



CARDMRI

***Transformation with a Mission:
Achieving 5-8-40 and Beyond***

**CARD Mutual
Benefit Association, Inc.**

**2018 ANNUAL
REPORT**

TABLE OF CONTENTS

4	About the Cover	17	Corporate Governance
5	Vision and Mission	26	Board of Trustees
6	President's Message	28	Management Committee
8	Chief Executive Officer's Report	30	Our BOAT Partners
12	Activities	31	Directory
14	Operational Highlights	32	Audited Financial Statements
16	Community Development		

ABOUT THE COVER

As we continue to build CARD MRI up as a dynamic group of development-oriented institutions fit for the digital landscape, we must always recognize the very reason for us in undertaking this grand endeavor - our clients and members.

They are our inspiration, and their upliftment in life is our mission. We, as servants of social development, must always remind ourselves that our transformation has purpose.

Our cover aims to illustrate CARD MRI's dedication towards our digital transformation while still maintaining the essential human connection we have with our clients and stakeholder partners. The motif of the wheel symbolizes that CARD MRI is purposely designed to move forward with the aid of technology, while the inset photographs showcase not only our institutions' achievements but also meaningful moments with our clients and communities.

This is transformation with a mission.





CARD MRI is in the business of poverty eradication.

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; and
- Adopt a prudent cash management program to invest all cash in excess of current disbursement through a majority vote of its Board of Trustees.



Violeta G. Aquino
President

Keeping it Personal in the Face of Digitalization

Time flies indeed. It's as if it was only yesterday when I stood before you and promised to fulfill my duties as the leader of this Association.

My two-year term is about to end. In that span of time, I have seen all of us catch up with swift developments in technology. Nanays learned how to use cellphones and ATM cards, and lived in the way millennials would.

Despite this progress, we continue to seek out those from islands and in rural areas where the so-called "modern lifestyle" hasn't reached. These are the places where we maintain our personal touch with fellow members, especially those who have been affected by calamities. We go to them personally to extend support and to make them feel that we genuinely care.

As we reached out to them, we made sure we bring with us digital innovations that would help CARD MBA deliver better products and quality services to our dear Nanays and their families. Such initiative did not go in vain as we've seen our outreach and premium impressively increased this year.

Amid the opportunities that the digital transformation has provided to the millions of lives we cover, I could not help but ask, "How do we remain grounded despite the increasing role of technology in our daily lives?"

Simple. We continue to uphold the core values of this institution, namely competence, family spirit, integrity, simplicity, humility, excellence, and stewardship, which we hold deep in our hearts. Concurrent with this, we maximize the full potential of the available digital innovations to promote the welfare of marginalized sectors such as women and children, fisherfolks and farmers, persons with disabilities, senior citizens, victims of disaster and calamities, and the socioeconomically challenged communities, among others.

We do this by extending financial assistance to the members in the form of death benefits, medical subsidy, retirement fund and loan protection; and ensuring access to relevant benefits and resources; as well as adopting a prudent cash management program to invest in.

We are also reaching out to those who live remotely from the main offices. The establishment of additional provincial offices proves that we are committed to providing our members with better services without having to travel far.

At this point, I would like to take this opportunity to thank all our members, Account Officers, Unit Managers, Provincial Managers, and my Area Managers who believed in what I can do. I am truly blessed to have been a member of CARD MBA, Center Rosas 7 of the LB North Unit since August 7, 2006. I am fortunate to have been given this chance to serve my fellow members.

My gratitude also goes out to the management who

never faltered in guiding me and making sure I play my role the best that I can. Thanks to the training on Anti-Money Laundering Act, management fora, and many more, which helped me also to understand the complex world of finance and insurance. All of these have helped me become a better and responsible leader of the Association, especially in taking care of and making sure our funds grow.

I also learned how to hurdle challenges thrown at the Association. Essentially, my time here has taught me to prepare for the worst to come and how important it is to come up with timely solutions. This way, we can protect our members and continue to help those who are in need.


Violeta G. Aquino





May S. Dawat
Chief Executive Officer

Aiming High for 5-8-40's Success

All through the years, CARD MBA has achieved its many goals that catapulted the institution to become one of the leading microinsurance providers in the country.

At the heart of it all is our genuine care for our members' welfare. We consistently strive to provide relevant and affordable insurance products, financial assistance, capacity building programs—in line with our “5-8-40” goal in which we aim to reach eight million Filipinos nationwide and insure at least 40 million individuals in 2020.

The institution has ascended to even greater heights this year with substantial investments in area expansion, education, and digitalization implemented across its systems.

Achievements Unlocked

With more than five million insured members this year, CARD MBA's financial capacity is at an upswing. In fact, we are proud to say that CARD MBA garnered an overall performance accomplishment rating of 104.12% in terms of membership and claims settlement in 2018.

Our major accomplishments include the expansion of operations in the provinces, the development of new microinsurance products, as well as the implementation of supplemental services.

In the process, CARD MBA remains rooted in its core values of competence, family spirit, integrity, simplicity, humility, excellence, and stewardship while fulfilling our mission to promote the welfare of the marginalized sectors in the Philippines.

Expansions

To broaden our reach and bring us closer to our members, we opened six new Provincial Offices (PO) located in Oriental Mindoro 2 (Roxas), Pangasinan (Lingayen), Bulacan (Guiguinto), Camarines 2 (Nabua), Sultan Kudarat (Isulan), and Zamboanga City (Zamboanga Basulta) this year. We also launched the Remitter Protek Plan, an insurance plan for our members who remit collections weekly to CARD financial institutions. Under this program, we insured a total of 189,972 from October to December 2018 across 6,827 Centers.

