
# how we came to be

**CARD MBA ANNUAL REPORT 2016**

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# about the cover

As CARD Mutually Reinforcing Institutions reach its 30th year in service, the growing group of people- and development-oriented institutions celebrates its remarkable milestones that contribute to the rich ongoing history of CARD MRI in empowering Filipino women and families. As the group pursues its vision of being a world-class leader in microfinance and community-based social development undertakings, CARD MRI had been through many ups and downs but was able to face them with its consistent, purposeful, and forward-looking brand of service.

The butterfly is a representation of CARD MRI's metamorphosis: its transformation from a small social development foundation into a group of mutually reinforcing institutions that have made positive impact to the lives of its more than four million clients. Inside the butterfly's wings are a few of the many momentous events that brought CARD MRI to where it is now and that will continuously inspire the organization to reinvent itself while remaining anchored to its purpose and keeping in mind the people it serves.

# 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

To promote the welfare of marginalized sectors of the Philippine society and to other sectors as maybe determined by the Board;

To extend financial assistance to its members in the form of death benefits, medical subsidy, pension, and loan redemption assistance;

To 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;

To 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.

# President's Message

Not wished for but granted; this could be God's plan for me, I thought. I was an ordinary member of CARD since 2000 until I became the center treasurer, secretary and the center chief. Eventually, I was also elected to become our unit's MBA coordinator. The management and the members trusted me with all their hearts so I trusted them back. The distant locations of the members and beneficiaries who needed validations did not concern me for all I could see was their gratefulness despite their bereavement because we were able to respond at a time when they needed help.

With the help from our provincial office (PO), I persevered implementing the 1-3-5 day target. I validate claims even on Saturdays, Sundays, and during Holidays. Through the nomination of our provincial manager (PM), I became part of the esteemed Board of Trustees (BOT). I was initially nervous for I did not have any idea on what is about to happen. Even so, I was sincerely happy and excited. I thanked God, my co-members, the staff, and our provincial managers for the new opportunity that was given to me.

During the first year, I served as the secretary for the BOT. Almost every day, I was in the office to sign documents. Together with other Trustees, I attended meetings, seminars, and trainings. I also conducted center visits in order to gather concerns from the members outside my unit. It was on my second year as a trustee that I became the president of CARD MBA. It was more nerve-wracking since I had more duties to fulfill and had to work with some of the new board members. Nonetheless, I did my best to be a good leader of our batch.

There were a number of things that I've learned and a lot of experiences that I will never forget from being a Trustee. I was privileged with tons of benefits and was able to make a lot of new friends through the Association. Most significantly, I received respect and felt an infinite amount of love from the whole Association.

To CARD MRI family, thank you for the support and care that you've given to us members; for the products that you've provided and for the continuous development of more products to help us improve our lives. We are confident that you will continue to strive for the good. We are proud to be part of CARD MRI because you have always been our guide in our development. You taught us how to be zealous, orderly, and responsible members.

For my co-members, we made the right decision to choose this institution, which we can rely on at all times; an institution which is stable and established. We are always assured that the institution is taking care of our funds. It doesn't ignore our concerns; instead, it develops its products for our benefit. I am congratulating all of us members because we're leaning on a wall. Thank you for the trust and I hope all of us can experience what I've experienced for the last two years that I've been part of the Board of Trustees. Let's continue to become respectable members of this institution.

Once again, I thank God for giving me the privilege of being a member and an officer of CARD, an MBA coordinator, and most of all, for allowing me to reach the peak of what an ordinary member like me could achieve — to become part of CARD MBA's Board of Trustees from 2015 to 2017.

Being transformed as a leader of the Association, I will continue to be a good member and example to others, together with my husband and child who are also currently members of the institution. I will always be proud to be a member of this institution.

Mabuhay CARD MBA! Mabuhay CARD MRI! Continue on helping and empowering people as you have successfully been doing now.

**EULALIA A. VILLANUEVA**
*President*
*CARD Mutual Benefit Association, Inc.*

# The Metamorphosis

*As a member institution of CARD MRI, our goals of eradicating poverty and serving the nation has inspired us to reach remarkable milestones in empowering Filipino women and families. We commemorate how history has shaped us - through the challenges that we have surpassed and the accomplishments that we have achieved - into a passionate and hardworking institution.*

# IMPROVING LIVES, Transpiring CHANGES

**MAY S. DAWAT**
*General Manager*
*CARD Mutual Benefit Association, Inc.*

As one of the earliest member institutions of the CARD MRI group, CARD Mutual Benefit Association (CARD MBA) was established with CARD, Inc.'s commitment to widen the range of its services while keeping the members' best interests in mind. For the primary purpose of loan redemption in case of the death of member-borrowers and the provision of death benefits for the members and their legal dependents, CARD, Inc. started an informal in-house insurance arm known as the Member's Mutual Fund (MMF) in 1994.

In 1999, the concept of insuring the members started with a proposal from a commercial insurance company offering such service. At the time, CARD staff has already been receiving queries from the members along this line: "What will happen if we die?" However, upon reviewing the premiums needed to be paid by members from a commercial insurance's proposal, CARD officials agreed that the members will not be able to pay for such amount.

Learning from this experience, CARD, Inc. transferred the assets of MMF to its members who then formed another company with a separate Board of Trustees. This led to the establishment of CARD MBA in 1999 as a separate non-profit, legal identity owned, and managed by the members. With this remarkable milestone in its history, CARD MBA committed to pioneering microinsurance products and services for members and took pride in transforming them into empowered leaders of the Association.

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CARD, Inc. established the Members' Mutual Fund (MMF), an in-house insurance arm to provide death benefits for the members and their legal dependents.

# 1994

# 1996

The Pension Plan was implemented under the MMF to provide retirement, medical and disability benefits to members.

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## DEVELOPING OUR MICROINSURANCE PRODUCTS

In 2000, after being established as a separate institution, CARD MBA started to develop products and services that would enable us to set our identity as a microinsurance mutual benefit association. We reviewed the existing products under MMF and enhanced the packaging of some of our products including loan redemption, Basic Life Insurance Program, and Retirement Savings Fund.

Learning from our previous experience as an in-house microinsurance arm, we also hired an insurance professional to assist in the growth and expansion of our microinsurance business. Since then, we formally set up CARD MBA as an institution comprised of several departments that manages its operations and continuously develops products that will suit the growing needs of members. Among the microinsurance products that the institution provided include the Basic Life Insurance, Golden Life Insurance, Credit Life Insurance, and Retirement Saving Fund.

When various calamities affected the lives of our members, CARD MBA, in partnership with Pioneer Life, Inc., developed a calamity insurance known as the Package Assistance in case of Disaster (PAID) Plan in 2007. With the assistance of our institution, CARD MRI gave birth to its 7th institution, the CARD MRI Insurance Agency, which then continued the distribution of PAID Plan. Our joint venture with Pioneer also paved the way to the establishment of CARD MRI's 12th institution, the CARD Pioneer Microinsurance, Inc., in 2013.

In our aim to create an impact to more socio-economically challenged Filipinos, CARD MBA also committed to create

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## 1999

During a two-day workshop held in San Pablo City, CARD, Inc. officially turned over the MMF's management to the members, who then established the CARD Mutual Benefit Association (MBA), a separate legal entity, non-stock, non-profit, owned and managed by the members.

## 2001

CARD MBA hired an insurance professional to assist in growing its microinsurance operations. CARD MBA was formally set up as an institution comprised of several departments that will manage its operations and underwent continuous development of its products.

## 2002

CARD MBA started to widen its reach and expand its operations by setting up provincial offices in different areas in the country.

## 2003

CARD MBA developed the Build - Operate - and Transfer (BOAT) Program as part of its Organizational Development Strategy.

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community development programs that would cater to the non-financial needs of our members as well as our non-members. Through our Build-Operate-and Transfer (BOAT) Program, we transferred our technologies to other organized groups and cooperatives that provided microinsurance protection to their members but did not have the financial and technical capacity to do so. This year, CARD MBA served 30,087 members under the BOAT Program and is continuously providing scholarship assistance to 11 children of members of BOAT Partners. Nine of the scholars have already graduated.

We also developed the CARD MRI Disaster Relief Assistance Program (CDRAP) and helped families in times of disaster by distributing relief goods and medicines from our sister institution, BotiCARD. Furthermore, we conducted mass weddings and participated in health, livelihood, and education programs.

## PURSUING COMPETENCE AND EXCELLENCE

As a member of CARD MRI, our association continuously strives for competence and excellence by ensuring the effectiveness of our operations through tested strategies. We develop some of our member-borrowers into MBA coordinators who are tasked to coordinate with center chiefs and branch/unit managers in terms of claim validation and other reports needed by the head office. They perform other functions that include enlisting CARD members and monitoring their membership status.

Our MBA coordinators serve as our direct link to members. This allowed timely settlement of claims and high quality feedback mechanism. We also utilize this link to guarantee the wide acceptance of our products and services. In relation to this, we also contract actuary experts to conduct actuarial risk analysis of products before we introduce them to our members.

The association continuously expands its operations through the establishment of provincial offices across the country. We started this expansion in 2002 and have already set up 49 provincial offices as of 2016.

## GIVING MORE TO OUR CLIENTS

As we continuously expand our operations, we improve our products and services to fit the growing and changing demands of our members. In 2016, we enhanced our existing Loan Redemption Fund (LRF) to LRF-PLUS. We added the Motor Vehicular Accident Hospitalization Benefit (MVAH) rider without requiring additional premium contribution. This ensured the provision of benefits based on the amount of the member-borrower's loan in case of a motor vehicular accident.

In addition to the death benefits that we are providing, we introduced our Memorial Assistance Program, which provides loans for memorial lots, among five units of CARD SME Bank in Tanauan, Batangas.

We conducted microinsurance caravans to promote our microinsurance products and services to our savers who did not have the opportunity to be updated with our products, services, and policies through center meetings.

Our institution takes pride in leading the microfinance industry in returning surplus to its members. We are the first microinsurance MBA to distribute Experience Refund and Loyalty Rewards that benefited 1.5 million members. This is one of our ways to pay back the unwavering trust of our long-time members. Also, we

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## 2006

In partnership with Pioneer Life, Inc., CARD MBA developed a calamity insurance known as the Package Assistance in times of Disaster (PAID) Plan.

CARD MBA developed the CARD MRI Disaster Relief Assistance Program (CDRAP) aimed to provide immediate relief and assistance to affected CARD members in disaster-affected areas.

## 2007

The Audit Committee was created to ensure that enough internal control is being implemented to protect the fund and the stakeholders.

## 2008

CARD MBA launched the Ang Inyong Kalusugan ay Pangalagaan (AKAP) CARD, which aimed to provide clients with health services and better coping mechanism in case of illness.

In November of the same year, CARD MBA implemented the new age eligibility from 18-65 years old upon enrolment and exit age of 70.

*"With the experience we had with DHIB, we realized that we can still improve it and provide a more suitable hospitalization benefit package in the future. Our experience with it will serve as a valuable input in conceptualizing a more appropriate health insurance for our members."*

- May S. Dawat

The association took its initial steps towards providing members with health insurance through the Daily Hospitalization Income Benefit (DHIB).

CARD MBA received a Microinsurance Plaque of Recognition from the Insurance Commission for actively supporting microinsurance initiatives in the country.

## 2012

## 2010

CARD MBA implemented Php 1,000 donation for the death of parents of a member who died at age less than 60 years old.

## 2011

CARD MBA implemented an additional Php 1,000 life insurance benefit for their members for every additional 2 years after 4 years of length of their membership.

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acknowledged the significant role of our members, particularly the MBA coordinators, through the “Natatanging MBA Coordinator” citation.

## AN EXCITING YEAR AHEAD

In 2017, CARD MBA will introduce the Katuparan Plan, a savings program, in three branches under CARD MRI’s banking institutions. These include CARD Bank in Bay, Laguna, CARD SME Bank in Sto. Tomas, Batangas, and Rizal Bank, Inc. in Sta. Cruz, Laguna. We also intend to enhance our Golden Life Insurance Program by offering it to our members age 50 years old.

An exciting year is ahead as CARD MBA explores new programs and territories. We will soon open provincial offices in Ilocos Norte, Davao Oriental, and Antique. Our institution will also conduct an exposure program for the Takaful Insurance, which is intended for our Muslim members. We

***“We are very pleased that finally we have this kind of insurance product. After six long months of waiting and passing through the eye of a needle, it’s finally here. The Insurance Commission granted the implementation of Golden Life Insurance Program (GLIP) that insures our members until they are 100 years old. This is another innovative product of CARD, which is a result of constant listening to clients. Rest assured that we will always be present and willing to hear from you, our valued clients”***

- May S. Dawat

## 2013

CARD MBA, CARD MRI Insurance Agency, Inc. and Union Life Insurance Public Company Limited (U Life) had a tripartite memorandum of understanding in Thailand to formalize a non-exclusive framework partnership and to facilitate collaboration between CARD and U Life.

CARD MBA also established a joint venture with Pioneer Asia Insurance Corporation.

## 2014

CARD MBA ended the long wait of its clients as they launched the Golden Life Insurance Program (GLIP), which insures members who have reached 70 years old but would like to continue being a CARD member.

will have more microinsurance caravans to help our staff build on their knowledge and capacities in our microinsurance operations. In addition, we will continue our selection of health insurance providers as we also plan to cover the health insurance needs of our members.

In 2016, we increased our number of insured individuals to 12,262,672. We will continuously refuel our commitment to provide the 40 million insured individuals to CARD MRI's 5-8-40 strategy. CARD MBA will always strive to enhance and innovate its products and services to extend our impact to more socio-economically challenged Filipinos. CARD MBA will remain committed in empowering its members into leaders as it transforms itself into a global leader in the microinsurance industry.

The institution took pride in leading the microfinance industry in returning surplus to its members. CARD MBA was the first microinsurance MBA to distribute Experience Refund and Loyalty Rewards that benefited 1.5 million of its members.

2016


***"This initiative is one of the best ways we can think of to pay back the trust and confidence of the millions of clients who stayed with our institution for many years. The reward and refund benefit, although not a yearly program as it will depend on the financial health of the Association, is a benefit that we are very happy about. We feel that it is proper to return what is right for the members."***

- May S. Dawat


Together with CARD Bank, CaMIA, CPMI and the Community Development Group, we conducted Microinsurance Caravans for our savers in order to promote our microinsurance products and services as well as the loans and savings products of our banking institutions.

CARD MBA hosted the Asia and Oceania Association (AOA) study visit in the Philippines on August 1-3, 2016.

2016 marked another eventful year for CARD MBA and our members. As part of our expansion, we opened our newest provincial office in Tagaytay City to be able to respond immediately to the microinsurance needs of more CARD MRI clients.

Through the CARD MRI Disaster Relief Assistance Program (CDRAP), we assisted 27,150 families who were heavily affected by El Niño, and immediately responded to the needs of our members in areas by Typhoon Lawin.

To ensure that the whole family of our members get the full coverage of our products, we wedded 44 couples under our Mass Wedding program and conducted our first Special Citation Award for our MBA coordinators.


In September 2016, we also welcomed seven board members. They were elected by the 3.3. million members of CARD MBA and completed our new set of Board of Trustees.

Members of the Association participated in a radio program called K2D2 aired on DZJV 1458 KHz.

# Operational Highlights of CARD MBA

as of December 2016

TOTAL ACTIVE MEMBERS
**3,327,379**

TOTAL INSURED INDIVIDUALS
**12,262,672**

TOTAL CLAIMS
**PhP 949,023,838.52**

TOTAL ASSETS
**PhP 10.32 BILLION**

TOTAL CONTRIBUTION
**PhP 2.97 BILLION**

PAID W/IN 1-3-5 DAY
**97.48%**

PROVINCIAL OFFICES
**49**

STAFF
**317**

MBA COORDINATORS
**1,483**

## BASIC LIFE INSURANCE

# OF CLAIMS PAID
**35,442**
AMOUNT OF CLAIMS PAID
**PhP 595,032,590.56**

## GOLDEN LIFE INSURANCE

# OF CLAIMS PAID
**65**
AMOUNT OF CLAIMS PAID
**PhP 2,775,000**

## RETIREMENT SAVINGS FUND

# OF CLAIMS PAID
**5,340**
AMOUNT OF CLAIMS PAID
**PhP10,886,092.33**

## LOAN REDEMPTION FUND

# OF CLAIMS PAID
**7,281**
AMOUNT OF CLAIMS PAID
**PhP 79,654,991.34**

## REFUND OF CONTRIBUTION

LIFE INSURANCE
# OF CLAIMS PAID
**195,832**
AMOUNT OF CLAIMS PAID
**PhP 148,005,642.49**

RETIREMENT
# OF CLAIMS PAID
**192,682**
AMOUNT OF CLAIMS PAID
**PhP103,999,602.90**

## GLIP CASH SURRENDER VALUE

# OF CLAIMS PAID
**60**
AMOUNT OF CLAIMS PAID
**PhP 85,918.90**

## CARD MRI DISASTER RELIEF ASSISTANCE PROGRAM (CDRAP)

# OF AFFECTED MEMBERS
**249,002**
AMOUNT
**PhP 30,613,073.15**

## MASS WEDDING

# OF COUPLE
**44**
AMOUNT
**PhP 37,993.90**

# Community Development

Driven by our goal to create an impact to more socio-economically challenged Filipinos, CARD MBA developed programs that addressed the non-financial needs of its members and non-members. Through our Build-Operate-and-Transfer (BOAT) Program, we transfer our technologies to other organized groups and cooperatives that aimed to provide microinsurance protection to their members but did not have the financial and technical capacity to do so. It comes as a packaged assistance for organized groups in setting up their own mutual benefits associations.

Through the CARD Scholarship Program of CARD MRI, we provided scholarships to the children of members of our BOAT partners as an additional provision to the loyal and performing members. With this program, we were able to help thousands of students achieve their dream of earning a college degree by providing quarterly financial assistance in college.

In line with our goal to provide assistance and security to our members without additional contribution, we developed the CARD MRI Disaster Relief Assistance Program (CDRAP). We helped families in times of disaster by distributing relief goods and medicines from our sister institution, BotiCARD. Furthermore, we conducted mass weddings for our members who are not legally married. This initiative also served as our means to ensure that the whole family of our members get the full coverage of our products.

