferred reinsurance premiums (Note 18)	**535,051**	358,000
Creditable withholding taxes	**130,428**	–
Prepaid taxes	**11,558**	–
Refundable deposits	**–**	2,500,000
	₱6,368,198	₱8,280,388

Supplies inventory includes office items that are being used in the operation of the Association.

Prepaid rent pertains to the payment made in advance to the owners of the spaces being leased by the Association as provincial offices.

Prepaid expenses includes advance payment to ARK KMFD Development, Inc. for the construction of the CARD MBA building in San Pablo, Laguna and advance payments for the acquisition of computer equipment of the Association's provincial offices.

Refundable deposits pertain to deposits of the Association to Cocolife Health Care for AKAP CARD Health Benefits. These health benefits are given to its members with the privilege of using the facilities of affiliated hospitals with services. Benefits include medical consultation, hospitalization, annual physical exam and medical emergency needs. In February 2012, the Association decided to discontinue the benefit to its members due to unfavorable result in the operation of the Association. The deposits made by the Association will be refunded one year after the expiration of the terms of AKAP CARD Health benefits which is in 2014. The deposit was refunded to the Association on April 1, 2015.

15. **Accounts Payable and Accrued Expenses**

This account consists of:

	2015	2014
Accounts payable - CAMIA (Note 23)	**₱52,253,643**	₱60,020,464
Accounts payable - Alveo (Note 23)	**8,589,719**	23,053,142
Accounts payable – Land and buildings	**8,074,000**	12,228,488
Accrued expenses	**7,382,001**	7,144,386
Collection fee payable		
Related parties (Note 23)	**3,067,344**	3,498,009
Staff, members and employees	**1,137,105**	925,561
Accounts payable - Related parties (Note 23)	**3,251,733**	1,547,236
Due to government agencies	**1,367,425**	649,438
Rent deposits	**29,684**	–
Accounts payable - others	**1,870,289**	1,109,859
	₱87,022,943	₱110,176,583

Accounts payable – CAMIA represents unremitted premiums collected from policyholders on behalf of CAMIA pertaining to the payments of Packaged Assistance in Case of Disaster (PAID) Plan awaiting receipt of accomplished return stubs. These are non-interest-bearing and are payable on demand.

Accounts payable - Alveo pertains to the unpaid balance of the Association for the land it acquired, together with CaMIA and Aniceta R. Alip, in September 2014. The share of the Association from the total purchase price of ₱55.51 million amounted to ₱46.28 million. The remaining balance as of December 31, 2015 is scheduled to be settled in 2016 (see Notes 11 and 12).

Accounts payable – Land and buildings pertains to the amount owed by the Association to its contractors for the on-going building constructions of provincial offices. It also includes unpaid balances for the land acquisitions during the year.

Accrued expenses pertain to accruals for employee benefits, professional fees, utilities and supplies. These are non-interest bearing and are generally settled upon receipt of actual billings.

Collection fee payable pertains to the Association's payable to its collecting institutions (see Note 23), staffs, members and employees regarding the amount of claims and expenses paid in excess of the premiums collected. These are non-interest-bearing and are generally on a 1-30 day payment terms.

Accounts payable – related parties include amounts owed by the Association to its related parties representing payment for medicines to BotiCARD, training fees of employees to EMPC, rentals to CLFC, system development from CMIT and staff administrative costs incurred by CARD MRI Development Institute (CMDI).

Due to government agencies are obligations of the Associations to government agencies. This account includes withholding taxes payable, SSS loan and contribution payable, PAG –IBIG loan and contribution payable and Medicare contribution which are subsequently remitted based on the requirements of the government agencies.

Rent deposits represent the amounts received from the Association's lessees as security deposit. This amount is returnable to the lessees upon expiration of the lease agreement subject to the lessor's conditions.

Account payable – others include unpaid balances for the services availed by the Association such as legal, actuarial valuation and driving services. These are non-interest bearing and are generally settled within thirty (30) days.

16. Insurance Contract Liabilities

This account consists of:

	2015	2014
Life insurance contract liabilities	**₱3,709,691,762**	₱3,143,318,226
Loan redemption contract liabilities	**184,682,187**	152,460,050
Claims payable	**42,469,983**	24,413,140
	₱3,936,843,932	₱3,320,191,416

The rollforward analysis of life insurance contract liabilities follows:

	2015	2014
At January 1	**₱3,143,318,226**	₱2,614,321,720
Premiums received	**919,556,676**	778,941,560
Liability released for payments of death, maturity and surrender benefits and claims	**(353,183,140)**	(249,945,054)
At December 31	**₱3,709,691,762**	₱3,143,318,226

This account represents reserves for life insurance which is computed in compliance with the statutory requirements as set by the Insurance Commission (IC) which is equal to 60% of gross contributions to Basic Life Insurance for the year.

The rollforward analysis of loan redemption contract liabilities follows:

	2015	2014
At January 1	**₱152,460,050**	₱122,174,234
Premiums received	**307,803,646**	254,100,084
Liability released for payments of loans	**(275,581,509)**	(223,814,268)
At December 31	**₱184,682,187**	₱152,460,050

This account represents reserves for loan redemption insurance computed equal to 60% of gross premiums of the Association for the year.

The loan redemption insurance covers the outstanding loan balance of members from CARD Inc., CARD SME Bank, Inc., CARD Bank, Inc., and Rizal Rural Bank, Inc. in case of death of a member-borrower. The Association also records reserves on loan redemption insurance. As of December 31, 2015 and 2014, loans covered by the Association's loan redemption insurance amounted to ₱40.60 billion and ₱33.72 billion, respectively.

The rollforward analyses of claims payable follows:

	2015	2014
At January 1	**₱24,413,140**	₱15,326,342
Arising during the year	**625,596,329**	609,907,651
Paid/utilized	**(692,479,452)**	(600,820,853)
At December 31	**₱42,469,983**	₱24,413,140

17. **Retirement Savings Fund**

The retirement savings fund or provident fund represents contributions of members of the Association to the provident fund, net of administrative expenses. The provident fund is being administered by the Association and is intended for the retirement of its members. The contributions are invested and the interests thereon are credited to the retirement savings fund. It can be availed of at the age of 65 if the member has completed a minimum of five (5) consecutive years of membership in the Association. The benefit shall be equal to all the contributions made by the member to the provident fund plus interest earned. If a member decides to resign prior to age of 65, the member shall be entitled to refund of 100.00% of the member's total contributions plus interest based on prevailing interest rates for regular savings of commercial banks.

The rollforward analysis of retirement savings fund follows:

	2015	2014
At January 1	**₱1,963,727,108**	₱1,580,623,648
Contribution	**509,884,404**	432,864,023
Interest	**74,404,874**	56,678,067
Claims and expenses	**(118,464,160)**	(106,438,630)
At December 31	**₱2,429,552,226**	₱1,963,727,108

The allocation of interest income for retirement savings fund is equivalent to 4.20% and 3.31% in 2015 and 2014, respectively, of the beginning balance of the account plus contribution from members during the year. Interest expense incurred for retirement savings claims amounted to ₱3.86 million and ₱4.04 million in 2015 and in 2014, respectively.