We also conducted 29 batches of Microinsurance Caravans to 1,845 new Account Officers and Unit Managers. Likewise, we implemented an incentive scheme for Katuparan Plan and Golden Life Insurance Program (GLIP). As part of our expansion strategies, we endorsed USWAG to Rimansi in forming their own MBA. Meanwhile, the new partner, Kadtabanga Foundation, has been assessed for the BOAT Program.

Our care for our members extended beyond

financial aid. Through the CARD MRI Disaster Relief Assistance Program (CDRAP), we provided food and medicine packs to more than 361,750 households affected by typhoons Josie, Henry, Luis, Ompong, and Samuel from January to December 2018.

In an effort to expand our insurance benefits, CARD MBA also ran a study on improving Top-up insurance, a move that would increase the life insurance coverage of members, their spouse and children. Other activities of the institution this year was its participation in the Microinsurance Awareness Campaigns of the Insurance Commission.

Strengthening Skills and Capabilities

We also recognize CARD MBA's investment for its people. For many years, the institution has implemented various strategies for capacity building as part of its goal to develop its workforce.

I, myself, am a grateful recipient of CARD MBA's capacity building efforts where I obtained an Executive

Program in General Management at Massachusetts Institute of Technology (MIT). My dear colleagues in CARD MBA also had the opportunity to advance their education through IT Security Courses, a Masters program in De La Salle University, Strategic Management Program in Ateneo de Manila University, and Investment Training at Pepperdine University.

I am also proud to say that part of our capacity building initiatives is not just confined within the walls of CARD MBA alone. As a matter of fact, we have extended a helping hand to foreign organizations that share the same mission with us. This year, the Actuarial Team conducted technical assistance to Vietnam Women's Union, MEADA, and CARD Myanmar Company Limited on product development. We, at CARD MBA, have also been actively involved in the development of Microinsurance Training Regulation for NC II together with TESDA, CMDI, and Rimansi.

Through the Hijos Tours, we also had the opportunity to involve past CARD MBA Presidents and outgoing





board members through a Lakbay Aral program. This enabled our members to experience a firsthand look in CARD MRI's actual implementation of its microfinance program.

Another highlight this year was the election of the new Board of Trustees, as well as the awarding of the National and Regional Winners of Natatanging MBA Coordinator; which is our way of recognizing the exceptional and highly dedicated people we have each year.

Overall, these investments in capacity building will drive our people to keep moving forward in CARD MBA's mission. We believe that with this holistic participation, transformation and development within the Association, we are getting closer to our 5-8-40 goal.

Transformation Through Digital Innovation

CARD MBA is a frontrunner in building transformative participation for all by utilizing the digital technologies at hand. For instance, we have adopted an integrated microfinance and bank insurance collection services. We have also harnessed the power of mobile technology for the convenience of our members.

One of the most impactful effects of embracing digitalization in our systems is the realization of our '8-24' hour strategy, which allowed CARD MBA to

pay its members' insurance claims in under 24 hours and provide even faster claims reimbursement to its members in times of crisis. This is an improvement from our '1-3-5' day strategy where claims were settled within one, three or five days.

To make this happen, we transformed our processes by using technology to achieve the '8-24' hour goal. As part of the verification process, we provided unique codes to each member that would be used whenever there is death in a member's family. This code gets encoded in the system followed immediately by the processing of claims. This makes the validation procedure faster than ever. As such, we therefore encourage our members to register their contact numbers with us so we could reach them easily.

Of course, transitioning to a digital system wasn't an easy feat. For instance, during the pilot testing of the SMS Claims Notification and Contact Number Registration, we noticed that CARD MBA members and staff opted to follow the manual procedure over the newly introduced Automated Claims Notification and Validation Process through mobile SMS. After some time, however, we've seen a handful of them getting more comfortable with the process, and we hope to continue this positive change in 2019.

On a separate note, the role of social media,

especially Facebook, is also one we cannot neglect in this Association. We understand the ever-changing landscape on how we communicate, and as a dynamic Association, we are prepared to take on the challenge. This year, we decided to launch our Facebook Page that serves as an alternative platform for us to communicate with our members. We are now running at more than 30,000 reach.

In the past years, we all know that CARD MBA's growth has been mainly driven through word-of-mouth. Our members have seen for themselves how the institution supported them in times of crisis and calamities. Nevertheless, changes in technology and the way we communicate nowadays have called us all to adapt to the changing times.

Designing our Future

By September 2019, CARD MBA will celebrate its 20th year—and when people ask me if we can achieve the 5-8-40 goal, I enthusiastically answer, “Yes, we can!”

Based on the current data, we can predict that it is more than possible to hit the goal. Our plans consist of developing more products to members, obtaining additional members, digitizing our systems further, as well as investing wisely on our people's training and education.

I hope that by 2019, we fully embrace digital transformation across all our systems. In this regard, we will start to prepare the roll-out of eProcess system, developed by CARD MRI Information Technology, Inc. (CMIT), which will automatically track documents in real-time. We will also implement a customer relationship management system to address the inquiries or complaints of CARD MBA members.