Together with other member institutions of CARD MRI, we also continuously take part in different social development programs in health, education, and livelihood with the aim to continuously empower our members. Through these community development activities, we are able to ensure that our institution actively participates in CARD MRI's mission towards nation building.

# Corporate Governance

As the first and biggest Microinsurance - Mutual Benefit Association in the country, CARD MBA takes pride in pioneering microinsurance products and services for our members and in transforming them into empowered leaders of the Association. We continuously aim to become a global leader in the microinsurance industry by achieving financial sustainability and implementing a sound corporate governance at the same time. This will be attained through our business operations, which are guided and protected with good governance practices and policies that strongly adhere to our core values of competence, family spirit, integrity, simplicity, humility, excellence, and stewardship. CARD MBA, Inc. confirms full compliance with the Code of Corporate Governance as presented below.

## BOARD OF TRUSTEES

The Board of Trustees is the governing body of the Association. It is primarily responsible for overseeing the implementation of the policies, procedures, and action plans and checks the performance of the senior management to ensure that the strategic objectives and the corporate values of CARD MBA are being observed. Decisions of the management on the major acquisitions, procurements, changes on the policies/benefits of the members, and other major decisions that is not in the usual business operation of the Association shall require Board approval.

One of CARD MBA's ways of putting the members' best interests in mind is by transforming them into empowered leaders of the Association. Majority of the seats in the Board of Trustees were occupied by members who were elected in position by the 3.3. million members of CARD MBA. As members of the Association themselves, we are ensured that our Trustees know and understand the needs of the members, thus qualifying them as the most suitable leaders for an association founded on a sound corporate governance.

The 13 elected members of the Board of Trustees are joined by two independent trustees who are professionals and experts in their own field. Each of the members of the BOT receives a monthly allowance of Php 5,000.00 for the incidental expenses they incurred during attendance to meetings and on their monthly visitation to centers and members. The Independent Trustees, apart from their fees are independent of the management and free from any business or other relationship, which could materially interfere with the exercise of any independent judgment in carrying out responsibilities as a director of the Association. Together with the 13 elected members, they are to ensure a high standard of best practice for the Association and its stakeholders.

As the Association continuously demonstrates competence and excellence in the field of both microinsurance and empowerment, we further build on our Trustees' skills and capabilities as leaders by sending them to different trainings and seminars.

The Board holds regular meetings every two months. Below is the attendance for the meetings held in 2016.

| Name Of Trustees | Total No. Of Meetings | No. Of Meetings Attended | Percentage Rating |
|---|---|---|---|
| Ms. Abundia C. Manabes* | 6 | 6 | 100% |
| Ms. Nimfa M. Santos* | 6 | 6 | 100% |
| Ms. Cynthia D. Fajarito* | 6 | 6 | 100% |
| Ms. Haydee G. Eulin* | 6 | 6 | 100% |
| Ms. Shirley V. Isidro* | 6 | 6 | 100% |
| Ms. Lelibeth A. Alberio** | 6 | 6 | 100% |
| Ms. Evangeline R. Yonson* | 6 | 6 | 100% |
| Ms. Eulalia A. Villanueva | 7 | 6 | 86% |
| Ms. Eden A. Jacalne | 7 | 7 | 100% |
| Ms. Juvelyn D. Garcia | 7 | 7 | 100% |
| Ms. Charito A. Antolin | 7 | 7 | 100% |
| Ms. Analyn R. Andrade | 7 | 7 | 100% |
| Ms. Thelma M. Magculang | 7 | 7 | 100% |
| Ms. Arlette A. Umali | 7 | 7 | 100% |
| Atty. Jomer H. Aquino | 7 | 6 | 86% |

**Term has ended on September 9, 2016*

| NEWLY ELECTED BOARD OF TRUSTEE SEPTEMBER 9, 2016 | | | |
|---|---|---|---|
| Ms. Rosemarie C. Cortez** | 1 | 1 | 100% |
| Ms. Nancy V. Santiago | 1 | 1 | 100% |
| Ms. Carolina B. Banadera | 1 | 1 | 100% |
| Ms. Judith I. Maurillo** | 1 | 1 | 100% |
| Ms. Teresita L. Sasa | 1 | 1 | 100% |
| Ms. Luzviminda E. Corpuz | 1 | 1 | 100% |
| Ms. Sonia Y. Reyes | 1 | 1 | 100% |

## THE BOARD COMMITTEES

Committees in aid of their good corporate governance constitute the Board. Results of respective committee meeting are reported to the Board for them to discuss and address any issue on the Association's controls and risk management.

## AUDIT COMMITTEE

Ms. Arlette A. Umali – Chairperson
Mr. Josef M. Leron
Ms. Juvelyn D. Garcia
Ms. Eulalia A. Villanueva (term ended September 9, 2016)
Ms. Cynthia D. Fajarito (term ended September 9, 2016)
Ms. Thelma M. Magculang (started October 2016)
Ms. Nancy V. Santiago (started October 2016)

The role of the Audit Committee is to oversee the internal and external audit functions of the Association, set up the internal audit department, and appoint an independent external auditor. The Committee approves and reviews the audit scope and frequency and ensures that the necessary and timely actions are taken in addressing weaknesses and non-compliance with policies and regulations identified by the auditors. It holds 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.

The Committe also ensures that a review of the effectiveness of the institution's internal financial, operational and compliance controls, and risk management, is conducted at least annually. It may also perform other tasks as the board may designate from time to time.

The Audit Committee meets every first Monday of every month.

| Audit Committee Member | No. Audit Committee Meetings | No. of Meetings Attended | Percentage |
|---|---|---|---|
| Ms. Arlette A. Umali (Independent Trustee) | 12 | 12 | 100% |
| Mr. Josef M. Leron | 12 | 8 | 67% |
| Ms. Juvelyn D. Garcia | 12 | 12 | 100% |
| Ms. Eulalia A. Villanueva | 9 | 9 | 100% |
| Ms. Cynthia D. Fajarito | 9 | 9 | 100% |
| Ms. Thelma M. Magculang | 3 | 3 | 100% |
| Ms. Nancy V. Santiago | 3 | 3 | 100% |

## REMUNERATION COMMITTEE

Atty. Jomer H. Aquino – Chairperson
Ms. Deverna dT. Briones
Ms. May S. Dawat
Mr. Solomon A. Aramil
Ms. Abundia C. Manabes (term ended September 9, 2016)
Ms. Eulalia A. Villanueva (started September 9, 2016)

The Remuneration Committee is a separate and independent body established to ensure that the remuneration arrangements within the Association enable personnel recruitment, motivation, and retention while complying with the requirements of the regulatory and governance bodies. It also makes sure that the remuneration arrangements support the strategic objectives of CARD MBA.
The Remuneration Committee meets at least twice a year and as the need arises.

| Name | No. Remuneration Committee Meetings | No. of Meetings Attended | Percentage |
|---|---|---|---|
| Atty. Jomer H. Aquino (Independent Trustee) | 2 | 2 | 100% |
| Ms. Abundia C. Manabes | 2 | 2 | 100% |
| Ms. Deverna dt. Briones | 2 | 2 | 100% |
| Ms. May S. Dawat | 2 | 2 | 100% |
| Mr. Solomon A. Aramil | 2 | 2 | 100% |

## TREASURY COMMITTEE

Ms. Mary Jane A. Perreras – Chairperson
Ms. Lorenza dT. Banez
Ms. Janet D. Caneo
Ms. Marie Sharon D. Roxas
Ms. Eden A. Jacalne
Ms. Jennifer O. Redublo
Ms. Abundia C. Manabes (term ended September 9, 2016)
Ms. Eulalia A. Villanueva (started September 9, 2016)

The Treasury Committee reviews, advises, and recommends decisions and actions in terms of the financial matters of the Association. They are also responsible for the establishment of and changes to financial, accounting, and

treasury policies, and for all the major financing transactions of the Association.
The Treasury Committee meets every third Friday of every other month.

| Name of Treasury Member | No. Treasury Committee Meetings | No. of Meetings Attended | Percentage |
|---|---|---|---|
| Ms. Mary Jane A. Perreras | 6 | 3 | 50% |
| Ms. Lorenza Dt. Banez | 6 | 4 | 67% |
| Ms. Janet D. Caneo | 6 | 5 | 83% |
| Ms. Marie Sharon D. Roxas | 6 | 6 | 100% |
| Ms. Eden A. Jacalne | 6 | 6 | 100% |
| Ms. Jennifer O. Redublo | 6 | 5 | 83% |
| Ms. Abundia C. Manabes | 5 | 5 | 100% |
| Ms. Eulalia A. Villanueva | 1 | 1 | 100% |

## PRODUCT DEVELOPMENT AND INNOVATION COMMITTEE

Mr. Wilfredo M. Llanto – Chairperson
Ms. May S. Dawat
Ms. Janet D. Caneo
Ms. Arlene R. Umandap
Mr. Mauricio B. Maur
Mr. Michael Kelvin N. Junos
Ms. Abundia C. Manabes (term ended September 9, 2016)
Ms. Nimfa M. Santos (term ended September 9, 2016)
Ms. Eulalia A. Villanueva (started September 9, 2016)
Ms. Analyn R. Andrade (started September 9, 2016)

The Product Development and Innovation Committee is responsible for developing new and/or additional benefit packages, products, and services that will meet the needs of the members. They determine and recommend appropriate pricing assumptions in coordination with the key stakeholders and also perform risk analysis for new product designs, rules, and regulations and other insurance.
The chairperson of PDIC is an independent consultant who has knowledge and expertise in the field of microinsurance and product development. The committee meets every first Friday of every two months.

| Name | No. PDIC Committee Meetings | No. of Meetings Attended | Percentage |
|---|---|---|---|
| Mr. Wilfredo M. Llanto | 11 | 11 | 100% |
| Ms. Abundia C. Manabes | 8 | 8 | 100% |
| Ms. Nimfa M. Santos | 8 | 7 | 88% |
| Ms. Eulalia A. Villanueva | 3 | 3 | 100% |
| Ms. Analyn R. Andrade | 3 | 3 | 100% |
| Ms. May S. Dawat | 11 | 11 | 100% |
| Ms. Janet D. Caneo | 11 | 7 | 64% |
| Ms. Arlene R. Umandap | 11 | 11 | 100% |
| Mr. Mauricio B. Maur | 11 | 9 | 82% |
| Mr. Michael Kelvin N. Junos | 11 | 10 | 91% |

## NOMINATION COMMITTEE (CENTRAL SELECTION COMMITTEE)

Ms. Devena dT. Briones – Chairperson
Ms. Virginia D. Baldo
Atty. Anatalia F. Buenaventura
Ms. Pascuala S. Geñoso

## ELECTION COMMITTEE

Atty. Charlene Bacud
Ms. Jennifer P. Masa
Ms. Laarni D. Paje

The nomination of CARD MBA's Board of Trustees underwent two levels of screening during the Nomination Committee meetings (Central Selection Committee) on 25 April 2016 and on 12 May 2016. All members of the committee are present in the meetings. The assessment, review, and background investigation of the nominees were conducted to scrutinize their eligibility. All members of the committee are indepedent and hold no executive position in the Association.

This year, the Annual General Meeting (AGM) was held on 5 September 2016 at the CARD-MRI Development Institute, Inc., Bay, Laguna. The election for the seven new members of the Board of Trustees was conducted in the presence of independent Election Committee composed of Atty. Charlene Bacud as the Chairperson, Jennifer Masa, and Laarne Paje. The independent Election Committee supervised and validated the whole election process during the AGM up to the counting of votes and announcement of results.

## RISK OVERSIGHT COMMITTEE

Atty. Jomer H. Aquino – Chairperson
Ms. May S. Dawat
Ms. Janet D. Caneo
Ms. Juliana B. De Leon
Ms. Cynthia B. Baldeo
Mr. Wilfredo M. Llanto
Ms. Abundia C. Manabes (term ended September 9, 2016)
Ms. Eulalia A. Villanueva (started September 9, 2016)

Risk Oversight Committee is responsible for the development and oversight of the risk management program of CARD MBA including reputational risk, compliance risk, underwriting risk, financial risk, and operational risk. The committee meets every two months.

| Name | No. Risk Committee Meetings | No. of Meetings Attended | Percentage |
|---|---|---|---|
| Atty. Jomer H. Aquino | 4 | 3 | 75% |
| Ms. May S. Dawat | 4 | 4 | 100% |
| Ms. Janet D. Caneo | 4 | 3 | 75% |
| Ms. Juliana B. De Leon | 4 | 3 | 75% |
| Ms. Cynthia B. Baldeo | 4 | 3 | 75% |
| Mr. Wilfredo M. Llanto | 4 | 3 | 75% |
| Ms. Abundia C. Manabes | 3 | 3 | 100% |
| Ms. Eulalia A. Villanueva | 1 | 1 | 100% |

## THE MANAGEMENT

The Management is represented by a Management Committee (ManCom), which consists of officers and executives, headed by the General Manager. All principal policies and directions governing the organization, management, and operation of the Association as well as its subsidiaries shall be formulated and implemented by this committee, subject to board approval when required by existing laws. The Committee regularly reports to the Board during its regular board meeting or during special meetings on all matters concerning the Association's operations as well as significant events or occurrences affecting the Association.

## INDEPENDENT CHECKS AND BALANCES

To ensure the soundness of CARD MBA's operations, the Association implements the following independent functions:

### *Internal Auditor*

Under the Board Audit Committee's direct supervision, the Internal Audit Group, headed by Ms. Jennifer P. Masa, evaluates and ensures the adequacy and effectiveness of the internal controls of the Association. The Internal Audit Unit's responsibilities include tasks on compliance audit, operation audit, management audit, and information systems audit. It also holds full access rights to all activities, information, records, properties, and personnel relevant to the internal audit activity.

Audit Committee Chairperson, Ms. Arlette A. Umali, certifies that CARD MBA 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.

### *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 PhP 550,000.00 for its engagement to audit the 2016 financial statements. There were no non-audit engagement in 2016, hence, no non- audit fees paid.

In 2016, Audited Financial statement of the CARD MBA SGV gave an unqualified opinion and it was affirmed by the Board of Trustees during the BOT meeting on 21 March 2016.

### *Company Compliance*

The Compliance Unit is responsible for ensuring that the Association complies with the requirements, policies, circulars, and guidelines issued by 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

CARD MBA strictly implements the CARD MRI Code of Conduct. The Code outlines the policies that govern the activities of the institutions, its trustees, officers and employees, and specifies the fair treatment of employees and business partners.

Members of the board, management, officers, and employees are committed to adhere to ethical business conduct/corporate governance rules and principles. The Association complies with the legal and regulatory requirements pertaining to related party transactions, transparency and disclosures, and board performance evaluation.

### *Related Party Transactions*

Arm's length transactions in all related party transactions shall be observed at all times to protect the best interest of the Association, its members, and stakeholders. The Association shall seek the assistance of a committee of independent trustees to review and check the materiality and fairness of the transactions. Details of Related Party transactions (RPTs) are provided in Note 23 of the Audited Financial Statement.

### *Transparency and Disclosures*

The Board, management, and employees of CARD MBA promote full disclosure, transparency, and accountability. The Board complies with all disclosure requirements specifically those that will include material information as mandated by regulators within the prescribe period of time. To guarantee the members and stakeholders' access to information, the company disclosure and other corporate information such as monthly operations update on the number of insured individuals, claim payment and statistics, and number of members given non financial services are uploaded in the official website of CARD MBA: www.cardmba.com. Further CARD MBA publish all its events/activities conducted in the quarterly CARD MRI newspaper called SULONG.

### *Board Performance Evaluation*

The Association conducts the Board performance assessment to evaluate the performance and effectiveness of the Board and to identify areas for continuous improvement. The criteria of assessment are on the Board of Trustees Performance of Duties and Responsibilities.

The annual evaluation is conducted through self-assessment by the individual Trustees of their respective individual performance and peer assessment. Every member of the Board rates their colleagues using the following rating scale: 1 - Strongly Agree, 2 - Agree, 3 - Disagree, 4 - Strongly Disagree.

This year, the Board conducted the performance assessment on November 4.

## STAKEHOLDER INTEREST

It is the Association's vision to become a global leader in microinsurance while remaining anchored to our values and keeping stakeholders' best interests in mind. The Association ensures that quality service and programs are given to stakeholders and that every transaction with them are conducted in a transparent and fair manner.

### *Members' Satisfaction*

The CARD MBA Client Satisfaction Survey was conducted From October to December 2016 using a structured survey questionnaire. A total of 1, 914 respondents took part in the survey by which 81% are the respondents without claims and 19% are those with claims. The results of the survey showed that 88% of without claims and 86% of with claims respondents are generally happy with what they know and experience about CARD MBA. Overall, there are 90% who still want to be covered by CARD MBA for the reason that it is affordable and the benefit provides a great help for the member and his/her family.

### *Community Health Days*

The Microfinance and Health Protection (MaHP) Unit of the Community Development Group visits the communities of our members and their families. The Unit regularly provides free medical and dental services during Community Health Days. In 2016, MaHP has provided these health services to a total of 215,280 people.

### *Disaster Preparedness and First Aid Training*

Last 23 April 2016, through the cooperation of San Pablo City Fire Department and PNP, Fire and Earthquake Drills, and First Aid and Robbery/Theft Training was conducted by the employees of the Association. These aimed to orient and teach all the participants on how to be prepared in times of disaster or unfortunate event. Last 28 September 2016, under the supervision of Mr. Winil Costa and Mr. Lemuel Ragasa of the Philippine Red Cross, CARD MBA joined the Emergency First Aid Training. This aimed to certify and give license to the participants to provide first aid in case of emergency.

### *Supplier/Contractor Selection Criteria*

Last 16 September 2016, 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, good products, and services, and its compliance with the regulatory requirements.

### *Environmentally-friendly Value Chain*

CARD MBA, Inc. supports the Republic Act 9003, also known as the "Ecological Solid Waste Management Act", by implementing proper segregation and disposal of solid wastes. Furthermore, 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.

CARD MBA, Inc. also supports reciprocal and mutual benefits among CARD MRI institutions. We have availed solar panels through CARD Leasing and Finance Corporation to ensure continuous Provincial Offices' operations despite certain calamities, specially storms and typhoons. This endeavor is also in support to CARD-Business Development Service Foundation Inc.'s renewable energy initiatives.