18. **Net Earned Premiums**

The net earned premiums consist of the following:

	2015	2014
Gross earned premiums on insurance contracts		
Life insurance premiums	**₱1,531,981,522**	₱1,298,246,715
Loan insurance premiums	**307,803,646**	254,100,084
Total gross premiums earned on insurance contracts	**1,839,785,168**	1,552,346,799
Less: Reinsurer's share on gross earned premium on insurance contracts		
Life insurance	**1,477,500**	1,074,000
Net earned premiums on insurance contracts	**₱1,838,307,668**	₱1,551,272,799

Under the Association's basic life insurance program, members and its qualified dependents are entitled to receive a minimum amount of benefit upon death or permanent disability duly approved by the Association after meeting certain conditions as stated in the certificate of membership issued to members. The member's contribution is ₱15 every week.

Under the basic life insurance program is the golden life insurance program wherein members aging 70 years old are entitled to enroll in the program and have continued coverage up to age 100 years old. The member has the option to choose between ₱50 or ₱100 premium every week with death benefit of ₱25,000 or ₱50,000, respectively. Premiums are payable for ten (10) years.

The loan redemption insurance covers the outstanding loan balance of members to CARD Microfinance institutions namely: CARD Inc., CARD Bank, Inc., CARD SME Bank Inc. and Rizal Rural Bank, Inc. in case of death. Under this program, the member contributes 1.5% per annum of his/her principal loan to be recognized by the Association as gross premiums. For term of a fraction of a year, the corresponding premium shall be equivalent to the proportionate annual premium.

In April 2014, the Association entered into reinsurance agreement with National Reinsurance Corporation of the Philippines (PHILNARE) in response to the increased risk brought by severe calamities hitting the country. Portion of the premiums received amounting to ₱1.65 million and ₱1.43 million in 2015 and in 2014, respectively, are allocated and ceded to the reinsurer.

Reinsurance will limit the possible loss that the Association would experience in case of disaster.

The rollforward of the deferred reinsurance premiums follows:

	2015	2014
Balance at January 1	**₱358,000**	₱–
Premiums ceded to reinsurer	**1,654,551**	1,432,000
Reinsurer's share of gross earned premiums on insurance contracts	**(1,477,500)**	(1,074,000)
Balance at December 31	**₱535,051**	₱358,000

Deferred reinsurance premiums pertain to the unamortized portion of the premiums ceded to PHILNARE (see Note 14).

19. Interest Income

This account consists of

	2015	2014
Interest income on:		
HTM investments (Note 7)	**₱182,709,093**	₱157,130,789
Cash and cash equivalents (Note 6)	**6,124,889**	1,266,620
Long-term investments (Note 8)	**4,360,863**	4,615,523
Short-term investments (Note 8)	**4,073,239**	668,770
Loans receivable (Note 8)	**1,468,206**	1,352,315
Pension Asset (Note 24)	**740,436**	–
	₱199,476,726	₱165,034,017

20. Rental Income

In 2015 and 2014, the Association earned ₱5.68 million and ₱1.25 million, respectively from renting its investment properties to its affiliates: CARD Bank, Inc., Rizal Rural Bank, Inc., CMIT, CaMIA and BotiCARD (see Notes 22 and 23).

21. General and Administrative Expenses

This account consists of:

	2015	2014
Transportation and travel	**₱103,450,292**	₱87,274,260
Salaries and allowances (Note 24)	**76,816,730**	68,120,813
Program, monitoring and evaluation	**16,393,830**	12,752,974
Supplies	**13,787,171**	11,484,393
Professional fees	**13,308,065**	8,770,546
Training and development	**9,428,174**	7,093,388
Depreciation (Note 11 and 12)	**9,035,200**	5,598,410
Rental (Note 22)	**7,574,596**	6,633,667

(Forward)

	2015	2014
Donation and contribution	**₱7,496,143**	₱7,446,929
Insurance	**6,911,431**	4,530,755
Meetings and seminars	**5,999,784**	5,570,067
Communication	**5,982,639**	5,580,542
Interest expense (Note 17 and 24)	**3,855,266**	5,607,238
Security and janitorial services	**3,601,551**	4,024,081
Pension expense (Note 24)	**3,562,765**	9,655,132
Provision for impairment losses (Note 8)	**3,285,338**	16,449,145
Repairs and maintenance	**3,216,593**	2,656,545
Light and water	**2,262,213**	1,929,234
Membership dues	**1,652,814**	1,251,091
Taxes and licenses	**1,470,334**	1,560,855
Bank charges	**788,832**	652,522
Entertainment, amusement and recreation	**336,464**	503,953
Research and documentation	**79,866**	194,858
Miscellaneous	**99,188**	408,744
	₱300,395,279	₱275,750,142

22. **Lease Commitments**

Operating leases - Association as lessee
In 2012, the Association entered into operating lease agreements with various lessors with terms ranging from six (6) months to one (1) year. Rent expense included in the statements of comprehensive income in 2015 and 2014 amounted to ₱7.57 million and ₱6.63 million, respectively. The future minimum rentals payable within one (1) year of the existing contracts amounted to a total of ₱7.62 million and ₱6.67 million as of December 31, 2015 and 2014, respectively.

Operating leases - Association as lessor
The Association entered into operating lease agreements with its related parties with terms ranging from three (3) to five (5) years. Rent income included in the statements of comprehensive income under “rental income” account in 2015 and 2014 amounted to ₱5.68 million and ₱1.25 million, respectively. The minimum rentals receivable for each of the next four years of the existing contracts amounted to a total of ₱5.46 million and ₱4.70 million as of December 31, 2015 and 2014, respectively.

23. **Related Party Transactions**

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, and the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

The significant transactions of the Association with related parties in the normal course of business are as follow:

December 31, 2015

Category	Amount	Outstanding	Nature	Terms	Conditions
Associates					
CMIT					
Accounts receivable	**₱93,919**	**₱–**	Unremitted Collection of members (Staff contribution) and others expense incurred	On-demand; noninterest-bearing	Unsecured; no impairment
Rental income	**254,498**	–	Income received from office space rentals	On-demand; noninterest-bearing	Unsecured
BotiCARD					
Accounts receivable	**69,843**	–	Unremitted Collection of members (Staff contribution) and others expense incurred	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	**1,467,999**	**966,056**	Unpaid medicines and other expenses incurred	On-demand; noninterest-bearing	Unsecured; no impairment
Rental income	**95,184**	–	Income received from office space rentals	On-demand; noninterest-bearing	Unsecured
CPMI					
Account receivable	**297,231**	**190,585**	Unremitted collection of member (Staff's) Contribution and other expenses incurred	On-demand; noninterest bearing	Unsecured; no impairment
Account payable	**12,451,934**	–	Claims unpaid to members who avail CaMIA products	On-demand; noninterest bearing	Unsecured; no impairment
Affiliates					
CaMIA					
Accounts receivable	**205,334,952**	**75,916,569**	Claims unpaid to members who avail CaMIA products	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable (Note 15)	**418,996,741**	**52,253,643**	Premiums collected from policy holders.in behalf of CaMIA	On-demand; noninterest-bearing	Unsecured
Rental income	**150,341**	–	Income received from office space rental	On-demand; noninterest-bearing	Unsecured; no impairment
CMDI					
Accounts receivable	**67,481**	**14,359**	Unremitted Collection of members (Staff contribution) and others expense incurred	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	**2,323,288**	**2,035,591**	Unpaid expenses for administration and training cost of staffs	On-demand; noninterest-bearing	Unsecured