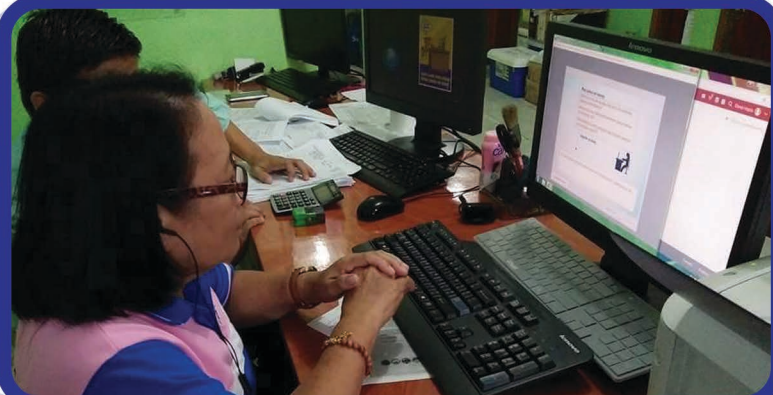
Similarly, we will improve our insurance products, specifically the Top-up insurance where we will expand the benefits to the member's spouse at a very affordable premium. The Golden Life insurance offered currently to retiring members is about to benefit the younger members, too.

Furthermore, we will establish 14 additional POs to serve the increasing number of CARD MBA members. We will also continue to evaluate the current Experience Refund and loyalty reward programs as part of the regulation of the Insurance Commission.

Our goals may change, yes, but my trust and confidence lie in CARD MBA's reputation to deliver results. Truthfully, we cannot do this without everyone's participation. In this regard, I urge all our stakeholders - from the board, senior and junior management, the members, and the entry-level staff of CARD MBA - to join us in our mission of securing more lives and perfecting our services and systems with the 5-8-40 goal in mind.



We are CARD MBA





Operational Highlights

5,152,722

*Total Active
Members*



18,291,746

*Total
Insured
Individuals*



PhP1,755,602,192.35
with donation

*Total Amount
of Claims Paid*



PhP16,702,329,938.72

*Total
Assets*



PhP5,940,905,691.94

*Total
Contribution*



95.75%

*Paid within
8-24 Working
Hour Strategy*



60

*Provincial
Offices*



388

Staff



1,792

*MBA
Coordinators*



Basic Life Insurance



No. of claims: 60,849
Amount: PhP910,921,364.68

Golden Life Insurance



No. of claims: 240
Amount: PhP10,425,000.00

Retirement Fund



No. of claims: 373,352
With RF Benefit
Amount: PhP384,315,095.60

Loan Redemption Fund



No. of claims: 13,851
Amount: PhP137,286,331.26

Refund of Contribution



No. of claims: 372,151
Amount: PhP297,772,314.45

GLIP Cash Surrender Value



No. of claims: 166
Amount: PhP346,239.37

CARD MRI Disaster Relief Assistance Program



No. of claims: 361,750
Amount: PhP82,441,276.19

Mass Wedding



No. of Couples: 76
Amount: PhP64,958.03

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. 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 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 361,750 relief packages were distributed to communities that were affected by typhoons like Urduja, Vinta, and Auring, and the siege in Marawi for the year 2018. 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 76 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.



Corporate Governance



Being the leader in the microinsurance industry, CARD Mutual Benefit Association, Inc. observes good corporate governance in all its undertakings. Good and transparent governance helps the association achieve its goals in helping the socio-economically challenged families who are continually trusting the Association and the leaders behind it.

CORPORATE GOVERNANCE CONFIRMATION STATEMENT

The Board of Trustees and the Management of CARD Mutual Benefit Association, Inc. confirm its full compliance with the Code of Corporate Governance. This commitment is driven by its core values of competence, family spirit, integrity, simplicity, humility, excellence, and stewardship. Moreover, the Association remains deeply rooted in its responsibility to the members and their families. Ergo, the practice of transparency and full disclosure give CARD MBA the opportunity to further gain the trust and confidence of its members and stakeholders.

BOARD OF TRUSTEES

As the highest governing body of the Association, the Board of Trustees (BOT) is a position of trust and confidence. The Trustees hold no executive position in the Association. They act in a manner characterized

by transparency, accountability, fairness and for the best interest of the members and stakeholders. Trustees are primarily responsible for approving and overseeing the implementation of the Association's policies and procedures, action plans, corporate governance, and values to attain short and long-term goals.

The Trustees were selected among the members, and elected by their co-members as well, in accordance with the selection and nomination process of the Association. To ensure diversity, Trustees came from diverse backgrounds including differences in age, origin, education, expertise, experience, and knowledge. This helps the Association in pioneering microinsurance products and services. The Trustees were trained and exposed to different capacity-building programs and practices, so that from being simple “Nanays” they are mentored to become empowered women who will be capable of leading and serving others.

As part of their responsibility, the Board of Trustees had to visit five members and three centers every month so they could personally hear and learn from the members themselves. Each of the members of the BOT received an incidental allowance of P5,000.00 for the expenses they incurred during attendance of meetings and on their monthly visitation to centers and members.