### *Interaction with Communities*

CARD MBA, Inc. takes part in community activities. This year, we participated in the 2nd Annual Fun Run/Walk and Health Expo. The fun runs were held at the Sampaloc Lake, San Pablo City, Laguna on 1 May 2016.

In partnership with DZJV 1458KHz through its radio program K2D2 hosted by Saul Pa-a, Zen Trinidad, and Robert Maico, members of the Association shared their stories to various audience from the CALABARZON region. Also sharing the benefits of being a part of CARD MRI family, the CARD MBA members were heard on air on the following dates: Feb 24, March 2, March 9, March 30, April 6, and May 18, 2016.

### *Anti-Corruption Program*

Bantay Integridad Policy was implemented last August 8-12, 2016 to provide consciousness and commitment to every employee's duty to report in good faith any instances of suspected or actual commission of fraud and any event that is contrary to the value of integrity of CARD. Since its implementation no report was received by HR department regarding any illegal activities against the integrity of the Association. Also, on August 8-10, 2016 as simultaneous Cluster Manager Audit Monitoring was conducted in Capiz and Davao del Norte Provincial Office. The procedure is done to ensure strict internal control against any type of fraud.

### *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 ensuring enough liquidity to meet its obligations. The Association's creditors, if any, are given priority in payment of obligations in the normal course of business and in the event of liquidation. In 2016, CARD MBA has no record of credit obligation to any third party except for those resulted by the regular operation, which is closed and paid immediately.

## EMPLOYEES' DEVELOPMENT PROGRAM

### Annual Physical Examination (APE)

CARD MBA annually conducts a physical examination for our staff. This year, a total of 278 staff underwent APE.

### Training and Development

LOCAL TRAININGS

| RANK | AVERAGE TRAINING HOURS | EQUIVALENT NO. OF DAYS |
|---|---|---|
| Staff | 29 | 4 days |
| Manager | 40 | 5 days |

INTERNATIONAL TRAININGS

| RANK | AVERAGE TRAINING HOURS | EQUIVALENT NO. OF DAYS |
|---|---|---|
| Manager | 40 | 5 days |

As a member institution of CARD MRI, CARD MBA, Inc. continuously pursues competence and highly regards our human resources. To further build on their skills and capabilities in running our microinsurance operations, our board members and officers undergo continuous capacity-building through local and international trainings, seminars, workshops and conferences.

Selected staff from CARD MBA, Inc. were given an opportunity to study Master Degree Program. Ms. Gina C. Abata, Mr. Edison R. Reyes, and Ms. Bernadette O. Lasac took Master of Science in Development Management and Governance, major in Microfinance Institution and Microinsurance Institutions in partnership with the University of the Philippines – Los Baños (UPLB); Ms. Nice C. Macalalad, Mr. Francis R. Montilla, and Ms. Janicekith N. Navera took Master in Productivity and Quality Management, major in Microfinance Management in partnership with the Development Academy of the Philippines (DAP); Ms. Aileen B. Castro and Ms. Kathryn Joyce B. Manimtim took Master of Arts in Organization Development, specializing in Microfinance Management in partnership with Southeast Asian Interdisciplinary Development Institute (SAIDI).

Below are the trainings and seminars attended by the Board of Trustees.

| Name Of Trustees | ASEAN Corporate Governance Scorecard Performance for Mi-MBAs | Exposure Study in SAMIC and MEADA in Cambodia | Orientation on CARD MBA Compliance, Financial Ratios, Governance and Professional Image Course | Governance and AMLA Workshop | AOA Seminar in Tokyo, Japan |
|---|---|---|---|---|---|
| | March 28, 2016 | May 16-20, 2016 | October 18-19, 2016 | October 20-21, 2016 | October 25-27, 2016 |
| Eulalia A. Villanueva | | ✓ | ✓ | | |
| Analyn R. Andrade | | | ✓ | | |
| Thelma M. Magculang | | | ✓ | | |
| Eden A. Jacalne | | | ✓ | | |
| Charito A. Antolin | | | ✓ | | |
| Juvelyn D. Garcia | | | ✓ | | |
| Rosemarie C. Cortez | | | ✓ | ✓ | |
| Nancy V. Santiago | | | ✓ | ✓ | |
| Carolina B. Banadera | | | ✓ | ✓ | |
| Judith I. Maurillo | | | ✓ | ✓ | |
| Teresita L. Sasa | | | ✓ | ✓ | |
| Luzviminda E. Corpuz | | | ✓ | ✓ | |
| Sonia Y. Reyes | | | ✓ | ✓ | |
| Abundia C. Manabes | ✓ | ✓ | | | |
| Nimfa M. Santos | ✓ | ✓ | | | |
| Cynthia D. Fajarito | | | | | ✓ |
| Shirley V. Isidro | | | | | ✓ |

# BOARD OF TRUSTEES PROFILE

***Eulalia A. Villanueva,*** 52, Filipino, is a member of the Board of Trustees since 9 September 2015. She was elected President of CARD MBA, Inc. on 9 September 2016. She is also a member of the CARD MBA Risk Oversight Committee, Remuneration Committee, Treasury Committee, and Product Development and Innovation Committee. She has a degree in Business Administration and currently resides in Candelaria, Quezon. She is into buy-and-sell business. Ms. Villanueva holds no directorship or any position in any listed companies.

***Analyn R. Andrade,*** 38, Filipino, is a member of the Board of Trustees since 9 September 2015. She was elected Vice President of CARD MBA, Inc. on 9 September 2016. She is also a member of Product Development and Innovation Committee. She has a degree in Banking & Finance (1998) and currently resides in Occidental Mindoro. She used to be a staff at AVSJ from 1996 to 2011, and is now a smoked fish dealer. Ms. Andrade holds no directorship or any position in any listed companies.

***Thelma M. Magculang,*** 43, Filipino, is a member of the Board of Trustees since 9 September 2015. She was elected Secretary of CARD MBA, Inc. on 9 September 2016. She is also a member of the Audit Committee. She currently resides in Mogpog, Marinduque. She is an owner of a sari-sari store. Ms. Magculang holds no directorship or any position in any listed companies.

***Eden A. Jacalne,*** 47, Filipino, is a member of the Board of Trustees since 9 September 2015. She was elected as Treasurer of CARD MBA, Inc. She is also a member of the Treasury Committee. She is an elementary graduate and currently resides in Dasmariñas, Cavite. She has a peanut butter business. Ms. Jacalne holds no directorship or any position in any listed companies.

***Carolina B. Bañadera,*** 45, Filipino, is a member of the Board of Trustees since 9 September 2016. She is a high school graduate and currently resides in Balunad, Albay. She has a tricycle business. Ms. Bañadera holds no directorship or any position in any listed companies.

***Charito A. Antolin,*** 58, Filipino, is a member of the Board of Trustees since 9 September 2015. She has a degree in Secretarial (1976) and is now residing in Roxas, Oriental Mindoro. She owns a sari-sari store. Ms. Antolin holds no directorship or any position in any listed companies.

***Juvelyn D. Garcia,*** 39, Filipino, is a member of the Board of Trustees since 9 September 2015. She is also a member of the 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. Ms. Garcia holds no directorship or any position in any listed companies.

***Rosemarie C. Cortez,*** 58, Filipino, is a member of the Board of Trustees since 9 September 2016. She is a Mass Communication graduate and currently resides in Buguey, Cagayan. She has a fish pond business. Ms. Cortez holds no directorship or any position in any listed companies.

***Nancy V. Santiago,*** 54, Filipino, is a member of the Board of Trustees since 9 September 2016. She has a degree in AB Economics and currently resides in Calasiao, Paangasinan. She has a direct selling business. Ms. Santiago holds no directorship or any position in any listed companies.

***Judith I. Maurillo,*** 42, Filipino, is a member of the Board of Trustees since 9 September 2016. She is a Computer Secretarial graduate and currently resides in Isabel, Leyte. She is into buy-and-sell business. Ms. Maurillo holds no directorship or any position in any listed companies.

***Teresita L. Sasa,*** 47, Filipino, is a member of the Board of Trustees since 9 September 2016. She is a GRCO graduate and currently resides in Talisay City, Cebu. She has a food vending business. Ms. Sasa holds no directorship or any position in any listed companies.

***Luzviminda E. Corpuz,*** 52, Filipino, is a member of the Board of Trustees since 9 September 2016. She is an Education graduate and currently resides in Koronadal City, South Cotabato. She has a sari-sari store and farming business. Ms. Corpuz holds no directorship or any position in any listed companies.

***Sonia Y. Reyes, 51,*** Filipino, is a member of the Board of Trustees since 9 September 2016. She is a Management graduate and currently resides in Buhangin, Davao City. She is into buy-and-sell business. She is into a Kalan Manufacturer Business. Ms. Reyes holds no directorship or any position in any listed companies.

***Atty. Jomer H. Aquino,*** 44, Filipino, has been an Independent Trustee of CARD MBA, Inc.'s Board of Trustees since 9 September 2012. He is the Chairman of the Remuneration and Risk Oversight Committee. He is a graduate of AB Philosophy (1989) and attained his degree in Laws in 1997. Atty. Aquino holds no directorship or any position in any listed companies.

***Arlette A. Umali,*** 65, Filipino, has been an Independent Trustee of CARD MBA, Inc.'s Board of Trustees since 1 November 2010. She is the Chairman of the Audit Committee. She has a degree in BA 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. Ms. Umali holds no directorship or any position in any listed companies.

# The Management Committee

# Management Committee

**MS. MAY S. DAWAT**
General Manager

**MR. MAURICIO B. MAUR**
Deputy Director for Operations- Luzon 3,4,5

**MR. ARISTOPHER F. PUNZALAN**
Deputy Director for Operations- Luzon 1 & 2

**MS. JANET D. CANEO**
Deputy Director for Admin & Finance

**MR. SOLOMON A. ARAMIL**
Senior Admin Manager

**MR. MICHAEL KELVIN N. JUNOS**
In-house Actuary

**MS. MA. JOYCE M. ALIMAGNO**
Cluster Manager

**MS. GINA C. ABATA**
Cluster Manager

**MR. FRANCIS R. MONTILLA**
Cluster Manager

**MR. OLIVER M. REYES**
Deputy Director for Operations- Visayas

**MS. RONA R. NAVA**
Deputy Director for Operations- Mindanao

**MS. ARLENE R. UMANDAP**
Deputy Director for Claims and Technical Support

**MS. JENNIFER O. REDUBLO**
Compliance Officer

**MS. AILEEN C. BARRERA**
Claims Manager

**MS. JANICEKITH N. NAVERA**
Cluster Manager

**MR. EDISON R. REYES**
Cluster Manager

**MS. CATHERINE M. PATAY**
Cluster Manager

# Partners

- Bagnos Multipurpose Cooperative
- Bukidnon Integrated Network of Home Industries, Inc.
- Caunayan Multipurpose Cooperative
- Los Arcos Multipurpose Cooperative
- Maddela Integrated Farmers Savings Development Cooperative
- Magdiwang Agrarian Reform Multipurpose 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
- Libercon Multipurpose Cooperative
- Sipsipin Multipurpose Cooperative
- Tinabangay sa Igsoong Mag-uuma Gasa ni San Isidro (TIMGAS) Multipurpose Cooperative
- USWAG Development Foundation, Inc.
- Tinagacan Agrarian Reform Beneficiaries Cooperative
- Grains Multipurpose Cooperative
- Sto. Niño Visares Transport Services Multipurpose Cooperative
- Umiray Agrarian Reform Beneficiaries Multipurpose Cooperative

# Directory

CARD MBA, Inc. Main Office
San Pablo City, Laguna
Contact Number: 562-2878

## LUZON CLUSTER

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

### Luzon 2
Cabanatuan, Nueva Ecija
Dinalupihan, Bataan
Puerto Princesa, Palawan
San Fernando, Pampanga
Pasay City, Metro Manila
Quezon City, Metro Manila

### Luzon 3
Victoria, Oriental Mindoro
Sablayan, Occidental Mindoro
Lipa City, Batangas
Lemery, Batangas
Tagaytay, Cavite

### Luzon 4
San Pablo City, Laguna
Siniloan, Laguna
Calamba, Laguna
Dasmarinas, Cavite
Gasan, Marinduque

### Luzon 5
Gumaca, Quezon
Lucena City, Quezon
Naga City, Camarines Sur
Legaspi City, Albay
Daet, Camarines Norte

## VISAYAS CLUSTER

### Vizayas 1
Tacloban City, Leyte
Calbayog City, Western Samar
Borongan City, Eastern Samar
Baybay City, Leyte

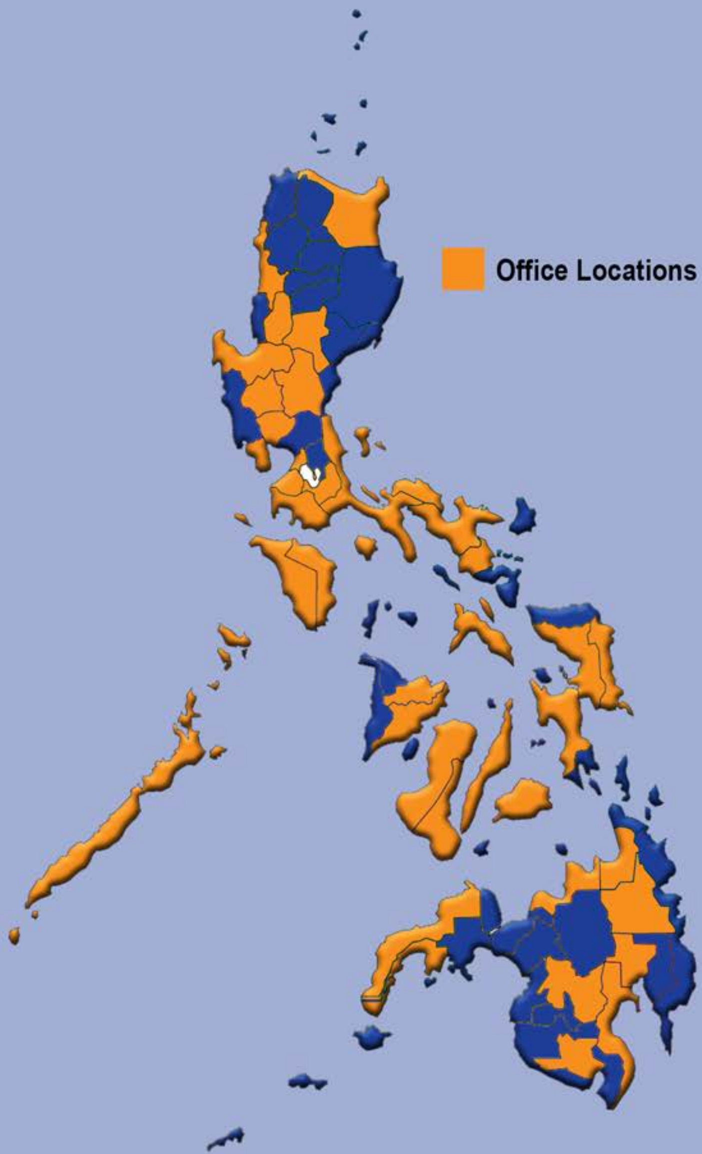
### Vizayas 2
San Nicolas, Cebu City
Masbate City, Masbate
Tagbilaran City, Bohol
Carmen, Cebu City

### Vizayas 3
Iloilo City, Panay
Roxas City, Capiz
Dumaguete City, Negros Oriental
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




# 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** | | January 1 |
|---|---|---|---|
| | **2016** | 2015 (as restated-Note 26) | 2015 (as restated-Note 26) |
| **ASSETS** | | | |
| **Cash and Cash Equivalents (Notes 6 and 28)** | **₱132,874,089** | ₱378,155,071 | ₱275,692,723 |
| **Financial Assets (Note 28)** | | | |
| Held-to-maturity investments (Note 7) | **7,947,632,304** | 6,297,160,291 | 5,104,317,821 |
| Loans and receivables - net (Note 8) | **730,965,058** | 522,542,100 | 400,910,720 |
| Available-for-sale financial assets (Note 9) | **598,209,449** | 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)** | **225,688,947** | 176,596,378 | 240,021,459 |
| **Investment Properties (Note 12)** | **213,471,981** | 210,372,898 | 36,780,456 |
| **Investments in Associates (Note 13)** | **432,444,233** | 304,457,354 | 268,288,962 |
| **Pension Asset** - net **(Note 27)** | **29,564,226** | 14,358,226 | 12,633,123 |
| **Other Assets (Note 14)** | **8,730,652** | 6,368,198 | 8,280,388 |
| | **₱10,319,580,939** | ₱8,346,975,184 | ₱6,876,763,946 |
| **LIABILITIES AND FUND BALANCE** | | | |
| **Liabilities** | | | |
| Insurance contract liabilities (Notes 16 and 26) | **₱4,860,101,041** | ₱3,843,382,930 | ₱3,241,665,959 |
| Retirement savings fund (Note 17) | **3,040,601,467** | 2,429,552,226 | 1,963,727,108 |
| Accounts payable and accrued expenses (Notes 15 and 28) | **65,362,483** | 87,022,943 | 110,176,583 |
| Total Liabilities | **7,966,064,991** | 6,359,958,099 | 5,315,569,650 |
| **Fund Balance** | | | |
| Appropriated fund balance (Note 30) | **148,742,398** | 159,658,082 | 142,580,190 |
| Unappropriated fund balance | **2,159,579,849** | 1,779,244,529 | 1,363,686,200 |
| Other comprehensive income | **45,193,701** | 48,114,474 | 54,927,906 |
| Total Fund Balance | **2,353,515,948** | 1,987,017,085 | 1,561,194,296 |
| | **₱10,319,580,939** | ₱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 | |
|---|---|---|
| | **2016** | 2015 (as restated- Note 26) |
| **REVENUE** | | |
| Gross premiums on insurance contracts (Note 18) | **₱2,329,174,617** | ₱1,839,785,168 |
| Reinsurance' share on gross earned premium on insurance contracts (Note 18) | **(2,646,045)** | (1,477,500) |
| Net premiums on insurance contracts | **2,326,528,572** | 1,838,307,668 |
| Interest income (Notes 6, 7, 8, 19 and 27) | **216,416,627** | 199,476,726 |
| Dividend income (Notes 9 and 10) | **26,508,032** | 24,340,922 |
| Surrender charge | **16,970,148** | 16,357,739 |
| Equity in net earnings of associates (Note 13) | **73,666,278** | 11,219,179 |
| Rental income (Notes 12, 20 and 22) | **7,918,705** | 5,683,660 |
| Reversal of impairment losses (Note 8) | **13,024,673** | – |
| Others | **8,403,525** | 2,657,771 |
| Other revenue | **362,907,988** | 259,735,997 |
| | **2,689,436,560** | 2,098,043,665 |
| **BENEFITS, CLAIMS AND EXPENSES** | | |
| Gross change in insurance contract liabilities (Note 16) | **1,021,839,529** | 601,716,971 |
| Gross insurance contract benefits and claims paid (Note 16) | **825,554,143** | 692,479,452 |
| Insurance benefits and claims | **1,847,393,672** | 1,294,196,423 |
| General and administrative expenses (Note 21) | **363,032,821** | 300,395,279 |
| Fair value loss from financial assets at fair value through profit or loss (Note 10) | **–** | 180,000 |
| Expenses and losses | **363,032,821** | 300,575,279 |
| | **2,210,426,493** | 1,594,771,702 |
| **EXCESS OF REVENUE OVER EXPENSES BEFORE PROVISION FOR TAXES** | **479,010,067** | 503,271,963 |
| **PROVISION FOR** (Note 24)**:** | | |
| **Current tax** | **216,396** | 127,522 |
| **Final tax** | **45,771,404** | 43,265,622 |
| **EXCESS OF REVENUE OVER EXPENSES** | **433,022,267** | 459,878,819 |