(Forward)

Category	Amount	Outstanding	Nature	Terms	Conditions
CARD, Inc.					
Accounts receivable	**₱109,437,479**	**₱1,046,292**	Unremitted collection of members contribution	On-demand; noninterest-bearing	Unsecured; no impairment
Collection fee payable	**106,250,345**	**2,356,054**	Unpaid claims and expenses incurred	1 – 30 days term; noninterest-bearing	Unsecured
CARD SME					
Cash and cash equivalents	**454,148,822**	**9,750,779**	Various	On-demand; interest at 1.50% for regular savings deposit	Unsecured; no impairment
Accounts receivable	**2,622,378**	**1,805,703**	Unremitted collection of members contribution	On-demand; noninterest-bearing	Unsecured; no impairment
Collection fee payable	**4,590,522**	**6,293**	Unpaid claims and expenses incurred	1 – 30 days term; noninterest-bearing	Unsecured
Interest income	**148,295**	–	Income from depositd made (included in cash and cash equivalents)	On-demand; interest at 2.00% for regular savings deposit	Unsecured
CARD BDSFI					
Accounts receivable	**34,310**	**–**	Unpaid collection of members’ contribution	On-demand; noninterest-bearing	Unsecured; no impairment
CARD EMPC					
Accounts receivable	**455,642**	**393,652**	Unpaid collection of members’ contribution	On-demand; noninterest-bearing	Unsecured; no impairment
Loan receivable	**–**	**6,666,667**	Loan made by EMPC	On-demand; interest at 5% per annum	Unsecured; no impairment
Accounts payable	**124,489**	**124,489**	Unpaid administrative expenses incurred for Association’s staff	On-demand; noninterest-bearing	Unsecured
Rizal Rural Bank					
Cash and cash equivalents	**288,576,778**	**1,177,369**	Various	On-demand; interest at 1.50% for regular savings deposit	Unsecured; no impairment
Accounts receivable	**14,880,833**	**255**	Unremitted collection of members contribution	On-demand; noninterest-bearing	Unsecured; no impairment
Collection fee payable	**550,864**	**1,584**	Unpaid claims and expenses incurred	1 – 30 days term; noninterest-bearing	Unsecured
Rental income	**1,558,079**	**–**	Income received from office space rentals	On-demand; noninterest-bearing	Unsecured
Interest income	**3,494,149**	**–**	Income from deposits made (included in cash and cash equivalents)	On-demand; interest at 1.50% for regular savings deposit and 4.00% for time deposit	Unsecured
CLFC					
Accounts receivable	**165,976**	**152,068**	Unremitted Collection of members (Staff contribution) and others expenses	On-demand; noninterest-bearing	Unsecured; no impairment
Loans receivable	**10,000,000**	**16,666,667**	Loans made by CARD LFC	Interest at 4.50% per annum	Unsecured; no impairment
Accounts payable	**519,486**	**125,596**	Unpaid expenses incurred in leasing Association’s equipment	On-demand; noninterest-bearing	Unsecured; no i mpairment

(Forward)

Category	Amount	Outstanding	Nature	Terms	Conditions
CARD Bank, Inc.					
Cash and cash equivalents	**₱2,416,712,857**	**₱28,332,203**	Various	On demand; interest at 1.50% for regular savings deposit	Unsecured; no impairment
Accounts receivable	**100,080,786**	**262,964**	Unremitted collection of members contribution	On-demand; noninterest-bearing	Unsecured; no impairment
Collection fee payable	**10,703,494**	**703,413**	Unpaid claims and expenses incurred	1 – 30 days term; noninterest-bearing	Unsecured
Rental income	**3,398,501**	**–**	Income received from office space rentals	On-demand; noninterest-bearing	Unsecured
Interest income	**4,839,738**	**–**	Income from deposits made (included in cash and cash equivalents)	On-demand; interest at 2.00% for regular savings deposit and 4.00% for time deposit	Unsecured
RISE					
Loans receivable	**–**	**2,500,000**	Loan made by RISE	On-demand; interest at 6.00% per annum	Unsecured; no impairment

December 31, 2014

Category	Amount	Outstanding	Nature	Terms	Conditions
Associates					
CMIT					
Accounts receivable	₱78,105	₱–	Unremitted collection of members contribution	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	44,428	43,808	Unpaid services provided in maintaining the Association’s system	On-demand; noninterest-bearing	Unsecured
Rental income	171,000	–	Income received from office space rentals	On-demand; noninterest-bearing	Unsecured
BotiCARD					
Accounts receivable	68,086	500	Unpaid collection of members’ contribution	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	3,073,300	4,800	Unpaid medicines and administrative expenses incurred	On-demand; noninterest-bearing	Unsecured; no impairment
Rental income	63,500	–	Income received from office space rentals	On-demand; noninterest-bearing	Unsecured
Affiliates					
CaMIA					
Accounts receivable	362,783,993	60,418,044	Claims unpaid to members who avail CaMIA products	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	52,253,643	232,469,665	Premiums collected from policy holders.in behalf of CaMIA	On-demand; noninterest-bearing	Unsecured
Rental income	120,000	–	Income received from office space rental	On-demand; noninterest-bearing	Unsecured; no impairment
CMDI					
Accounts receivable	213,057	63,803	Unremitted collection of members (CARD MRI Staff) contribution	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	353,961	353,961	Unpaid expenses for administration and training cost of staffs	On-demand; noninterest-bearing	Unsecured

(Forward)

Category	Amount	Outstanding	Nature	Terms	Conditions
CARD, Inc.					
Accounts receivable	₱405,092,652	₱11,644,710	Unremitted collection of members contribution	On-demand; noninterest-bearing	Unsecured; no impairment
Collection fee payable	189,018,314	2,994,786	Unpaid claims and expenses incurred	1 – 30 days term; noninterest-bearing	Unsecured
CARD SME					
Cash and cash equivalents	370,563,873	8,984,964	Various	On-demand; interest at 2.00% for regular savings deposit and 4.00% for time deposit	Unsecured; no impairment
Accounts receivable	147,466,507	2,476,593	Unremitted collection of members contribution	On-demand; noninterest-bearing	Unsecured; no impairment
Collection fee payable	1,218,197	104,498	Unpaid claims and expenses incurred	1 – 30 days term; noninterest-bearing	Unsecured
Interest income	2,290,547	–	Income received from office space rentals	On-demand; interest at 2.00% for regular savings deposit and 4.00% for time deposit	Unsecured
CARD BDSFI					
Accounts receivable	41,954	–	Unpaid collection of members' contribution	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	2,118,446	–	Unpaid administration and training incurred	On-demand; noninterest-bearing	Unsecured
CARD EMPC					
Accounts receivable	607,096	600	Unpaid collection of members' contribution	On-demand; noninterest-bearing	Unsecured; no impairment
Loans receivable	–	13,333,333	Loan made by EMPC	On-demand; interest at 5.00% per annum	Unsecured; no impairment
Accounts payable	1,151,773	1,141,877	Unpaid administrative expenses incurred for Association's staff	On-demand; noninterest-bearing	Unsecured
Rizal Rural Bank					
Cash and cash equivalents	86,943,733	1,439,361	Various	On-demand; interest at 2.00% for regular savings deposit and 4.00% for time deposit	Unsecured; no impairment
Accounts receivable	29,029,979	234,000	Unremitted collection of members contribution	On-demand; noninterest-bearing	Unsecured; no impairment
Collection fee payable	380,645	11,247	Unpaid claims and expenses incurred	1 – 30 days term; noninterest-bearing	Unsecured
Rental income	234,000	234,000	Income received from office space rentals	On-demand; noninterest-bearing	Unsecured

