

# CARD MRI'S

journey to 5-8-40...



CARD Mutual Benefit Association, Inc.  
ANNUAL REPORT  
2017





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**TECHNOLOGY**

# CARD Mutual Benefit Association, Inc. ANNUAL REPORT 2017

# ABOUT THE COVER

Since its humble beginnings, CARD MRI has always been eager in utilizing human ingenuity in its mission to uplift the lives of Filipino women and to eradicate poverty in the country. Our purposive journey together with technology can be traced back to our use of an old and battered typewriter and since then we have continued to integrate more and more innovations in our work and services.

CARD MRI's continuous shift to and integration of technology is reflected by our two covers, which aim to symbolize and portray CARD MRI's progress from the use of traditional or analog methods towards technologically-enabled solutions, and our constant improvement of our techniques and procedures.

At CARD MRI, we are passionate in transforming ourselves to adapt to the overwhelming technological changes that are affecting our daily lives and the world around us. It may be a challenging year ahead but we will make sure that all these innovations we are taking are always inclusive and grounded to the needs of our member-clients. No one will be left behind in this journey, this we assure.



# VISION


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

# MISSION

CARD MBA is committed to:

- Promote the welfare of marginalized sectors of the Philippine society and to other sectors as maybe determined by the Board;
- Extend financial assistance to its members in the form of death benefits, medical subsidy, pension and loan redemption assistance;
- Ensure continued access to benefits/resources by actively involving the members in the direct management of the association that will include implementation of policies and procedures geared towards sustainability and improved services;
- 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.

# FULFILLING THE DREAM



Representing CARD Mutual Benefit Association, Inc. (CARD MBA) is the greatest blessing that I have received in my life. I never expected that out of millions of members across the nation, I will be chosen to lead the association.

It was only in 2006 when I first joined CARD MBA. My cousin told me about how CARD MBA can help me and those around me. Because I was so convinced of the benefits, I decided to establish a center in our home in Los Baños, with my relatives, neighbors and friends as members. Since I initiated the endeavor, I was designated as the center chief. The effort to spread the word about CARD MBA resulted to recruitment of many members, resulting to establishment of more centers in our area.

In 2013, the management needed a coordinator to validate claims and I was assigned to do that. I started to attend center meetings in other areas to promote the products and benefits of CARD MBA. All I wanted was for more people to join CARD MBA and for the members to get the benefits that they deserve. I recruit members everywhere and every chance I get.

When the idea of being a board member was suggested to me, I readily declined because I had no confidence that I will be able to perform such work. I was not even used to talking in front of a lot of people. But the perseverance of our provincial manager made me accept the challenge that was presented to me.

Everything happened so fast. It was like a fairy tale! I eventually became a board member and was elected as the President. I was overwhelmed and happy that I was trusted with a very huge responsibility and at the same time nervous that I may not be able to handle the task given to me.

But all my apprehensions vanished because of the huge support that


was given to me by the management. I am very fortunate that trainings and continuous encouragement are being provided to help me perform my duty.

Development in technology has helped a lot in improving the services of our association. Before, since the documents were personally being brought to the provincial offices, processing of claims take time. But now that the documents can just be scanned and sent to the provincial offices thru email, claims are being processed a lot faster and more efficient than before. Also, disbursement of claims had to be done in person, but now, the claimants have an option for their claims to be deposited to their ATM accounts. This saves time for both parties. Even the loan release has been faster now. Before, members must wait in line at MBOs or banks for a good amount of time just to get their loans; but now, loans can be deposited to their Matapat ATM accounts. Aside from these developments, the most significant improvement that the association has was the shift from the 1-3-5 days target to the 8-24 working hours claim settlement.

I'm looking forward to the plans of CARD MBA towards digitization. I feel excited but nervous at the same time since this advancement in technology might be quite challenging for the members who are of old age. But as they say, new things may be learned even if it seems to be difficult at the start, so I'm hoping that through CARD MBA, technological knowledge will be shared so that the members can keep up with the so called "millenials."

Who would have thought that a single sari-sari store owner who did not finish college will lead a very successful institution and mingle with other notable names in the industry? As President, I will work harder to increase the membership of CARD MBA. My dream is that more Filipinos will have access to the services of CARD; with more people understanding the importance of microinsurance.

My heart is full and I am really thankful to the Lord that I have become a member of CARD MBA. I promise that I will give all of myself to serve and do my best at all times; always working to advance the condition of the association, its management and staff, and most importantly, its members.

  
**Violeta G. Aquino**  
 President



# RESILIENCE AND STRENGTH *IN OUR SERVICE*

**MAY S. DAWAT**

Chief Executive Officer

***"It is true that CARD MBA is already a very resilient institution, but we aim to be stronger to help more people and cover more lives."***

CARD Mutual Benefit Association, Inc. (CARD MBA) has been the country's premier microinsurance provider for many years now. Like many years before the last, CARD MBA continues to provide the best microinsurance products in the market. Our membership is now more than four million with more than 15 million lives insured. We are present nationwide with 54 provincial offices providing assistance to CARD MRI and all CARD MBA members.

## **WHAT WE HAVE DONE**

In 2017, enhancement of the Basic Life Insurance Program (BLIP) and Loan Redemption Fund (LRF) Plus were implemented. Multiple policy coverage, extension of basic life as mandatory requirement for BLIP members, entitlement of members with less than three years of membership to 50% refund of contribution, and extension of credit life to 75 years old members were the highlights of the changes, all to the advantage of the members.

Other products were also focused on. The Katuparan Plan was piloted in eight units of CARD SME Bank and Rizal Bank. It is also important to note that CARD MBA's presence increased to 67% with the opening of three additional provincial offices. These are Laoag in Ilocos Norte, Cainta in Rizal, and Tubod in Lanao del Norte.

Strengthening the operations, since the 1-3-5 day strategy has been very well implemented at 98%, we were challenged to pay the claims in terms of hours. We are now at 93% performance in terms of implementing the 8-24 working hour strategy. Workshops focused on claims settlement processes were also conducted while workforce capacity was enhanced through various training programs.

### CAPACITY DEVELOPMENT

A new set of Board of Trustees was elected. They were given exposure to the industry and preparation on different aspects of governance and leadership. More training programs will be provided to them during their term in office.

Aside from various trainings, seminars and workshop attended by the management and staff, pursuance of graduate studies is highly encouraged. In fact, our Compliance Officer recently earned her Master's Degree from the Southeast Asia Interdisciplinary Development Institute (SAIDI).

Moreover, we continue to explore international markets through strengthening partnerships with MEADA Rabrong PLC in Cambodia and TYM in Vietnam and intensify the promotion of the microinsurance technology of CARD MRI to ICMIF, AOA, and RIMANSI network in numerous conferences and management forums.

### DIGITIZATION ALREADY IN PLACE

During the early years, CARD MBA

contracted a developer for a system that will be used for operations. The system developed, however, was not used at all because it did not capture the essential aspects of the CARD MRI processes.

In 2013, CARD MBA employees started using the CARD Microinsurance System (CMS). It was developed exclusively for CARD MBA by the CARD MRI Information Technology, Inc. (CMIT). In 2014, it was implemented in full blast. The CMS is web-based, which can be accessed by all of CARD MBA main and provincial office staff. All updates can be viewed real-time anywhere with internet connectivity. Every data about the members and their legal dependents, to historical data about claims are all stored in the system. We also developed a structure on who can access, check, approve or simply view the information encoded.

The year 2018 will mark the digital transformation of CARD MBA. To start, deployment of mobile application for claims settlement, from notification to disbursement, using e-claims notification, e-claims form, and e-claims payment will be implemented. This system, which will use codes, is still being firmed up and will be rolled out the soonest. With the new system, the management and the main office personnel will be able to see claims application faster and make a decision about it immediately. This will result to a more efficient and more effective claims settlement.

Automation of underwriting processes



will also be done with particular focus on lapsed payment, retirement notification, and mobile advertisement. In addition, more e-learning trainings will be given to CARD MBA coordinators for their development.

### FUTURE ADVANCEMENTS

CARD MBA fully supports the 5-8-40 strategy. We aim to insure 40 million individuals with the current products and the introduction of a *Shari'ah* inspired insurance and microinsurance products for extended family members.

Since the market is getting bigger, four additional provincial offices will be opened while two more clusters will be established. Also, CARD MBA coordinators will be highly involved in marketing and promotion of optional products.

With all the success and challenges, CARD MBA will continue to serve and explore more avenues to promote the welfare of the marginalized sector. We will persist in doing our best to achieve our vision of serving our countrymen in times of need and uncertainties.



*In this age of technology, our journey to 5-8-40 has been challenged to its core. There were adjustments made but what remained is our commitment to eradicate poverty in the country. This year, we enhanced our insurance products and services, opened new provincial offices, strengthened partnerships with our local and international partners, participated in conferences, supported our staff and members, and implemented community development activities. All these are our ways of making a better Philippines.*



# OPERATIONAL HIGHLIGHTS



TOTAL ACTIVE  
MEMBERS

**4,225,804**



TOTAL INSURED  
INDIVIDUALS

**15,321,881**



TOTAL CLAIMS

**PhP1,132,922,557**



TOTAL ASSETS

**PhP13,041,530,763**



TOTAL CONTRIBUTION

**PhP3,827,723,567**



PAID W/IN 8-24  
WORKING HOUR  
STRATEGY

**93.56%**



PROVINCIAL OFFICES

**54**



STAFF

**333**



MBA  
COORDINATORS

**1,745**



### BASIC LIFE INSURANCE

NO. OF CLAIMS:

**43,578**

AMOUNT

**PhP700,226,994**



### GOLDEN LIFE INSURANCE

NO. OF CLAIMS:

**154**

AMOUNT:

**PhP6,800,000**



### RETIREMENT SAVINGS FUND

NO. OF CLAIMS:

**270,179**

AMOUNT:

**PhP141,952,480**



### LOAN REDEMPTION FUND

NO. OF CLAIMS:

**10,417**

AMOUNT:

**PhP99,155,466**



### REFUND OF CONTRIBUTION

NO. OF CLAIMS:

**272,768**

AMOUNT:

**PhP185,550,531**



### GLIP CASH SURRENDER VALUE

NO. OF CLAIMS:

**123**

AMOUNT:

**PhP232,086**



### CARD MRI DISASTER RELIEF ASSISTANCE PROGRAM

NO. OF CLAIMS:

**128,475**

AMOUNT:

**PhP29,026,876**



### MASS WEDDING

NO. OF COUPLES:

**143**

AMOUNT:

**PhP94,876**

# COMMUNITY DEVELOPMENT

Driven by our goal to create an impact to more socioeconomically challenged Filipinos, CARD MBA has 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 aims 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.

Under the CARD Scholarship Program (CSP) of CARD MRI, we provided scholarship to the children of members of our CARD MBA coordinators and BOAT partners as an additional provision to the loyal and performing members. With this program, we were able to help students achieve their dream of earning a college degree by providing quarterly financial assistance in college. This year, CARD MBA was able to support 25 scholars and has aided three students in graduating.

In line with our goal to provide assistance and security

to our members without additional contributions, 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. Through CDRAP, a total of 128,475 relief packages were distributed to communities that were affected by the typhoons like Urduja, Vinta, and Auring, and the siege in Marawi for the year 2017. Furthermore, we conducted our Kaunlaran Caravan and Community Health Days in the communities where we are present. We also organized mass weddings for our members who are not legally married. This year, we were able to facilitate weddings for 143 couples. 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.



**Mass Wedding**



**Kaunlaran Caravan**



**CARD MRI Disaster Relief Assistance Program**

# **CORPORATE GOVERNANCE**

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

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

## **CORPORATE GOVERNANCE CONFIRMATION STATEMENT**

CARD MBA, Inc. complies with laws, rules and regulations being implemented by regulatory bodies including the Insurance Commission's (IC) Corporate Governance Principles and Leading Practices, and other related guidelines. The Board of Trustees and the Management are guided by the principles and practices reflected in the Corporate Governance Manual and Code of Discipline. Thus, CARD MBA, Inc. confirms its full adherence to the code of Corporate Governance.

## **BOARD OF TRUSTEES**

The Association's Board of Trustees are composed of 13 non-executive officers from the group of members of the Association and two independent trustees who are professionals and experts in their own fields. The Board of Trustees is the governing body of the Association. Trustees are primarily responsible for approving and overseeing the implementation of the policies and procedures, action plans, and preserving corporate values. They are also responsible in overseeing the performance of the senior management towards the attainment of the Association's strategic objectives.

Because they are members of the Association, they know exactly what our members need and how we can solve them. Having them as our leaders will ensure the sound corporate governance of the Association. The Association continuously demonstrates competence and excellence in the field of both microinsurance and empowerment, which we further build on our Trustees' skills and capabilities as leaders by sending them to different trainings and seminars.

Each of the members of the BOT receives incidental expenses of Php5,000 for their cost during attendance to meetings and on their monthly visitation to centers and members.



The Board holds regular meetings every other month. Below is the attendance for the meetings held in 2017:

Name of Trustees	Total No. of Meetings	No. of Meetings Attended	Percentage Rating
Ms. Eulalia A. Villanueva*	5	5	100%
Ms. Analyn R. Andrade*	5	5	100%
Ms. Thelma M. Magculang*	5	5	100%
Ms. Eden A. Jacalne*	5	5	100%
Ms. Juvelyn D. Garcia*	5	5	100%
Ms. Charito A. Antolin*	5	5	100%
Ms. Rosemarie C. Cortez	6	6	100%
Ms. Nancy V. Santiago	6	6	100%
Ms. Carolina B. Banadera	6	6	100%
Ms. Judith I. Maurillo	6	6	100%
Ms. Teresita L. Sasa	6	6	100%
Ms. Luzviminda E. Corpuz	6	6	100%
Ms. Sonia Y. Reyes	6	6	100%
Ms. Arlette A. Umali	6	6	100%
Atty. Jomer H. Aquino	6	5	83%

\*Term has ended on September 8, 2017

NEWLY ELECTED BOARD OF TRUSTEE SEPTEMBER 9, 2017			
Ms. Violeta G. Aquino	1	1	100%
Ms. Analie R. Marasigan	1	1	100%
Ms. Hean D. Rosales	1	1	100%
Ms. Rosalie R. Barandino	1	1	100%
Ms. Fidela C. Gabatin	1	1	100%
Ms. Minerva M. Arcullo	1	1	100%

## BOARD COMMITTEES

### AUDIT COMMITTEE

Ms. Arlette A. Umali – Chairperson

Mr. Josef M. Leron

Ms. Juvelyn D. Garcia (term ended on September 8, 2017)

Ms. Thelma M. Magculang (term ended on September 8, 2017)

Ms. Nancy V. Santiago (term ended on September 8, 2017)

Ms. Analie R. Marasigan (term started September 9, 2017)

Ms. Carolina B. Bañadera (term started September 9, 2017)

Ms. Rosalie R. Barandino (term started September 9, 2017)



The Audit Committee is composed of five (5) members who are all non-executive officers and chaired by an Independent Trustee. Its role is to provide oversight of the internal and external audit functions. It is responsible for setting up the internal audit department and the appointment of the internal auditor as well as the independent external auditor who shall both report directly to the audit committee. Likewise, it approves and reviews the audit scope and frequency and shall receive key audit reports and ensure that the senior management is taking necessary corrective actions in a timely manner to address weaknesses, non-compliance with policies, laws and regulations identified by auditors.