(Forward)

| | Years Ended December 31 | |
|---|---|---|
| | **2016** | 2015 (as restated- Note 26) |
| **EXCESS OF REVENUE OVER EXPENSES** | **₱433,022,267** | ₱459,878,819 |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | |
| **Item that will be reclassified to profit or loss in subsequent periods** | | |
| Fair value losses on available-for-sale financial assets (Note 9) | **(7,101,585)** | (1,080,051) |
| **Items that will not be reclassified to profit or loss in subsequent periods** | | |
| Equity in other comprehensive income (loss) of an associate (Note 13) | **4,020,589** | (2,447,787) |
| Remeasurement gain (loss) on defined benefit plan (Note 27) | **160,223** | (3,285,594) |
| **TOTAL COMPREHENSIVE INCOME** | **₱430,101,494** | ₱453,065,387 |

*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 30) | Unappropriated Fund Balance | Reserve for Fluctuation in Value of Available-for-Sale Financial Assets (Note 9) | Remeasurement of Actuarial Gains/Losses (Note 27) | Equity in other comprehensive income of an associate (Note 13) | Total Other Comprehensive Income | Total Fund Balance |
| **At January 1, 2016** | | | | | | | |
| As previously reported | **₱159,658,082** | **₱1,685,783,527** | **₱41,780,646** | **₱6,504,323** | **(₱170,495)** | **₱48,114,474** | **₱1,893,556,083** |
| Prior period adjustments (Note 26) | – | **93,461,002** | – | – | – | – | **93,461,002** |
| As restated | **159,658,082** | **1,779,244,529** | **41,780,646** | **6,504,323** | **(170,495)** | **48,114,474** | **1,987,017,085** |
| Appropriation during the year | **93,584,551** | **(93,584,551)** | – | – | – | – | – |
| Reversal of appropriation | **(40,897,605)** | **40,897,605** | – | – | – | – | – |
| Utilization of appropriation | **(63,602,630)** | – | – | – | – | – | **(63,602,630)** |
| Total comprehensive income: | | | | | | | |
| Excess of revenue over expenses | – | **433,022,267** | – | – | – | – | **433,022,267** |
| Other comprehensive income (loss) | – | – | **(7,101,585)** | **160,223** | **4,020,589** | **(2,920,773)** | **(2,920,773)** |
| **Balance at December 31, 2016** | **₱148,742,398** | **₱2,159,579,850** | **₱34,679,061** | **₱6,664,546** | **₱3,850,094** | **₱45,193,701** | **₱2,353,515,949** |
| **At January 1, 2015** | | | | | | | |
| As previously reported | ₱142,580,190 | ₱1,285,160,743 | ₱42,860,697 | ₱9,789,917 | ₱2,277,292 | ₱54,927,906 | ₱1,482,668,839 |
| Prior period adjustments (Note 26) | – | 78,525,457 | – | – | – | – | 78,525,457 |
| As restated | 142,580,190 | 1,363,686,200 | 42,860,697 | 9,789,917 | 2,277,292 | 54,927,906 | 1,561,194,296 |
| Appropriation during the year | 44,320,490 | (44,320,490) | – | – | – | – | – |
| Reversal of appropriation | | | | | | | – |
| Utilization of appropriation | (27,242,598) | – | – | – | – | – | (27,242,598) |
| Total comprehensive income: | | | | | | | |
| Excess of revenue over expenses | – | 459,878,819 | – | – | – | – | 459,878,819 |
| Other comprehensive loss | – | – | (1,080,051) | (3,285,594) | (2,447,787) | (6,813,432) | (6,813,432) |
| **Balance at December 31, 2015** | ₱159,658,082 | ₱1,779,244,529 | ₱41,780,646 | ₱6,504,323 | (₱170,495) | ₱48,114,474 | ₱1,987,017,085 |

*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 | |
|---|---|---|
| | **2016** | 2015 (as restated) (Note 26) |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Excess of revenue over expenses before provision for current and final tax | **₱479,010,067** | ₱503,271,963 |
| Adjustments for: | | |
| Increase in aggregate reserves (Note 16) | **1,004,869,380** | 583,660,128 |
| Amortization of bond premium (Note 7) | **127,702,909** | 22,937,395 |
| Pension expense (Note 27) | **3,942,178** | 3,562,765 |
| Depreciation (Notes 11, 12, and 21) | **11,852,537** | 9,035,200 |
| Provision for (reversal of) impairment losses (Note 8) | **(13,024,673)** | 3,285,338 |
| Fair value losses from financial assets at fair value through profit or loss (Note 10) | **–** | 180,000 |
| Loss (gain) on sale/retirement of transportation equipment (Note 11) | **(370,666)** | 35,817 |
| Interest income on pension asset (Notes 19 and 27) | **(1,111,813)** | (740,436) |
| Equity in net earnings of associates - net (Note 13) | **(73,666,278)** | (11,219,179) |
| Dividend income (Notes 9 and 10) | **(26,508,032)** | (24,340,922) |
| Interest income (Notes 6, 7, 8, and 19) | **(215,304,814)** | (198,736,290) |
| Cash generated from operations before changes in working capital | **1,297,390,795** | 890,931,779 |
| Changes in operating assets and liabilities: | | |
| Decrease (increase) in: | | |
| Receivables | **47,924,833** | (40,667,375) |
| Other assets | **(2,362,454)** | 1,912,190 |
| Increase (decrease) in: | | |
| Claims payable | **11,848,729** | 18,056,843 |
| Retirement savings fund | **611,049,241** | 465,825,118 |
| Accounts payable and accrued expenses | **(21,660,460)** | (23,153,640) |
| Net cash generated from operations | **1,944,190,684** | 1,312,904,915 |
| Contribution to pension fund (Note 27) | **(17,876,142)** | (7,833,026) |
| Utilization of appropriation (Note 30) | **(63,602,630)** | (27,242,598) |
| Taxes paid | **(45,987,800)** | (43,393,144) |
| Net cash flows provided by operating activities | **1,816,724,112** | 1,234,436,147 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Interest received | **206,044,756** | 186,037,620 |
| Cash dividends received | **35,535,040** | 20,023,116 |
| Acquisitions of: | | |
| Available-for-sale financial assets (Note 9 and 25) | **(124,169,366)** | (3,383,800) |
| Investment properties (Note 12) | **(24,617,200)** | (71,405,700) |
| Investments in associates (Note 13) | **(52,700,012)** | (28,300,000) |
| Property and equipment (Note 11) | **(39,432,839)** | (47,832,678) |
| Held-to-maturity investments (Note 7) | **(2,377,095,796)** | (1,338,942,053) |
| Short-term investments (Note 8) | **(1,414,506,236)** | (294,513,149) |
| Long-term investments (Note 8) | **(402,707,594)** | – |
| Loans receivable (Note 8) | **(25,000,000)** | (10,000,000) |

(Forward)

| | | Years Ended December 31 |
|---|---|---|
| | **2016** | 2015 (as restated) (Note 26) |
| Proceeds from sale/maturities of: | | |
| Held-to-maturity investments (Note 7) | **₱598,920,875** | ₱123,162,188 |
| Available-for-sale financial assets (Note 9) | **–** | 74,997,375 |
| Financial assets at fair value through profit or loss (Note 10) | **–** | 20,000,000 |
| Short-term investments (Note 8) | **1,541,513,428** | 222,349,949 |
| Property and equipment (Note 11) | **376,516** | – |
| Loans receivable (Note 8) | **15,833,334** | 15,833,333 |
| Net cash flows used in investing activities | **(2,062,005,094)** | (1,131,973,799) |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | **(245,280,982)** | 102,462,348 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | **378,155,071** | 275,692,723 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** (Note 6) | **₱132,874,089** | ₱378,155,071 |

*See accompanying Notes to Financial Statements.*

# 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).

In 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 tax and VAT.

The registered office address of the Association is 120 M. Paulino St., corner P. Burgos St., Brgy. VII-D, San Pablo City, Laguna.

The accompanying financial statements of the Association were authorized for issue by the Board of Trustees on March 17, 2017.

## 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 year except for the following new and amended PFRS and Philippine Accounting Standards (PAS) which became effective beginning January 1, 2016. The adoption of these new and amended standards did not have any significant impact on financial statements of the Association.

- Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 28, *Investments in Associates and Joint Ventures*, *Investment Entities: Applying the Consolidation Exception*
- Amendments to PFRS 11, *Joint Arrangements*, *Accounting for Acquisitions of Interests in Joint Operations*
- PFRS 14, *Regulatory Deferral Accounts*
- Amendments to PAS 1, *Presentation of Financial Statements*, *Disclosure Initiative*
- Amendments to PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets*, *Clarification of Acceptable Methods of Depreciation and Amortization*
- Amendments to PAS 16 and PAS 41, *Agriculture: Bearer Plants*
- Amendments to PAS 27, *Separate Financial Statements*, *Equity Method in Separate Financial Statements*
- Annual Improvements to PFRSs 2012 - 2014 Cycle
- Amendment to PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations, Changes in Methods of Disposal*
- Amendment to PFRS 7, *Financial Instruments: Disclosures, Servicing Contracts*
- Amendment to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
- Amendment to PAS 19*, Employee Benefits, Discount Rate: Regional Market Issue*
- Amendment to PAS 34, *Interim Financial Reporting, Disclosure of Information 'Elsewhere in the Interim Financial Report'*

Future Changes in Accounting Policies

The Association has not applied the succeeding amended PFRS which are not yet effective for the year ended December 31, 2016. Unless otherwise indicated, the succeeding amended PFRS will not significantly impact the financial statements:

*Effective beginning on or after January 1, 2017*

- Amendment to PFRS 12, *Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)
- Amendments to PAS 7, *Statement of Cash Flows*, *Disclosure Initiative*
- Amendments to PAS 12, *Income Taxes*, *Recognition of Deferred Tax Assets for Unrealized Losses*

*Effective in 2018*

- Amendments to PFRS 2, *Share-based Payment*, *Classification and Measurement of Share-based Payment Transactions*
- Amendments to PFRS 4, *Insurance Contracts*, *Applying PFRS 9, Financial Instruments, with PFRS 4*

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

The Association is assessing which approach it will use and the potential impact of the chosen approach in its financial statements.

- PFRS 9, *Financial Instruments*
  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, 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 providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The adoption of PFRS 9 will have an effect on the classification and measurement of the Association's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Association's financial liabilities. The adoption will also have an effect on the Association's application of hedge accounting and on the amount of its credit losses. The Association is currently assessing the impact of adopting this standard.

- PFRS 15, *Revenue from Contracts with Customers*
  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. The Association is currently assessing the impact of PFRS 15 and plans to adopt the new standard on the required effective date.

*Effective beginning on or after January 1, 2019*

- PFRS 16, *Leases*
  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most

leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

The Association is currently assessing the impact of adopting PFRS 16 and plans to adopt the new standard on the required effective date.

*Deferred effectivity*

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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## 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 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 Association 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 28.

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 effective interest rate (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, 2016, AFS financial assets include investments in mutual fund and investments in unquoted shares. Investments in mutual funds 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 investments in unquoted preferred shares are 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 investments in mutual funds are carried at fair 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 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.

<u>Derecognition of Financial Assets and Liabilities</u>
*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), CARD MRI Holding, Inc. (CMHI) and CARD MRI Property Holding, Inc. (CMPHI), 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 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 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 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 is computed using the unearned net premium reserves method.

*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.

Leases
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.

Provisions
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.

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.

The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect. As a general guideline, the Association defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did no occur.

*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 ₱7,947.63 million and ₱6,297.16 million as of December 31, 2016 and 2015, respectively (see Note 7). As of December 31, 2016 and 2015, the fair value of HTM investments amounted to ₱7,799.65 million and ₱6,357.12 million, respectively (see Note 7).

*Operating leases - Association as lessee*

The Association has entered into lease agreements related to various properties for its 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.

*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 ₱234.99 million and ₱167.08 million as of December 31, 2016 and 2015, 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:

| | **2016** | 2015 |
|---|---|---|
| **Financial assets** | | |
| AFS financial assets (Note 9) | **₱363,217,249** | ₱269,889,468 |

The fair values of the Association's financial instruments follow (see Note 28):

| | **2016** | 2015 |
|---|---|---|
| Financial assets | **₱9,353,498,547** | ₱7,676,747,398 |
| Financial liabilities | **65,362,483** | 87,022,943 |

Estimates
*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, 2016 and 2015, 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:

| | 2016 | 2015 |
|---|---|---|
| Property and equipment (Note 11) | **₱225,688,947** | ₱176,596,378 |
| Investment property (Note 12) | **213,471,981** | 210,372,898 |

*Impairment 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 ₱142.16 million and ₱209.44 million as of December 31, 2016 and 2015, respectively (see Note 8). Allowance for impairment losses amounted to ₱2.81 million and ₱20.42 million as of December 31, 2016 and 2015, 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, 2016 and 2015, the fair value of AFS financial assets amounted to ₱598.21 million and ₱436.96 million, respectively (see Note 9). There is no impairment loss recognized on AFS financial assets in 2016 and 2015.

*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 asset amounted to ₱29.56 million as at December 31, 2016 and the ₱14.36 million as at December 31, 2015. Further details are provided in Note 27.

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 28 for the key assumptions used in the estimation of provision for reserves.

## 6. Cash and Cash Equivalents

This account consists:

| | **2016** | 2015 |
|---|---|---|
| Cash on hand | **₱171,158** | ₱1,345,678 |
| Cash in banks | **56,420,739** | 86,869,375 |
| Cash equivalents | **76,282,192** | 289,940,018 |
| | **₱132,874,089** | ₱378,155,071 |

Cash in banks earns interest at the prevailing bank deposit rates ranging from 0.10% to 2.00% in 2016 and in 2015.

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 1.75% to 1.80% and 1.25% to 2.00% in 2016 and 2015, respectively.

Interest income earned from cash and cash equivalents amounted to ₱4.32 million and ₱6.12 million in 2016 and 2015, respectively (see Note 19).

## 7. Held-to-Maturity Investments

As of December 31, 2016 and 2015, the carrying amounts and fair values of these securities follow:

| | **2016** | | 2015 | |
|---|---|---|---|---|
| | **Carrying Value** | **Fair Value** | Carrying Value | Fair Value |
| Fixed treasury notes | **₱4,989,968,026** | **₱4,886,751,309** | ₱4,045,476,854 | ₱4,090,081,597 |
| Retail treasury bonds | **2,579,664,278** | **2,541,171,846** | 1,945,763,507 | 1,951,892,160 |
| Corporate bonds | **348,000,000** | **341,244,782** | 188,100,000 | 191,536,083 |
| Government bonds | **30,000,000** | **30,477,882** | 117,819,930 | 123,612,347 |
| | **₱7,947,632,304** | **₱7,799,645,819** | ₱6,297,160,291 | ₱6,357,122,187 |

These investments bear annual interest rates which ranged from 3.25% to 7.75% in 2016 and 3.25% to 9.13% 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 ₱199.16 million and ₱182.71 million in 2016 and 2015, respectively (see Note 19).

The carrying value of HTM investments follows:

| | 2016 | 2015 |
|---|---|---|
| At January 1 | **₱6,297,160,292** | ₱5,104,317,821 |
| Additions | **2,377,095,796** | 1,338,942,053 |
| Amortization of bond premium | **(127,702,909)** | (22,937,395) |
| Maturities | **(598,920,875)** | (123,162,188) |
| **At December 31** | **₱7,947,632,304** | ₱6,297,160,291 |

As at December 31, 2016 and 2015, HTM investments include government securities classified as guaranty fund amounting to ₱136.21 million and ₱125.76 million, respectively. These investments are deposited with the IC, in accordance with the provisions of Section 405 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, 2016 and 2015, the Association's loans and receivables are as follows:

| | 2016 | 2015 |
|---|---|---|
| Receivables - net | **₱142,162,929** | ₱209,440,373 |
| Short term investments | **113,413,490** | 240,420,682 |
| Long term investments | **475,388,639** | 72,681,045 |
| | **₱730,965,058** | ₱522,542,100 |

*Receivables*
This account consists of:

| | 2016 | 2015 |
|---|---|---|
| Receivables from: | | |
| Related parties (Note 23) | **₱20,006,170** | ₱79,782,447 |
| Members and employees | **1,930,843** | 1,474,989 |
| Accrued interest receivable | **79,338,746** | 70,078,688 |
| Loans receivable (Note 23) | **35,000,000** | 25,833,334 |
| Advances for future stock subscription (Note 9) | **4,000,000** | 44,177,000 |
| Dividends receivable | **–** | 6,627,008 |
| Others | **4,698,751** | 1,884,299 |
| | **144,974,510** | 229,857,765 |
| Less allowance for impairment losses | **2,811,581** | 20,417,392 |
| | **₱142,162,929** | ₱209,440,373 |

Receivables from related parties pertain to premiums collected by related parties from the Association's members, commissions and claims paid on behalf of CPMI. 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.