The Board holds regular meetings every first Friday of every other month.
Below is the attendance for the meetings held in 2018:

Name of Trustee	Total No. Of Meetings	No. Of Meetings Attended	Percentage Rating
Ms. Violeta G. Aquino (President and Chairman of the Board)	6	6	100%
Ms. Analie R. Marasigan	6	6	100%
Ms. Hean D. Rosales	6	6	100%
Ms. Rosalie R. Barandino	6	6	100%
Ms. Minerva M. Arcullo	6	6	100%
Ms. Fidela C. Gabatin	6	6	100%
Ms. Nancy V. Santiago*	5	5	100%
Ms. Rosemarie C. Cortez*	5	5	100%
Ms. Carolina B. Banadera*	5	5	100%
Ms. Judith I. Maurillo*	5	5	100%
Ms. Teresita L. Sasa*	5	5	100%
Ms. Luzviminda E. Corpuz*	5	5	100%
Ms. Sonia Y. Reyes*	5	5	100%
Ms. Arlette A. Umali (Independent Trustee)	6	6	100%
Atty. Jomer H. Aquino (Independent Trustee)	6	6	100%

*Term ended on September 8, 2018

NEWLY ELECTED BOARD OF TRUSTEE (SEPTEMBER 9, 2018)			
Ms. Audrey R. Cabebe	1	1	100%
Ms. Girlie M. Lopez	1	1	100%
Ms. Flordeliza C. Cristobal	1	1	100%
Ms. Ligaya P. Ramos	1	1	100%
Ms. Marabella D. Celoso	1	1	100%
Ms. Dorfe A. Pagunsan	1	1	100%
Ms. Roselyn V. Bayron	1	1	100%



BOARD COMMITTEES

Audit Committee

The Audit Committee assists the Board of Trustees in the oversight of internal and external audit functions. It is composed of five non-executive officers with an Independent Trustee as the Chairman. During the regular meeting, the committee ensures that the management takes necessary corrective actions in a timely manner to address weaknesses noted in the internal control and other non-compliance issues with internal policies and procedures identified by auditors. All significant issues noted are reported during the BOT meeting.

For the year 2018, CARD MBA Audit Committee certified CARD MBA, Inc., as having sufficient internal control systems in place.

The Audit Committee meets every first Friday of every month. Table below shows the 2018 attendance of each member in the meeting.

Name	No. of Audit Committee Meetings	No. of Meetings Attended	Percentage Rating
Ms. Arlette A. Umali (Chairperson-Independent Trustee)	12	12	100%
Mr. Josef M. Leron	12	12	100%
Ms. Analie R. Marasigan	12	12	100%
Ms. Rosalie R. Barandino	12	12	100%
Ms. Carolina B. Bañadera*	9	9	100%
Ms. Flordeliza C. Cristobal**	3	3	100%

* Term ended on September 8, 2018

** Term started on September 9, 2018

REMUNERATION COMMITTEE

To ensure competitive remunerations, the Remuneration Committee meets at least twice a year to review and discuss remuneration arrangements. Further, this Committee evaluates the financial support given to MBA Coordinators.

One of the resolutions passed by the committee in 2018 is the provision of financial aid for MBA Coordinators who meet an accident while conducting a member/claim validation. All resolutions recommended by the committee were approved by the Board and ratified by the general membership.

Remuneration committee meetings were held on January 14, 2018 and August 23, 2018 with the following details of attendance:

Name	No. of Remuneration Committee Meetings	No. of Meetings Attended	Percentage Rating
Atty. Jomer H. Aquino (Chairperson-Independent Trustee)	2	2	100%
Ms. Violeta G. Aquino	2	2	100%
Ms. Minerva M. Arcullo	2	2	100%

TREASURY COMMITTEE

To uphold good stewardship of the members' fund, the Board of Trustees are assisted by the Treasury Committee in reviewing the Association's financial standing, especially on investment matters. As such, every investment offering received by the Association is scrutinized by the Treasury Committee to ensure that a good investment house is selected.

The Treasury Committee meets every third Monday of every two months. Table below shows the 2018 attendance of each member in the meeting.

Name	No. of Treasury Committee Meetings	No. of Meetings Attended	Percentage Rating
Ms. Mary Jane A. Perreras (Chairperson)	6	6	100%
Ms. Lorenza dT. Bañez	6	6	100%
Ms. Janet D. Caneo	6	6	100%
Ms. Marie Sharon D. Roxas	6	6	100%
Ms. Jennifer O. Redublo	6	6	100%
Ms. Violeta G. Aquino	6	6	100%
Ms. Hean D. Rosales	6	6	100%

PRODUCT DEVELOPMENT AND INNOVATION COMMITTEE (PDIC)

PDIC is a body whose primary responsibility is to develop products and enhance benefit packages and services that meet the emerging needs of members. With the combined efforts of the operations staff and MBA Coordinators, the association through the PDIC offered a new and competitive product to its members and his/her family.

During the Annual General Membership Meeting last 2018, the Association launched the "Remitter Protek Plan."

PDIC meets every 1st Friday of every other month. The chairperson is an independent consultant who has deep knowledge and expertise in the field of microinsurance and product development. The table next page shows the 2018 attendance of each member in the meeting.

Name	No. of PDIC Committee Meetings	No. of Meetings Attended	Percentage Rating
Mr. Wilfredo M. Llanto (Chairperson)	6	6	100%
Ms. May S. Dawat	6	6	100%
Ms. Janet D. Caneo	6	6	100%
Ms. Arlene R. Umandap	6	6	100%
Mr. Michael Kelvin N. Junos	6	6	100%
Ms. Violeta G. Aquino	6	6	100%
Ms. Maria Joyce M. Alimagno	6	6	100%
Ms. Nancy V. Santiago*	5	5	100%
Ms. Minerva M. Arcullo**	1	1	100%

* Term ended on September 8, 2018

** Term started on September 9, 2018

NOMINATION COMMITTEE

Ms. Arlette A. Umali - Chairperson

Atty. Jomer H. Aquino

Ms. Eulalia A. Villanueva

ELECTION COMMITTEE

Atty. Virlyn Rose R. Ramirez - Chairperson

Ms. Anna Therese A. De Leon

Ms. Laarne D. Paje

Selection of nominees for the Board of Trustees adheres to the Governance Manual adopted by the Association. Nominees underwent two levels of screening: first is on a regional level and second is the nationwide screening held in the Main Office. Regional level selection meeting took place on April 16 and May 3, 2018 which included the validation and background checking of eligibility of the nominees in accordance with the Association's By-Laws.