The Audit Committee certifies that CARD MBA, Inc., has sufficient internal control systems implemented on 2017 and is aware that constant review of the said systems and procedures is a must to keep abreast with the changing times.

The Audit Committee meets every first Monday of every month. Table below shows the 2017 attendance of each member in the meeting.

Name	No. of Audit Committee Meetings	No. of Meetings Attended	Percentage Rating
Ms. Arlette A. Umali (Independent Trustee)	12	12	100%
Mr. Josef M. Leron	12	11	92%
Ms. Juvelyn D. Garcia	12	12	100%
Ms. Thelma M. Magculang	9	9	100%
Ms. Nancy V. Santiago	9	9	100%
Ms. Analie R. Marasigan	3	3	100%
Ms. Carolina B. Bañadera	3	3	100%
Ms. Rosalie R. Barandino	3	3	100%

REMUNERATION COMMITTEE

- Atty. Jomer H. Aquino – Chairperson
- Ms. Deverna dt. Briones
- Ms. May S. Dawat
- Mr. Solomon A. Aramil
- Ms. Eulalia A. Villanueva (term ended on September 8, 2017)
- Ms. Violeta G. Aquino (term started on September 9, 2017)

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

Remuneration committee meeting held on July 4, 2017 and November 29, 2017 with the following details of attendance:

Name	No. of Remuneration Committee Meetings	No. of Meetings Attended	Percentage Rating
Atty. Jomer H. Aquino (Independent Trustee)	2	2	100%
Ms. Deverna dT. Briones	2	2	100%
Ms. May S. Dawat	2	2	100%
Mr. Solomon A. Aramil	2	2	100%
Ms. Eulalia A. Villanueva	1	1	100%
Ms. Violeta G. Aquino	1	1	100%

TREASURY COMMITTEE

- Ms. Mary Jane A. Perreras – Chairperson
- Ms. Lorenza dT. Bañez
- Ms. Janet D. Caneo
- Ms. Marie Sharon D. Roxas
- Ms. Jennifer O. Redublo
- Ms. Eulalia A. Villanueva (term ended on September 8, 2017)
- Ms. Eden A. Jacalne (term ended on September 8, 2017)
- Ms. Violeta G. Aquino (term started on September 9, 2017)
- Ms. Hean D. Rosales (term started on September 9, 2017)

The Treasury Committee is a body whose responsibility is to review and give advice and recommendations for actions on financial matters, particularly in investment. It ensures that a good investment house is selected for the funds of the Association to be in good hands.

The committee meets every third Monday every two months. Table below shows the 2017 attendance of each member in the meeting.

Name	No. of Treasury Committee Meetings	No. of Meetings Attended	Percentage
Ms. Mary Jane A. Perreras	6	5	83%
Ms. Lorenza dT. Bañez	6	5	83%
Ms. Janet D. Caneo	6	6	100%
Ms. Marie Sharon D. Roxas	6	6	100%
Ms. Jennifer O. Redublo	6	4	66%
Ms. Eulalia A. Villanueva	6	6	100%
Ms. Eden A. Jacalne	6	6	100%
Ms. Violeta G. Aquino	5	5	100%
Ms. Hean D. Rosales	1	1	100%

## PRODUCT DEVELOPMENT AND INNOVATION COMMITTEE (PDIC)

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. Eulalia A. Villanueva (term ended on September 8, 2017)

Ms. Analyn R. Andrade (term ended on September 8, 2017)

Ms. Violeta G. Aquino (term started on September 9, 2017)

Ms. Nancy V. Santiago (term started on September 9, 2017)

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

PDIC meets every first Friday of every month. The chairperson is an independent consultant who has deep knowledge and expertise in the field of microinsurance and product development. Table below shows the 2017 attendance of each member in the meeting.

Name	No. of PDIC Committee Meetings	No. of Meetings Attended	Percentage
Mr. Wilfredo M. Llanto	10	10	100%
Ms. May S. Dawat	10	10	100%
Ms. Janet D. Caneo	10	10	100%
Ms. Arlene R. Umandap	10	10	100%
Mr. Mauricio B. Maur	10	10	100%
Mr. Michael Kelvin N. Junos	10	10	100%
Ms. Eulalia A. Villanueva	9	9	100%
Ms. Analyn R. Andrade	9	9	100%
Ms. Violeta G. Aquino	1	1	100%
Ms. Nancy V. Santiago	1	1	100%

## NOMINATION COMMITTEE (CENTRAL SELECTION COMMITTEE)

Ms. Devena Dt. Briones – Chairperson

Atty. Jomer H. Aquino

Ms. Arlette A. Umali

Atty. Anatalia F. Buenaventura

Ms. Abundia C. Manabes

## ELECTION COMMITTEE

Atty. Charlene F. Bacud

Ms. Joanne A. Cajés

Ms. Laarne D. Paje

Nomination of CARD MBA's Board of Trustees underwent two level of screening during the Nomination Committee meetings (Central Selection Committee) on May 24, 2017 and on June 6, 2017. All members of the nomination and election committee are all independent and hold no executive position. The assessment, review and background investigation of the nominated was conducted to scrutinize the eligibility of the nominees.

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

## RISK OVERSIGHT COMMITTEE

Atty. Jomer H. Aquino – Chairperson

Ms. May S. Dawat

Ms. Janet D. Caneo

Ms. Arlene R. Umandap

Ms. Juliana B. De Leon

Ms. Cynthia B. Baldeo

Mr. Wilfredo M. Llanto

Ms. Eulalia A. Villanueva (term ended on September 8, 2017)

Ms. Violeta G. Aquino (term started on September 9, 2017)

The Risk Oversight Committee is responsible for the identification and evaluation of risk exposure of CARD MBA, and the development of risk management strategies and plan and oversees its implementation. The committee

meets every first Friday of every two months. The next table shows the 2017 attendance of each member in the meeting.

Name	No. of Risk Committee Meetings	No. of Meetings Attended	Percentage
Atty. Jomer H. Aquino	6	5	83%
Ms. May S. Dawat	6	5	83%
Ms. Janet D. Caneo	6	6	100%
Ms. Arlene R. Umandap	6	6	100%
Ms. Juliana B. De Leon	6	4	66%
Ms. Cynthia B. Baldeo	6	6	100%
Mr. Wilfredo M. Llanto	6	6	100%
Ms. Eulalia A. Villanueva	5	5	100%
Ms. Violeta G. Aquino	1	1	100%

RELATED PARTY TRANSACTION COMMITTEE

In order to ensure that related party transactions are undertaken in a fair and arm’s length basis for the financial, commercial and economic benefit of CARD MBA and of CARD MRI’s institutions, a Related Party Transaction committee was established on November 3, 2017 with the following members:

- Atty. Jomer H. Aquino
- Ms. Violeta A. Aquino
- Ms. Minerva M. Arcullo
- Ms. Rowena F. Galarde
- Ms. Lousel E. Cortez
- Ms. Joan A. Cajes

No Related Party Transaction committee meeting was held yet in 2017.

INDEPENDENT CHECKS AND BALANCES

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

Internal Auditor

Under the direct supervision of the Board Audit Committee, the Internal Audit Group is tasked to provide independent assessment and reasonable assurance of the adequacy and effectiveness of the Association’s internal controls. The Internal Audit Unit is headed by Ms. Joan A. Cajes. 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. (SGV) with CPA Certificate No. 0091096 is authorized to certify financial statements of the association. The external auditor was paid Php570,000 for its engagement to audit the financial statements for the year 2017. There were no non-audit engagement in 2017, hence, no non-audit fees paid. In the 2016 Audited Financial Statement, SGV gave an unqualified opinion and it was affirmed by the Board of Trustees during the BOT meeting on March 3, 2017.

Company Compliance

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

CODE OF CONDUCT AND BUSINESS ETHICS

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

### Related Party Transactions

The Association complies with the legal and regulatory requirements pertaining to the approval and disclosure of the related party transactions. All related party transactions are presented to the Board of Trustees for their approval and ensured that these are conducted to the best interest of the Association, its members and stakeholders. Details of Related Party transactions (RPTs) are provided in Note 22 of the Audited Financial Statement.

### Transparency and Disclosures

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

To ensure wider information access for the members and stakeholders, these disclosures and other corporate information are also uploaded in CARD MBA's official website - [www.cardmba.com](http://www.cardmba.com), including the revised Corporate Governance Manual. Further, a quarterly newsletter of the association called KASAPI is being issued to keep members and stakeholders updated on the activities, challenges, and achievements of the association. This is aside from the monthly Operations Update of the association which is posted in the Provincial Offices (branches) and in the corporate website.

### Board Performance Evaluation

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

The Board conducted the self-performance assessment and peer performance assessment on November 6, 2017. The criteria of assessment is based on the Board of Trustees Performance of Duties and Responsibilities. Every Board is invited to rate themselves and their colleagues using a rating scale with numerical scores and merit interpretations below:

#### Rating Scale

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

### STAKEHOLDER INTEREST

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

#### Members' Satisfaction

Using a feedback gathering tool checklist, the Board of Trustees collected feedback from the members regarding their satisfaction in CARD MBA programs including its amount of contribution and benefits. Members also rate the efficiency of claims settlement and how information dissemination are conducted. Suggestions and recommendations are also taken.

#### Member's Health and Safety

Under the Community Development Group, the Microfinance and Health Protection (MaHP) Unit visits communities where members of the Association and their family members are present. They conduct Community Health Days wherein free medical and dental services can be availed. As of December 2017, MaHP has provided these health services to a total of 256,791 individuals.

#### Disaster Preparedness and First Aid Training

On February 3, 2017, employees of the Association underwent a Fire and Earthquake Drill and a First Aid and Robbery Theft Training conducted by the San Pablo City Fire Department and the PNP. This aimed to orient and teach all the participants on how to be prepared in times of inevitable and sudden disasters or unfortunate events and for their own protection.

#### Supplier/Contractor Selection Criteria

The Bidding Committee conducted a review of the accredited suppliers to ensure that the Association acquires effective and efficient third-party products and services last January 16, 2017, May 16, 2017, and June 20, 2017. The due diligence considered the financial stability of the supplier, the ability to provide competitive prices and good products and services and its compliance with the regulatory requirements.

#### Environmentally-friendly Value Chain

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

practices in ecological waste management. As the issue of climate change continues to threaten our water resources, we implemented a policy that encourages all our offices to use water efficiently. All our employees are encouraged to save water when raining, to use a glass when brushing their teeth, and to use a basin when washing their clothes at home or in the staff house.

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

**Interaction with Communities**

CARD MBA takes part in activities in the communities. This year, we participated in a family fun run to support savings mobilization in empowering marginalized people. The fun run was held at the Sampaloc Lake, San Pablo City, Laguna on July 1, 2017.

**Anti-Corruption Program/Whistle Blowing Policy**

As CARD MBA is committed to observe the value of integrity in all its transactions, the Board and the Management ensure that there is a strict implementation of the anti-corruption program. Different programs are continuously being implemented such as Bantay-Integridad, Paid Mandatory Leave, and Cluster Manager’s Audit Monitoring System.

Bantay-Integridad program 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. Paid Mandatory Leave (PML) is another mechanism in ensuring protection of institution’s assets by having on the spot mandatory leave to randomly selected employees to conduct the on the spot monitoring. On the other hand, Cluster Manager’s Audit Monitoring System (CMAMs) is a form

of audit monitoring of one office by a Cluster Manager from the other cluster/region. In 2017, there were 11 PML and five CMAMs conducted in different offices in Luzon, Visayas and Mindanao.

**Creditors’ Right**

The Association has no credit obligation/s to any third party. However, the Association is committed to meet its obligations to the members, suppliers, and third party service providers by monthly monitoring of the liquidity ratio and by matching of asset versus the liabilities to ensure enough liquidity to meet its obligations. In accordance with the law, 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.

**EMPLOYEES AND MEMBERS’ DEVELOPMENT PROGRAM**

**Annual Physical Examination (APE)**

To ensure that all staff are in their best condition to serve our members, an annual physical examination was conducted. A total of 278 staff underwent APE last 2017.

**Training and Development**

**LOCAL TRAININGS**

RANK	#	AVERAGE TRAINING HOURS	EQUIVALENT NO. OF DAYS
Staff	127	17	2 days
Manager	56	20	2 days

**INTERNATIONAL TRAININGS**

RANK	#	AVERAGE TRAINING HOURS	EQUIVALENT NO. OF DAYS
Manager	14	51	6 days

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

As part of the management's goal to give more training and development, selected staff from CARD MBA were given an opportunity to study Master Degree Programs. Mr. Edison P. Tuico took up the Master of Science in Development Management and Governance, major in Microfinance Institution and Micro insurance Institutions in partnership

with the University of the Philippines – Los Baños (UPLB); Ms. Maribel A. Monterola took up the Master in Productivity and Quality Management, major in Microfinance Management in partnership with the Development Academy of the Philippines (DAP); Mr. John Paulino P. Icaro and Mr. Ronald Saway took B.S Entrepreneurship while Mr. Vincent M. Saltorio, Ms. Cyrin Javilona, and Ms. Aimee Deza took up B.S. Accountancy in partnership with CARD-MRI Development Institute (CMDI).

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

### Board of Trustees

Name of Trustees	Microinsurance Forum: Risk Protection and Microinsurance Development for a Resilient Nation	ICMIF Conference in United Kingdom	Financial, Compliance and Professional Image Course	Governance and AMLA Workshop
	January 24-26, 2017	October 17-20, 2017	October 23, 2017	October 24-25, 2017
Ms. Eulalia A. Villanueva	✓	✓		
Ms. Thelma M. Magculang	✓	✓		
Ms. Violeta G. Aquino			✓	✓
Ms. Analie R. Marasigan			✓	✓
Ms. Hean D. Rosales			✓	✓
Ms. Rosalie R. Barandino			✓	✓
Ms. Fidela C. Gabatin			✓	✓
Ms. Minerva M. Arcullo			✓	✓

### Members

On 2017, 245 MBA coordinators were enrolled in e-Learning offered by CMDI, an online learning session with five modules about topics on microinsurance and how CARD MRI does it. A graduation ceremony will be conducted once the MBA coordinator has passed all the modules. Furthermore on January 24-26, 2017, 29 members attended the 2017 Microinsurance forum in RIMANSI.

# BOARD OF TRUSTEES PROFILE



## **Ms. Violeta G. Aquino**

48, Filipino, is a member of the Board of Trustees since September 9, 2017 and was elected as the President of CARD MBA, Inc. She is also a member of the CARD MBA Risk Oversight Committee, Remuneration Committee, Treasury Committee, and Product Development and Innovation Committee. She is a BS Education undergraduate and currently resides in Los Banos, Laguna. She has a sari-sari store business. Ms. Aquino holds no directorship or any position in any listed company.



## **Ms. Rosemarie C. Cortez**

60, Filipino, is a member of the Board of Trustees since September 9, 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 company.



## **Ms. Nancy V. Santiago**

56, Filipino, is a member of the Board of Trustees since September 9, 2016 and was elected as the Vice President of CARD MBA, Inc. on September 9, 2017. She is also a member of the Product Development and Innovation Committee. She has a degree in AB Economics and currently resides in Calasiao, Pangasinan. She has a direct selling business. Ms. Santiago holds no directorship or any position in any listed company.



## **Ms. Carolina B. Bañadera**

47, Filipino, is a member of the Board of Trustees since September 9, 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 company.