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.

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

| | **2016** | 2015 |
|---|---|---|
| At January 1 | **₱25,833,334** | ₱31,666,667 |
| Additions | **25,000,000** | 10,000,000 |
| Principal collections | **(15,833,334)** | (15,833,333) |
| At December 31 | **₱35,000,000** | ₱25,833,334 |

Details of the loan receivable per related party follow:

**2016**

| | **Outstanding balance** | **Release date** | **Interest rate** | **Terms** |
|---|---|---|---|---|
| **CARD Leasing and Finance Corporation (CLFC)** | **₱10,000,000** | **September 4, 2015** | **4.5% per annum payable quarterly** | **Principal payable upon maturity on September 3, 2018** |
| **CARD MRI Information Technology, Inc. (CMIT)** | **15,000,000** | **September 16, 2016** | **4% per annum payable quarterly** | **Principal payable upon maturity on September 15, 2017** |
| | **10,000,000** | **December 13, 2016** | **4% per annum payable quarterly** | **Principal payable upon maturity on Dec. 13, 2017** |

2015

| | **Outstanding balance** | **Release date** | **Interest rate** | **Terms** |
|---|---|---|---|---|
| Responsible Investments for Solidarity and Empowerment (RISE) Financing Company | ₱2,500,000 | October 16, 2014 | 6% per annum payable quarterly | Principal payable quarterly for 2 years until October 28,2016 |
| CARD Employees Multipurpose Cooperative (EMPC) | 6,666,667 | October 10, 2013 | 5% per annum payable quarterly | Principal payable semi-annually for 3 years until October 28, 2016 |
| CARD Leasing and Finance Corporation (CLFC) | 6,666,667 | October 4, 2013 | 6% per annum payable quarterly | Principal payable semi-annually for 3 years until October 4, 2016 |
| | 10,000,000 | September 4, 2015 | 4.5% per annum payable quarterly | Principal payable upon maturity on September 3, 2018 |

Total interest income received from the loans receivable amounted to ₱1.37 million and ₱1.47 million in 2016 and 2015, respectively (see Note 19).

Advances for future stock subscriptions as of December 31, 2016 pertain to deposit made by the Association to Rizal Bank, Inc. for the subscription of 20,000 shares at ₱200 par. As of December 31, 2016, Bangko Sentral ng Pilipinas (BSP) has not yet issued approval for the increase in authorized capital stock of Rizal Bank, Inc.

As of December 31, 2016, advances for future stock subscription pertain to subscription for 20,000 preferred shares of Rizal Bank, Inc. at ₱200 par. In 2015, advances for future stock subscription pertain to CARD Bank, Inc. and UniHealth Lucena Hospital and Medical Center for the subscription of 213,385 shares at ₱200 par and 1,500 shares at ₱1,000 par, respectively, which were already transferred to available-for-sale investments in 2016.

Other receivables represent 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.

As of December 31, 2016 and 2015, allowance for impairment losses for receivables determined based on specific identification and assessment follows:

| | Receivables from Related Parties | Other Receivables | Total |
|---|---|---|---|
| At January 1, 2015 | ₱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** |
| **Write-off** | **(4,559,560)** | **(21,578)** | **(4,581,138)** |
| **Reversal** | **(12,949,917)** | **(74,756)** | **(13,024,673)** |
| **At December 31, 2016** | **₱2,489,039** | **₱322,542** | **₱2,811,581** |

In 2016, amounts written off represent accounts from CaMIA which are related to the advances for claims made by the Association due to calamities which are assessed to be uncollectible after exerting all the best efforts to retrieve the required documents.

In 2015, 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 maturities of more than three (3) months but less than one (1) year and bear annual interest at rates that ranged from 0.75% to 4.25% in 2016 and 0.75% to 1.83% in 2015. Interest income earned from these investments amounted to ₱5.78 million and ₱4.07 million in 2016 and 2015, respectively (see Note 19).

The rollforward analysis of short-term investments follows:

| | **2016** | 2015 |
|---|---|---|
| Balance at January 1 | **₱240,420,682** | ₱168,257,482 |
| Additions | **1,414,506,236** | 294,513,149 |
| Maturities | **(1,541,513,428)** | (222,349,949) |
| Balance at December 31 | **₱113,413,490** | ₱240,420,682 |

*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 4.00% to 6.00% in 2016 and 6.00% in 2015. Interest income earned from these investments amounted to ₱4.67 million and ₱4.36 million in 2016 and 2015, respectively (see Note 19). Acquisitions during the year amounted to ₱402.71 million.

| | **2016** | 2015 |
|---|---|---|
| Balance at January 1 | **₱72,681,045** | ₱72,681,045 |
| Additions | **402,707,594** | – |
| Balance at December 31 | **₱475,388,639** | ₱72,681,045 |

9. **Available-for-Sale Financial Assets**

This account consists of:

| | **2016** | 2015 |
|---|---|---|
| Quoted securities - at fair value | | |
| Mutual funds | **₱363,217,249** | ₱269,889,468 |
| Unquoted securities - at cost | | |
| Preferred shares | **234,992,200** | 167,075,200 |
| | **₱598,209,449** | ₱436,964,668 |

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, 2015 | ₱76,147,335 | ₱163,691,400 | ₱269,819,559 | ₱509,658,294 |
| Additions | – | 3,383,800 | – | 3,383,800 |
| Fair value gains | (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** |
| Additions | **–** | **67,917,000** | **100,429,366** | **168,346,366** |
| Fair value losses | **–** | **–** | **(7,101,585)** | **(7,101,585)** |
| At December 31, 2016 | **₱–** | **₱234,992,200** | **₱363,217,249** | **₱598,209,449** |

Investments in quoted equity securities pertain to the Association's investment 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., CLFC, Rizal Bank and UniHealth, Inc. Details of the Association's investments in unquoted equity securities follow:

| | 2016 | | | 2015 | | |
|---|---|---|---|---|---|---|
| | **Amount** | **Shares** | **Percentage of ownership** | Amount | Shares | Percentage of ownership |
| CARD Bank, Inc. | **₱208,352,200** | ***1,041,761** | **6.9%** | ₱165,675,200 | *828,376 | % |
| CLFC | **2,800,000** | **29,400** | **2.9%** | 1,400,000 | 14,000 | % |
| Rizal Bank, Inc. | **20,000,000** | ***100,000** | **4.0%** | – | – | – |
| UniHealth, Inc. | **3,840,000** | **3,840** | **5.1%** | – | – | – |
| | **₱234,992,200** | | | ₱167,075,200 | | |

**Ownership in the preferred shares*

In 2016, advances for future stocks subscription amounting to ₱42.68 million were reclassified as investment in unquoted equity securities after BSP's approval of CARD Bank, Inc. increase in authorized capital stock. As of December 31, 2016 and 2015, the Association owns 1,041,761 and 828,376 preferred shares of CARD Bank, Inc. amounting to ₱208.35 million and ₱165.68 million, respectively. Dividends received from this investment amounted to ₱26.51 million and ₱23.94 million in 2016 and 2015, 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 a cash consideration amounting to ₱1.40 million representing title and rights of ownership on its investment in CLFC which is also included under investment in unquoted shares. In 2016, the Association acquired additional 14,000 shares from CLFC amounting to ₱1.40 million. Stock dividend of 1,400 shares was also received in 2016. As of December 31, 2016 and 2015, the Association owns 29,400 and 14,000 shares of CLFC amounting to ₱2.80 million and ₱ 1.40 million, respectively.

In 2016, the Association subscribed to 100,000 preferred shares of Rizal Bank, Inc. at ₱200 par value with a total amount of ₱20.00 million.

An additional ₱1.50 million from advances for future stocks subscription was also reclassified to investment in unquoted equity securities during the year representing 1,500 shares of Unihealth - Lucena Hospital and Medical Center, Inc. (UniHealth, Inc.) with ₱1,000 par value. Furthermore, the Association acquired additional 2,340 shares from UniHealth amounting to ₱2.34 million. As of December 31, 2016, the Association's investment in UniHealth amounted to ₱3.84 million.

Investments in mutual funds have the following details:

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | **Amount** | **Units** | Amount | Units |
| Sun Life Prosperity Bond Fund | **₱268,550,574** | **99,870,289** | ₱269,889,468 | 99,870,289 |
| Sun Life Peso Balance Fund | **46,104,859** | **13,231,413** | – | – |
| Philam Bond Fund | **48,561,816** | **12,002,426** | – | – |
| | **₱363,217,249** | | ₱269,889,468 | |

The decrease in reserve for fluctuation in value of the investments in mutual funds amounted to ₱7.10 million and ₱1.08 million in 2016 and 2015, respectively. This is presented as "Other comprehensive loss" in the statements of comprehensive income.

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

| | **2016** | 2015 |
|---|---|---|
| At January 1 | **₱41,780,646** | ₱42,860,697 |
| Fair value losses on AFS financial assets | **(7,101,585)** | (1,080,051) |
| At December 31 | **₱34,679,061** | ₱41,780,646 |

## 10. Financial Assets at FVPL

This account consists of San Miguel Corporation quoted preferred shares. All San Miguel Corporation shares were retired on February 24, 2015. Total dividend income amounted to ₱0.40 million in 2015.

| | 2015 |
|---|---|
| At January 1 | ₱20,180,000 |
| Fair value losses on FVPL financial assets | (180,000) |
| Disposal | (20,000,000) |
| At December 31 | ₱– |

11. **Property and Equipment -** net

The composition and movements in this account follow:

| 2016 | Land | Land improvement | Transportation equipment | Computer and office equipment | Office furniture and fixtures | Building | Construction in - progress | Total |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| At January 1 | **₱138,152,952** | **₱159,750** | **₱5,747,474** | **₱22,705,556** | **₱2,607,740** | **₱13,783,369** | **₱19,632,809** | **₱202,789,650** |
| Additions | **25,000** | **354,418** | **–** | **2,427,908** | **844,225** | **35,781,288** | | **39,432,839** |
| Reclassifications | **–** | **–** | **–** | **–** | **–** | **19,632,809** | **(19,632,809)** | **–** |
| Sale | **–** | **–** | **(2,173,487)** | **–** | **(58,195)** | **–** | **–** | **(2,231,682)** |
| Retirement | **–** | **–** | **–** | **(7,367,936)** | **–** | **–** | **–** | **(7,367,936)** |
| Transfers from investment properties (Note 12) | **–** | **–** | **–** | **–** | **–** | **14,739,002** | **–** | **14,739,002** |
| At December 31 | **138,177,952** | **514,168** | **3,573,987** | **17,765,528** | **3,393,770** | **83,936,468** | **–** | **247,361,873** |
| **Accumulated Depreciation** | | | | | | | | |
| At January 1 | **–** | **2,601** | **5,038,511** | **17,484,721** | **1,848,757** | **1,818,682** | **–** | **26,193,272** |
| Depreciation (Note 21) | **–** | **39,946** | **89,282** | **1,972,162** | **495,681** | **2,476,351** | **–** | **5,073,422** |
| Sale | **–** | **–** | **(2,173,487)** | **–** | **(52,345)** | **–** | **–** | **(2,225,832)** |
| Retirement | **–** | **–** | **–** | **(7,367,936)** | **–** | **–** | **–** | **(7,367,936)** |
| At December 31 | **–** | **42,547** | **2,954,306** | **12,088,947** | **2,292,093** | **4,295,033** | **–** | **21,672,926** |
| **Net Book Value** | **₱138,177,952** | **₱471,621** | **₱619,681** | **₱5,676,581** | **₱1,101,677** | **₱79,641,435** | **₱–** | **₱225,688,947** |

| 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 | (373,501) | 159,750 | (30,235) | 2,933,669 | 536,420 | 5,169,793 | 39,436,782 | 47,832,678 |
| Retirement | – | – | (61,400) | (23,500) | – | – | – | (84,900) |
| Transfers to investment properties (Note 12) | (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 | 202,789,650 |
| **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 | 2,022,594 | 420,733 | 1,232,696 | – | 4,682,595 |
| 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 |

In 2016, reclassifications amounting to ₱19.63 million pertain to transfer of completed construction in progress to building.

In 2016, gain on retirement of transportation equipment and office furniture and fixtures amounted to ₱370,666. While in 2015, loss on retirement of transportation equipment amounted to ₱35,817.

The transfers to/from investment properties were due to changes in management's intention over the use of the properties (see Note 12).

The cost of fully depreciated property and equipment still in use amounted to ₱10.55 million and ₱16.30 million as of December 31, 2016 and 2015, respectively.

## 12. Investment Properties

The movement of this account follows:

| | 2016 | | | |
|---|---|---|---|---|
| | **Land** | **Building** | **Construction in Progress** | **Total** |
| **Cost** | | | | |
| At January 1 | **₱111,760,955** | **₱45,924,024** | **₱58,898,427** | **₱216,583,406** |
| Additions | **541,587** | **24,075,613** | – | **24,617,200** |
| Reclassifications | – | **58,898,427** | **(58,898,427)** | – |
| Transfers to property and equipment (Note 11) | – | **(14,739,002)** | – | **(14,739,002)** |
| At December 31 | **112,302,542** | **114,159,062** | – | **226,461,604** |
| **Accumulated Depreciation** | | | | |
| At January 1 | – | **6,210,508** | – | **6,210,508** |
| Depreciation (Note 21) | – | **6,779,115** | – | **6,779,115** |
| At December 31 | – | **12,989,623** | – | **12,989,623** |
| **Net Book Value** | **₱112,302,542** | **₱101,169,439** | **₱–** | **₱213,471,981** |

| | 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 |

In 2016, the Association transferred portion of its investment properties with a carrying value of ₱14.74 million to property and equipment. While in 2015, ₱106.54 million of property and equipment was transferred to investment properties. The transfers from/to property and equipment were due to changes in management's intention over the use of the properties (see Note 11).

The investment properties have a total fair value of ₱232.32 million and ₱236.61 million as of December 31, 2016 and 2015, respectively. The fair value of the properties is based on valuation 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, 2016 and 2015, no investment has been pledged as collateral or security for any of the Association's liabilities.

The Association earned rental income amounting to ₱7.92 million and ₱5.68 million from its investment properties in 2016 and 2015, respectively (see Notes 20 and 22).

## 13. Investments in Associates

This account consists of the following:

| | **2016** | 2015 |
|---|---|---|
| Acquisition cost | **₱357,939,164** | ₱305,239,152 |
| Accumulated equity in net earnings (loss) | **70,654,975** | (611,303) |
| Accumulated equity in other comprehensive income (loss) | **3,850,094** | (170,495) |
| | **₱432,444,233** | ₱304,457,354 |

Details of the Association's investments in associates follow:

| | **2016** | | 2015 | |
|---|---|---|---|---|
| | **Amount** | **Percentage*** | Amount | Percentage* |
| CPMI | **₱335,541,271** | **46.10%** | ₱240,803,116 | 47.00% |
| CMIT | **60,163,018** | **40.00%** | 50,673,593 | 40.00% |
| BotiCARD | **15,367,753** | **30.00%** | 12,980,645 | 30.00% |
| CMPHI | **14,197,675** | **40.00%** | – | – |
| CMHI | **7,174,516** | **25.00%** | – | – |
| | **₱432,444,233** | | ₱304,457,354 | |

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

The details of this investment follow:

| | 2016 | 2015 |
|---|---|---|
| Acquisition cost: | | |
| At January 1 | **₱258,039,152** | ₱258,039,152 |
| Placements | **27,737,412** | – |
| At December 31 | **285,776,564** | 258,039,152 |
| Accumulated equity in net earnings (loss): | | |
| At January 1 | **(17,231,756)** | (21,935,495) |
| Equity in net earnings | **66,834,434** | 4,703,739 |
| At December 31 | **49,602,678** | (17,231,756) |
| Accumulated equity in other comprehensive income (loss): | | |
| At January 1 | **(4,280)** | – |
| Equity in other comprehensive income | **166,309** | (4,280) |
| At December 31 | **162,029** | (4,280) |
| | **₱335,541,271** | ₱240,803,116 |

On July 16, 2013, the Association entered into an agreement with CPMI 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.

In 2016, the Association invested additional ₱27.74 million in CPMI representing contributed surplus in order for CPMI to meet the minimum capitalization requirement by IC. Moreover, the ₱67.00 million equity in net earnings is net of the ₱6.79 million dilution on investment in CPMI resulting from the decrease of the Association's percentage ownership from 47% to 46.1% in December 2016. This decrease is the result of the Association's waiver of its pre-emptive right over the remaining unissued authorized capital stock of CPMI.

As of December 31, 2016 and 2015, the Association's investment in CPMI amounted to ₱335.54 million and ₱240.80 million, respectively.

*CARD MRI Information Technology, Inc. (CMIT)*

The details of this investment follow:

| | 2016 | 2015 |
|---|---|---|
| Acquisition cost: | | |
| At January 1 | **₱37,800,000** | ₱15,000,000 |
| Placements | **2,200,000** | 22,800,000 |
| At December 31 | **40,000,000** | 37,800,000 |
| Accumulated equity in net earnings: | | |
| At January 1 | **13,039,808** | 7,775,403 |
| Equity in net earnings | **7,366,600** | 6,167,405 |
| Dividend income | **(2,400,000)** | (903,000) |
| At December 31 | **18,006,408** | 13,039,808 |
| Accumulated equity in other comprehensive income (loss): | | |
| At January 1 | **(166,215)** | 2,277,292 |
| Equity in other comprehensive income (loss) | **2,322,825** | (2,443,507) |
| At December 31 | **2,156,610** | (166,215) |
| | **₱60,163,018** | ₱50,673,593 |

In 2011, the Association subscribed to 400,000 common shares at ₱100 par value representing 40% ownership in CMIT. In 2016, an amount of ₱2.20 million was paid to CMIT representing portion of the Association's subscription balance. As of December 31, 2016 and 2015, the Association's investment in CMIT amounted to ₱60.16 million and ₱50.67 million, respectively.