Selected nominees received endorsements from the central Nomination Committee in the Main Office composed of all Independent Trustees and one past President. The committee gathered on May 15, 2018 for the final scrutinization of the

nominees by conducting a personal interview before the list was released to the members for their proxy voting.

During the Annual General Membership Meeting (AGMM), nominees were then elected with the supervision of an independent Election Committee. The committee supervised the voting ceremony up to the counting of votes, tabulation and announcement of the results.

RISK OVERSIGHT COMMITTEE

Risk Oversight Committee is responsible for the identification and evaluation of risk exposure of CARD MBA, and the development of risk management strategies, plans, and oversees implementation. Various risks identified by the committee include but not limited to reputational risks, underwriting risks, product risks, compliance risks, IT risks, investment/financial risks and operational risks. The committee also ensures that the management implements effectively the mitigating factors recommended by the committee.

The committee meets every first Friday of every two months. Table below shows the 2018 attendance of each member in the meeting.

Name	No. of Risk Committee Meetings	No. of Meetings Attended	Percentage Rating
Atty. Jomer H. Aquino (Chairperson-Independent Trustee)	6	6	100%
Ms. May S. Dawat	6	6	100%
Ms. Janet D. Caneo	6	6	100%
Ms. Arlene R. Umandap	6	6	100%
Ms. Juliana B. De Leon	6	6	100%
Ms. Cynthia B. Baldeo	6	6	100%
Ms. Violeta G. Aquino	6	6	100%

RELATED PARTY TRANSACTION COMMITTEE

The RPT committee assists the Board of Trustees in evaluating transactions with related parties to ensure that related party transactions are undertaken in a fair and arm’s length basis for the financial, commercial, and economic benefit of both CARD MBA and of the CARD MRI’s Institutions. The committee sets a materiality threshold and authorization level for each type of transactions dealt with the related parties.

Further, pursuant to IC Circular 2017-29, the Association complies with the quarterl submission of the list of RPT Transactions to the Insurance Commission along with the Organizational Structure which submitted annually.

Name	No. of RPT Committee Meetings	No. of Meetings Attended	Percentage Rating
Atty. Jomer H. Aquino (Chairperson-Independent Trustee)	3	3	100%
Ms. Arlette A. Umali*	1	1	100%
Ms. Violeta G. Aquino	3	3	100%
Ms. Minerva M. Arcullo	3	3	100%

* Term started on September 9, 2019

INDEPENDENT CHECKS AND BALANCES

With integrity and stewardship being two of the core values of CARD MBA, independent checks and balances are regularly carried out every year through the help of the following functions:

Internal Auditor

An Internal Audit keeps the Association in having an effective internal control system. It adds value in achieving the goals of the Association. The Deputy Director for Audit heads the unit, Ms. Anna Theresa A. De Leon, who is directly supervised by the Audit Committee.

External Auditor

Appointed by the Audit Committee, Sycip, Gorres, Velayo & Co. conducted the external audit of the Association. The engagement team headed by Ms. Bernalette L. Ramos received PhP570,000.00 in payment to audit the 2017 Financial

Statements. The Board of Trustees affirmed the result of audit during its meeting on March 2, 2018.

Additionally, SGV & Co. assisted the Association in the preparation of Philippine Financial Reporting Standards 9 (Financial Instrument) and 17 (Insurance Contract). This non-audit engagement amounted to Php5.7M.

Company Compliance

To ensure the Association’s compliance to laws and regulations, more particularly of the Insurance Commission, the Board appointed a Compliance Officer. Aside from observing external regulatory requirements, the Compliance Unit also oversees the management’s corrective actions recommended by the internal and external auditors as well as the Risk Oversight committee.

CODE OF CONDUCT AND BUSINESS ETHICS

Maintaining a competent and excellent quality of work along with the other core values is one of the priorities of the Association to ensure that members’ and stakeholders’ confidence remains intact. Thus, CARD MBA always ensures that the working environment abides with its Code of Conduct and Business Ethics.

Related Party Transactions

Created last August 23, 2018, the Related Party Transaction Committee warrants that transactions made by the Association follow the best interest of its members and stakeholders. There is an authorization level set for the proper approval, but nevertheless all are presented and approved to the Board of Trustees and eventually ratified by the members during the Annual General Membership Meeting. Details of Related Party Transactions (RPTs) as provided in Note 22 of the Audited Financial Statement.

Transparency and Disclosures

Keeping the members and other stakeholders updated on the whereabouts and status of the Association is carried out by means of open communication through different channels such as:

Website (www.cardmba.com). The website contains monthly financial and non-financial updates such as Audited FS, Annual Reports and other advisories for easy

access and immediate availability.

Newsletter. Members receive newsletter every quarter. Dubbed as DAGLI, the quarterly newsletter which is distributed to members and posted inside CARD MRI offices, contains information relating to activities, achievements, and challenges of the association. It is also downloadable on the company website.

Media. The Association launched its Facebook account (www.facebook.com/cardmbaofficial) last 2018 for everyday interaction with the members and other stakeholders. CARD MBA also tapped the traditional media to spread its advocacy through radio gisting and media conferences.