(Forward)

Category	Amount	Outstanding	Nature	Terms	Conditions
Interest income	₱1,439,361	₱–	Income from deposits made (included in cash and cash equivalents)	On-demand; interest at 2.00% for regular savings deposit and 4.00% for time deposit	Unsecured
CLFC					
Accounts receivable	57,705	32638	Unremitted collection of members (CARD LFC staff) contribution	On-demand; noninterest-bearing	Unsecured; no impairment
Loans receivable	–	13,333,333	Loans made by CARD LFC	Interest at 5% per annum	Unsecured; no impairment
Accounts payable	377,715	2,790	Unpaid expenses incurred in leasing Association's equipment	On-demand; noninterest-bearing	Unsecured; no i mpairment
CARD Bank, Inc.					
Cash and cash equivalents	1,650,350,460	29,283,038	Various	On demand; interest at 2% for regular savings deposit and 5% to 6% for time deposit%	Unsecured; no impairment
Accounts receivable	287,528,458	5,613,279	Unremitted collection of members contribution	On-demand; noninterest-bearing	Unsecured; no impairment
Collection fee payable	18,821,022	387,477	Unpaid claims and expenses incurred	1 – 30 days term; noninterest-bearing	Unsecured
Rental income	662,433	193,683	Income received from office space rentals	On-demand; noninterest-bearing	Unsecured
Interest income	4,290,870	–	Income received cash deposits	On-demand; interest at 2.00% for regular savings deposit and 4.00% for time deposit	Unsecured
RISE					
Loans receivable	5,000,000	5,000,000	Loan made by RISE	On-demand; interest at 6.00% per annum	Unsecured; no impairment

In September 2014, CAMIA, together with CARD MBA and Aniceta R. Alip, acquired a parcel of land with an area of two thousand thirty-nine (2,039) square meters (sqm) from Alveo Land Corporation (Alveo) described as Lot 1, Block 3, Phase 2 in Westborough Town Center, Brgy. Inchican, Silang, Cavite. The parties mutually agreed their specific share of ownership of the property as follows:

PARTICULARS	CARD MBA	CAMIA	ANICETA R. ALIP	TOTAL
Lot Size (sqm)	1,700	139	200	2,039
Purchase Price*	₱46,282,912	₱3,784,308	₱5,445,048	₱55,512,268
Payments Made**	(24,587,777)	2,010,414	2,892,679	29,490,870
Unpaid Balance as of 12/31/14 *** (Note 15)	23,053,142	1,884,934	2,712,134	27,650,210
Payments Made	14,463,432	1,182,598	1,701,580	17,347,610
Unpaid Balance as of 12/31/15 (Note 15)	8,589,710	702,336	1,010,554	10,302,600

** inclusive of VAT and other capitalizable charges*
*** inclusive of reservation fee, 30% down-payment and 1st installment*
****inclusive of other charges*

One of the lot limitations is that it cannot be subdivided or partitioned. Maximum of two consolidated lots may later be subdivided into its original components. Resulting lots shall not be smaller in area than the smallest lot before consolidation and shall have adequate access to a designated street for vehicular ingress and egress, whether directly or by grant of right-of-way

24. **Employee Benefits**

The Association maintains a funded and formal noncontributory retirement plan - the CARD Multi-Employer Retirement Plan - covering all employees. The plan has a projected unit cost format and is financed by the Association. The plan complies with the requirement of Republic Act No. 7641 and provides lump sum benefits upon retirement, death, total and permanent disability, involuntary separation (except for cause) or voluntary separation after completion of at least ten years of service with the participating institutions.

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan. The Association also provides additional post employment healthcare benefits to certain senior employees.

Changes in funded retirement plan are as follows:

2015

	Net benefit cost in statement of comprehensive income						Remeasurements in other comprehensive income							
	At January 1	**Current service cost (Note 21)**	**Net interest (Note 21)**	**Subtotal**	**Benefits paid**	**Transfer to plan**	**Return on plan assets (excluding amount included in net interest)**	**Actuarial changes arising from changes in demographic assumptions**	**Actuarial changes arising from changes in financial assumptions**	**Actuarial changes arising from changes in experience**	**Effect of changes in asset ceiling**	**Subtotal**	**Contribution by employer**	**At December 31**
Present value of defined benefit obligation	**₱29,515,595**	**₱3,562,765**	**₱1,316,396**	**₱4,879,161**	**(₱150,436)**	**₱36,598**	**₱–**	**₱883,749**	**(₱3,405,363)**	**₱3,096,144**	**₱–**	**₱574,530**	**₱–**	**₱34,855,448**
Fair value of plan assets	**(42,148,718)**	**–**	**(2,056,832)**	**(2,056,832)**	**150,436**	**(36,598)**	**906,571**	**–**	**–**	**–**	**–**	**906,571**	**(7,833,026)**	**(51,018,167)**
Effect of changes in asset ceiling	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,804,493**	**1,804,493**	**–**	**1,804,493**
	(₱12,633,123)	**₱3,562,765**	**(₱740,436)**	**₱2,822,329**	**₱–**	**₱–**	**₱906,571**	**₱883,749**	**(₱3,405,363)**	**₱3,096,144**	**₱1,804,493**	**₱3,285,594**	**(₱7,833,026)**	**(₱14,358,226)**

2014

	Net benefit cost in statement of comprehensive income						Remeasurements in other comprehensive income							
	At January 1	Current service cost (Note 21)	Net interest (Note 21)	Subtotal	Benefits paid	Transfer to plan	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Actuarial changes arising from changes in experience	Effect of changes in asset ceiling	Subtotal	Contribution by employer	At December 31
Present value of defined benefit obligation	₱56,049,721	₱9,655,132	₱3,575,972	₱13,231,104	(₱469,046)	₱734,695	₱–	(₱9,361,608)	(₱27,602,131)	(₱3,067,140)	₱–	(₱40,030,879)	₱–	₱29,515,595
Fair value of plan assets	(22,427,775)	–	(2,029,120)	(2,029,120)	469,046	(734,695)	1,061,398	–	–	–	–	1,061,398	(18,487,572)	(42,148,718)
	₱33,621,946	₱9,655,132	₱1,546,852	₱11,201,984	₱–	₱–	₱1,061,398	(₱9,361,608)	(₱27,602,131)	(₱3,067,140)	₱–	(₱38,969,481)	(₱18,487,572)	(₱12,633,123)