## **Ms. Analie R. Marasigan**

38, Filipino is a member of the Board of Trustees since September 9, 2017 and was elected as the Secretary of CARD MBA, Inc. She is also a member of the Audit Committee. She is a high school graduate and currently resides in Nagcarlan, Laguna. She has a sari-sari store and peanut butter selling business. Ms. Marasigan holds no directorship or any position in any listed company.



## **Ms. Judith I. Maurillo**

44, Filipino, is a member of the Board of Trustees since September 9, 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 company.



## **Ms. Hean D. Rosales**

51, Filipino, is a member of the Board of Trustees since September 9, 2017 and was elected as the Treasurer of CARD MBA, Inc. She is also a member of the Treasury Committee. She is a BS Commerce Major in Accounting graduate and currently resides in Malabon City, Metro Manila. She has a bakery and grocery business. Ms. Rosales holds no directorship or any position in any listed company.



## **Ms. Teresita L. Sasa**

49, Filipino, is a member of the Board of Trustees since September 9, 2016. She is a General Radio Communication Operations 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 company.



### **Ms. Luzviminda E. Corpuz**

54, Filipino, is a member of the Board of Trustees since September 9, 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 company.



### **Ms. Sonia Y. Reyes**

57, Filipino, is a member of the Board of Trustees since September 9, 2016. She is a Management graduate and currently resides in Buhangin, Davao City. She is into buy-and-sell and kalan manufacturing businesses. Ms. Reyes holds no directorship or any position in any listed company.



### **Ms. Rosalie R. Barandino**

44, Filipino, is a member of the Board of Trustees since September 9, 2017. She is a Midwifery Graduate and currently resides in Lucena City, Quezon. She is into buy-and-sell and flower shop business. Ms. Barandino holds no directorship or any position in any listed company.



### **Ms. Fidela C. Gabatin**

63, Filipino, is a member of the Board of Trustees since September 9, 2017. She is a BS Business Administration graduate and currently resides in Candon City, Ilocos Sur. She has a sari-sari store business. Ms. Gabatin holds no directorship or any position in any listed company.



### **Ms. Minerva M. Arcullo**

48, Filipino, is a member of the Board of Trustees since September 9, 2017. She is a high school graduate and currently resides in Tagaytay City, Cavite. She is into pineapple farming business. Ms. Arcullo holds no directorship or any position in any listed company.



### **Atty. Jomer H. Aquino**

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



### **Ms. Arlette A. Umali**

68, Filipino, has been an Independent Trustee of CARD MBA, Inc.'s Board of Trustees since November 1, 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 company.



# ***THE MANAGEMENT COMMITTEE***

**Ms. May S. Dawat**  
*Chief Executive Officer*

**Ms. Janet D. Caneo**  
*Deputy Director for  
Administration and Finance*

**Mr. Aristopher F. Punzalan**  
*Deputy Director for Operations  
- Luzon 1 Region*

**Mr. Mauricio B. Maur**  
*Deputy Director for Operations  
- Luzon 2 Region*

**Mr. Oliver M. Reyes**  
*Deputy Director for Operations  
- Visayas Region*

**Ms. Rona R. Nava**  
*Deputy Director for Operations  
- Mindanao Region*

**Ms. Arlene R. Umandap**  
*Deputy Director for  
Claims and Technical Support*

**Mr. Solomon A. Aramil**  
*Senior Administration Manager*

**Ms. Jennifer O. Redublo**  
*Compliance Officer*

**Ms. Ma. Joyce M. Alimagno**  
*Cluster Manager*

**Mr. Edison R. Reyes**  
*Cluster Manager*

**Ms. Catherine M. Patay**  
*Cluster Manager*

**Ms. Janicekith N. Navera**  
*Cluster Manager*

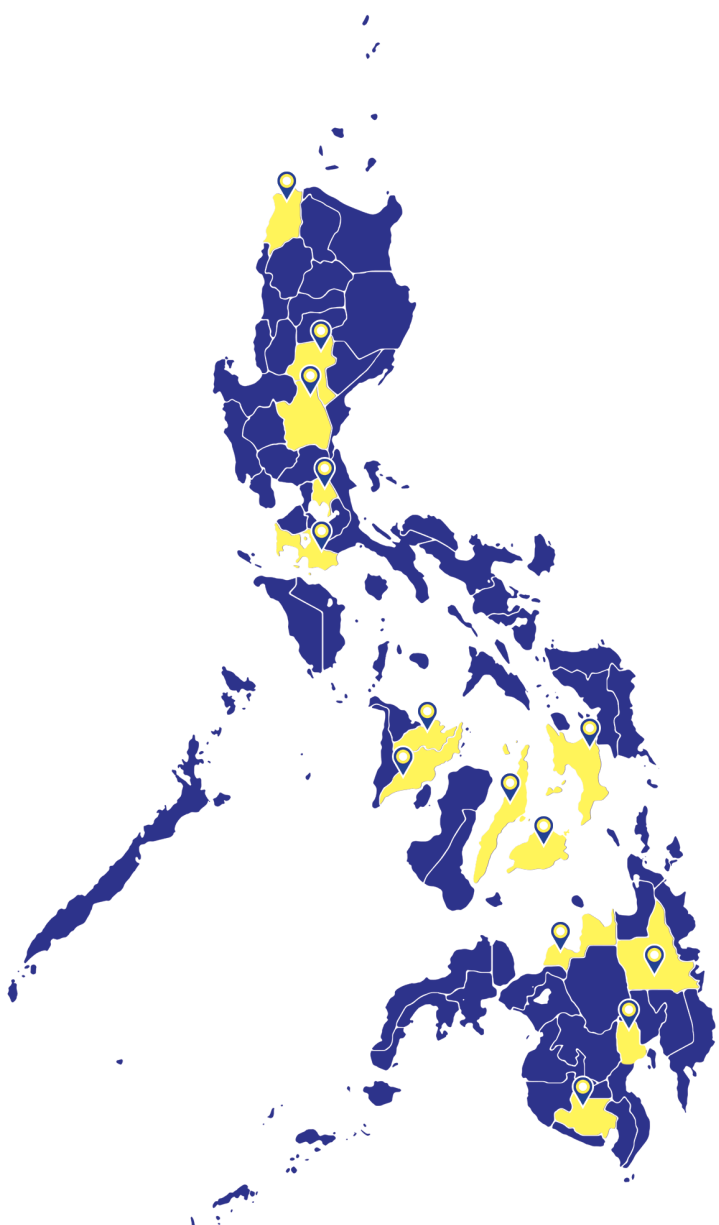
**Ms. Gina A. Abata**  
*Cluster Manager*

**Mr. Francis M. Montilla**  
*Cluster Manager*

**Mr. Michael Kelvin N. Junos**  
*In-house Actuary*

**Ms. Aileen C. Barrera**  
*Claims Manager*

# Our BOAT Partners 2017



## LUZON

- *Bagnos Multi-Purpose Cooperative*
- *Caunayan Multi-Purpose Cooperative (MPC)*
- *Nangalisan Multi-Purpose Cooperative*
- *Sipsipin Multi-Purpose Cooperative (MPC)*
- *Magdiwang Agrarian Reform Multi-Purpose Cooperative*
- *Umiray Agrarian Reform Beneficiaries Multi-Purpose Cooperative*

## VISAYAS

- *Tinabangay sa Igsoong Mag-uuma Gasa ni San Isidro (TIMGAS) Multi-Purpose Cooperative*
- *USWAG Development Foundation*
- *San Julian Multi-Purpose Cooperative*
- *Libercon Multi-Purpose Cooperative*
- *Padre Burgos Multi-Purpose Cooperative*
- *Progressive Women Agrarian Reform Cooperative*
- *Media Once Farmers Multi-Purpose Cooperative (MOFAMC)*
- *Santo Niño Visares Transport Services Multi-Purpose Cooperative [SAVIMCO]*

## MINDANAO

- *Bukidnon Integrated Network of Home Industries (BINHI), Inc.*
- *Los Arcos Multi-Purpose Cooperative (LAMPCO)*
- *Tinagacan Agrarian Reform Beneficiaries Cooperative [TARBC]*
- *Grains Multi-Purpose Cooperative [GRAINS]*

# DIRECTORY

## CARD MBA Head Office

#120 M. Paulino St. cor P. Burgos St.,  
Brgy VII-D, San Pablo City,  
Laguna, 4000 Philippines

### Luzon 1 Cluster

Pangasinan Provincial Office  
Benguet Provincial Office  
Ilocos Sur Provincial Office  
Nueva Vizcaya Provincial Office  
Cagayan Valley Provincial Office  
Tarlac Provincial Office  
Nueva Ecija Provincial Office  
Ilocos Norte Provincial Office

### Luzon 2 Cluster

Bataan Provincial Office  
Palawan Provincial Office  
Pampanga Provincial Office  
Metro Manila 1 Provincial Office  
Metro Manila 2 Provincial Office  
Cavite 2 Provincial Office  
Rizal Provincial Office

### Luzon 3 Cluster

Oriental Mindoro Provincial Office  
Occidental Mindoro Provincial Office  
Batangas 1 Provincial Office  
Batangas 2 Provincial Office  
Cavite 1 Provincial Office

### Luzon 4 Cluster

Laguna 1 Provincial Office  
Laguna 2 Provincial Office  
Laguna 3 Provincial Office  
Quezon 2 Provincial Office  
Marinduque Provincial Office

### Luzon 5 Cluster

Camarines Norte Provincial Office  
Camarines Sur Provincial Office  
Albay Provincial Office  
Quezon 1 Provincial Office

### Visayas 1 Cluster

Leyte 1 Provincial Office  
Samar Provincial Office  
Eastern Samar Provincial Office  
Leyte 2 Provincial Office

### Visayas 2 Cluster

Cebu 1 Provincial Office  
Cebu 2 Provincial Office  
Bohol Provincial Office  
Masbate Provincial Office

### Visayas 3 Cluster

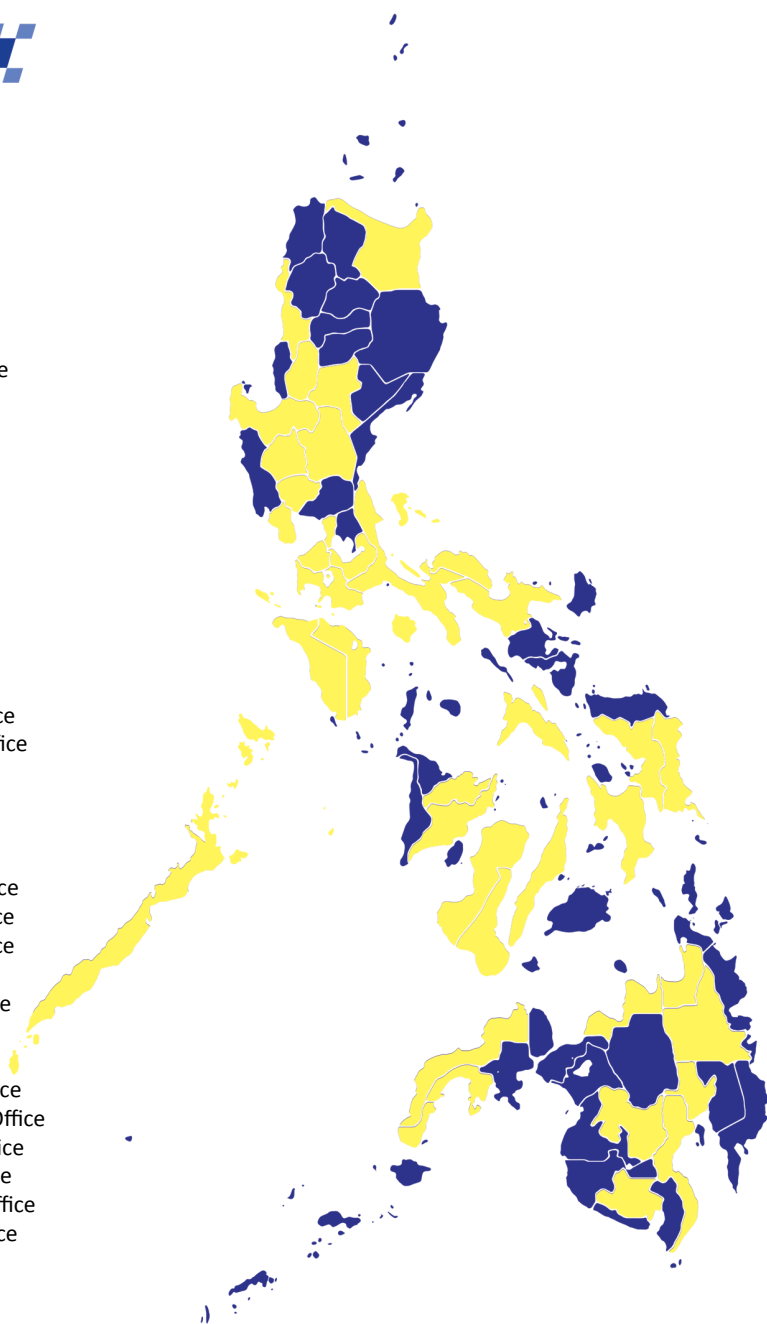
Iloilo Provincial Office  
Capiz Provincial Office  
Negros Oriental Provincial Office  
Negros Occidental Provincial Office  
Antique Provincial Office

### Mindanao 1 Cluster

Davao 1 Provincial Office  
Davao Del Norte Provincial Office  
South Cotabato Provincial Office  
North Cotabato Provincial Office  
Davao 2 Provincial Office  
Davao Oriental Provincial Office

### Mindanao 2 Cluster

Misamis Oriental Provincial Office  
Zamboanga Del Norte Provincial Office  
Agusan Del Norte Provincial Office  
Agusan Del Sur Provincial Office  
Zamboanga Sibugay Provincial Office  
Lanao Del Norte Provincial Office



# ***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	2016 (As restated - Notes 13 and 29)	January 1 2016 (As restated - Notes 13 and 29)
	2017		
<b>ASSETS</b>			
<b>Cash and Cash Equivalents</b> (Notes 6 and 26)	<b>₱255,058,647</b>	₱132,874,089	₱378,155,071
<b>Financial Assets</b> (Note 26)			
Held-to-maturity investments (Note 7)	<b>10,132,288,942</b>	7,947,632,304	6,297,160,291
Loans and receivables - net (Note 8)	<b>729,953,840</b>	651,626,312	445,836,404
Available-for-sale financial assets (Note 9)	<b>741,813,328</b>	598,209,449	436,964,668
<b>Accrued Income</b> (Notes 10 and 26)	<b>123,097,383</b>	79,338,746	76,705,696
<b>Property and Equipment</b> - net (Note 11)	<b>238,208,081</b>	225,688,947	176,596,378
<b>Investment Properties</b> (Note 12)	<b>203,053,209</b>	213,471,981	210,372,898
<b>Investments in Associates</b> (Note 13)	<b>566,156,425</b>	412,181,660	292,273,873
<b>Pension Asset</b> - net (Note 25)	<b>39,612,340</b>	29,564,226	14,358,226
<b>Other Assets</b> (Note 14)	<b>12,288,568</b>	8,730,652	6,368,198
	<b>₱13,041,530,763</b>	₱10,299,318,366	₱8,334,791,703