Members' Hotline. On April 16, 2018, CARD MBA released the member's hotline at the center level to ensure immediate response to queries and concerns. The Association also placed suggestion boxes in all CARD MRI offices to encourage members' feedback.

Board Performance Evaluation

Performance appraisal is an indispensable tool that helps the Association maintain its highest quality of work. Hence, every board meeting in November, the Board of Trustees conducts annual self-performance, peer performance, and committee performance assessments.

Using a rating scale questionnaire, the Trustees assessed themselves, their peers, and their respective committees. The assessment, conducted on November 2, 2018, included among others their (1) understanding of the Association's mission and vision and their (2) commitment in achieving the best interest of the stakeholders. The Compliance Unit received the completed questionnaire to ensure confidentiality of the assessments.

STAKEHOLDER INTEREST

Stakeholders, especially the members, are the strength of the Association. Thus, CARD MBA is committed to giving them the best quality programs and services.

Members' Satisfaction

One of the ways for CARD MBA to improve its products and services is through its members' feedback. Based on the result of the Feedback Gathering Tool (FGT), 81% of the members

who responded said they are satisfied with the products, prices, benefits, and services of the Association.

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 2018, MaHP has provided these health services to a total of 267,997 individuals.

Disaster Preparedness and First Aid Training

On February 3, 2018, 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

CARD MBA implemented a selection procedure to all accredited suppliers and contractors to ensure quality products and services at a competitive price. The Bidding Committee reviewed and selected qualified suppliers and contractors last July 18, 2018, based on their financial stability, compliance to regulations, market reputation, and geographical location.

Environmentally-friendly Value Chain

CARD MBA, implemented the Solid-Waste Management program, intended to contribute to the international call to address climate change and pollution. Proper segregation of trash was observed in its offices. Also, employees were reminded and encouraged to save water when raining or doing household chores.

Interaction with Communities

This year, CARD MBA joined the Insurance Commission on its Microinsurance Awareness campaigns in Batangas, Cavite, Navotas, and Laguna. This supported the Association's push for financial inclusivity.

CARD MBA also participated in the CARD MRI program of

Community Health Days, where 267,997 individuals received free health services and education.

Five additional scholarships were granted to support the “One Family, One Graduate” program of CARD. On top of this, 422 MBA Coordinators in different regions were enrolled on the eLearning Course on Microinsurance.

The Association also partnered with the Home Development Mutual Fund (PAG-IBIG Fund) for a mass wedding in San Pablo, Laguna where 22 couples got married.

Anti-Corruption Program/Whistle Blowing Policy

CARD MBA continuously implemented its policies on anti-corruption programs such as Bantay-Intergridad, Paid Mandatory Leave and Cluster Manager’s Audit Monitoring System (CMAMs). Bantay-Integridad program provided consciousness and commitment to every employee to report in good faith any instances of suspected or actual commission of fraud, or any event that is contrary to the values of CARD.

To further support this, CARD established a Grievance Committee to serve as a formal venue to resolve employees’ work-related concerns. Staff also underwent a series of training on how to document conflicts and resolutions.

In 2018, 21 randomly selected employees underwent Paid Mandatory Leave (PML) to conduct spot monitoring - another mechanism to protect the institution’s assets. There were eight CMAMs conducted in 2018 as a form of audit monitoring where a CARD MBA office was inspected by a Cluster Manager from another region/cluster. This helped in setting up an early alert system in case a fraudulent activity happens inside a CARD MBA office.

Creditors’ Right

Aside from the payables from the normal result of

operations, CARD MBA has no credit obligation/s to any third party. Nevertheless, CARD MBA is committed to meeting its obligations to the member, suppliers, and other third-party service providers by ensuring enough funds are available. It is likewise stated in CARD MBA by-laws that outside creditors are given priority in the event of liquidation.

EMPLOYEES AND MEMBERS’ DEVELOPMENT PROGRAM

Annual Physical Examination (APE)

Annual Physical Examination/Executive Checkup is one of the health programs of the Association to its qualified employees to ensure that all are fit and in the best condition. Three Hundred Thirty-Eight (338) employees underwent APE/ Executive Check-up in 2018. Also, all regular employees were given health cards and free dental allowances annually.

Training and Development

Job performance assessments, staff training, and development are part of the key performance indicators of every employee. These steps ensure that they would be knowledgeable and capable to carry out any given task.

Aside from the abovementioned training, three (3) employees were enrolled in short courses and Master’s degree program. They were: Ms. Rona Nava, Deputy Director for Operations, who attained certification on Basic Strategic Management Program at Ateneo De Manila University, Mr. Dominador S. Razon II, Information Security Officer, who got his Graduate Diploma in Cyber Security and Digital Forensics at Singapore and Ms. Lorenz Nicole Casas who is currently taking up MS in Accountancy at De La Salle University-Manila.

CARD MBA employees also received First Aid Training in coordination with the Department of Labor and Employment (DOLE) from June 1-2, 2018.

Further, the next page shows the training and seminars attended by the Board of Trustees.