*BotiCARD, Inc.*

The details of the investment follow:

| | 2016 | 2015 |
|---|---|---|
| Acquisition cost | | |
| At January 1 | **₱9,400,000** | ₱3,900,000 |
| Placement | **350,000** | 5,500,000 |
| At December 31 | **9,750,000** | 9,400,000 |
| Accumulated equity in net earnings: | | |
| At January 1 | **3,580,645** | 3,232,610 |
| Equity in net earnings | **674,284** | 348,035 |
| At December 31 | **4,254,929** | 3,580,645 |
| Accumulated equity in other comprehensive income | | |
| At January 1 | **–** | – |
| Equity in other comprehensive income | **1,362,824** | – |
| At December 31 | **1,362,824** | – |
| | **₱15,367,753** | ₱12,980,645 |

In 2011, the Association purchased 780,000 common shares at ₱5 par value of 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. On May 19, 2015, the SEC already approved BotiCARD's request for increase in authorized capital stock. The ₱3.00 million advances were reclassified from advances for future stock subscription as investment in BotiCARD as of December 31, 2015 together with the additional investment of ₱2.50 million. Additional investment amounting to ₱0.35 million was made in 2016. As of December 31, 2016 and 2015, the Association's investment in BotiCARD amounted to ₱15.37 million and ₱12.98 million, respectively.

*CARD MRI Property Holdings, Inc. (CMPHI)*

The details of the investment follow:

| | **2016** |
|---|---|
| Acquisition cost: | |
| Placements | **₱14,600,100** |
| Accumulated equity in net loss: | |
| Equity in net loss | **(402,425)** |
| | **₱14,197,675** |

In October and November 2016, the Association invested in 146,001 shares of CMPHI with par value of ₱100 representing 40% ownership. Total amount of initial investment is ₱14,600,100.

*CARD MRI Holdings, Inc. (CMHI)*

The details of the investment follow:

| | **2016** |
|---|---|
| Acquisition cost: | |
| Placements | **₱7,812,500** |
| Accumulated equity in net loss: | |
| Equity in net loss | **(806,615)** |
| Accumulated equity in other comprehensive income: | |
| Equity in other comprehensive income | **168,631** |
| | **₱7,174,516** |

On February 5, 2016, the Association invested in 78,125 shares of CMHI with par value of ₱100 representing 25% ownership. Total amount of initial investment is ₱7,812,500.

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:

| | 2016 | 2015 |
|---|---|---|
| CPMI | | |
| Total assets | **₱1,105,616,685** | ₱731,081,503 |
| Total liabilities | **368,766,927** | 224,306,696 |
| Net income | **159,714,196** | 10,007,955 |
| CMIT | | |
| Total assets | **266,167,076** | 113,718,156 |
| Total liabilities | **124,731,994** | 10,287,208 |
| Net income | **18,416,499** | 15,418,512 |
| BotiCARD | | |
| Total assets | **34,980,997** | 34,111,262 |
| Total liabilities | **3,818,713** | 7,581,351 |
| Net income | **2,247,614** | 803,157 |
| CMPHI | | |
| Total assets | **33,361,465** | – |
| Total liabilities | **1,017,027** | – |
| Net loss | **(1,006,062)** | – |
| CMHI | | |
| Total assets | **32,533,753** | – |
| Total liabilities | **3,835,201** | – |
| Net loss | **(3,226,474)** | – |

## 14. Other Assets

This account consists of:

| | 2016 | 2015 |
|---|---|---|
| Prepaid expenses | **₱3,190,013** | ₱1,287,892 |
| Supplies inventory | **1,802,238** | 2,266,967 |
| Prepaid rent | **1,412,291** | 1,573,107 |
| Deferred reinsurance premiums (Note 18) | **1,033,695** | 535,051 |
| Other funds and deposits | **990,554** | – |
| Prepaid taxes | **301,861** | 141,986 |
| Prepaid insurance | – | 563,195 |
| | **₱8,730,652** | ₱6,368,198 |

Prepaid expenses include 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.

Supplies inventory includes office items that are being used in the operations 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 taxes of the Association pertain to the excess creditable withholding taxes over the income tax due from rental income and interest income from loans to related parties.

Other funds and deposits pertain to mutual guaranty fund paid to Microinsurance Association of the Philippines (MiMAP). This fund represents a claim reserve held and being managed by MiMAP that will be subsequently used to satisfy the claims of the Association's members that cannot be met by the net asset in case of insolvency.

## 15. Accounts Payable and Accrued Expenses

This account consists of:

| | **2016** | 2015 |
|---|---|---|
| Accounts payable - land and building | **₱19,324,222** | ₱16,663,719 |
| Accrued expenses | **10,917,469** | 7,382,001 |
| Accounts payable - CAMIA (Note 23) | **9,200,683** | 52,253,643 |
| Collection fee payable | | |
| Staff, members and employees | **2,279,245** | 1,137,105 |
| Related parties (Note 23) | **727,728** | 3,067,344 |
| Accounts payable - related parties (Note 23) | **16,962,540** | 3,251,733 |
| Rent deposits | **1,343,514** | 29,684 |
| Due to government agencies | **1,335,559** | 1,367,425 |
| Due to suppliers | **703,564** | – |
| Accounts payable - others | **2,567,959** | 1,870,289 |
| | **₱65,362,483** | ₱87,022,943 |

Accounts payable - land and buildings pertain to the amounts owed by the Association to its contractors for the on-going building constructions of provincial offices. It also includes unpaid balances for the land properties acquired by the Association.

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.

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.

Collection fee payable pertains to the Association's payable to its collecting institutions (see Note 23), staff, 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 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, rentals to CLFC, system development fees to CMIT, staff training fees incurred by CARD MRI Development Institute (CMDI), remaining balances for the delivered furniture in the provincial office, and collections of insurance premium for CPMI.

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.

Due to government agencies are obligations of the Association 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 within one month from reporting date based on the requirements of the government agencies.

Due to suppliers are obligation of the Association for the delivered supplies used in main and provincial offices such as sunblocks, uniforms of employees, official receipts and delivered goods.

Other accounts payable 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:

| | 2016 | 2015 |
|---|---|---|
| Life insurance contract liabilities | **₱4,737,929,555** | ₱3,748,344,023 |
| Loan redemption contract liabilities | **122,171,486** | 95,038,907 |
| | **₱4,860,101,041** | ₱3,843,382,930 |

*a) Life insurance contract liabilities*

Details of the life insurance contract liabilities follow:

| | 2016 | 2015 |
|---|---|---|
| Provision for unearned premiums | **₱4,686,413,458** | ₱3,709,691,763 |
| Outstanding claims provision | **51,516,097** | 38,652,260 |
| Total life insurance contract liabilities | **₱4,737,929,555** | ₱3,748,344,023 |

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

The rollforward analysis of provision for unearned premiums follows:

| | 2016 | 2015 |
|---|---|---|
| At January 1 | **₱3,709,691,762** | ₱3,143,318,226 |
| Premiums received | **1,174,693,044** | 919,556,676 |
| Liability released for payments of death, maturity and surrender benefits and claims | **(197,971,348)** | (353,183,140) |
| At December 31 | **₱4,686,413,458** | ₱3,709,691,762 |

The rollforward analysis of outstanding claims provision follows:

| | 2016 | 2015 |
|---|---|---|
| At January 1 | **₱38,652,260** | ₱24,413,140 |
| Claims incurred in the current year | **758,762,989** | 639,291,843 |
| Claims paid during the year | **(745,899,152)** | (625,052,723) |
| At December 31 | **₱51,516,097** | ₱38,652,260 |

*b) Loan redemption contract liabilities*

Details of the loan redemption contract liabilities follow:

| | 2016 | 2015 |
|---|---|---|
| Provision for unearned premiums | **₱119,368,870** | ₱91,221,185 |
| Provision for claims incurred but not reported (IBNR) | **2,758,382** | 3,817,722 |
| Outstanding claims provision | **44,234** | – |
| Total loan redemption contract liabilities | **₱122,171,486** | ₱95,038,907 |

The rollforward analysis of provision for unearned premiums follows:

| | 2016 | 2015 |
|---|---|---|
| At January 1 | **₱91,221,185** | ₱73,934,593 |
| Premiums received | **390,835,470** | 307,803,647 |
| Earned premiums | **(362,687,784)** | (290,517,055) |
| At December 31 | **₱119,368,871** | ₱91,221,185 |

This account represents reserves for loan redemption insurance computed using the unearned net premium reserves method.

The rollforward analysis of outstanding claims provision follows:

| | 2016 | 2015 |
|---|---|---|
| At January 1 | **₱–** | ₱– |
| Claims incurred in the current year | **79,699,225** | 67,426,730 |
| Claims paid during the year | **(79,654,991)** | (67,426,730) |
| At December 31 | **₱44,234** | ₱– |

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, 2016 and 2015, loans covered by the Association's loan redemption insurance amounted to ₱51.39 billion and ₱40.60 billion, respectively.

## 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:

| | **2016** | 2015 |
|---|---|---|
| At January 1 | **₱2,429,552,226** | ₱1,963,727,108 |
| Contribution | **642,507,510** | 509,884,404 |
| Interest income | **96,293,911** | 74,404,874 |
| Claims and expenses | **(127,752,180)** | (118,464,160) |
| At December 31 | **₱3,040,601,467** | ₱2,429,552,226 |

The allocation of interest for retirement savings fund is equivalent to 3.57% and 4.20% in 2016 and 2015, respectively, of the beginning balance of the account plus contribution from members during the year. Interest expense incurred for retirement savings claims amounted to ₱3.67 million and ₱3.86 million in 2016 and in 2015, respectively.

## 18. Net Earned Premiums

The net earned premiums consist of the following:

| | **2016** | 2015 |
|---|---|---|
| Gross earned premiums on insurance contracts | | |
| Life insurance premiums | **₱1,938,339,147** | ₱1,531,981,522 |
| Loan insurance premiums | **390,835,470** | 307,803,646 |
| Total gross premiums earned on insurance contracts | **2,329,174,617** | 1,839,785,168 |
| Less: Reinsurer's share on gross earned premium on insurance contracts | | |
| Life insurance | **2,646,045** | 1,477,500 |
| Net earned premiums on insurance contracts | **₱2,326,528,572** | ₱1,838,307,668 |

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 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 Micro-finance 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.

In April 2014, the Association entered into a 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 ₱3.14 million and ₱1.65 million in 2016 and 2015, 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:

| | **2016** | 2015 |
|---|---|---|
| Balance at January 1 | **₱535,051** | ₱358,000 |
| Premiums ceded to reinsurer | **3,144,689** | 1,654,551 |
| Reinsurer's share of gross earned premiums on insurance contracts | **(2,646,045)** | (1,477,500) |
| Balance at December 31 | **₱1,033,695** | ₱535,051 |

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

## 19. Interest Income

This account consists of

| | **2016** | 2015 |
|---|---|---|
| Interest income on: | | |
| HTM investments (Note 7) | **₱199,164,330** | ₱182,709,093 |
| Short-term investments (Note 8) | **5,783,150** | 4,073,239 |
| Long-term investments (Note 8) | **4,667,767** | 4,360,863 |
| Cash and cash equivalents (Note 6) | **4,320,517** | 6,124,889 |
| Loans receivable (Note 8) | **1,369,050** | 1,468,206 |
| Pension asset (Note 27) | **1,111,813** | 740,436 |
| | **₱216,416,627** | ₱199,476,726 |

## 20. Rental Income

In 2016 and 2015, the Association earned ₱7.92 million and ₱5.68 million, respectively from renting its investment properties to its affiliates: CARD Bank, Inc., Rizal Bank, Inc., CMIT, CaMIA, BotiCARD and CARD SME Bank,Inc. (see Notes 22 and 23).

## 21. General and Administrative Expenses

This account consists of:

| | **2016** | 2015 |
|---|---|---|
| Transportation and travel | **₱128,646,156** | ₱103,450,292 |
| Salaries and allowances (Note 27) | **83,458,767** | 76,816,730 |
| Supplies | **17,840,227** | 13,787,171 |
| Program, monitoring and evaluation | **17,537,012** | 16,393,830 |
| Professional fees | **14,907,149** | 13,308,065 |
| Depreciation (Note 11 and 12) | **11,852,537** | 9,035,200 |
| Training and development | **9,782,903** | 9,428,174 |
| Donation and contribution | **9,367,852** | 7,496,143 |
| Rental (Note 22) | **8,724,946** | 7,574,596 |
| Security and janitorial services | **7,968,068** | 3,601,551 |
| Communication | **7,347,053** | 5,982,639 |
| Meetings and seminars | **6,755,541** | 5,999,784 |
| Insurance | **6,659,189** | 6,911,431 |
| Repairs and maintenance | **4,075,712** | 3,216,593 |
| Pension expense (Note 27) | **3,942,178** | 3,562,765 |
| Interest expense (Note 17) | **3,666,610** | 3,855,266 |
| Taxes and licenses | **3,570,381** | 1,470,334 |
| Light and water | **2,736,069** | 2,262,213 |
| Membership dues | **1,638,645** | 1,652,814 |
| Bank charges | **703,051** | 788,832 |
| Entertainment, amusement and recreation | **513,976** | 336,464 |
| Research and documentation | **112,498** | 79,866 |
| Provision for impairment losses (Note 8) | **–** | 3,285,338 |
| Miscellaneous | **11,226,301** | 99,188 |
| | **₱363,032,821** | ₱300,395,279 |

## 22. Lease Commitments

<u>Operating leases - Association as lessee</u>
In 2016, 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 2016 and 2015 amounted to ₱8.72 million and ₱7.57 million, respectively. The future minimum rentals payable within one (1) year of the existing contracts amounted to a total of ₱6.01 million and ₱7.62 million as of December 31, 2016 and 2015, respectively.

<u>Operating leases - Association as lessor</u>
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 2016 and 2015 amounted to ₱7.92 million and ₱5.68 million, respectively.

As of December 31, the amount of future minimum rental receivable based on the remaining term of the existing lease contracts are as follow:

| | 2016 | 2015 |
|---|---|---|
| Within 1 year | **₱10,616,731** | ₱5,495,580 |
| More than 1 year but not more than 5 years | **29,068,524** | 13,974,860 |
| | **₱39,685,255** | ₱19,470,440 |

## 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, 2016**

| Category | Amount | Outstanding | Nature | Terms | Conditions |
|---|---|---|---|---|---|
| **Associates** | | | | | |
| ***CMIT*** | | | | | |
| Accounts receivable | **₱367,756** | **₱–** | Unremitted Collection of members (Staff contribution) and others expense incurred | On-demand; noninterest-bearing | Unsecured; no impairment |
| Loan Receivable | **25,000,000** | **25,000,000** | Loan made by CMIT | On-demand; Interest at 4% per annum | Unsecured; |
| Rental income | **276,099** | – | Income received from office space rentals | On-demand; noninterest-bearing | Unsecured; no impairment |
| Interest Income from Financial Assistance | **400,000** | – | Income from Financial Assistance | On-demand; noninterest-bearing | Unsecured |
| ***BotiCARD*** | | | | | |
| Accounts receivable | **81,598** | **10,813** | Unremitted Collection of members (Staff contribution) and others expense incurred | On-demand; noninterest-bearing | Unsecured; no impairment |
| Accounts payable | **1,883,015** | **1,883,015** | Unpaid medicines and other expenses incurred | On-demand; noninterest-bearing | Unsecured; no impairment |
| Rental income | **131,158** | – | Income received from office space rentals | On-demand; noninterest-bearing | Unsecured |
| ***CPMI*** | | | | | |
| Accounts receivable | **67,293,743** | **12,103,830** | Unremitted collection of member (Staff's ) Contribution and other expenses incurred | On-demand; noninterest bearing | Unsecured; no impairment |

(Forward)

| Category | Amount | Outstanding | Nature | Terms | Conditions |
|---|---|---|---|---|---|
| Accounts payable | **₱180,714,900** | **₱13,574,845** | Claims unpaid to members who avail CaMIA products | On-demand; noninterest bearing | Unsecured; no impairment |
| ***CARD MNLI*** | | | | | |
| Accounts payable | **122,439** | **122,439** | Unpaid expenses incurred in MNLI Product | On-demand; noninterest bearing | Unsecured |
| **Affiliates** | | | | | |
| ***CaMIA*** | | | | | |
| Accounts receivable | **77,079,528** | **6,988,355** | Claims unpaid to members who avail CaMIA products | On-demand; noninterest-bearing | Unsecured; no impairment |
| Accounts payable (Note 15) | **458,157,549** | **1,099,067** | Premiums collected from policy holders.in behalf of CaMIA | On-demand; noninterest-bearing | Unsecured |
| Held In Trust | **8,101,616** | **8,101,616** | Premiums uncollected without return stub | On-demand; noninterest-bearing | Unsecured |
| Rental income | **176,080** | **–** | Income received from office space rental | On-demand; noninterest-bearing | Unsecured; no impairment |
| ***CMDI*** | | | | | |
| Accounts receivable | **143,898** | **–** | Unremitted Collection of members (Staff contribution) and others expense incurred | On-demand; noninterest-bearing | Unsecured; no impairment |
| Accounts payable | **51,445** | **46,569** | Unpaid expenses for administration and training cost of staffs | On-demand; noninterest-bearing | Unsecured |
| ***CARD, Inc.*** | | | | | |
| Accounts receivable | **150,340,481** | **308,965** | Unremitted collection of members contribution | On-demand; noninterest-bearing | Unsecured; no impairment |
| Collection fee payable | **194,156,350** | **684,079** | Unpaid claims and expenses incurred | 1 – 30 days term; noninterest-bearing | Unsecured |
| ***CARD SME Bank Inc.*** | | | | | |
| Cash and cash equivalents | **759,960,215** | **20,588,052** | Various | On-demand; interest at 1.50% for regular savings deposit | Unsecured; no impairment |
| Accounts receivable | **5,684,927** | **24,619** | Unremitted collection of members contribution | On-demand; noninterest-bearing | Unsecured; no impairment |
| Collection fee payable | **10,567,951** | **–** | Unpaid claims and expenses incurred | 1 – 30 days term; noninterest-bearing | Unsecured |
| Rent Income | **2,092,038** | **–** | Income received from office space rentals | On-demand; noninterest-bearing | Unsecured |
| Interest income | **637,290** | **–** | Income from deposited made (included in cash and cash equivalents) | On-demand; interest at 1.50% for regular savings deposit | Unsecured |
| ***CARD BDSFI*** | | | | | |
| Accounts receivable | **642** | **–** | Unpaid collection of members' contribution | On-demand; noninterest-bearing | Unsecured; no impairment |