**LIABILITIES AND FUND BALANCE**

<b>Liabilities</b>			
Insurance contract liabilities (Notes 16 and 26)	<b>₱6,138,529,769</b>	₱4,860,101,041	₱3,843,382,930
Retirement savings fund (Note 17)	<b>3,843,088,362</b>	3,040,601,467	2,429,552,226
Accounts payable and accrued expenses (Notes 15 and 26)	<b>70,541,382</b>	65,362,483	87,022,943
<b>Total Liabilities</b>	<b>10,052,159,513</b>	7,966,064,991	6,359,958,099
<b>Fund Balance</b>			
Appropriated fund balance (Note 28)	<b>148,726,853</b>	148,742,398	159,658,082
Unappropriated fund balance	<b>2,782,952,714</b>	2,139,317,276	1,767,061,048
Other comprehensive income	<b>57,691,683</b>	45,193,701	48,114,474
<b>Total Fund Balance</b>	<b>2,989,371,250</b>	2,333,253,375	1,974,833,604
	<b>₱13,041,530,763</b>	₱10,299,318,366	₱8,334,791,703

*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**

	<b>Years Ended December 31</b>	
	2016	(As restated -
	2017	Notes 13 and 29)
<b>REVENUE</b>		
Gross premiums on insurance contracts (Note 18)	<b>₱3,002,223,494</b>	₱2,329,174,617
Reinsurance' share on gross earned premium on insurance contracts (Note 18)	<b>(2,671,816)</b>	(2,646,045)
Net premiums on insurance contracts	<b>2,999,551,678</b>	2,326,528,572
Investment income (Notes 6, 7, 8, 9, 10, 19 and 25)	<b>316,582,479</b>	242,924,659
Surrender charge	<b>16,806,986</b>	16,970,148
Equity in net earnings (loss) of associates (Note 13)	<b>107,123,401</b>	65,587,186
Rental income (Notes 12 and 21)	<b>12,085,534</b>	7,918,705
Reversal of impairment losses (Note 8)	<b>1,171,511</b>	13,024,673
Others	<b>2,231,736</b>	8,403,525
Other revenue	<b>456,001,647</b>	354,828,896
	<b>3,455,553,325</b>	2,681,357,468
<b>BENEFITS, CLAIMS AND EXPENSES</b>		
Gross change in insurance contract liabilities (Note 16)	<b>1,305,607,366</b>	1,021,839,529
Gross insurance contract benefits and claims paid (Note 16)	<b>991,970,077</b>	825,554,143
Insurance benefits and claims	<b>2,297,577,443</b>	1,847,393,672
General and administrative expenses (Note 20)	<b>468,334,559</b>	363,032,821
Fair value loss from financial assets at fair value through profit or loss	—	—
Expenses and losses	<b>468,334,559</b>	363,032,821
	<b>2,765,912,002</b>	2,210,426,493
<b>EXCESS OF REVENUE OVER EXPENSES BEFORE PROVISION FOR TAXES</b>	<b>689,641,323</b>	470,930,975
<b>PROVISION FOR INCOME TAX (Note 23):</b>	<b>46,005,885</b>	45,987,800
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>643,635,438</b>	424,943,175
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>643,635,438</b>	424,943,175
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
<b>Item that will be reclassified to profit or loss in subsequent periods</b>		
Fair value gains (losses) on available-for-sale financial assets (Note 9)	<b>17,194,679</b>	(7,101,585)
<b>Items that will not be reclassified to profit or loss in subsequent periods</b>		
Equity in other comprehensive income (loss) of an associate (Note 13)	<b>(285,534)</b>	4,020,589
Remeasurement gain (loss) on defined benefit plan (Note 25)	<b>(4,411,163)</b>	160,223
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱656,133,420</b>	₱422,022,402

*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					Total Other Comprehensive Income	Fund Balance
	Appropriated Fund Balance (Note 28)	Unappropriated Fund Balance	Reserve for Fluctuation in Value of Available-for-Sale Financial Assets (Note 9)	Remeasurement of Actuarial Gains/Losses (Note 25)	Equity in other comprehensive income of an associate (Note 13)		
<b>At January 1, 2017</b>							
As previously reported	₱148,742,398	₱2,159,579,850	₱34,679,061	₱6,664,546	₱3,850,094	₱45,193,701	₱2,353,515,949
Effect of change in accounting policy of associate (Notes 13 and 29)	—	(20,262,574)	—	—	—	—	(20,262,574)
As restated	148,742,398	2,139,317,276	34,679,061	6,664,546	3,850,094	45,193,701	2,333,253,375
Utilization of appropriation	(15,545)	—	—	—	—	—	(15,545)
Total comprehensive income:	—	643,635,438	—	—	—	—	643,635,438
Excess of revenue over expenses	—	—	17,194,679	(4,411,163)	(285,534)	12,497,982	12,497,982
Other comprehensive income (loss)	—	—	—	—	—	—	—
<b>At December 31, 2017</b>	<b>₱148,726,853</b>	<b>₱ 2,782,952,714</b>	<b>₱51,873,740</b>	<b>₱2,253,383</b>	<b>₱3,564,560</b>	<b>₱57,691,683</b>	<b>₱ 2,989,371,250</b>
<b>At January 1, 2016</b>							
As previously reported	₱159,658,082	₱1,779,244,529	₱41,780,646	₱6,504,323	(₱170,495)	₱48,114,474	₱1,987,017,085
Effect of change in accounting policy of associate (Notes 13 and 29)	—	(12,183,481)	—	—	—	—	(12,183,481)
As restated	159,658,082	1,767,061,048	41,780,646	6,504,323	(170,495)	48,114,474	1,974,833,604
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:	—	424,943,174	—	—	—	—	424,943,174
Excess of revenue over expenses	—	—	(7,101,585)	160,223	4,020,589	(2,920,773)	(2,920,773)
Other comprehensive income (loss)	—	—	—	—	—	—	—
<b>At December 31, 2016</b>	<b>₱148,742,398</b>	<b>₱ 2,139,317,276</b>	<b>₱34,679,061</b>	<b>₱6,664,546</b>	<b>₱3,850,094</b>	<b>₱45,193,701</b>	<b>₱ 2,333,253,375</b>

*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**

	<b>Years Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Excess of revenue over expenses before provision for current and final tax	<b>₱689,641,323</b>	₱470,930,975
Adjustments for:		
Increase in aggregate reserves (Note 16)	<b>1,288,800,380</b>	1,004,869,380
Amortization of bond premium (Note 7)	<b>15,419,405</b>	127,702,909
Pension expense (Note 25)	<b>4,427,935</b>	3,942,178
Depreciation (Notes 11, 12, and 21)	<b>23,718,432</b>	11,852,537
Provision for (reversal of) impairment losses (Note 8)	<b>(1,171,511)</b>	(13,024,673)
Loss (gain) on sale/retirement of transportation equipment (Note 11)	<b>(300,000)</b>	(370,666)
Interest income on pension asset (Notes 19 and 25)	<b>(2,166,373)</b>	(1,111,813)
Equity in net earnings of associates - net (Note 13)	<b>(107,123,401)</b>	(65,587,186)
Dividend income (Notes 9 and 10)	<b>(74,030,712)</b>	(26,508,032)
Interest income (Notes 6, 7, 8, and 19)	<b>(240,385,394)</b>	(215,304,814)
Cash generated from operations before changes in working capital	<b>1,596,830,084</b>	1,297,390,795
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	<b>5,791,374</b>	47,924,833
Other assets	<b>(3,557,916)</b>	(2,362,454)
Increase (decrease) in:		
Claims payable	<b>10,371,651</b>	11,848,729
Retirement savings fund	<b>802,486,895</b>	611,049,241
Accounts payable and accrued expenses	<b>5,178,896</b>	(21,660,460)
Net cash generated from operations	<b>2,417,100,985</b>	1,944,190,684
Contribution to pension fund (Note 25)	<b>(16,720,839)</b>	(17,876,142)
Utilization of appropriation (Note 28)	<b>(15,545)</b>	(63,602,630)
Taxes paid	<b>(46,005,885)</b>	(45,987,800)
Net cash flows provided by operating activities	<b>2,354,358,716</b>	1,816,724,112
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	<b>205,686,853</b>	206,044,756
Cash dividends received	<b>76,917,616</b>	35,535,040
Acquisitions of:		
Available-for-sale financial assets (Note 9 and 25)	<b>(150,063,879)</b>	(124,169,366)
Investment properties (Note 12)	<b>(8,003,647)</b>	(24,617,200)
Investments in associates (Note 13)	<b>(59,083,900)</b>	(52,700,012)
Property and equipment (Note 11)	<b>(25,419,965)</b>	(39,432,839)
Held-to-maturity investments (Note 7)	<b>(2,386,083,043)</b>	(2,377,095,796)
Short-term investments (Note 8)	<b>(422,043,128)</b>	(1,414,506,236)
Long-term investments (Note 8)	<b>(119,302,003)</b>	(402,707,594)
Loans receivable (Note 8)	<b>—</b>	(25,000,000)

(Forward)

	<b>Years Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Proceeds from sale/maturities of:		
Held-to-maturity investments (Note 7)	<b>₱186,007,000</b>	₱598,920,875
Short-term investments (Note 8)	<b>419,805,137</b>	1,541,513,428
Long-term investments	<b>2,099,597</b>	—
Property and equipment (Note 11)	<b>6,704,390</b>	376,516
Investment Properties	<b>5,604,814</b>	—
Loans receivable (Note 8)	<b>35,000,000</b>	15,833,334
Net cash flows used in investing activities	<b>(2,232,174,158)</b>	(2,062,005,094)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>122,184,558</b>	(245,280,982)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>132,874,089</b>	378,155,071
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)</b>	<b>₱255,058,647</b>	₱132,874,089

*See accompanying Notes to Financial Statements.*

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

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**NOTES TO FINANCIAL STATEMENTS**

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**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.

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**2. Basis of Preparation and Statement of Compliance**

Basis for 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.

Statement of Compliance

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, 2017. The adoption of these new and amended standards did not have any significant impact on financial statements of the Association.

- 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*

#### 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, 2017. Unless otherwise indicated, the succeeding amended PFRS will not significantly impact the financial statements:

#### *Effective beginning on or after January 1, 2018*

##### *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*

##### *Effective in 2019*

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, 2017 and 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 intention 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.

Derecognition of Financial Assets and Liabilities*Financial assets*

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

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

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

*Financial liabilities*

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

Investments in Associates

Investments in 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
Land Improvement	10
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 profit or loss.

#### 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 using the Gross Premium Valuation (GPV) Method as prescribed by the Insurance Commission on its Circular Letter 2016-66. It is calculated as the sum of present value of future benefits and expenses, less the present value of future gross premiums arising from the policy, discounted at the appropriate risk-free discount rate. In the absence of actual experience, best estimate and pricing assumptions are used. The Philippine Intercompany Mortality (PICM) Table was used for mortality rate. Lapse and expense rates were based on pricing assumptions. Meanwhile, spot rates of Peso-denominated policies derived from the PDSTR2 rates as of Dec 29, 2017 published in Circular Letter 2018-04 are the discount rates applied. Further, as prescribed by GPV method, Margin for Adverse Deviations (MfADs) of -10%, 10%, and 10% are applied to Interest, Expense, and Mortality rates, respectively.

*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.

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## 5. Significant Accounting Judgments, Estimates and Assumptions

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

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

Judgments*Product classification*

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

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 not 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 ₱10.13 million and ₱7.95 million as of December 31, 2017 and 2016, respectively (see Note 7). As of December 31, 2017 and 2016, the fair value of HTM investments amounted to ₱10.32 million and ₱7.80 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 ₱261.40 million and ₱234.99 million as of December 31, 2017 and 2016, 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:

	2017	2016
<b>Financial assets</b>		
AFS financial assets (Note 9)	<b>₱480,411,928</b>	₱363,217,249

The fair values of the Association's financial instruments follow (see Note 26):

	2017	2016
Financial assets	<b>₱12,175,883,138</b>	₱9,353,498,547
Financial liabilities	<b>64,458,434</b>	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, 2017 and 2016, 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:

	2017	2016
Property and equipment (Note 11)	<b>₱238,208,081</b>	₱225,688,947
Investment properties (Note 12)	<b>203,053,209</b>	213,471,981

*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 ₱21.71 million and ₱62.82 million as of December 31, 2017 and 2016, respectively (see Note 8). Allowance for impairment losses amounted to ₱1.64 million and ₱2.81 million as of December 31, 2017 and 2016, 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, 2017 and 2016, the fair value of AFS financial assets amounted to ₱741.81 million and ₱598.21 million, respectively (see Note 9). There is no impairment loss recognized on AFS financial assets in 2017 and 2016.

*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 ₱39.61 million and ₱29.56 million as of December 31, 2017 and 2016, respectively (see Note 25).

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

#### *Contingencies*

Basic contingency reserve is set on Membership Certificates to meet the contractual obligation, other than the Member's Equity Value, as it falls due.

## 6. Cash and Cash Equivalents

This account consists:

	2017	2016
Cash on hand	₱117,510	₱171,158
Cash in banks	89,691,136	56,420,739
Cash equivalents	165,250,001	76,282,192
	<b>₱255,058,647</b>	<b>₱132,874,089</b>

Cash in banks earns interest at the prevailing bank deposit rates ranging from 0.05% to 1.5% in 2017 and 0.10% to 2.00% in 2016.

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 1.88% to 2.13% and 1.75% to 1.80% in 2017 and 2016, respectively.

Interest income earned from cash and cash equivalents amounted to ₱2.66 million and ₱4.32 million in 2017 and 2016, respectively (see Note 19). Accrued income from cash and cash equivalents amounted to ₱0.30 million and ₱0.15 million as of December 31, 2017 and 2016, respectively (see Note 10).

## 7. Held-to-Maturity Investments

As of December 31, 2017 and 2016, the carrying amounts and fair values of these securities follow:

	2017		2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Fixed treasury notes	₱6,336,059,730	6,454,038,415	₱4,989,968,026	₱4,886,751,309
Retail treasury bonds	3,413,229,212	3,476,784,215	2,579,664,278	2,541,171,846
Corporate bonds	383,000,000	390,131,536	348,000,000	341,244,782
Government bonds	—	—	30,000,000	30,477,882
	<b>₱10,132,288,942</b>	<b>₱10,320,954,166</b>	<b>₱7,947,632,304</b>	<b>₱7,799,645,819</b>

These investments bear annual interest rates which ranged from 3.25% to 7.75% in 2017 and 2016 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 ₱224.77 million and ₱199.16 million in 2017 and 2016, respectively (see Note 19). Accrued income from these investments amounted to ₱75.29 million and ₱64.14 million in 2017 and 2016, respectively (see Note 10).

The carrying value of HTM investments follows:

	2017	2016
At January 1	₱7,947,632,304	₱6,297,160,291
Additions	2,386,083,043	2,377,095,797
Amortization of bond premium	(15,419,405)	(127,702,909)
Maturities	(186,007,000)	(598,920,875)
At December 31	<b>₱10,132,288,942</b>	<b>₱7,947,632,304</b>

As of December 31, 2017 and 2016, HTM investments include government securities classified as guaranty fund amounting to ₱137.86 million and ₱136.21 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, 2017 and 2016, the Association's loans and receivables are as follows:

	2017	2016
Receivables – net	₱21,711,312	₱62,824,183
Short-term investments	115,651,483	113,413,490
Long-term investments	592,591,045	475,388,639
	<b>₱729,953,840</b>	<b>₱651,626,312</b>

*Receivables*

This account consists of:

	2017	2016
Receivables from:		
Related parties (Note 22)	<b>₱9,905,996</b>	₱20,006,170
Members and employees	<b>283,706</b>	1,930,843
Loans receivable (Note 22)	<b>6,460,000</b>	35,000,000
Advances for future stock subscription	<b>4,000,000</b>	4,000,000
Others	<b>2,700,473</b>	4,698,751
	<b>23,350,175</b>	65,635,764
Less allowance for impairment losses	<b>1,638,863</b>	2,811,581
	<b>₱21,711,312</b>	₱62,824,183

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.