The principal actuarial assumptions used in determining retirement liability for the Association's retirement plan are shown below:

	2015	2014
Discount rate	**4.86%**	4.46%
Salary increase rate	**7.00%**	7.00%
Average remaining working lives	**31.9 years**	32.2 years

The fair value of net plan assets by each class is as follows:

	2015	2014
Assets		
Cash and cash equivalents	**₱20,769,495**	₱16,571,620
Investment in equity	**–**	–
Investment in government bonds	**23,320,404**	19,334,154
Investment in mutual funds	**397,942**	398,171
Loans	**5,387,518**	4,672,455
Others	**1,142,808**	1,172,318
	₱51,018,167	₱42,148,718

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of December 31, 2015, assuming if all other assumptions were held constant:

		Effect on defined pension plan	
	Increase (decrease)	2015	2014
Discount rates	+100 basis points	(₱7,119,151)	(₱6,216,452)
	-100 basis points	9,234,250	8,112,007
Future salary increases	+100 basis points	8,547,582	7,483,666
	-100 basis points	(6,806,362)	(5,930,618)

The Association expects to contribute ₱7.83 million to the defined pension plan in 2016.

The average duration of the defined benefit obligation at the end of the reporting period is 27.8 years.

As of December 31, 2015 the Company does not expect to have future benefit payment from one (1) to ten (10) years

The Association paid salaries and other benefits to its employees amounting to ₱76.82 million and ₱68.12 million in December 31, 2015 and December 31, 2014, respectively.

25. Management of Insurance and Financial Risks

Governance Framework

The Association 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 risk. It also supports the effective implementation of policies at the overall association and individual business unit levels.

The policies define the Association's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, alignment of underwriting and reinsurance strategies to the corporate goals and specify reporting requirements.

Regulatory Framework

Regulators are interested in protecting the rights of the members and maintain close vigil to ensure that the Association is satisfactorily managing affairs for the member's benefit. At the same time, the regulators are also interested in ensuring that the Association maintains appropriate solvency position to meet liabilities arising from claims and that the risk levels are at acceptable levels.

The operations of the Association are subject to the regulatory requirements of the IC. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions (e.g., margin of solvency to minimize the risk of default and insolvency on the part of the insurance companies to meet the unforeseen liabilities as these arise, minimum guaranty fund, risk-based capital requirements).

Guaranty fund

As a mutual benefit association, IC requires the Association to possess a guaranty fund of ₱5.00 million. This minimum amount shall be maintained at all times and it must be increased by an amount equivalent to 5% of the Association's gross premium collections until the guaranty fund reaches 12.5% of the minimum paid up capital for domestic life insurance companies or ₱125.00 million. As of December 31, 2015 and 2014, the Association has a total of ₱126.40 million, in 2015 and in 2014, representing guaranty fund which is deposited with the IC (see Notes 7 and 27).

Fixed capital requirements

In September 2006, the Department of Finance issued Order 27-06 increasing the capitalization requirements for life, nonlife and reinsurance companies on a staggered basis for the years ended December 31, 2006 up to 2011. Depending on the level of the foreign ownership in the insurance Association, the minimum statutory net worth and minimum paid-up capital requirements vary. The minimum paid-up capital is pegged at 25% of the minimum statutory net worth.

As of December 31, the required minimum statutory net worth and minimum paid up capital for the Association follows:

	2015	2014
Minimum statutory net worth	**₱500,000,000**	₱400,000,000

IMC No. 26-2008 provides that in view of the compliance of insurance companies with the requirement of IMC 10-2006, the scheduled increase due December 31, 2008 have been deferred for a year. Hence, the IMC reiterates that by December 31, 2011, insurance companies should comply with the increase previously scheduled for December 31, 2011. As of December 31, 2015 and 2014, the Association has complied with this requirement.

Risk-based capital requirements (RBC)

In October 2006, the IC issued IMC NO. 11-2006 adopting the RBC framework for the life insurance industry to establish the required amounts of capital to be maintained by entities in relation to their investment and insurance risks. Every life insurance entity is annually required to maintain a minimum RBC ratio of 100.00% and not fail the trend test. Failure to meet the minimum RBC ratio shall subject the insurance entity to the corresponding regulatory intervention which has been defined at various levels.

The RBC ratio shall be calculated as Member's equity divided by the RBC requirement whereas, Members' equity is defined as admitted assets minus all liabilities inclusive of actuarial reserves and other policy obligations.

The following table shows how the RBC ratio was determined by the Association based on its calculation:

	2015	2014
Member's equity	**₱1,661,823,883**	₱1,214,461,227
RBC requirement	**474,758,706**	366,365,546
RBC Ratio	**350.04%**	331.49%

The final amount of the RBC ratio can be determined only after the accounts of the Association have been examined by the IC specifically as to admitted and non-admitted assets as defined under the same Code.

The main risks arising from the Association's financial instruments follow:

Insurance Risk

The principal risk the Association faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid are greater than originally estimated and subsequent development of long term claims. Therefore, the objective of the Association is to ensure that sufficient reserves are available to cover these liabilities.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy and guidelines, as well as the use of reinsurance arrangements for the loan redemption fund. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract. Although the Association has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus, a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Association's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Association substantially dependent upon any single reinsurance contract.

Underwriting risk

Underwriting risk represents the exposure to loss resulting from actual policy experience adversely deviating from assumptions made in the product pricing. Underwriting risks are brought about by a combination of the following:

- *Mortality risk* - risk of loss arising due to policyholder death experience being different than expected.
- *Morbidity risk* - risk of loss arising due to policyholder health experience being different than expected.
- *Investment return risk* - risk of loss arising from actual returns being different than expected.
- *Expense risk* - risk of loss arising from expense experience being different than expected.
- *Policyholder decision risk* - risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected.

These risks do not vary significantly in relation to the location of the risk insured by the Association, type of risk insured and by industry. Undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

The Association's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Association has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of fraudulent claims. Insurance contracts also entitle the Association to pursue third parties for payment of some or all cost. The Association further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Association.

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

Mortality and morbidity rates
Assumptions are based on standard industry and national tables, according to the type of contract written, reflecting recent historical experience and which are adjusted where appropriate to reflect the Association's own experiences. An appropriate but not excessive prudent allowance is made for expected future improvements.

An increase in rates will lead to a larger number of claims and claims could occur sooner than anticipated, which will increase the expenditure and decrease the funds of the Association.

Investment return
The weighted average rate of return is derived based on a model portfolio that is assumed to back liabilities, consistent with the long term asset allocation strategy. These estimates are based on current market returns as well as expectations about future economic and financial developments. An increase in investment return would lead to a reduction in expenditure and an increase in the funds of the Association.

Expenses
Operating expenses assumptions reflect the projected costs of maintaining and servicing in force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation adjustments if appropriate. An increase in the level of expenses would result in an increase in expenditure thereby reducing the funds of the Association.