(Forward)

| Category | Amount | Outstanding | Nature | Terms | Conditions |
|---|---|---|---|---|---|
| ***CARD EMPC*** | | | | | |
| Accounts receivable | **₱722,759** | **₱** | 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 | **1,380,142** | **1,335,672** | Unpaid administrative expenses incurred for Association's staff | On-demand; noninterest-bearing | Unsecured |
| Interest Income from Financial Assitar | **662,037** | **–** | | | |
| ***Rizal Rural Bank*** | | | | | |
| Cash and cash equivalents | **121,175,785** | **1,825,937** | Various | On-demand; interest at 1.50% for regular savings deposit | Unsecured; no impairment |
| Accounts receivable | **412,822** | **386** | Unremitted collection of members contribution | On-demand; noninterest-bearing | Unsecured; no impairment |
| Collection fee payable | **3,507,478** | **1,715** | Unpaid claims and expenses incurred | 1 – 30 days term; noninterest-bearing | Unsecured |
| Rental income | **1,252,762** | **–** | Income received from office space rentals | On-demand; noninterest-bearing | Unsecured |
| Interest income | **30,434** | **–** | 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 | **482,796** | **450,866** | Unremitted Collection of members (Staff contribution) and others expenses | On-demand; noninterest-bearing | Unsecured; no impairment |
| Loans receivable | **16,666,667** | **10,000,000** | Loans made by CARD LFC | Interest at 4.50% per annum | Unsecured; no impairment |
| Accounts payable | **–** | **–** | Unpaid expenses incurred in leasing Association's equipment | On-demand; noninterest-bearing | Unsecured; no impairment |
| Interest Income from Financial Assistance | **662,037** | **–** | Income from Financial Assistance | On-demand; noninterest-bearing | |
| ***CARD Bank, Inc.*** | | | | | |
| Cash and cash equivalents | **2,702,896,980** | **13,910,599** | Various | On demand; interest at 1.50% for regular savings deposit | Unsecured; no impairment |
| Accounts receivable | **18,008,432** | **118,336** | Unremitted collection of members contribution | On-demand; noninterest-bearing | Unsecured; no impairment |
| Collection fee payable | **28,232,084** | **41,934** | Unpaid claims and expenses incurred | On-demand; noninterest-bearing | Unsecured |
| Rental income | **2,890,049** | **–** | Income received from office space rentals | On-demand; noninterest-bearing | Unsecured |

(Forward)

| Category | Amount | Outstanding | Nature | Terms | Conditions |
|---|---|---|---|---|---|
| Interest income | **₱869,240** | **₱–** | 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 |
| ***RISE*** | | | | | |
| Loans receivable | **2,500,000** | – | Loan made by RISE | On-demand; interest at 5.00% per annum | Unsecured; no impairment |

The above outstanding balances as of December 31, 2016 are summarized as follows:

| | **2016** |
|---|---|
| Cash and cash equivalents | **₱36,324,588** |
| Loan receivable (Note 8) | **35,000,000** |
| Accounts receivable (Note 8) | **20,006,170** |
| Accounts payable (Note 15) | |
| Accounts payable - CAMIA | **(9,200,683)** |
| Related parties | **(727,728)** |
| Accounts payable - related parties | **(16,962,540)** |
| Net due from related parties | **₱64,439,807** |

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** | **966,057** | 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*** | | | | | |
| (Forward) | | | | | |
| Accounts receivable | **₱205,334,952** | **₱75,916,569** | Claims unpaid to members who avail | On-demand; noninterest- | Unsecured; no impairment |

| Category | Amount | Outstanding | Nature | Terms | Conditions |
|---|---|---|---|---|---|
| | | | CaMIA products | bearing | |
| 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 |
| ***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 |

(Forward)

| Category | Amount | Outstanding | Nature | Terms | Conditions |
|---|---|---|---|---|---|
| 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 impairment |
| ***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 |

The above outstanding balances as of December 31, 2015 are summarized as follows:

| | **2015** |
|---|---|
| Cash and cash equivalents | **₱79,782,447** |
| Loan receivable (Note 8) | **39,260,351** |
| Accounts receivable (Note 8) | **25,833,334** |
| Accounts payable (Note 15) | |
| Accounts payable - CAMIA | **(52,253,643)** |
| Related parties | **(3,067,344)** |
| Accounts payable - related parties | **(3,251,733)** |
| Net due from related parties | **₱86,303,412** |

## 24. **Income Tax**

The provision for income tax consists of:

| | **2016** | 2015 |
|---|---|---|
| Current tax | **₱216,396** | ₱127,522 |
| Final tax | **45,771,404** | 43,265,622 |
| Provision for income tax | **₱45,987,800** | ₱43,393,144 |

The reconciliation of the income tax expense computed based on the excess of revenue over expenses before tax at the statutory income tax rate to the provision for income tax in the statements of comprehensive income follows:

| | **2016** | 2015 |
|---|---|---|
| Statutory income tax | **₱143,703,020** | ₱150,981,589 |
| Add (deduct) the tax effect of: | | |
| Gross premiums on insurance contracts | **(697,958,572)** | (551,492,300) |
| Equity in net earnings of associates | **(22,099,883)** | (3,365,754) |
| Interest income subjected to final tax | **(20,982,645)** | (17,975,086) |
| Dividend income | **(7,952,410)** | (7,302,277) |
| Surrender charge | **(5,091,044)** | (4,907,322) |
| Other income | **(2,521,057)** | (797,331) |
| Rental income | **(330,155)** | (179,886) |
| Gross change in insurance contract liabilities | **306,551,859** | 180,515,091 |
| Gross insurance contract benefits and claims paid | **247,666,243** | 207,743,836 |
| General and administrative expenses | **105,002,444** | 90,118,584 |
| Fair value loss from financial assets at FVPL | **–** | 54,000 |
| Provision for income tax | **₱45,987,800** | ₱43,393,144 |

## 25. **Notes to Statement of Cash Flows**

The Association's principal noncash investing activity in 2016 pertains to the transfer of advances for future stock subscription from loans and receivables to AFS financial assets amounting to ₱44,177,000 (see Notes 8 and 9).

## 26. **Restatements**

In prior years, the reserve for loan redemption insurance is computed as 60% of gross premiums for the year. This was patterned after the reserves computation for life insurance in compliance with the minimum statutory requirements as set by the IC which is a minimum of 50% of gross contributions to Basic Life Insurance for the year.

However, it was noted in the actuarial notes submitted to the IC that the reserves for the loan redemption insurance shall be computed using the unearned net premium reserves method. The Association recomputed the reserves for the redemption insurance and restated the comparative amounts for the prior period presented.

The impact of the adjustments follow:

| | December 31, 2015 | | |
|---|---|---|---|
| | As previously reported | Adjustments | As restated |
| **Statement of financial position** | | | |
| Insurance contract liabilities | ₱3,936,843,932 | (₱93,461,002) | ₱3,843,382,930 |
| Unappropriated fund balance | 1,685,783,527 | 93,461,002 | 1,779,244,529 |
| **Statement of activities** | | | |
| Gross change in insurance contract liabilities | 616,652,516 | (14,935,545) | 601,716,971 |

| | January 1, 2015 | | |
|---|---|---|---|
| | As previously reported | Adjustments | As restated |
| **Statement of financial position** | | | |
| Insurance contract liabilities | ₱3,320,191,416 | (₱78,525,457) | ₱3,241,665,959 |
| Unappropriated fund balance | 1,285,160,743 | 78,525,457 | 1,363,686,200 |

## 27. 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:

| | 2016 | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Net benefit cost in statement of comprehensive income | | | | | | Remeasurements in other comprehensive income | | | | | | |
| | At January 1 | Current service cost (Note 21) | Net interest (Note 19) | 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** | **₱34,855,448** | **₱3,942,178** | **₱1,693,975** | **₱5,636,153** | **(₱988,280)** | **₱149,290** | **₱–** | **(₱903,410)** | **(₱6,881,968)** | **₱350,868** | **₱–** | **(₱7,434,510)** | **₱–** | **₱32,218,101** |
| **Fair value of plan assets** | **(51,018,167)** | | **(2,893,486)** | **(2,893,486)** | **₱988,280** | **(₱149,290)** | **1,422,265** | **–** | **–** | **–** | **–** | **1,422,265** | **(17,876,142)** | **(69,526,540)** |
| **Effect of changes in asset ceiling** | **1,804,493** | **–** | **87,698** | **87,698** | **–** | **–** | **–** | **–** | **–** | **–** | **5,852,022** | **5,852,022** | **–** | **7,744,213** |
| | **(₱14,358,226)** | **₱3,942,178** | **(₱1,111,813)** | **₱2,830,365** | **₱–** | **₱–** | **₱1,422,265** | **(₱903,410)** | **(₱6,881,968)** | **₱350,868** | **₱5,852,022** | **(₱160,223)** | **(₱17,876,142)** | **(₱29,564,226)** |

| | 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 19) | 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) |

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

| | **2016** | 2015 |
|---|---|---|
| Discount rate | **5.86%** | 4.86% |
| Salary increase rate | **7.00%** | 7.00% |
| Average remaining working lives | **31.8 years** | 31.9 years |

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

| | **2016** | 2015 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | **₱28,881,325** | ₱20,769,495 |
| Investment in bonds | **34,095,815** | 23,320,404 |
| Investment in mutual funds | **361,538** | 397,942 |
| Loans | **5,249,254** | 5,387,518 |
| Others | **938,608** | 1,142,808 |
| | **₱69,526,540** | ₱51,018,167 |

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, 2016, assuming if all other assumptions were held constant:

| | | Effect on defined pension plan | |
|---|---|---|---|
| | Increase (decrease) | 2016 | 2015 |
| Discount rate | +100 basis points | (₱5,416,484) | (₱7,119,151) |
| | -100 basis points | 6,881,968 | 9,234,250 |
| Future salary increase | +100 basis points | 6,368,028 | 8,547,582 |
| | -100 basis points | (5,157,230) | (6,806,362) |

The Association expects to contribute ₱28.22 million to the defined pension plan in 2017.

The average duration of the defined benefit obligation at the end of the reporting period is 19.1 years.

The Association paid salaries and other benefits to its employees amounting to ₱83.46 million and ₱76.82 million in December 31, 2016 and December 31, 2015, respectively (see Note 21).

## 28. 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, 2016 and 2015, the Association has a total of ₱136.21 million and ₱125.76 million, respectively, representing guaranty fund which is deposited with the IC (see Notes 7).

*Risk-based capital requirements (RBC)*

On December 8, 2006, the IC issued IMC NO. 11-2006 adopting the RBC framework for the mutual benefit associations to establish the required amounts of capital to be maintained by entities in relation to their investment and insurance risks. Every mutual benefit association 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:

| | **2016** | 2015 |
|---|---|---|
| Member's equity | **₱2,085,052,442** | ₱1,661,823,883 |
| RBC requirement | **624,060,470** | 474,758,706 |
| RBC Ratio | **334.11%** | 350.04% |

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.

*Standard chart of accounts*
IC has released Circular No. 2014-41 containing the standard chart of accounts for all new and existing mutual benefit associations doing business in the Philippines. This circular is in line with the requirements of SRC Rule 68, Section 189 of the Amended Insurance Code, and the current accounting standards in the Philippines. This circular is effective immediately and should be used in the annual statement filed with IC starting calendar year 2014. The Association is in compliance with this circular.

*Valuation of reserves*
IC has released Circular No. 2016-66 on the Valuation Standards for Life Insurance Policy Reserves which provides a change in the basis of valuation of the life insurance policy reserves from Net Premium Valuation (NPV) to Gross Premium Valuation (GPV). Whereas, the methods and assumptions shall be in accordance with the internationally accepted actuarial standards and consider the generally accepted actuarial principles concerning financial reporting framework promulgated by the Actuarial Society of the Philippines (ASP) which now considers other assumptions such as morbidity, lapse and/or persistency, expenses, non-guaranteed benefits and margin for adverse deviation. This valuation method is applicable to the Association's golden life insurance product which will take effect beginning January 1, 2017.

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.

**2016**

| | **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 | **₱3,783,942,799** | **(₱268,377,876)** |
| Increase (decrease) on revenue | **(3,783,942,799)** | **268,377,876** |

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 |

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, 2016 and 2015:

| | **2016** | | 2015 | |
|---|---|---|---|---|
| | **Carrying Value** | **Fair Value** | Carrying Value | Fair Value |
| **Financial Assets** | | | | |
| Cash and cash equivalents | **₱132,874,089** | **₱132,874,089** | ₱378,155,071 | ₱378,155,071 |
| HTM investments | **7,947,632,304** | **7,799,645,819** | 6,297,160,291 | 6,357,132,187 |
| Loans and Receivables | | | | |
| Accrued interest receivable | **79,338,746** | **79,338,746** | 70,078,688 | 70,078,688 |
| Accounts receivables | **22,727,946** | **22,727,946** | 81,257,437 | 81,257,437 |
| Loans receivable | **35,000,000** | **35,000,000** | 25,833,333 | 25,127,445 |
| Other receivables | **3,907,817** | **3,907,817** | 8,511,307 | 8,511,307 |
| Short-term investments | **113,413,490** | **113,413,490** | 240,420,682 | 240,420,682 |
| Long-term investments | **475,388,639** | **568,241,191** | 72,681,045 | 79,099,913 |
| AFS financial assets | | | | |
| Quoted | **363,217,249** | **363,217,249** | 269,889,468 | 269,889,469 |
| Unquoted | **234,992,200** | **234,992,200** | 167,075,200 | 167,075,200 |
| | **₱9,408,492,480** | **₱9,353,358,547** | ₱7,611,062,522 | ₱7,676,747,399 |
| **Financial Liabilities** | | | | |
| Accounts payable and accrued expenses | **₱65,362,483** | **₱65,362,483** | ₱87,022,943 | ₱87,022,943 |

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 4.00% to 6.00% and 2.44% to 3.92% as of December 31, 2016 and 2015, 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, 2016 and 2015, the fair value of the investments in mutual funds designated as AFS financial assets of the Association amounted to ₱363,217,249 and ₱269,889,469, 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, 2016 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.

| | **2016** | 2015 |
|---|---|---|
| **Financial Assets** | | |
| Cash and cash equivalents (excluding cash on hand amounting ₱0.17 million and ₱1.35 million in 2016 and 2015, respectively) | **₱132,702,931** | ₱376,809,393 |
| Loans and Receivables | | |
| Accounts receivable | **22,727,946** | 81,257,437 |
| Accrued interest receivable | **79,338,746** | 70,078,688 |
| Loans receivable | **35,000,000** | 25,833,333 |
| Advances for future stocks subscriptions | **4,000,000** | 44,177,000 |
| Other receivables | **3,907,817** | 8,511,307 |
| Short-term investments | **113,413,490** | 240,420,682 |
| Long-term investment | **475,388,639** | 72,681,045 |
| AFS financial assets | | |
| Quoted | **363,217,249** | 269,889,469 |
| Unquoted | **234,992,200** | 167,075,200 |
| HTM investments | **7,947,632,304** | 6,297,160,291 |
| | **₱9,412,321,322** | ₱7,653,893,845 |

The credit risk is concentrated on the following:

| | **2016** | 2015 |
|---|---|---|
| Related parties | **₱873,475,406** | ₱441,841,365 |
| Unrelated parties | **8,538,845,917** | 7,212,052,479 |
| | **₱9,412,321,323** | ₱7,653,893,844 |

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, 2016 and 2015.

**2016**

| | **Neither Past-Due nor Impaired** | | | |
|---|---|---|---|---|
| | **Investment Grade** | **Non-investment Grade** | **Past Due and Impaired** | **Total** |
| **Financial Assets** | | | | |
| **HTM investments** | **₱7,947,632,304** | **₱–** | **₱–** | **₱7,947,632,304** |
| **Cash and cash equivalents** | **132,874,089** | **–** | **–** | **132,874,089** |
| **Loans and Receivables** | | | | |
| **Long-term investments** | **475,388,639** | **–** | **–** | **475,388,639** |
| **Short-term investments** | **113,413,490** | **–** | **–** | **113,413,490** |
| **Accrued interest receivable** | **79,338,746** | **–** | **–** | **79,338,746** |
| **Loans receivable** | **35,000,000** | **–** | **–** | **35,000,000** |
| **Accounts receivables** | **20,238,907** | **–** | **2,489,039** | **22,727,946** |
| **Advances for future stocks subscription** | **4,000,000** | | | **4,000,000** |
| **Other receivables** | **3,585,276** | **–** | **322,542** | **3,907,818** |
| **AFS financial assets** | | | | |
| **Quoted** | **363,217,249** | **–** | **–** | **363,217,249** |
| **Unquoted** | **234,992,200** | **–** | **–** | **234,992,200** |
| | **₱9,409,680,900** | **₱–** | **₱2,811,581** | **₱9,412,492,481** |

2015

| | Neither Past-Due nor Impaired | | | |
|---|---|---|---|---|
| | Investment Grade | Non-investment Grade | Past Due and Impaired | Total |
| Financial Assets | | | | |
| Cash and cash equivalents | ₱378,155,071 | ₱– | ₱– | ₱378,155,071 |
| HTM investments | 6,297,160,291 | – | – | 6,297,160,291 |
| Loans and Receivables | | | | |
| Accounts receivables | 61,258,920 | – | 19,998,516 | 81,257,436 |
| Accrued interest receivable | 70,078,688 | – | – | 70,078,688 |
| 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 |
| 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 |

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:

**2016**

| | Up to one year | 1-3 years | 3-5 years | Over 5 years | No term | Total |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| **Cash and other cash items** | ₱132,874,089 | ₱– | ₱– | ₱– | ₱– | ₱132,874,089 |
| **HTM investments** | 186,059,170 | 84,277,723 | 1,595,713,987 | 6,081,581,424 | – | 7,947,632,304 |
| **Loans and Receivables** | | | | | | |
| Accounts receivables | 22,011,130 | 716,816 | – | – | – | 22,727,946 |
| Accrued interest receivable | 79,338,746 | | – | – | – | 79,338,746 |
| Loans receivables | 25,000,000 | 10,000,000 | – | – | – | 35,000,000 |
| Advances for future stock subscription | 4,000,000 | – | – | – | – | 4,000,000 |
| Other receivables | 3,734,221 | 173,597 | – | – | – | 3,907,818 |
| Short-term investments | 113,413,490 | | – | – | – | 113,413,490 |
| Long-term investments | 1,615,075 | 71,065,970 | 402,707,594 | – | – | 475,388,639 |
| **AFS financial assets** | – | – | – | – | 598,209,449 | 598,209,449 |
| | ₱568,045,921 | ₱166,234,106 | ₱1,998,421,581 | ₱6,081,581,424 | ₱598,209,449 | ₱9,412,492,481 |
| **Financial liabilities** | | | | | | |
| **Other financial liabilities** | | | | | | |
| Accounts payable - CAMIA | ₱9,200,683 | ₱– | ₱– | ₱– | ₱– | ₱9,200,683 |
| Claims payable | 54,318,712 | – | – | – | – | 54,318,712 |
| Collection fee payable | 42,163,432 | 401,825 | – | – | – | 42,565,257 |
| Accrued expenses | 10,917,469 | – | – | – | – | 10,917,469 |
| | ₱116,600,296 | ₱401,825 | ₱– | ₱– | ₱– | ₱117,002,121 |

2015

| | Up to one year | 1-3 years | 3-5 years | Over 5 years | No term | Total |
|---|---|---|---|---|---|---|
| Financial assets | | | | | | |
| Cash and other cash items | ₱378,155,071 | ₱– | ₱– | ₱– | ₱– | ₱378,155,071 |
| HTM investments | 700,866,660 | 186,129,439 | 230,869,105 | 5,179,295,087 | – | 6,297,160,291 |
| Loans and Receivables | | | | | | |
| Accounts receivables | 70,715,498 | 10,541,938 | – | – | – | 81,257,436 |
| 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 |
| | ₱1,519,061,023 | ₱289,049,638 | ₱230,869,105 | ₱5,179,295,087 | ₱436,964,669 | ₱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 |

*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.

| | **2016** | | 2015 | |
|---|---|---|---|---|
| | **U.S. Dollar[1]** | **Peso Equivalent** | U.S. Dollar[1] | Peso Equivalent |
| Cash in bank | **$10,881** | **₱541,998** | $12,210 | ₱574,603 |
| Short-term investments | **5,540** | **275,944** | 5,501 | 258,877 |
| Total | **$16,421** | **₱817,942** | $17,711 | ₱833,480 |

[1] The exchange rate used was ₱49.81 to US$1.00 in 2016 and ₱47.06 to US$1.00 in 2015.