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

	2017	2016
At January 1	<b>₱35,000,000</b>	₱25,833,334
Additions	<b>6,460,000</b>	25,000,000
Principal collections	<b>(35,000,000)</b>	(15,833,334)
At December 31	<b>₱6,460,000</b>	₱35,000,000

Details of the loan receivable per related party follow (see Note 22):

**2017**

	Outstanding balance	Release date	Interest rate	Terms
UniHealth Quezon Hospital and Medical Center	₱6,460,000	September 19, 2017	6% per annum payable quarterly	Quarterly interest on the first two years and Principal plus interest starting 3 <sup>rd</sup> year of the loan.

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 December 13, 2017

Total interest income received from the loans receivable amounted to ₱1.51 million and ₱1.37 million in 2017 and 2016, respectively (see Note 19). Accrued income from total loans and receivables amounted to ₱38.50 million and ₱15.04 million in 2017 and 2016, respectively (see Note 10).

Advances for future stock subscriptions as of December 31, 2017 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, 2017, Bangko Sentral ng Pilipinas (BSP) has not yet issued approval for the increase in authorized capital stock of Rizal Bank, Inc.

In 2017, available-for-sale investment to UniHealth Quezon Hospital and Medical Center amounting to ₱6.46 million was transferred as loan receivable with a loan period of 5 years. Documentary stamp tax pertaining to the loan was paid by UniHealth Quezon Hospital and Medical Center. Loan receivables from CARD Leasing and Finance Corporation (CLFC) and CARD MRI Information Technology, Inc. (CMIT) was settled in 2017.

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, 2017 and 2016, allowance for impairment losses for receivables determined based on specific identification and assessment follows:

	Receivables from Related Parties	Other Receivables	Total
At January 1, 2016	₱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)
<b>At December 31, 2016</b>	<b>2,489,039</b>	<b>322,542</b>	<b>2,811,581</b>
<b>Write-off</b>	<b>–</b>	<b>(1,207)</b>	<b>(1,207)</b>
<b>Reversal</b>	<b>(1,374,018)</b>	<b>202,507</b>	<b>(1,171,511)</b>
<b>At December 31, 2017</b>	<b>₱1,115,021</b>	<b>₱523,842</b>	<b>₱1,638,863</b>

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 2017, 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 0.875% to 2.125% in 2017 and 0.75% to 4.25% in 2016. Interest income earned from these investments amounted to ₱2.59 million and ₱5.78 million in 2017 and 2016, respectively (see Note 19).

The rollforward analysis of short-term investments follows:

	2017	2016
at January 1	<b>₱113,413,490</b>	₱240,420,682
Additions	<b>422,043,128</b>	1,414,506,236
Maturities	<b>(419,805,135)</b>	(1,541,513,428)
at December 31	<b>₱115,651,483</b>	₱113,413,490

#### *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 2017 and 2016. Interest income earned from these investments amounted to ₱8.85 million and ₱4.67 million in 2017 and 2016, respectively (see Note 19).

	2017	2016
At January 1	<b>₱475,388,639</b>	₱72,681,045
Additions	<b>119,302,003</b>	402,707,594
Maturities	<b>(2,099,597)</b>	–
At December 31	<b>₱592,591,045</b>	₱475,388,639

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

This account consists of:

	2017	2016
Quoted securities - at fair value		
Mutual funds	<b>₱480,411,928</b>	₱363,217,249
Unquoted securities - at cost		
Preferred shares	<b>261,401,400</b>	234,992,200
	<b>₱741,813,328</b>	₱598,209,449

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

	Unquoted Equity Securities	Investments in Mutual Funds	Total
At January 1, 2016	₱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
Additions	32,869,200	100,000,000	132,869,200
Fair value gains	—	17,194,679	17,194,679
Disposal	(6,460,000)	—	(6,460,000)
At December 31, 2017	₱261,401,400	₱480,411,928	₱741,813,328

Investments in unquoted preferred shares pertain to the Association's investments in CARD Bank, Inc. and Rizal Bank Inc. while investments in unquoted common shares pertain to the Association's investments in CLFC and UniHealth, Inc. Details of the Association's investments in unquoted equity securities follow:

	2017			2016		
	Amount	Shares	Percentage of ownership	Amount	Shares	Percentage of ownership
CARD Bank, Inc.	₱227,881,400	*1,139,407	33.6%	₱208,352,200	1,041,761	6.9%
CLFC	4,000,000	40,000	4.0%	2,800,000	29,400	2.9%
Rizal Bank, Inc.	29,020,000	*145,100	58.0%	20,000,000	100,000	4.0%
UniHealth, Inc.	500,000	500	0.0%	3,840,000	3,840	5.1%
	₱261,401,400			₱234,992,200		

*\*Ownership in the preferred shares*

In 2017, the Association subscribed to additional 97,646 preferred shares of CARD Bank, Inc. at ₱200 par value with a total amount of ₱19.53 million.

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, 2017 and 2016, the Association owns 1,139,407 and 1,041,761 preferred shares of CARD Bank, Inc. amounting to ₱227.88 million and ₱208.35 million. Dividends received from this investment amounted to ₱74.03 million and ₱26.51 million in 2017 and 2016 (see Note 19). Accrued dividend amounted to ₱9.06 million and nil in 2017 and 2016, respectively (see Note 10).

As of December 31, 2017 and 2016, the Association owns 145,100 and 100,000 preferred shares of Rizal Bank, Inc. amounting to ₱29.02 million and ₱20.00 million, respectively.

In 2016, an additional ₱1.50 million from advances for future stocks subscription to Unihealth - Quezon Hospital and Medical Center, Inc. (UniHealth, Inc.) was reclassified to investment in unquoted equity securities representing 1,500 shares. Furthermore, the Association acquired additional 2,340 shares from UniHealth Inc. amounting to ₱2.34 million.

In 2017, the Association acquired additional 3,120 shares from UniHealth Inc. amounting to ₱3.12 million. During the year, the investment in unquoted equity securities amounting to ₱6.46 million representing 6,460 shares was reclassified to loans and receivables. The Association's investment in UniHealth amounted to ₱0.50 million and ₱3.84 million as of December 31, 2017 and 2016, respectively.

Investments in mutual funds have the following details:

	2017		2016	
	Amount	Units	Amount	Units
Sun Life Prosperity Bond Fund	<b>₱277,289,860</b>	<b>99,870,289</b>	₱268,550,574	99,870,289
Sun Life Peso Balance Fund	<b>105,134,835</b>	<b>26,306,727</b>	46,104,859	13,231,413
Philam Bond Fund	<b>97,987,233</b>	<b>24,194,976</b>	48,561,816	12,002,426
	<b>₱480,411,928</b>		<b>₱363,217,249</b>	

The increase and decrease in reserve for fluctuation in value of the investments in mutual funds amounted to ₱17.19 million and ₱7.10 million in 2017 and 2016, respectively. This is presented as “Fair value gains (losses) on available-for-sale financial assets” in the statements of comprehensive income.

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

	2017	2016
At January 1	<b>₱34,679,061</b>	₱41,780,646
Fair value gains (losses) on AFS financial assets	<b>17,194,679</b>	(7,101,585)
At December 31	<b>₱51,873,740</b>	₱34,679,061

#### 10. Accrued Income

This account consists of:

	2017	2016
Interest receivable on:		
Cash and cash equivalents (Note 6)	<b>₱297,906</b>	₱153,193
Held-to-maturity investments (Note 7)	<b>75,289,796</b>	64,140,951
Loans and receivables (Note 8)	<b>38,449,585</b>	15,044,602
Dividend receivable (Note 9)	<b>9,060,096</b>	—
	<b>₱123,097,383</b>	₱79,338,746

## 11. Property and Equipment - net

The rollforward analysis of this account follow:

	2017						
	Land	Land improvement	Transportation equipment	Computer and office equipment	Office furniture and fixtures	Building	Construction in - progress
<b>Cost</b>							
At January 1	P138,177,952	P514,168	P3,573,987	P17,765,528	P3,393,770	P83,936,468	P-
Additions	22,000,000	311,486	-	2,100,995	676,412	1,491,438	5,235,867
Disposals	-	-	(3,109,806)	(3,291,384)	(3,200)	-	(6,404,390)
Transfers to investment properties (Note 12)	-	-	-	-	-	(6,396,233)	-
At December 31	160,177,952	825,654	464,181	16,575,139	4,066,982	79,031,673	5,235,867
<b>Accumulated Depreciation</b>							
At January 1	-	42,547	2,954,306	12,088,947	2,292,093	4,295,033	-
Depreciation (Note 20)	-	56,575	616,298	2,357,366	676,477	7,918,195	-
Disposals	-	-	(3,109,806)	(1,291,381)	(3,200)	-	-
Transfers to investment properties (Note 12)	-	-	-	-	-	(724,083)	-
At December 31	-	99,122	460,798	13,154,932	2,965,370	11,489,145	-
<b>Net Book Value</b>	<b>P160,177,952</b>	<b>P726,532</b>	<b>P3,383</b>	<b>P3,420,207</b>	<b>P1,101,612</b>	<b>P67,542,528</b>	<b>P5,235,867</b>
							<b>P238,208,081</b>

	2016						
	Land	Land improvement	Transportation equipment	Computer and office equipment	Office furniture and fixtures	Building	Construction in - progress
<b>Cost</b>							
At January 1	P138,152,952	P159,750	P5,747,474	P22,705,556	P2,607,740	P13,783,369	P202,789,650
Additions	25,000	354,418	-	2,427,908	844,225	35,781,288	-
Reclassifications	-	-	-	-	-	19,632,809	-
Disposals	-	-	(2,173,487)	-	(58,195)	-	(2,231,682)
Retirement	-	-	-	(7,367,936)	-	-	(7,367,936)
Transfers from investment properties (Note 12)	-	-	-	-	-	14,739,002	-
At December 31	138,177,952	514,168	3,573,987	17,765,528	3,393,770	83,936,468	-
<b>Accumulated Depreciation</b>							
At January 1	-	2,601	5,038,511	17,484,721	1,848,757	1,818,682	-
Depreciation (Note 20)	-	39,946	89,282	1,972,162	495,681	2,476,351	-
Disposals	-	-	(2,173,487)	-	(52,345)	-	-
Retirement	-	-	-	(7,367,936)	-	-	-
At December 31	-	42,547	2,954,306	12,088,947	2,292,093	4,295,033	-
<b>Net Book Value</b>	<b>P138,177,952</b>	<b>P471,621</b>	<b>P619,681</b>	<b>P5,676,581</b>	<b>P1,101,677</b>	<b>P79,641,435</b>	<b>P-</b>
							<b>P225,688,947</b>

Gain on retirement of transportation equipment, transportation equipment and office furniture and fixtures amounted to ₱0.30 million and ₱0.37 million in 2017 and 2016, respectively.

In 2017, the Association transferred portion of its property and equipment with a carrying value of ₱5.67 million to investment properties. The transfers to 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 ₱11.47 million and ₱10.55 million as of December 31, 2017 and 2016, respectively.

## 12. Investment Properties

The rollforward analyses of this account follow:

	2017		
	Land	Building	Total
<b>Cost</b>			
At January 1	₱112,302,542	₱114,159,062	₱226,461,604
Additions		1,607,414	1,607,414
Sale	(5,604,814)	—	(5,604,814)
Transfers from property and equipment (Note 11)	—	6,396,233	6,396,233
At December 31	106,697,728	122,162,709	228,860,437
<b>Accumulated Depreciation</b>			
At January 1	—	12,989,623	12,989,623
Depreciation (Note 20)	—	12,093,522	12,093,522
Transfers from property and equipment (Note 11)	—	724,083	724,083
At December 31	—	25,807,228	25,807,228
<b>Net Book Value</b>	<b>₱106,697,728</b>	<b>₱96,355,481</b>	<b>₱203,053,209</b>

	2016		
	Land	Building	Construction in Progress
<b>Cost</b>			
At January 1	₱111,760,955	₱45,924,024	₱58,898,427
Additions	541,587	24,075,613	—
Reclassifications	—	58,898,427	(58,898,427)
Transfers to property and equipment (Note 11)	—	(14,739,002)	—
At December 31	112,302,542	114,159,062	—
<b>Accumulated Depreciation</b>			
At January 1	—	6,210,508	—
Depreciation (Note 20)	—	6,779,115	—
At December 31	—	12,989,623	—
<b>Net Book Value</b>	<b>₱112,302,542</b>	<b>₱101,169,439</b>	<b>₱—</b>

In 2016, The Association transferred portion of its investment properties amounting to ₱14.74 million to property and equipment. 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 ₱349.35 million and ₱232.32 million as of December 31, 2017 and 2016, respectively. The fair value of the properties is based on valuation performed by an independent valuer of CARD MRI Organization and Administration Unit with a recognized and relevant professional qualification and with recent experience in the location and category of the investment properties 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, 2017 and 2016, no investment has been pledged as collateral or security for any of the Association's liabilities.

In 2017, gain on sale of land property with 200 sq m. amounted to ₱0.72 million.

The Association earned rental income amounting to ₱12.09 million and ₱7.92 million from its investment properties in 2017 and 2016, respectively (see Note 21).

### 13. Investments in Associates

This account consists of the following:

	2017	2016
Acquisition cost	<b>412,135,396</b>	357,939,164
Accumulated equity in net earnings (loss)	<b>154,306,563</b>	50,392,402
Accumulated equity in other comprehensive income (loss)	<b>(285,534)</b>	3,850,094
	<b>566,156,425</b>	412,181,660

Details of the Association's investments in associates follow:

	2017		2016	
	Amount	Percentage*	Amount	Percentage*
CPMI	<b>411,913,591</b>	<b>46.10%</b>	315,278,702	46.10%
CMIT	<b>80,770,533</b>	<b>40.00%</b>	60,163,018	40.00%
BotiCARD	<b>15,743,155</b>	<b>33.51%</b>	15,367,753	30.00%
CMPHI	<b>49,953,121</b>	<b>40.00%</b>	14,197,675	40.00%
CMHI	<b>7,507,350</b>	<b>25.00%</b>	7,174,512	25.00%
CMHTI	<b>105,453</b>	<b>20.00%</b>	—	—
CMPhHI	<b>163,222</b>	<b>30.00%</b>	—	—
	<b>566,156,425</b>		412,181,660	

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

The details of this investment follow:

	2017	2016
Acquisition cost:		
At January 1	278,982,753	258,039,152
Placements	-	27,737,412
Loss on dilution	-	(6,793,811)
At December 31	278,982,753	278,982,753
Accumulated equity in net earnings (loss):		
At January 1	36,133,920	(29,415,237)
Equity in net earnings	96,920,423	65,549,157
At December 31	133,054,343	36,133,920
Accumulated equity in other comprehensive income (loss):		
At January 1	162,029	(4,280)
Equity in other comprehensive income	(285,534)	166,309
At December 31	(123,505)	162,029
	411,913,591	315,278,702

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 ₱65.47 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.