Lapse and surrender rates
Lapses relate to the termination of policies due to nonpayment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on Association's experience and vary by product type, policy duration and sales trends.

An increase in lapse rates early in the life of the policy would tend to reduce the funds of the Association, but later increases are broadly neutral in effect.

Discount rate
Life insurance liabilities are determined as the sum of the discounted value of the expected benefits and future administration expenses directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet these future cash outflows. Discount rates are based on current industry risk rates, adjusted for the Association's own risk exposure.

A decrease in the discount rate will increase the value of the liability.

Sensitivities
The analysis below is performed for a reasonable possible movement in key assumptions with all other assumptions held constant, on the statement of revenue and expenses. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities. It should also be stressed that these assumptions are nonlinear and larger or smaller impacts cannot easily be gleaned from these results. Sensitivity information will also vary according to the current economic assumptions, mainly due to the impact of changes to both the intrinsic cost and time value of options and guarantees.

2015

	Increase of 1.00% on discount rate and decrease of 25.00% on mortality rate	**Increase of 1.00% on discount rate and decrease of 25.00% on mortality rate**
Increase (decrease) on liabilities	₱941,319,169	(₱1,021,819,480)
Increase (decrease) on revenue	(941,319,169)	1,021,819,480

2014

	Increase of 1.00% on discount rate and decrease of 25.00% on mortality rate	Increase of 1.00% on discount rate and decrease of 25.00% on mortality rate
Increase (decrease) on liabilities	₱796,578,791	(₱864,787,096)
Increase (decrease) on revenue	(796,578,791)	864,787,096

The sensitivity analyses take into account upward movements in the discount rates and upward and downward movements in mortality and morbidity rates. These do not necessarily represent management's view of expected future rate changes.

Fair value hierarchy
The Association uses the following hierarchy for determining and disclosing the fair value of its financial instruments and other non-financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.\

Financial instruments
The Association’s principal financial instruments are cash and cash equivalents, loans and receivables, financial assets at FVPL, AFS financial assets, HTM investments, accounts payable and accrued expenses. The main purpose of these financial instruments is to finance their operations.

The following table sets forth the carrying values and estimated fair values of financial assets and liabilities recognized as of December 31, 2015 and 2014:

	2015		2014	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Cash and cash equivalents	**₱378,155,070**	**₱378,155,070**	₱275,692,723	₱275,692,723
HTM investments	**6,297,160,291**	**6,357,132,186**	5,104,317,821	5,276,237,773
Loans and Receivables				
Accrued interest receivable	**70,078,688**	**70,078,688**	57,380,018	57,380,018
Accounts receivables	**81,257,437**	**81,257,437**	64,514,057	64,514,057
Loans receivable	**25,833,333**	**25,127,445**	31,666,667	31,666,667
Other receivables	**8,511,307**	**8,511,307**	4,157,791	4,157,791
Short-term investments	**240,420,682**	**240,420,682**	168,257,482	168,257,482
Long-term investments	**72,681,045**	**79,099,913**	72,681,045	72,681,045
AFS financial assets				
Quoted	**269,889,469**	**269,889,469**	345,966,894	345,966,894
Unquoted	**167,075,200**	**167,075,200**	163,691,400	163,691,400
Financial assets at FVPL	–	–	20,180,000	20,180,000
	₱7,611,062,522	**₱7,676,747,397**	₱6,308,505,898	₱6,480,425,850
Financial Liabilities				
Accounts payable and accrued expenses	**₱87,022,943**	**₱87,022,943**	₱110,176,583	₱110,176,583

Due to the short-term nature of transactions, the carrying amounts of financial instruments such as cash and cash equivalents, short-term investments, receivables except loan receivable, financial assets at FVPL, quoted equity securities classified as AFS financial assets, accounts payable and accrued expenses approximate their fair values.

For unquoted equity investments classified as AFS, these investments are carried at cost less allowance for impairment losses due to the unpredictable nature of future cash flows and the lack of suitable methods for arriving at a reliable fair value.

For loans receivable and long-term investments classified under loans and receivable, fair value are based on discounted value of future cash flows using applicable rates for similar types of instruments. The discount rate used ranged from 2.44% to 3.92% and 2.54% to 3.49% as of December 31, 2015 and 2014, respectively.
For investments in mutual fund companies under AFS and HTM investments, fair values are established by reference to their market quoted price.

As of December 31, 2015 and 2014, the fair value of the AFS financial assets of the Association amounted to ₱269,889,469 and ₱345,966,894, respectively.

The Association classifies AFS financial assets under Level 1 of the fair value hierarchy, except for the unlisted equity securities that do not have quoted market prices in an active market which are measured at cost and hence, not included above. During the reporting period ended December 31, 2015 and 2014, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Financial Risks
The Association is exposed to financial risk through its financial assets, financial liabilities and insurance liabilities. In particular, the key financial risk that the Association is exposed to is that the proceeds from its financial assets may not be sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are credit risk, liquidity risk and market risk.

These risks arise from open positions in interest rate, currency and debt securities products, all of which are exposed to general and specific market movements.

Credit risk
This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The following policies and procedures are in place to mitigate the Association's exposure to credit risk:

a. The credit risk in respect of customer balances, incurred on non-payment of premiums or contributions will only persist during the grace period specified in the policy document or when the policy is either paid up or terminated.

b. Reinsurance is placed with highly rated counterparties and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and update the reinsurance purchase strategy, ascertaining suitable allowance for impairment.

c. The Association sets the maximum amounts and limits that may be advanced to corporate counterparties by reference to their long term credit ratings.

The table below shows the maximum exposure to credit risk for the components of the statements of financial position.

	2015	2014
Financial Assets		
Cash and cash equivalents (excluding cash on hand amounting ₱1.35 million and ₱3.33 million in 2015 and 2014, respectively)	**₱376,809,393**	₱272,361,766
Loans and Receivables		
Accounts receivables	**81,257,437**	81,305,424
Accrued interest receivable	**70,078,688**	57,380,018
Loans receivable	**25,833,333**	31,666,667
Advances for future stocks subscriptions	**44,177,000**	3,000,000
Other receivables	**8,511,307**	4,157,791
Short-term investments	**240,420,682**	168,257,482
Long-term investment	**72,681,045**	72,681,045
Financial assets at FVPL	–	20,180,000
AFS financial assets		
Quoted	**269,889,469**	345,966,894
Unquoted	**167,075,200**	163,691,400
HTM investments	**6,297,160,291**	5,104,317,821
	₱7,653,893,845	₱6,324,966,308

The credit risk is concentrated on the following:

	2015	2014
Related parties	**₱441,841,365**	₱397,049,114
Unrelated parties	**7,212,052,479**	5,927,917,194
	₱7,653,893,844	₱6,324,966,308

The table below provides information regarding the credit risk exposure of the Association by classifying assets according to the Association's credit ratings of counterparties as of December 31, 2015 and 2014.