LOCAL TRAININGS

RANK	AVERAGE TRAINING HOURS	EQUIVALENT NO. OF DAYS
Staff	26	3 days
Manager	35	4 days

INTERNATIONAL TRAININGS

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

Training and Seminars Attended by the Board of Trustees

Name of Trustees	National Microinsurance Forum: Deepening Outreach, Reaching the Frontiers	Leadership Training Workshop for Mi-MBAs	2018 Management Forum: Growth Strategy for Mi-MBAs	Orientation on CARD MBA Compliance, Financial Ratios, Governance and Professional Image Course	Governance and AMLA Workshop
	January 25, 2018	July 25-27, 2018	August 16-17, 2018	October 22-23, 2018	October 24-26, 2018
Ms. Violeta G. Aquino	✓	✓	✓	✓	
Ms. Analie R. Marasigan	✓	✓	✓	✓	
Ms. Hean D. Rosales	✓	✓		✓	
Ms. Rosalie R. Barandino			✓		
Ms. Minerva M. Arcullo			✓		
Ms. Audrey R. Cabebe				✓	✓
Ms. Girlie M. Lopez				✓	✓
Ms. Flordeliza C. Cristobal				✓	✓
Ms. Ligaya P. Ramos				✓	✓
Ms. Marabella D. Celoso				✓	✓
Ms. Dorfe A. Pagunsan				✓	✓
Ms. Roselyn V. Bayron				✓	✓

Members

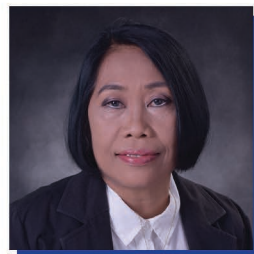
In 2018, 422 MBA Coordinators were enrolled in microinsurance e-Learning offered by CMDI, an online learning session with five modules about topics on microinsurance and how CARD MRI is implementing it. A graduation ceremony will be conducted once the MBA Coordinators passed all the modules.

Board of Trustees Profile



Ms. Violeta G. Aquino

49, Filipino, is a member of the Board of Trustees since September 9, 2017 and was elected again as the President of CARD MBA, Inc. last September 9, 2018. She is also a member of the CARD MBA Risk Oversight Committee, RPT Committee, Remuneration Committee, Treasury Committee, 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.



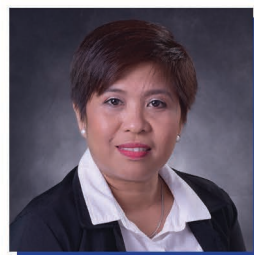
Ms. Roselyn V. Bayron

50, Filipino, is a member of the Board of Trustees since September 9, 2018. She is a Food Service Management undergraduate and currently resides in Alabel, Sarangani. She is into tailoring business. Ms. Bayron holds no directorship or any position in any listed company.



Ms. Minerva M. Arcullo

49, Filipino, is a member of the Board of Trustees since September 9, 2017 and was elected as the Vice President of CARD MBA, Inc. last September 9, 2018 and became a member of RPT and PDIC Committee. 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.



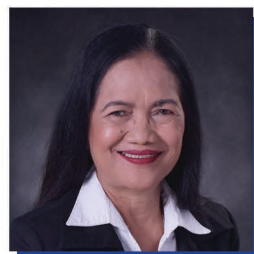
Ms. Rosalie R. Barandino

45, Filipino, is a member of the Board of Trustees since September 9, 2017. She is also a member of the Audit Committee. 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.



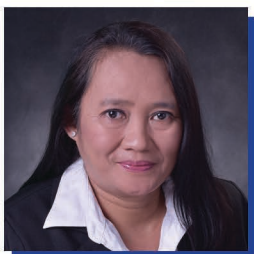
Ms. Analie R. Marasigan

39, Filipino, is a member of the Board of Trustees since September 9, 2017 and was elected again as the Secretary of CARD MBA, Inc. last September 9, 2018. 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 business. Ms. Marasigan holds no directorship or any position in any listed company.



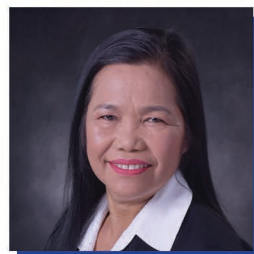
Ms. Ligaya P. Ramos

63, Filipino, is a member of the Board of Trustees since September 9, 2018. She is a BS Commerce Major in Accounting graduate and currently resides in Danao City, Cebu. She is into carinderia business. Ms. Ramos holds no directorship or any position in any listed company.



Ms. Hean D. Rosales

52, Filipino, is a member of the Board of Trustees since September 9, 2017 and was elected again as the Treasurer of CARD MBA, Inc. last September 9, 2018. 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. Dorfe A. Pagunsan

60, Filipino, is a member of the Board of Trustees since September 9, 2018. She is a BS Biology graduate and currently resides in Governor Generoso, Davao Oriental. She is into Agri-farming business. Ms. Pagunsan holds no directorship or any position in any listed company.



Ms. Audrey R. Cabebe

39, Filipino, is a member of the Board of Trustees since September 9, 2018. She is a Beauty Care NCII Graduate and currently resides in Batac, Ilocos Norte. She is into piggy and farming business. Ms. Cabebe holds no directorship or any position in any listed company.



Ms. Girlie M. Lopez

44, Filipino, is a member of the Board of Trustees since September 9, 2018. She is an Electronic Technician graduate and currently resides in Baguio City. She is into buy and sell business. Ms. Lopez holds no directorship or any position in any listed company.



Ms. Marabella D. Celoso

34, Filipino, is a member of the Board of Trustees since September 9, 2018. She is a BS Commerce Major in Banking and Finance graduate and currently resides in Milagros, Masbate. She is into crab marketing business. Ms. Celoso holds no directorship or any position in any listed company.



Ms. Fidela C. Gabatin

64, 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. Flordeliza C. Cristobal

38, Filipino, is a member of the Board of Trustees since September 9, 2018. She is also a member of the Audit Committee. She is a Basic Computer graduate and currently resides in Dasmariñas, Cavite. She is into RTW business. Ms. Cristobal holds no directorship or any position in any listed company.