Due to change in accounting policy regarding IBNR valuation, CPMI restated their 2016 and 2015 financial statement (see Note 29).

As of December 31, 2017 and 2016, the Association's investment in CPMI amounted to ₱411.91 million and ₱315.28 million, respectively.

CARD MRI Information Technology, Inc. (CMIT)

The details of this investment follow:

	2017	2016
Acquisition cost:		
At January 1	<b>₱40,000,000</b>	₱37,800,000
Placements	<b>21,487,000</b>	2,200,000
At December 31	<b>61,487,000</b>	40,000,000
Accumulated equity in net earnings:		
At January 1	<b>18,006,408</b>	13,039,808
Equity in net earnings	<b>9,120,515</b>	7,366,600
Dividend income	<b>(10,000,000)</b>	(2,400,000)
At December 31	<b>17,126,923</b>	18,006,408
Accumulated equity in other comprehensive income (loss):		
At January 1	<b>2,156,610</b>	(166,215)
Equity in other comprehensive income (loss)	—	2,322,825
At December 31	<b>2,156,610</b>	2,156,610
	<b>₱80,770,533</b>	₱60,163,018

In 2011, the Association subscribed to 400,000 common shares at ₱100 par value representing 40% ownership in CMIT. In 2017, the Association subscribed to additional 214,870 common shares at ₱100 par value amounting to ₱21.49 million. As of December 31, 2017 and 2016, the Association's investment in CMIT amounted to ₱80.77 million and ₱60.16 million, respectively.

BotiCARD, Inc.

The details of the investment follow:

	2017	2016
Acquisition cost		
At January 1	<b>₱9,750,000</b>	₱9,400,000
Placement	<b>1,947,000</b>	350,000
At December 31	<b>11,697,000</b>	9,750,000
Accumulated equity in net earnings:		
At January 1	<b>4,254,929</b>	3,580,645
Equity in net earnings	<b>375,402</b>	674,284
Dividend Income	<b>(1,947,000)</b>	—
At December 31	<b>2,683,331</b>	4,254,929
Accumulated equity in other comprehensive income		
At January 1	<b>1,362,824</b>	—
Equity in other comprehensive income	—	1,362,824
At December 31	<b>1,362,824</b>	1,362,824
	<b>₱15,743,155</b>	₱15,367,753

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 ₱1.95 million and ₱0.35 million was made in 2017 and 2016, respectively. As of December 31, 2017 and 2016, the Association's investment in BotiCARD amounted to ₱15.74 million and ₱15.37 million, respectively.

CARD MRI Property Holdings, Inc. (CMPHI)

The details of the investment follow:

	2017	2016
Acquisition cost		
At January 1	<b>₱14,600,100</b>	<b>₱–</b>
Placement	<b>35,399,900</b>	14,600,100
At December 31	<b>50,000,000</b>	14,600,100
Accumulated equity in net earnings:		
At January 1	<b>(402,425)</b>	
Equity in net earnings (loss)	<b>355,546</b>	(402,425)
At December 31	<b>₱49,953,121</b>	<b>₱14,197,675</b>

In October and November 2016, the Association invested in 146,001 shares of CMPHI with par value of ₱100 representing 40% ownership. In 2017, additional placement was made amounting to ₱35,999,900. As of December 31, 2017 and 2016, the Association's investment in CMPHI amounted to ₱49.95 million and ₱14.20 million, respectively.

CARD MRI Holdings, Inc. (CMHI)

The details of the investment follow:

	2017	2016
Acquisition cost:		
At January 1	<b>₱7,812,500</b>	<b>₱–</b>
Placements	–	₱7,812,500
At December 31	<b>7,812,500</b>	7,812,500
Accumulated equity in net loss:		
At January 1	<b>(805,615)</b>	–
Equity in net earnings (loss)	<b>331,834</b>	(806,615)
At December 31	<b>(473,781)</b>	(806,615)
Accumulated equity in other comprehensive income:		
At January 1	<b>168,631</b>	–
Equity in other comprehensive income	–	168,631
At December 31	<b>168,631</b>	168,631
	<b>₱7,507,350</b>	<b>₱7,174,516</b>

On February 5, 2016, the Association invested in 78,125 shares of CMHI with par value of ₱100 representing 25% ownership. As of December 31, 2017 and 2016, the Association's investment in CMHI amounted to ₱7.51 million and ₱7.17 million, respectively.

CARD MRI Hijos Tours, Inc. (CMHTI)

The details of the investment follow:

	2017
Acquisition cost:	
At January 1	₱–
Placements	100,000
At December 31	100,000
Accumulated equity in net gain:	
At January 1	–
Equity in net gain	5,453
At December 31	₱105,453

On September 12, 2017, the Association invested in 20,000 shares of CMHTI with par value of ₱5.00 representing 20% ownership. As of December 31, 2017, the Association's investment in CMHTI amounted to ₱0.11 million.

CARD MRI Publishing House, Inc. (CMPuHI)

The details of the investment follow:

	2017
Acquisition cost:	
At January 1	₱–
Placements	150,000
At December 31	150,000
Accumulated equity in net gain:	
At January 1	–
Equity in net gain	13,222
At December 31	₱163,222

On September 12, 2017, the Association invested in 30,000 shares of CMPuHI with par value of ₱5.00 representing 30% ownership. As of December 31, 2017, the Association's investment in CMPuHI amounted to ₱0.16 million.

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:

	2017	2016
<b>CPMI</b>		
Total assets	<b>₱1,525,650,803</b>	₱1,105,616,685
Total liabilities	<b>622,634,845</b>	368,766,927
Net income	<b>210,342,091</b>	159,714,196
Other comprehensive income (loss)	<b>(619,675)</b>	—
<b>CMIT</b>		
Total assets	<b>267,563,566</b>	266,167,076
Total liabilities	<b>75,216,509</b>	124,731,994
Net income	<b>22,801,288</b>	18,416,499
<b>BotiCARD</b>		
Total assets	<b>36,780,799</b>	34,980,997
Total liabilities	<b>4,152,121</b>	3,818,713
Net income	<b>1,120,267</b>	2,247,614
<b>CMPHI</b>		
Total assets	<b>153,455,754</b>	33,361,465
Total liabilities	<b>28,612,451</b>	1,017,027
Net income	<b>888,864</b>	(1,006,062)
<b>CMHI</b>		
Total assets	<b>30,803,164</b>	32,533,753
Total liabilities	<b>50,000</b>	3,835,201
Net income	<b>1,327,338</b>	(3,226,474)
<b>CMHTI</b>		
Total assets	<b>784,362</b>	—
Total liabilities	<b>256,899</b>	—
Net income	<b>27,266</b>	—
<b>CMPhI</b>		
Total assets	<b>869,270</b>	—
Total liabilities	<b>323,002</b>	—
Net income	<b>44,074</b>	—

#### 14. Other Assets

This account consists of:

	2017	2016
Prepaid expenses	<b>₱3,889,332</b>	₱3,190,013
Supplies inventory	<b>3,859,708</b>	1,802,238
Prepaid rent	<b>1,675,979</b>	1,412,291
Funds and deposits	<b>1,541,756</b>	990,554
Deferred reinsurance premiums (Note 18)	<b>737,693</b>	1,033,695
Prepaid taxes	<b>584,100</b>	301,861
	<b>₱12,288,568</b>	₱8,730,652

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.

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:

	2017	2016
Accounts payable		
Related parties (Note 22)	<b>₱28,601,739</b>	<b>₱26,163,223</b>
Suppliers and contractors	<b>10,826,159</b>	20,027,786
Staff, members and employees	<b>7,660,605</b>	—
Accrued expenses	<b>16,840,384</b>	10,917,469
Collection fee payable		
Staff, members and employees	<b>1,258,486</b>	2,279,245
Related parties (Note 22)	<b>1,125,925</b>	727,728
Rent deposits	<b>2,242,892</b>	1,343,514
Due to government agencies	<b>1,551,449</b>	1,335,559
Others	<b>433,743</b>	2,567,959
	<b>₱70,541,382</b>	<b>₱65,362,483</b>

Accounts payable to suppliers and contractors consist mainly of unpaid purchases of supplies, outstanding obligations for ongoing building constructions and unpaid balances for land properties acquired by the Association. These are settled within one year after the reporting date.

Accounts payable to staff, members and employees include amounts accrued for expenses related to the reunion of the Association’s current and past Board of Trustees (BOT). These are settled within one year after reporting date.

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

Collection fee payable pertains to the Association’s payable to its collecting institutions (see Note 22), 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 to 30 day payment terms.

Rent deposits represent the amounts received from the Association’s lessees as security deposit. These amounts are returnable to the lessees upon expiration of the lease agreement subject to the lessor’s conditions.

Due to government agencies pertains to withholding taxes payable, SSS loan and contribution payable, PAG-IBIG loan and contribution payable and Medicare contribution payable which are subsequently remitted within one month after the reporting date based on the requirements of government agencies.

Other payables 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:

	2017	2016
Life insurance contract liabilities	<b>₱5,990,996,658</b>	₱4,737,929,555
Loan redemption contract liabilities	<b>147,533,111</b>	122,171,486
	<b>₱6,138,529,769</b>	₱4,860,101,041

### a) Life insurance contract liabilities

Details of the life insurance contract liabilities follow:

	2017	2016
Provision for unearned premiums	<b>₱5,948,998,400</b>	₱4,686,413,458
Outstanding claims provision	<b>41,998,258</b>	51,516,097
Total life insurance contract liabilities	<b>₱5,990,996,658</b>	₱4,737,929,555

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:

	2017	2016
At January 1	<b>₱4,686,413,458</b>	₱3,709,691,762
Premiums received	<b>1,507,295,591</b>	1,174,693,044
Liability released for payments of death, maturity and surrender benefits and claims	<b>(244,710,649)</b>	(197,971,348)
At December 31	<b>₱5,948,998,400</b>	₱4,686,413,458

The rollforward analysis of outstanding claims provision follows:

	2017	2016
At January 1	<b>₱51,516,097</b>	₱38,652,260
Claims incurred in the current year	<b>883,296,772</b>	758,762,989
Claims paid during the year	<b>(892,814,611)</b>	(745,899,152)
At December 31	<b>₱41,998,258</b>	₱51,516,097

*b) Loan redemption contract liabilities*

Details of the loan redemption contract liabilities follow:

	2017	2016
Provision for unearned premiums	<b>₱145,584,308</b>	₱119,368,870
Provision for claims incurred but not reported (IBNR)	<b>1,948,803</b>	2,758,382
Outstanding claims provision	—	44,234
<b>Total loan redemption contract liabilities</b>	<b>₱147,533,111</b>	<b>₱122,171,486</b>

The rollforward analysis of provision for unearned premiums follows:

	2016	2016
At January 1	<b>₱119,368,871</b>	₱91,221,185
Premiums received	<b>502,141,755</b>	390,835,470
Earned premiums	<b>(475,926,318)</b>	(362,687,785)
<b>At December 31</b>	<b>₱145,584,308</b>	<b>₱119,368,870</b>

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

The rollforward analysis of provision for claims incurred but not reported (IBNR) follows:

	2017	2016
At January 1	<b>₱2,758,382</b>	₱3,817,722
Decrease in IBNR	<b>(809,579)</b>	(1,059,340)
<b>At December 31</b>	<b>₱1,948,803</b>	<b>₱2,758,382</b>

The rollforward analysis of outstanding claims provision follows:

	2017	2016
At January 1	<b>₱44,234</b>	₱—
Claims incurred in the current year	<b>99,111,232</b>	79,699,225
Claims paid during the year	<b>(99,155,466)</b>	(79,654,991)
<b>At December 31</b>	<b>₱—</b>	<b>₱44,234</b>

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, 2017 and 2016, loans covered by the Association's loan redemption insurance amounted to ₱21.49 billion and ₱51.39 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:

	2017	2016
At January 1	<b>₱3,040,601,467</b>	₱2,429,552,226
Contribution	<b>825,500,073</b>	642,507,510
Interest income	<b>135,359,108</b>	96,293,911
Claims and expenses	<b>(158,372,286)</b>	(127,752,180)
At December 31	<b>₱3,843,088,362</b>	₱3,040,601,467

The allocation of interest for retirement savings fund is equivalent to 3.53% and 3.57% in 2017 and 2016, respectively, of the beginning balance of the account plus contribution from members during the year. Interest expense incurred for retirement savings claims amounted to ₱3.96 million and ₱3.67 million in 2017 and in 2016, respectively (see Note 20).

## 18. Net Earned Premiums

The net earned premiums consist of the following:

	2017	2016
Gross earned premiums on insurance contracts		
Life insurance premiums	<b>₱2,500,081,738</b>	₱1,938,339,147
Loan insurance premiums	<b>502,141,756</b>	390,835,470
Total gross premiums earned on insurance contracts	<b>3,002,223,494</b>	2,329,174,617
Less: Reinsurer's share on gross earned premium on insurance contracts		
Life insurance	<b>(2,671,816)</b>	(2,646,045)
Net earned premiums on insurance contracts	<b>₱2,999,551,678</b>	₱2,326,528,572

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 ₱2.38 million and ₱3.14 million in 2017 and 2016, 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	2016
At January 1	<b>₱1,033,695</b>	₱535,051
Premiums ceded to reinsurer	<b>2,375,814</b>	3,144,689
Reinsurer's share of gross earned premiums on insurance contracts	<b>(2,671,816)</b>	(2,646,045)
At December 31	<b>₱737,693</b>	₱1,033,695

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

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## 19. Investment Income

This account consists of

	2017	2016
Interest income on:		
HTM investments (Note 7)	<b>₱224,769,447</b>	₱199,164,330
Long-term investments (Note 8)	<b>8,851,065</b>	4,667,767
Cash and cash equivalents (Note 6)	<b>2,660,887</b>	4,320,517
Short-term investments (Note 8)	<b>2,590,990</b>	5,783,150
Pension asset (Note 25)	<b>2,166,373</b>	1,111,813
Loans and receivable (Note 8)	<b>1,513,005</b>	1,369,050
Dividend income (Note 9)	<b>74,030,712</b>	26,508,032
	<b>₱316,582,479</b>	₱242,924,659

## 20. General and Administrative Expenses

This account consists of:

	2017	2016
Transportation and travel	<b>₱155,785,420</b>	₱128,646,156
Salaries and allowances	<b>79,835,931</b>	83,458,767
Donation and contribution	<b>41,824,384</b>	9,367,852
Professional fees	<b>26,881,849</b>	14,907,149
Program, monitoring and evaluation	<b>24,297,385</b>	17,537,012
Depreciation (Notes 3, 11 and 12)	<b>23,718,433</b>	11,852,537
Supplies	<b>18,458,511</b>	17,840,227
Rental (Note 21)	<b>16,909,387</b>	8,724,946
Security and janitorial services	<b>12,659,868</b>	7,968,068
Training and development	<b>11,433,422</b>	9,782,903
Insurance	<b>9,265,393</b>	6,659,189
Meetings and seminars	<b>8,725,583</b>	6,755,541
Communication	<b>6,900,027</b>	7,347,053
Repairs and maintenance	<b>5,383,366</b>	4,075,712
Pension expense (Note 25)	<b>4,427,935</b>	3,942,178
Provision for probable losses	<b>6,360,781</b>	—
Interest expense (Note 17)	<b>3,958,833</b>	3,666,610
Light and water	<b>3,941,079</b>	2,736,069
Taxes and licenses	<b>2,733,571</b>	3,570,381
Membership dues	<b>1,034,560</b>	1,638,645
Bank charges	<b>656,795</b>	703,051
Entertainment, amusement and recreation	<b>622,681</b>	513,976
Research and documentation	<b>91,835</b>	112,498
Miscellaneous	<b>427,530</b>	11,226,301
	<b>₱466,334,559</b>	₱363,032,821

## 21. Lease Commitments

### Operating leases - Association as lessee

In 2017, 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 2017 and 2016 amounted to ₱16.91 million and ₱8.72 million, respectively. The future minimum rentals payable within one (1) year of the existing contracts amounted to a total of ₱8.20 million and ₱6.01 million as of December 31, 2017 and 2016, respectively.