2015

	Neither Past-Due nor Impaired			
	Investment Grade	**Non-investment Grade**	**Past Due and Impaired**	**Total**
Financial Assets				
Cash and cash equivalents	**₱378,155,070**	**₱–**	**₱–**	**₱378,155,070**
HTM investments	**6,297,160,291**	**–**	**–**	**6,297,160,291**
Loans and Receivables				
Accounts receivables	**61,258,919**	**–**	**19,998,516**	**81,257,435**
Accrued interest receivable	**70,078,6887**	**–**	**–**	**70,078,6887**
Loans receivable	**25,833,333**	**–**	**–**	**25,833,333**
Advances for future stocks subscription	**44,177,000**			**44,177,000**
Other receivables	**6,627,008**	**1,465,423**	**418,876**	**8,511,307**
Short-term investments	**240,420,682**	**–**	**–**	**240,420,682**
Long-term investments	**72,681,045**	**–**	**–**	**72,681,045**
Accounts receivables	**61,258,92119**	**–**	**19,998,516**	**81,257,4375**
AFS financial assets				
Quoted	**269,889,469**	**–**	**–**	**269,889,469**
Unquoted	**167,075,200**	**–**	**–**	**167,075,200**
	₱7,633,356,707	**₱1,465,423**	**₱20,417,392**	**₱7,655,239,522**

2014

	Neither Past-Due nor Impaired			
	Investment Grade	Non-investment Grade	Past Due and Impaired	Total
Financial Assets				
Cash and cash equivalents	₱272,361,766	₱–	₱–	₱272,361,766
HTM investments	5,104,317,821	–	–	5,104,317,821
Loans and Receivables				
Accounts receivables	64,514,057	–	16,791,367	81,305,424
Accrued interest receivable	57,380,018	–	–	57,380,018
Loans receivable	31,666,667	–	–	31,666,667
Advances for future stocks subscription	3,000,000			3,000,000
Other receivables	2,247,368	1,164,083	746,340	4,157,791
Short-term investments	168,257,482	–	–	168,257,482
Long-term investments	72,681,045	–	–	72,681,045
AFS financial assets				
Quoted	345,966,894	–	–	345,966,894
Unquoted	163,691,400	–	–	163,691,400
Financial assets at FVPL	20,180,000	–	–	20,180,000
	₱6,306,264,518	₱1,164,083	₱17,537,707	₱6,324,966,308

The Association uses a credit rating concept based on the borrowers and counterparties' overall credit worthiness, as follows:

Investment grade - Rating given to borrowers and counterparties who possess strong to very strong capacity to meet its obligations.

Non-investment grade - Rating given to borrowers and counterparties who possess above average capacity to meet its obligations.

The Association trades only with members who are also members of the related parties. The receivables represent mostly collections of the related parties pertaining to contributions for premiums for life insurance, loan redemption assistance and provident fund unremitted to the Association. Receivables are generally on a 1-30 days terms and are all current. All receivables are neither past due nor impaired.

The Association conducts periodic review of allowance for credit losses each financial year through examining the financial position of the related party and the market in which the related party operates.

Liquidity risk
This risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments.

The following policies and procedures are in place to mitigate the Association's exposure to liquidity risk:

a) The Association's liquidity risk policy sets out the assessment and determination of what constitutes liquidity risk for the Association. Compliance with the policy is monitored and exposures and breaches are reported to the management. The policy is regularly reviewed for pertinence and for changes in the risk environment.

b) Set guidelines on asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding available to meet insurance and investment contracts obligations.

The following table shows an analysis of assets and liabilities analyzed according to whether they are expected to be recovered or settled within one (1) year and beyond one (1) year from reporting date:

2015

	Up to one year	1-3 years	3-5 years	Over 5 years	No term	Total
Financial assets						
Cash and other cash items	₱378,155,070	₱–	₱–	₱–	₱–	₱378,155,070
HTM investments	700,866,66058	186,129,439	230,869,105	5,179,295,087	–	6,297,160,291
Loans and Receivables						
Accounts receivables	70,715,499	10,541,938	–	–	–	81,257,437
Accrued interest receivable	60,547,766	9,530,922	–	–	–	70,078,688
Loans receivables	15,833,333	10,000,000	–	–	–	25,833,333
Advances for future stock subscription	44,177,000	–	–	–	–	44,177,000
Other receivables	8,345,013	166,294	–	–	–	8,511,307
Short-term investments	240,420,682	–	–	–	–	240,420,682
Long-term investments	–	72,681,045		–	–	72,681,045
AFS financial assets	–	–	–	–	436,964,669	436,964,669
Financial assets at FVPL		–	–	–	-	
	₱1,474,884,023	₱289,049,638	₱230,869,105	₱5,179,295,087	₱481,141,669	₱₱7,655,239,522
Financial liabilities						
Other financial liabilities						
Accounts payable - CAMIA	₱52,253,642	₱–	₱–	₱–	₱–	₱52,253,642
Claims payable	38,652,259	–	–	–	–	38,652,259
Collection fee payable	17,400,471	–	–	–	–	17,400,471
Accounts payable - Alveo	8,589,719	–	–	–	–	8,589,719
Accrued expenses	7,382,000	–	–	–	–	7,382,000
	₱124,278,091	₱–	₱–	₱–	₱–	₱124,278,091

2014

	Up to one year	1-3 years	3-5 years	Over 5 years	No term	Total
Financial assets						
Cash and other cash items	₱275,692,723	₱–	₱–	₱–	₱–	₱275,692,723
HTM investments	123,744,835	892,125,526	30,000,000	4,058,447,460	–	5,104,317,821
Loans and Receivables						
Accounts receivables	74,864,132	6,441,292	–	–	–	81,305,424
Accrued interest receivable	57,380,018	–	–	–	–	57,380,018
Loans receivables	31,666,667	–	–	–	–	31,666,667
Advances for future stock subscription	3,000,000	–	–	–	–	3,000,000
Other receivables	3,797,650	360,141	–	–	–	4,157,791
Short-term investments	168,257,482	–	–	–	–	168,257,482
Long-term investments	–	1,615,074	71,065,971	–	–	72,681,045
AFS financial assets	–	–	–	–	509,658,294	509,658,294
Financial assets at FVPL	20,180,000	–	–	–	–	20,180,000
	₱758,583,507	₱900,542,033	₱101,065,971	₱4,058,447,460	₱509,658,294	₱6,328,297,265
Financial liabilities						
Other financial liabilities						
Accounts payable - CAMIA	₱60,020,464	₱–	₱–	₱–	₱–	₱60,020,464
Claims payable	24,413,140	–	–	–	–	24,413,140
Accounts payable - Alveo	23,053,142	–	–	–	–	23,053,142
Collection fee payable	19,309,153	–	–	–	–	19,309,153
Accrued expenses	7,144,386	–	–	–	–	7,144,386
	₱133,940,285	₱–	₱–	₱–	₱–	₱133,940,285

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

The following policies and procedures are in place to mitigate the Association's exposure to market risk:

a. The market risk policy sets out the assessment and determination of what constitutes market risk for the Association. Compliance with the policy is monitored and exposures and breaches are reported to the association risk committee. The policy is reviewed regularly for pertinence and for changes in the risk environment.

b. Set asset allocation and portfolio limit structure, to ensure that assets back specific member liabilities and that assets are held to deliver income and gains for members which are in line with expectations of the members.

c. Stipulated diversification benchmarks by type of instrument, as the association is exposed to guaranteed bonuses, cash and annuity options when interest rates falls.