*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** |
|---|---|---|---|
| **2016** | **USD** | **+0.11** | **₱29,147** |
| | | **-0.11** | **(₱29,147)** |
| 2015 | USD | +0.80 | ₱6,657 |
| | | -0.80 | (₱6,657) |

*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, 2016 and 2015 that are exposed to fair value interest rate risk presented by maturity profile.

**2016**

| | **Range of interest rate** | **Up to a year** | **Over one (1) year** |
|---|---|---|---|
| Cash and cash equivalents-regular deposit | **0.10% to 2.00%** | **₱56,420,739** | **₱–** |
| Cash and cash equivalents-time deposits | **1.75 % to 1.80 %** | **76,282,192** | **–** |
| Short-term investments | **0.75 % to 4.25 %** | **113,413,490** | **–** |
| Long term investments | **4.00% to 6.00%** | **1,615,075** | **473,773,564** |
| HTM investments | **3.25% to 7.75 %** | **186,059,170** | **7,761,573,134** |
| Total financial assets | | **₱433,790,666** | **₱8,235,346,698** |

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 |

*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** |
|---|---|---|---|
| **2016** | **₱166,145,575** | **+10%** | **₱16,809,418** |
| | | **-10%** | **(₱16,809,418)** |
| 2015 | ₱269,889,468 | +10% | ₱26,988,947 |
| | | -10% | (₱26,988,947) |

## 29. 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, 2016 and 2015, 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.

## 30. Appropriated Fund Balance

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

| | Guaranty fund (Note 7) | CARD MRI Disaster Relief Assistance Program (CDRAP) | Experience Refund | Enhancement of IT System | Total |
|---|---|---|---|---|---|
| At January 1, 2015 | ₱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** |
| Appropriation | **12,471,700** | **37,242,597** | **33,547,858** | **10,322,396** | **93,584,551** |
| Reversal of Appropriation | **(1,510,678)** | **(39,386,927)** | **–** | **–** | **(40,897,605)** |
| Utilization of appropriation | **–** | **(30,613,073)** | **(32,989,557)** | **–** | **(63,602,630)** |
| At December 31, 2016 | **₱137,861,701** | **₱–** | **₱558,301** | **₱10,322,396** | **₱148,742,398** |

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 ₱37.24 million and ₱44.32 million in 2016 and 2015, 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. In 2016, reversal and utilization of appropriation amounted to ₱39.39 million and ₱30.61 million, respectively. These reversals, approved by the BOT, pertain to unused funds at year-end.

The Association also appropriated ₱33.55 million for Experience Refund for distribution to the members. While the appropriation of ₱10.32 million was set for the enhancement of CARD Microinsurance System.

## 31. Supplementary Tax Information Required Under Revenue Regulations 15-2010

The Association reported and/or paid the following types of taxes in 2016:

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 ₱1.05 million from its rental income and interest earned from loans receivables amounting ₱0.85 million and ₱0.20 million, respectively.

b. The Association did not incur any Input VAT in 2016.

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 2016:

| | |
|---|---|
| *Local tax* | |
| License and permit fees | ₱1,509,493 |
| Real property taxes | 1,825,429 |
| Professional Fee taxes | 125,808 |
| Documentary stamp taxes | 32,403 |
| Transfer tax | |
| Others | 57,284 |
| | 3,550,417 |
| *National tax* | |
| Registration fees | 19,964 |
| | ₱3,570,381 |

c. Withholding Taxes

Details consist of the following:

| | |
|---|---|
| Withholding taxes on compensation and benefits | ₱2,978,649 |
| Expanded withholding taxes | 2,322,903 |
| | ₱5,301,552 |

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.

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

**SUPPLEMENTARY SCHEDULE REQUIRED UNDER SECURITIES REGULATOR CODE RULE 68, AS AMENDED (2011)**
**DECEMBER 31, 2016**

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of December 31, 2016 | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| **Framework for the Preparation and Presentation of Financial Statements**<br>Conceptual Framework Phase A: Objectives and qualitative characteristics | | ✓ | | |
| **PFRSs Practice Statement Management Commentary** | | | | ✓ |
| **Philippine Financial Reporting Standards** | | | | |
| **PFRS 1 (Revised)** | First-time Adoption of Philippine Financial Reporting Standards | | | ✓ |
| | Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate | ✓ | | |
| | Amendments to PFRS 1: Additional Exemptions for First-time Adopters | | | ✓ |
| | Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters | | | ✓ |
| | Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters | | | ✓ |
| | Amendments to PFRS 1: Government Loans | | | ✓ |
| | Amendments to PFRS 1: Borrowing costs | | | ✓ |
| | Amendments to PFRS 1: Meaning of 'Effective PFRSs' | | | ✓ |
| **PFRS 2** | Share-based Payment | | | ✓ |
| | Amendments to PFRS 2: Vesting Conditions and Cancellations | | | ✓ |
| | Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions | | | ✓ |
| | Amendments to PFRS 2: Definition of Vesting Condition | | | ✓ |
| **PFRS 3 (Revised)** | Business Combinations | | | ✓ |
| | Amendments to PFRS 3: Accounting for Contingent Consideration in a Business Combination | | | ✓ |
| | Amendments to PFRS 3: Scope Exceptions for Joint Arrangements | | | ✓ |
| **PFRS 4** | Insurance Contracts | ✓ | | |
| | Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts | ✓ | | |
| | Amendments to PFRS 4, Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4 | Not Early Adopted | | |
| **PFRS 5** | Non-current Assets Held for Sale and Discontinued | | | ✓ |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of December 31, 2016 | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| | Operations | | | |
| | Amendments to PFRS 5: Changes in Methods of Disposal | | | ✓ |
| **PFRS 6** | Exploration for and Evaluation of Mineral Resources | | | ✓ |
| **PFRS 7** | Financial Instruments: Disclosures | ✓ | | |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets | ✓ | | |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition | ✓ | | |
| | Amendments to PFRS 7: Improving Disclosures about Financial Instruments | ✓ | | |
| | Amendments to PFRS 7: Disclosures - Transfers of Financial Assets | ✓ | | |
| | Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities | ✓ | | |
| | Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures | ✓ | | |
| | Amendments to PFRS 7: Servicing Contracts | | | ✓ |
| | Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements | | | ✓ |
| | Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version) | Not Early Adopted | | |
| **PFRS 8** | Operating Segments | | | ✓ |
| | Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets | | | ✓ |
| **PFRS 9** | Financial Instruments | | ✓ | |
| | Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures | | ✓ | |
| | Amendments to PFRS 9: Financial Instruments | | | ✓ |
| | Amendments to PFRS 9: Classification and Measurement (2010 version) | | | ✓ |
| | Amendments to PFRS 9: Hedge Accounting | | | ✓ |
| **PFRS 10** | Consolidated Financial Statements | | | ✓ |
| | Amendments to PFRS 9: Investment Entities | | | ✓ |
| | Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | | | ✓ |
| **PFRS 11** | Joint Arrangements | | | ✓ |
| | Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations | | | ✓ |
| **PFRS 12** | Disclosure of Interests in Other Entities | | | ✓ |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of December 31, 2016 | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| | Amendments to PFRS12: Investment Entities | | | ✓ |
| **PFRS 13** | Fair Value Measurement | ✓ | | |
| | Amendments to PFRS 13: Investment Entities | | | ✓ |
| | Amendments to PFRS 13: Short-term receivable and payables | | | ✓ |
| | Amendments to PFRS 13: Portfolio Exception | | | ✓ |
| **PFRS 15** | Revenue from Contracts with Customers | Not early adopted | | |
| **PFRS 16** | Leases | Not early adopted | | |
| **Philippine Accounting Standards** | | | | |
| **PAS 1 (Revised)** | Presentation of Financial Statements | ✓ | | |
| | Amendment to PAS 1: Capital Disclosures | ✓ | | |
| | Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation | | | ✓ |
| | Amendments to PAS 1: Presentation of Items of Other Comprehensive Income | ✓ | | |
| | Amendments to PAS 1: Clarification of the requirements for comparative information | ✓ | | |
| | Amendments to PAS 1: Disclosure Initiatives | | | ✓ |
| **PAS 2** | Inventories | | | ✓ |
| **PAS 7** | Statement of Cash Flows | ✓ | | |
| | Amendments to PAS 7, Statement of Cash Flows, Disclosure Initiative | Not Early Adopted | | |
| **PAS 8** | Accounting Policies, Changes in Accounting Estimates and Errors | ✓ | | |
| **PAS 10** | Events after the Reporting Period | ✓ | | |
| **PAS 11** | Construction Contracts | | | ✓ |
| **PAS 12** | Income Taxes | ✓ | | |
| | Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets | ✓ | | |
| | Amendments to PAS 12, Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses | Not Early Adopted | | |
| **PAS 16** | Property, Plant and Equipment | ✓ | | |
| | Amendment to PAS 16: Classification of servicing equipment | | | ✓ |
| | Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation | | | ✓ |
| | Amendments to PAS 16, Property, Plant and Equipment and PAS 38, Intangible Assets, Clarification of Acceptable Methods of Depreciation and Amortization | | | ✓ |
| | Amendments to PAS 16: Bearer Plants | | | ✓ |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of December 31, 2016 | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| **PAS 17** | Leases | ✓ | | |
| **PAS 18** | Revenue | ✓ | | |
| **PAS 19** | Employee Benefits (Revised) | ✓ | | |
| | Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures | | | ✓ |
| | Amendments to PAS 19: Defined Benefit Plans: Employee Contributions | | | ✓ |
| | Amendments to PAS 19: Regional market issue regarding discount rate | | | ✓ |
| **PAS 20** | Accounting for Government Grants and Disclosure of Government Assistance | | | ✓ |
| **PAS 21** | The Effects of Changes in Foreign Exchange Rates | ✓ | | |
| | Amendment: Net Investment in a Foreign Operation | | | ✓ |
| **PAS 23 (Revised)** | Borrowing Costs | | | ✓ |
| **PAS 24 (Revised)** | Related Party Disclosures | ✓ | | |
| | Amendments to PAS 24: Key Management Personnel | | | ✓ |
| **PAS 26** | Accounting and Reporting by Retirement Benefit Plans | ✓ | | |
| **PAS 27 (Amended)** | Separate Financial Statements | | | ✓ |
| | Amendments to PAS 27: Investment Entities | ✓ | | |
| **PAS 28 (Amended)** | Investments in Associates | ✓ | | |
| | Investments in Associates and Joint Ventures | ✓ | | |
| | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | | | ✓ |
| | Amendments to PFRS 10, PFRS 12 and PAS 28, Investment Entities: Applying the Consolidation Exception | | | ✓ |
| | Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle) | Not Early Adopted | | |
| **PAS 29** | Financial Reporting in Hyperinflationary Economies | | | ✓ |
| **PAS 31** | Interests in Joint Ventures | | | ✓ |
| **PAS 32** | Financial Instruments: Disclosure and Presentation | ✓ | | |
| | Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation | | | ✓ |
| | Amendment to PAS 32: Classification of Rights Issues | | | ✓ |
| | Amendments to PAS 32: Tax effect of distribution to holders of equity instruments | | | ✓ |
| | Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities | ✓ | | |
| **PAS 33** | Earnings per Share | | | ✓ |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of December 31, 2016 | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| **PAS 34** | Interim Financial Reporting | | | ✓ |
| | Amendments to PAS 34: Interim financial reporting and segment information for total assets and liabilities | | | ✓ |
| | Amendments to PAS 34: Disclosure of information 'elsewhere in the interim financial report' | | | ✓ |
| **PAS 36** | Impairment of Assets | ✓ | | |
| | Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets | ✓ | | |
| **PAS 37** | Provisions, Contingent Liabilities and Contingent Assets | ✓ | | |
| **PAS 38** | Intangible Assets | | | ✓ |
| | Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization | | | ✓ |
| | Amendments to PAS 16, Property, Plant and Equipment and PAS 38, Intangible Assets, Clarification of Acceptable Methods of Depreciation and Amortization | | | ✓ |
| **PAS 39** | Financial Instruments: Recognition and Measurement | ✓ | | |
| | Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities | | | ✓ |
| | Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions | | | ✓ |
| | Amendments to PAS 39: The Fair Value Option | | | ✓ |
| | Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts | ✓ | | |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets | ✓ | | |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition | ✓ | | |
| | Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives | | | ✓ |
| | Amendment to PAS 39: Eligible Hedged Items | | | ✓ |
| | Amendment to PAS39: Novation of Derivatives and Continuation of Hedge Accounting | | | ✓ |
| | Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version) | Not Early Adopted | | |
| **PAS 40** | Investment Property | ✓ | | |
| | Amendment to PAS 40: Interrelationship between PFRS 3 and PAS 40 | | | ✓ |
| **PAS 41** | Agriculture | | | ✓ |
| | Amendments to PAS 41: Bearer Plants | | | ✓ |
| | Amendments to PAS 40, Investment Property, Transfers of Investment Property | Not Early Adopted | | |

| **PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS**<br>**Effective as of December 31, 2016** | | **Adopted** | **Not Adopted** | **Not Applicable** |
|---|---|---|---|---|
| **Philippine Interpretations** | | | | |
| **IFRIC 1** | Changes in Existing Decommissioning, Restoration and Similar Liabilities | | | ✓ |
| **IFRIC 2** | Members' Share in Co-operative Entities and Similar Instruments | | | ✓ |
| **IFRIC 4** | *Determining Whether an Arrangement Contains a Lease* | | | ✓ |
| **IFRIC 5** | Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds | | | ✓ |
| **IFRIC 6** | *Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment* | | | ✓ |
| **IFRIC 7** | *Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies* | | | ✓ |
| **IFRIC 8** | *Scope of PFRS 2* | | | ✓ |
| **IFRIC 9** | Reassessment of Embedded Derivatives | | | ✓ |
| | Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives | | | ✓ |
| **IFRIC 10** | *Interim Financial Reporting and Impairment* | | | ✓ |
| **IFRIC 11** | PFRS 2 - Group and Treasury Share Transactions | | | ✓ |
| **IFRIC 12** | Service Concession Arrangements | | | ✓ |
| **IFRIC 13** | Customer Loyalty Programmes | | | ✓ |
| **IFRIC 14** | The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction | | | ✓ |
| | Amendments to Philippine Interpretations IFRIC 14, Prepayments of a Minimum Funding Requirement | | | ✓ |
| **IFRIC 16** | Hedges of a Net Investment in a Foreign Operation | | | ✓ |
| **IFRIC 17** | Distributions of Non-cash Assets to Owners | | | ✓ |
| **IFRIC 18** | Transfers of Assets from Customers | | | ✓ |
| **IFRIC 19** | Extinguishing Financial Liabilities with Equity Instruments | | | ✓ |
| **IFRIC 20** | Stripping Costs in the Production Phase of a Surface Mine | | | ✓ |
| **IFRIC 21** | Levies | | | ✓ |
| **IFRIC 22** | Foreign Currency Transactions and Advance Consideration | | | ✓ |
| **SIC-7** | Introduction of the Euro | | | ✓ |
| **SIC-10** | Government Assistance - No Specific Relation to Operating Activities | | | ✓ |
| **SIC-12** | Consolidation - Special Purpose Entities | | | ✓ |
| | Amendment to SIC-12: Scope of SIC-12 | | | ✓ |
| **SIC-13** | Jointly Controlled Entities - Non-Monetary Contributions by Venturers | | | ✓ |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of December 31, 2016 | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| **SIC-15** | Operating Leases - Incentives | | | ✓ |
| **SIC-25** | Income Taxes - Changes in the Tax Status of an Entity or its Shareholders | | | ✓ |
| **SIC-27** | Evaluating the Substance of Transactions Involving the Legal Form of a Lease | | | ✓ |
| **SIC-29** | Service Concession Arrangements: Disclosures | | | ✓ |
| **SIC-31** | Revenue - Barter Transactions Involving Advertising Services | | | ✓ |
| **SIC-32** | Intangible Assets - Web Site Costs | | | ✓ |

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