### Operating leases - Association as lessor

The Association entered into operating lease agreements with its related parties with terms ranging from three (3) to five (5) years. Rent income included in the statements of comprehensive income under “rental income” account in 2017 and 2016 amounted to ₱12.09 million and ₱7.92 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:

	2017	2016
Within 1 year	<b>₱12,085,534</b>	₱10,616,731
More than 1 year but not more than 5 years	<b>33,090,095</b>	29,068,524
	<b>₱45,175,629</b>	₱39,685,255

## 22. 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, 2017

Category	Amount	Outstanding	Nature	Terms	Conditions
<b>Associates</b>					
<b>CMIT</b>					
Account receivable	₱134,345	–	– Un-remitted contributions for staff and shares on expenses	On-demand; noninterest-bearing	Unsecured; no impairment
Loan Receivable	–	–	– Loan made by CMIT	On-demand; Interest at 4% per annum	Unsecured;
Rental Income	208,860	–	– Income received from office space rentals	On-demand; noninterest-bearing	Unsecured; no impairment
Income from Financial Assistance	650,000	–	– Income from Financial Assistance	On-demand; noninterest-bearing	Unsecured;
<b>BoTICARD</b>					
Account receivable	1,223,699	8,188	Un-paid billing re: water and electricity.	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	4,439,837	2,746,798	Unpaid medicines and other expenses	On-demand; noninterest-bearing	Unsecured; no impairment
Rental Income	165,375	–	– Income received from office space rentals	On-demand; noninterest-bearing	Unsecured; no impairment
<b>CPMI</b>					
Account receivable	82,589,329	5,951,582	Unpaid reimbursement on claims for members who avail CPMI products	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	914,552,578	24,034,133	Unpaid Premiums for CPMI products	On-demand; noninterest-bearing	Unsecured; no impairment
Rental Income	52,278	–	– Income received from office space rentals	On-demand; noninterest-bearing	Unsecured; no impairment
<b>Affiliates</b>					
<b>MNLI</b>					
Accounts payable	807,066	27,225	Unpaid billings from MNLI re: products	On-demand; noninterest-bearing	Unsecured; no impairment

**December 31, 2017**

Category	Amount	Outstanding	Nature	Terms	Conditions
<b>CaMIA</b>					
Account receivable	36,938,347	1,354,341	Unpaid reimbursement on claims for members who avail CaMIA products and others expenses incurred	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	15,458,691	1,453,447	Unpaid Premiums for CaMIA products	On-demand; noninterest-bearing	Unsecured; no impairment
Rental Income	373,352	–	Income received from office space rentals	On-demand; noninterest-bearing	Unsecured; no impairment
<b>CMDI</b>					
Account receivable	168,329	13,450	Unpaid billing re: electricity	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	3,201,881	143,727	Unpaid expenses for administration and training cost of staff & coordinators	On-demand; noninterest-bearing	Unsecured; no impairment
<b>CARD Inc.</b>					
Account receivable	125,327,778	412,021	Unremitted collection from members contributions	On-demand; noninterest-bearing	Unsecured; no impairment
Collection fee payable	356,607,564	955,113	Amount of claims and expenses is much higher than the collected contributions	On-demand; noninterest-bearing	Unsecured; no impairment
Rental Income	163,723	–	Income received from office space rentals	On-demand; noninterest-bearing	Unsecured; no impairment
<b>CARD SME Bank Inc.</b>					
Cash and cash equivalents	1,006,037,386	13,662,515	Various	On-demand; interest at 1.50% for regular savings deposit	Unsecured; no impairment
Account receivable	7,249,740	845,500	Unremitted collection from members contributions	On-demand; noninterest-bearing	Unsecured; no impairment
Collection fee payable	7,550,162	24,151	Amount of claims and expenses is much higher than the collected contributions	On-demand; noninterest-bearing	Unsecured; no impairment
Rental Income	4,229,635	–	Income received from office space rentals	On-demand; noninterest-bearing	Unsecured; no impairment
Interest Income	652,958	–	Income from deposited made (including in cash and cash equivalents)	On-demand; noninterest-bearing	Unsecured; no impairment
<b>BDSFI</b>					
Account receivable	460	–	Uncollected of staff contribution	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	2,088	–	Unpaid billing re: repacking and delivery of relief goods	On-demand; noninterest-bearing	Unsecured; no impairment
<b>CARD EMPC</b>					
Account receivable	2,046,047	1,051,443	unremitted loan redemption premium and health reimbursement of staff	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	1,464,716	25,859	Unpaid claims benefit of staff for his loans.	On-demand; noninterest-bearing	Unsecured; no impairment

**December 31, 2017**

<b>Category</b>	<b>Amount</b>	<b>Outstanding</b>	<b>Nature</b>	<b>Terms</b>	<b>Conditions</b>
<b>RIZAL BANK INC.</b>					
Cash and cash equivalents	P240,365,769	P5,215,562	Various	On-demand; interest at 1.50% for regular savings deposit	Unsecured; no impairment
Account receivable	14,574,658	145	Unremitted collection from members contributions	On-demand; noninterest-bearing	Unsecured; no impairment
Collection fee payable	18,941,423	–	Amount of claims and expenses is much higher than the collected contributions	On-demand; noninterest-bearing	Unsecured; no impairment
Interest Income	40,835	–	Income from deposited made (including in cash and cash equivalents)	On-demand; noninterest-bearing	Unsecured; no impairment
Rental Income	1,389,433	–	Income received from office space rentals	On-demand; noninterest-bearing	Unsecured; no impairment
<b>CLFC</b>					
Account receivable	474,564	85,296	Unremitted loan redemption premium	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	11,117,420	170,550	Unpaid billing re: supplies	On-demand; noninterest-bearing	Unsecured; no impairment
<b>CARD Bank Inc.</b>					
Cash and cash equivalents	2,870,085,760	42,624,888	Various	On-demand; interest at 1.50% for regular savings deposit	Unsecured; no impairment
Account receivable	39,579,968	184,029	Unremitted collection from members contributions	On-demand; noninterest-bearing	Unsecured; no impairment
Collection fee payable	64,811,698	146,661	Amount of claims and expenses is much higher than the collected contributions	On-demand; noninterest-bearing	Unsecured; no impairment
Rental Income	5,502,879	–	Income received from office space rentals	On-demand; noninterest-bearing	Unsecured; no impairment
Interest Income	458,656	–	Income from deposited made (including in cash and cash equivalents)	On-demand; noninterest-bearing	Unsecured; no impairment
<b>FDS</b>					
Income from Financial Assistance	250,000	–	Income from transferred Financial Assistance	On-demand; noninterest-bearing	Unsecured;
Loan Receivable	25,000,000	–	Loan made by CMIT but transferred to FDS	On-demand; Interest at 4% per annum	Unsecured;

The above outstanding balances as of December 31, 2017 are summarized as follows:

	<b>2017</b>
Cash and cash equivalents	<b>₱61,502,965</b>
Loan receivable (Note 8)	<b>–</b>
Accounts receivable (Note 8)	<b>9,905,995</b>
Accounts payable (Note 15)	<b>(27,148,292)</b>
Accounts payable - CAMIA	<b>(1,453,447)</b>
Accounts payable - related parties	<b>(1,125,925)</b>
Net due from related parties	<b>₱41,681,296</b>

December 31, 2016

Category	Amount	Outstanding	Nature	Terms	Conditions
Associates					
<i>CMIT</i>					
Accounts receivable	P367,756	P-	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
<i>BotiCARD</i>					
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
<i>CPMI</i>					
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
Accounts payable	180,714,900	13,574,845	Claims unpaid to members who avail CaMIA products	On-demand; noninterest bearing	Unsecured; no impairment
<i>CARD MNL</i>					
Accounts payable	122,439	122,439	Unpaid expenses incurred in MNL Product	On-demand; noninterest bearing	Unsecured
Affiliates					
<i>CaMIA</i>					
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
(Forward)					

Category	Amount	Outstanding	Nature	Terms	Conditions
Rental income	P176,080	P-	Income received from office space rental	On-demand; noninterest-bearing	Unsecured; no impairment
<i>CMDI</i>					
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
<i>CARD, Inc.</i>					
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
<i>CARD SME Bank Inc.</i>					
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
<i>CARD BDSFI</i>					
Accounts receivable	642	—	Unpaid collection of members' contribution	On-demand; noninterest-bearing	Unsecured; no impairment
<i>CARD EMPC</i>					
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 Assistance	662,037	—			
<i>Rizal Rural Bank</i>					
Cash and cash equivalents	121,175,785	1,825,937	Various	On-demand; interest at 1.50% for regular savings deposit	Unsecured; no impairment

(Forward)

Category	Amount	Outstanding	Nature	Terms	Conditions
Accounts receivable	P412,822	P386	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	P30,434	–	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
<i>CLFC</i>					
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	
<i>CARD Bank, Inc.</i>					
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
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
<i>RISE</i>					
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)	(16,962,540)
Accounts payable - CAMIA	(9,200,683)
Accounts payable - related parties	(727,926)
Net due from related parties	₱64,439,609

### 23. Income Tax

The provision for income tax consists of:

	2017	2016
Current tax	₱398,212	₱216,396
Final tax	45,607,673	45,771,404
Provision for income tax	₱46,005,885	₱45,987,800

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:

	2017	2016
Statutory income tax	₱206,892,397	₱143,703,020
Add (deduct) the tax effect of:		
Gross premiums on insurance contracts	(899,865,503)	(697,958,572)
Equity in net earnings of associates	(32,137,020)	(22,099,883)
Interest income subjected to final tax	(23,398,726)	(20,982,645)
Interest income not subjected to final tax	(2,655,318)	
Dividend income	(22,209,214)	(7,952,410)
Surrender charge	(5,042,096)	(5,091,044)
Other income	(1,233,635)	(2,521,057)
Rental income	-	(330,155)
Gross change in insurance contract liabilities	391,682,210	306,551,859
Gross insurance contract benefits and claims paid	297,591,023	247,666,243
General and administrative expenses	136,381,767	105,002,444
Provision for income tax	₱46,005,885	₱45,987,800

### 24. Notes to Statement of Cash Flows

The Association's principal noncash investing activity in 2017 pertains to the transfer of advances for future stock subscription from AFS financial assets to loans and receivables amounting to ₱6.46 million (see Notes 8 and 9).

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**25. 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 follow:

	Net benefit cost in statement of comprehensive income					2017					Remeasurements in other comprehensive income				
	At January 1	Current service cost (Note 20)	Net interest (Note 19)	Subtotal	Benefits paid	Transfer to plan	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from demographic assumptions	Actuarial changes arising from financial assumptions	Effect of changes in asset ceiling	Subtotal	Contribution by employer	At December 31		
Present value of defined benefit obligation	P32,218,101	P4,427,935	P1,887,081	P6,315,106	(P516,868)	(P1,394,753)	P-	(P389,371)	(P8,966,358)	(P1,917,297)	P-	(P11,273,026)	P-	P25,349,370	
Fair value of plan assets	(69,526,540)	-	(4,508,165)	(4,508,165)	P516,868	P1,394,753	341,644	-	-	-	-	341,644	(16,720,839)	(88,502,279)	
Effect of changes in asset ceiling	7,744,213	-	453,811	453,811	-	-	-	-	-	-	15,342,545	15,342,545	P4,411,163	23,540,569	
	(P29,564,226)	P4,427,935	(P2,166,373)	P2,261,562	P-	P-	P341,644	(P389,371)	(P8,966,358)	(P1,917,297)	P15,342,545	P4,411,163	(P16,720,839)	(P39,612,340)	

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

	2017	2016
Discount rate	5.77%	5.86%
Salary increase rate	5.00%	7.00%
Average remaining working lives	31.7 years	31.8 years

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

	2017	2016
<b>Assets</b>		
Cash and cash equivalents	₱36,471,790	₱28,881,325
Investment in bonds	46,578,749	34,095,815
Investment in mutual funds	415,961	361,538
Loans	3,894,100	5,249,254
Others	1,141,679	938,608
	<b>₱88,502,279</b>	<b>₱69,526,540</b>

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, 2017, assuming if all other assumptions were held constant:

	Increase (decrease)	Effect on defined pension plan	
		2017	2016
Discount rate	+100 basis points	(₱3,660,310)	(₱5,416,484)
	-100 basis points	4,568,616	6,881,968
Future salary increase	+100 basis points	4,282,538	6,368,028
	-100 basis points	(3,515,259)	(5,157,230)

The Association expects to contribute ₱23.04 million to the defined pension plan in 2018.

As of December 31, 2017, the maturity profiles of undiscounted benefit payments of the Association follow:

Less than one year	₱822,428
More than one year to five years	4,355,854
More than five years	10,140,167
	<b>₱15,318,449</b>

The average duration of the defined benefit obligation at the end of the reporting period is 16.2 years.

## 26. 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, 2017 and 2016, the Association has a total of ₹137.86 million and ₹136.21 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:

	2017	2016
Member’s equity	₹2,543,017,789	₹2,085,052,442
RBC requirement	611,503,957	624,060,470
RBC ratio	415.86%	334.11%

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 takes 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.

**2017**

	<b>Increase of 1.00% on discount rate and decrease of 25.00% on mortality rate</b>	<b>Increase of 1.00% on discount rate and decrease of 25.00% on mortality rate</b>
Increase (decrease) on liabilities	<b>₱4,788,975,342</b>	<b>(₱343,033,937)</b>
Increase (decrease) on revenue	<b>(4,788,975,342)</b>	<b>343,033,937</b>

**2016**

	<b>Increase of 1.00% on discount rate and decrease of 25.00% on mortality rate</b>	<b>Increase of 1.00% on discount rate and decrease of 25.00% on mortality rate</b>
Increase (decrease) on liabilities	<b>₱3,783,942,799</b>	<b>(₱268,377,876)</b>
Increase (decrease) on revenue	<b>(3,783,942,799)</b>	<b>268,377,876</b>

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, 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, 2017 and 2016:

	2017		2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial Assets</b>				
Cash and cash equivalents	₱255,058,647	₱255,058,647	₱132,874,089	₱132,874,089
HTM investments	10,132,288,942	10,320,954,166	7,947,632,304	7,799,645,819
Loans and Receivables				
Short-term investments	115,651,481	115,651,481	113,413,490	113,413,490
Long-term investments	492,591,045	588,803,558	475,388,639	568,241,191
Receivables				
Accounts receivables	11,154,399	11,154,399	22,727,946	22,727,946
Loans receivable	6,460,000	6,460,000	35,000,000	35,000,000
Other receivables	10,795,873	10,795,873	3,907,817	3,907,817
AFS financial assets				
Quoted	480,411,928	480,411,928	363,217,249	363,217,249
Unquoted	261,401,400	261,401,400	234,992,200	234,992,200
Accrued interest receivable	114,037,287	114,037,287	79,338,746	79,338,746
	<b>₱11,879,851,002</b>	<b>₱12,164,728,739</b>	<b>₱9,408,492,480</b>	<b>₱9,353,358,547</b>
<b>Financial Liabilities</b>				
Accounts payable and accrued expenses	₱64,458,434	₱64,458,434	₱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, 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% as of December 31, 2017 and 2016, 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, 2017 and 2016, the fair value of the investments in mutual funds designated as AFS financial assets of the Association amounted to ₱480.41 million and ₱363.22 million, 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, 2017 and 2016, 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.