Currency risk

The Association's principal transactions are carried out in Philippine peso and its foreign exchange risk arises primarily with respect to U.S. dollars, in which some of its investments are denominated.

The following table shows the details of the Association's foreign currency denominated monetary assets and liabilities and their Philippine peso equivalents.

	2015		2014	
	U.S. Dollar[1]	**Peso Equivalent**	U.S. Dollar[1]	Peso Equivalent
Cash in bank	**$12,210**	**₱574,603**	$3,633	₱162,110
Short-term investments	**5,501**	**258,877**	5,463	243,761
Total	**$17,711**	**₱833,480**	$9,096	₱405,871

[1] The exchange rate used was ₱47.06 to US$1.00 in 2015 and ₱44.72 to US$ 1.00 in 2014.

Sensitivity analysis
The following table demonstrates sensitivity to a reasonably possible change in the Philippine Peso exchange rate, with all other variables held constant, of the Association's income before income tax (due to changes in the fair value of currency sensitive monetary assets and liabilities).

	Currency	**Increase (decrease) in Philippine Peso rate**	**Effect on Profit**
2015	**USD**	**+0.80**	**₱6,657**
		-0.80	**(₱6,657)**
2014	USD	+1.00	₱4,059
		-1.00	(₱4,059)

Interest rate risk
This interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Association to cash flow interest risk, whereas fixed interest rate instruments expose the Association to fair value interest risk.
The Association's interest risk policy requires it to manage interest rate risk by maintaining appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest-bearing financial assets and interest-bearing financial liabilities. Interest on fixed interest rate instruments is priced at inception of the financial instrument and is fixed until the maturity.

The following table shows the information relating to the Association's financial instruments as of December 31, 2015 and 2014 that are exposed to fair value interest rate risk presented by maturity profile.

2015

	Range of interest rate	**Up to a year**	**Over one (1) year**
Cash and cash equivalents-regular deposit	**0.13% to 1.50%**	**₱86,869,375**	**₱–**
Cash and cash equivalents-time deposits	**1.25% to 2%**	**289,940,018**	**–**
Short-term investments	**0.75% to 1.83%**	**240,420,682**	**–**
Long term investments	**6.00%**	**-**	**72,681,045**
HTM investments	**3.25% to 9.13%**	**700,866,658**	**5,596,293,633**
Total financial assets		**₱1,318,096,733**	**₱5,668,974,678**

2014

	Range of interest rate	Up to a year	Over one (1) year
Cash and cash equivalents-regular deposit	0.13% to 1.50%	₱99,653,077	₱–
Cash and cash equivalents-time deposits	1.15% to 2%	284,394,655	–
Short-term investments	0.75% to 1.50%	56,556,985	–
Long term investments	6.00%	–	72,681,045
HTM investments	4.63% to 9.00%	123,744,835	4,980,572,986
Total financial assets		₱637,030,597	₱4,980,572,986

Price risk
The Association's price risk exposure at year-end relates to financial assets whose values will fluctuate as a result of changes in market prices, principally, AFS investments. Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market.

The Association's investment policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plan, and limits on investment in each country, sector and market. Investments in derivatives are also not allowed.

Sensitivity analysis
The following table demonstrates sensitivity to a reasonably possible change in the market value of investments in mutual fund companies, with all other variables held constant, of the Association's equity (due to changes in the net asset value of mutual funds).

	Amount	**Increase (decrease) in fair value**	**Impact on fund balance**
2015	**₱269,889,468**	+10%	₱26,988,947
		-10%	(₱26,988,947)
2014	₱269,819,559	+13%	₱35,076,543
		-13%	(₱35,076,543)

26. Commitment and Contingencies

There were no commitments, guarantees and contingent liabilities that arose in the normal course of the Association's operations which are not reflected in the Association's financial statements. As of December 31, 2015 and 2014, management is of the opinion that losses, if any, from these commitments, guarantees and contingent liabilities will not have a material effect on the Association's financial statements.

27. Appropriated Fund Balance

The Association's BOT approved the appropriation of the following:

	Guaranty fund (Note 7)	**CARD MRI Disaster Relief Assistance Program (CDRAP)**	**Total**
At January 1, 2014	₱126,900,679	₱90,448,485	₱217,349,164
Appropriation	–	66,500,000	66,500,000
Reversal of appropriation		(90,448,485)	(90,448,485)
Utilization of appropriation	–	(50,820,489)	(50,820,489)
At December 31, 2014	**₱126,900,679**	**₱15,679,511**	**₱142,580,190**
Appropriation	–	**44,320,490**	**44,320,490**
Utilization of appropriation	–	**(27,242,598)**	**(27,242,598)**
At December 31, 2015	**₱126,900,679**	**₱32,757,403**	**₱159,658,082**

The Association is required to increase the guaranty fund based on the 5.00% annual gross premium collections until the guaranty fund reaches 12.50% of the minimum paid up capital for domestic life insurance companies or ₱125.00 million, whichever is higher.

The Association appropriated ₱44.32 million and ₱66.5 million in 2015 and 2014, respectively for CDRAP aimed at providing relief assistance to its members and dependents during calamities and other disasters in the form of cash or relief goods.

28. Supplementary Tax Information Required Under Revenue Regulations 15-2010

The Association reported and/or paid the following types of taxes in 2015:

Value added tax (VAT)
As a nonstock, not-for-profit and mutual benefit association, the Association was granted tax exemption with respect to income and value-added taxes as provided under the National Internal Revenue Code of 1997 as amended by Republic Act 8424 known as the Comprehensive Tax Reform Program by the Bureau of Internal Revenue (see Note 1).

a. Net Sales/Receipts and Output VAT declared in the Association's VAT returns follows:

   The Association paid Output VAT amounting to ₱449,186 from its rental income and interest earned from loans receivables amounting ₱2,999,074 and ₱744,142, respectively.

b. The Association did not incur any Input VAT in 2015.

Information on the Association's importations

The Association does not undertake importation activities.

Taxes and Licenses
This includes all other taxes, local and national, including real estate taxes, license and permit fees lodged under the caption 'Taxes and Licenses' under the 'General and Administrative Expenses' section in the Association's statements of income.

Details consist of the following in 2015:

Local tax	
License and permit fees	₱933,198
Real property taxes	359,032
Professional Fee taxes	69,574
Documentary stamp taxes	5,526
Transfer tax	1,319
Others	80,986
	1,449,635
National tax	
Registration fees	20,699
	₱1,470,334

c. Withholding Taxes

Details consist of the following:

Withholding taxes on compensation and benefits	₱2,597,846
Expanded withholding taxes	846,583
	₱3,444,429

d. Tax Assessments and Cases

The Association has not been involved in any tax case under preliminary investigation, litigation and/or prosecution in courts or bodies outside the Bureau of Internal Revenue.

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