	2017	2016
<b>Financial Assets</b>		
Cash and cash equivalents (excluding cash on hand amounting ₱0.17 million and ₱1.35 million in 2016 and 2015, respectively)	<b>₱254,941,137</b>	₱132,702,931
HTM investments	<b>10,132,288,942</b>	7,947,632,304
Loans and Receivables		
Short-term investments	<b>115,651,481</b>	113,413,490
Long-term investment	<b>592,591,045</b>	475,388,639
Receivables		
Accounts receivable	<b>11,154,399</b>	22,727,946
Loans receivable	<b>6,460,000</b>	35,000,000
Advances for future stocks subscriptions	<b>4,000,000</b>	4,000,000
Other receivables	<b>10,795,873</b>	3,907,817
AFS financial assets		
Quoted	<b>480,411,928</b>	363,217,249
Unquoted	<b>261,401,400</b>	234,992,200
Accrued income	<b>114,037,287</b>	79,338,746
	<b>₱11,983,733,492</b>	₱9,412,321,322

The credit risk is concentrated on the following:

	2017	2016
Related parties	<b>₱24,214,495</b>	₱873,475,406
Unrelated parties	<b>10,795,873</b>	8,538,845,917
	<b>₱35,010,369</b>	₱9,412,321,323

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, 2017 and 2016.

## 2017

	Neither Past-Due nor Impaired		Past Due and Impaired	Total
	Investment Grade	Non-investment Grade		
<b>Financial Assets</b>				
HTM investments	<b>₱10,132,288,942</b>	<b>P-</b>	<b>P-</b>	<b>₱10,132,288,942</b>
Cash and cash equivalents	255,058,647	-	-	255,058,647
<b>Loans and Receivables</b>				
Long-term investments	592,591,045	-	-	592,591,045
Short-term investments	115,651,481	-	-	115,651,481
Accrued interest receivable	114,037,287	-	-	114,037,287
Loans receivable	6,460,000	-	-	6,460,000
Accounts receivables	9,102,931	-	1,115,021	10,217,952
Advances for future stocks subscription	4,000,000	-	-	4,000,000
Other receivables	10,097,215	-	523,841	10,621,056
<b>AFS financial assets</b>				
Quoted	480,411,928	-	-	480,411,928
Unquoted	261,401,400	-	-	261,401,400
	<b>₱11,981,100,876</b>	<b>P-</b>	<b>₱1,638,862</b>	<b>₱11,982,739,748</b>

## 2016

	Neither Past-Due nor Impaired		Past Due and Impaired	Total
	Investment Grade	Non-investment Grade		
<b>Financial Assets</b>				
HTM investments	<b>₱7,947,632,304</b>	<b>P-</b>	<b>P-</b>	<b>₱7,947,632,304</b>
Cash and cash equivalents	132,874,089	-	-	132,874,089
<b>Loans and Receivables</b>				
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
<b>AFS financial assets</b>				
Quoted	363,217,249	-	-	363,217,249
Unquoted	234,992,200	-	-	234,992,200
	<b>₱9,409,680,900</b>	<b>P-</b>	<b>₱2,811,581</b>	<b>₱9,412,492,481</b>

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:

- 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.
- 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:

#### **2017**

	Up to one year	1-3 years	3-5 years	Over 5 years	No term	Total
<b>Financial assets</b>						
Cash and other cash items	P255,058,647	P-	P-	P-	P-	P255,058,647
HTM investments	-	329,649,685	1,595,713,987	6,081,581,424	-	8,006,945,096
<b>Loans and Receivables</b>						
Accounts receivables	11,009,856	144,543	-	-	-	11,154,399
Accrued interest receivable	114,037,287	-	-	-	-	114,037,287
Loans receivables	-	-	6,460,000	-	-	6,460,000
Advances for future stock subscription	4,000,000	-	-	-	-	4,000,000
Other receivables	10,215,897	579,976	-	-	-	10,795,873
Short-term investments	115,651,481	-	-	-	-	115,651,481
Long-term investments	71,065,970	-	521,525,075	-	-	592,591,045
AFS financial assets	-	-	-	-	741,813,328	741,813,328
	<b>P581,039,138</b>	<b>P330,374,204</b>	<b>P2,123,699,062</b>	<b>P6,081,581,424</b>	<b>P741,813,328</b>	<b>P9,858,507,156</b>
<b>Financial liabilities</b>						
<b>Other financial liabilities</b>						
Accounts payable - CAMIA	P1,453,447	P-	P-	P-	P-	P1,453,447
Claims payable	43,947,061	-	-	-	-	43,947,061
Collection fee payable	39,088,595	9,364,616	-	-	-	48,453,211
Accrued expenses	10,479,603	-	-	-	-	10,479,603
	<b>P94,968,706</b>	<b>P9,364,616</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P104,333,322</b>

## 2016

	Up to one year	1-3 years	3-5 years	Over 5 years	No term	Total
Financial assets						
Cash and other cash items	P132,874,089	P–	P–	P–	P–	P132,874,089
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
	P568,045,921	P166,234,106	P1,998,421,581	P6,081,581,424	P598,209,449	P9,412,492,481
(Forward)						
Financial liabilities						
Other financial liabilities						
Accounts payable - CAMIA	P9,200,683	P–	P–	P–	P–	P9,200,683
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
	P116,600,296	P401,825	P–	P–	P–	P117,002,121

*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:

- 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.
- 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.
- 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.

	2017		2016	
	U.S. Dollar <sup>(1)</sup>	Peso Equivalent	U.S. Dollar <sup>(1)</sup>	Peso Equivalent
Cash in bank	\$3,356	167,544	\$10,881	₱541,998
Short-term investments	5,578	278,482	5,540	275,944
<b>Total</b>	<b>\$8,934</b>	<b>446,026</b>	<b>\$16,421</b>	<b>₱817,942</b>

<sup>(1)</sup> The exchange rate used was ₱49.923 to US\$1.00 in 2017 and ₱49.81 to US\$1.00 in 2016.

#### *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
<b>2017</b>	<b>USD</b>	<b>+0.11</b>	<b>₱167,383</b>
		<b>-0.11</b>	<b>(₱167,383)</b>
<b>2016</b>	<b>USD</b>	<b>+0.11</b>	<b>₱29,147</b>
		<b>-0.11</b>	<b>(₱29,147)</b>

#### *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, 2017 and 2016 that are exposed to fair value interest rate risk presented by maturity profile.

#### **2017**

	Range of interest rate	Up to a year	Over one (1) year
Cash and cash equivalents-regular deposit	0.05% to 1.50%	₱89,691,136	₱-
Cash and cash equivalents-time deposits	1.575 % to 2.125 %	165,250,001	-
Short-term investments	0.875 % to 2.125 %	115,651,481	-
Long term investments	4.00% to 6.00%	116,717,883	475,873,162
HTM investments	3.25% to 7.75 %	-	10,132,241,942
<b>Total financial assets</b>		<b>₱487,310,501</b>	<b>₱10,608,115,10</b>

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

*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
<b>2017</b>	<b>₱166,145,575</b>	<b>+10%</b>	<b>₱16,809,418</b>
		<b>-10%</b>	<b>(₱16,809,418)</b>
 2016	 ₱269,889,468	 +10%	 ₱26,988,947
		-10%	(₱26,988,947)

**27. 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, 2017 and 2016, 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.

## 28. 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, 2016	₱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
Utilization of appropriation	–	–	(15,545)	–	(15,545)
At December 31, 2017	₱137,861,701	₱–	₱542,756	₱10,322,396	₱148,726,853

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 nil and ₱37.24 million in 2017 and 2016, 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 2017 and 2016, reversal and utilization of appropriation amounted to nil and ₱39.39 million, respectively. These reversals, approved by the BOT, pertain to unused funds at year-end.

In 2016, 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.

## 29. Restatement

The Association recorded a restatement its investments in associates with CPMI. The restatement of is due to the new valuation standards for nonlife policy reserves adopted by CPMI retrospectively in accordance with IC CL No. 2016-67, *Valuation Standards for Nonlife Insurance Policy Reserves* which became effective on January 1, 2017 pursuant to IC CL No. 2016-69, *Implementation Requirements for Financial Reporting, Valuation Standards for Insurance Policy Reserves, and Amended Risk-Based Capital (RBC2) Framework*.

The adoption of IC CL No. 2016-67 introduced changes in the valuation method for incurred but not reported (IBNR) claims. Under the new valuation standards, claims liabilities for both direct and assumed treaty and reinsurance businesses shall be calculated as the sum of outstanding claims reserves, claims handling expense and IBNR claims, with computed Margin for Adverse Deviation (MfAD). IBNR claims shall be calculated based on standard actuarial projection techniques or combination of such techniques, such as but not limited to the chain ladder method, expected loss ratio approach and Bornhuetter-Ferguson method. Provision for claims handling expense covering the estimated expenses of settling all outstanding claims, both reported and unreported, as of valuation date shall also be computed. These valuations are to be performed by an actuarial expert duly accredited by the IC.

Prior to the adoption of the new valuation standards, the primary technique adopted by CPPI's management in estimating the cost of IBNR claims is that of using past settlement trends to predict future claims settlement trends. At the each reporting date, prior year claims estimates are assessed for adequacy and any changes made are charged to provision.

The net effects of all transition adjustments are charged to retained earnings on the transition date. As a result of the aforementioned change in the valuation method on IBNR claims, the Association restated its 2016 and 2015 financial statements as fully described below:

*December 31, 2016*

	As previously presented	Adjustment	As restated
Investments in associates	₱432,444,234	(20,262,574)	412,181,660
Equity in net earnings (loss) of associates	73,666,278	(8,079,092)	65,587,186
Equity in other comprehensive income (loss) of an associate	4,020,589	–	4,020,589

*January 1, 2016*

	As previously presented	Adjustment	As restated
Investments in associates	₱304,457,354	(₱12,183,481)	₱292,273,873
Retained earnings	1,779,244,529	(12,183,481)	1,767,061,048
Other comprehensive income	(2,447,787)	–	(2,447,787)

### 30. Approval of the Financial Statements

The accompanying financial statements of the Association were approved and authorized for issue by the Board of Trustees on April 12, 2018.

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

The Association reported and/or paid the following types of taxes in 2017:

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 ₱1.63 million from its rental income and interest earned from loans receivables amounting ₱12.09 million and ₱1.51 million, respectively.

- b. The Association did not incur any input VAT in 2017.

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 Statement of Comprehensive Income.

Details consist of the following in 2017:

<i>Local tax</i>	
License and permit fees	₱1,237,139
Real property taxes	1,350,044
Others	125,287
	<hr/> 2,712,471
<i>National tax</i>	
Registration fees	21,100
	<hr/> ₱2,733,571

c. Withholding Taxes

Details consist of the following:

Withholding taxes on compensation and benefits	₱3,800,000
Expanded withholding taxes	1,883,750
	<hr/> ₱5,684,607

d. Tax Assessments and Cases

On December 21, 2017, the Association received a formal letter of demand from the BIR for deficiency taxes relating to taxable year 2014 amounting to ₱10.60 million, inclusive of penalties and interests. On February 5, 2018, the Association submitted its administrative appeal with the BIR. As of the approval date of the FS, the BIR has not responded to the appeal. Management believes that it is not liable to pay deficiency taxes and has a strong position on the tax assessment, and if decided adversely, will not have a material effect on the Association's financial position and results of operations.

Aside from the foregoing, the Association has no open tax assessments or pending cases with the BIR.

**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, 2017**

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of December 31, 2017		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>Framework for the Preparation and Presentation of Financial Statements</b> Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
<b>PFRSs Practice Statement Management Commentary</b>				✓
<b>Philippine Financial Reporting Standards</b>				
<b>PFRS 1 (Revised)</b>	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'			✓
<b>PFRS 2</b>	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			✓
<b>PFRS 3 (Revised)</b>	Business Combinations			✓
	Amendments to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendments to PFRS 3: Scope Exceptions for Joint Arrangements			✓
<b>PFRS 4</b>	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		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
<b>PFRS 5</b>	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendments to PFRS 5: Changes in Methods of Disposal			✓
<b>PFRS 6</b>	Exploration for and Evaluation of Mineral Resources			✓
<b>PFRS 7</b>	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		
<b>PFRS 8</b>	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			✓
<b>PFRS 9</b>	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			✓
<b>PFRS 10</b>	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			✓
<b>PFRS 11</b>	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PFRS 12	Disclosure of Interests in Other Entities			✓
	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			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 16: Bearer Plants			✓
<b>PAS 17</b>	Leases	✓		
<b>PAS 18</b>	Revenue	✓		
<b>PAS 19</b>	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			✓
<b>PAS 20</b>	Accounting for Government Grants and Disclosure of Government Assistance			✓
<b>PAS 21</b>	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
<b>PAS 23 (Revised)</b>	Borrowing Costs			✓
<b>PAS 24 (Revised)</b>	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel			✓
<b>PAS 26</b>	Accounting and Reporting by Retirement Benefit Plans	✓		
<b>PAS 27 (Amended)</b>	Separate Financial Statements			✓
	Amendments to PAS 27: Investment Entities			✓
<b>PAS 28 (Amended)</b>	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		
<b>PAS 29</b>	Financial Reporting in Hyperinflationary Economies			✓
<b>PAS 31</b>	Interests in Joint Ventures			✓
<b>PAS 32</b>	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	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
<b>PAS 33</b>	Earnings per Share			✓
<b>PAS 34</b>	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'			✓
<b>PAS 36</b>	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
<b>PAS 37</b>	Provisions, Contingent Liabilities and Contingent Assets	✓		
<b>PAS 38</b>	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			✓
<b>PAS 39</b>	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		
<b>PAS 40</b>	Investment Property	✓		
	Amendment to PAS 40: Interrelationship between PFRS 3 and PAS 40			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants			✓
	Amendments to PAS 40, Investment Property, Transfers of Investment Property	Not Early Adopted		
<b>Philippine Interpretations</b>				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	<i>Determining Whether an Arrangement Contains a Lease</i>			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	<i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>			✓
IFRIC 7	<i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>			✓
IFRIC 8	<i>Scope of PFRS 2</i>			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	<i>Interim Financial Reporting and Impairment</i>			✓
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			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
<b>SIC-12</b>	Consolidation - Special Purpose Entities			✓
	Amendment to SIC-12: Scope of SIC-12			✓
<b>SIC-13</b>	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
<b>SIC-15</b>	Operating Leases - Incentives			✓
<b>SIC-25</b>	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
<b>SIC-27</b>	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
<b>SIC-29</b>	Service Concession Arrangements: Disclosures			✓
<b>SIC-31</b>	Revenue - Barter Transactions Involving Advertising Services			✓
<b>SIC-32</b>	Intangible Assets - Web Site Costs			✓





**CARD MRI**  
CARD Mutually Reinforcing Institutions



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