Atty. Jomer H. Aquino

49, Filipino, has been an Independent Trustee of CARD MBA Inc.'s Board of Trustees since September 9, 2012. He is the Chairman of the RPT, 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

69, 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 and Nomination Committee and a member of RPT 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.

Management Committee





Ms. May S. Dawat
Chief Executive Officer

Ms. Janet D. Caneo
Director for
Administration and Finance

Ma. Joyce M. Alimagno
Deputy Director for
Operations – Luzon 2

Janicekith P. Navera
Cluster Manager

Erwin G. Venancio
Cluster Manager

Solomon A. Aramil
Senior Administration Manager

Aileen C. Barrera
Claims Manager

Arlene R. Umandap
Deputy Director for Claims and
Technical Support

Mauricio B. Maur
Deputy Director for
Operations – Visayas

John Paulin P. Icaro
Cluster Manager

Francis R. Montilla
Cluster Manager

Jennifer O. Redublo
Compliance Officer

Carla Fe L. Liboon
Cluster Manager /
International Group

Gina A. Nevado
Deputy Director for
Operations – Luzon 1

Rona R. Nava
Deputy Director for
Operations – Mindanao

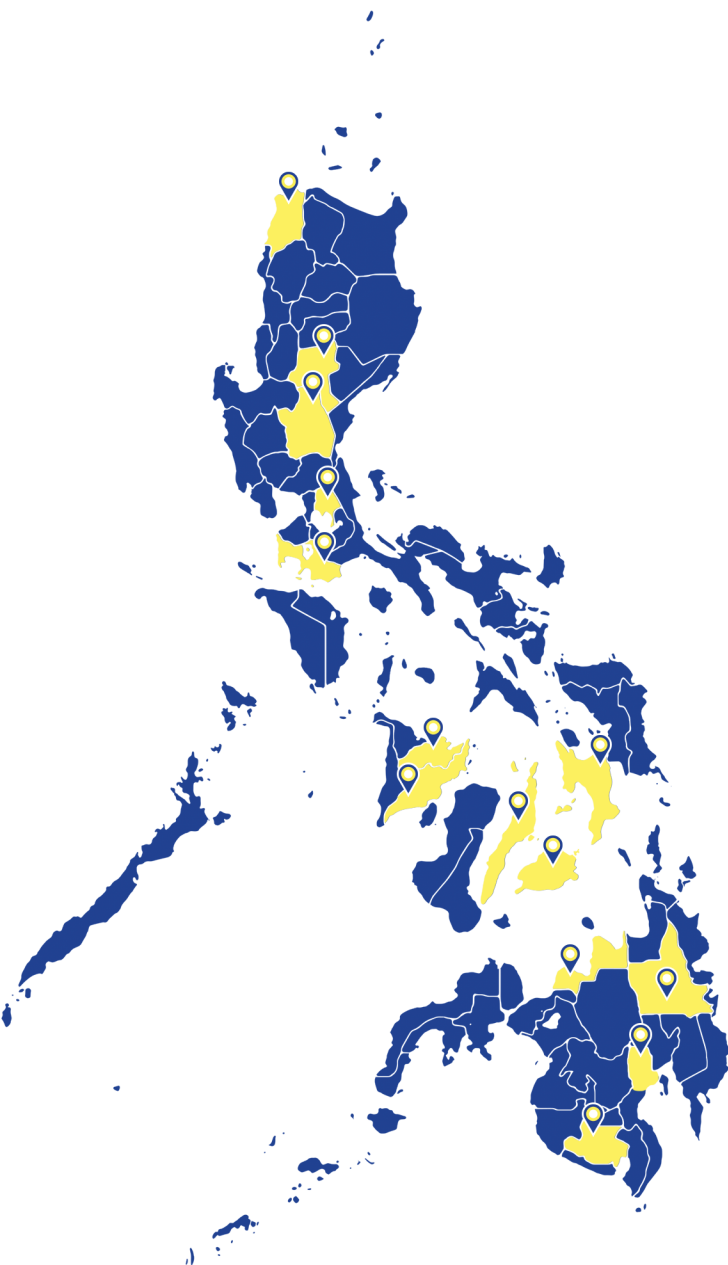
Edison R. Reyes
Cluster Manager

Catherine M. Patay
Cluster Manager

Michael Kelvin N. Junos
In-house Actuary

Oliver M. Reyes
Deputy Director for
Operations / International Group

Our BOAT Partners 2018



Luzon

- Bagnos Multipurpose Cooperative
- Caunayan Multipurpose Cooperative (MPC)
- Nangalisan Multipurpose Cooperative
- Sipsipin Multipurpose Cooperative
- Umiray Agrarian Reform Beneficiaries Multipurpose Cooperative (UMARBEMPCO)

Visayas

- Tinabangay sa Igsoong Mag-uuma Gasa ni San Isidro (TIMGAS) Multipurpose Cooperative
- USWAG Development Foundation
- San Julian Multipurpose Cooperative
- Libercon Multipurpose Cooperative
- Padre Burgos Multipurpose Cooperative
- Progressive Women Agrarian Reform Cooperative
- Media Once Farmers Multipurpose Cooperative
- Sto. Niño Visares Transport Services Multipurpose Cooperative

Mindanao

- Bukidnon Integrated Network of Home Industries (BINHI), Inc.
- Los Arcos Multipurpose Cooperative (LAMPCO)
- Tinagacan Agrarian Reform Beneficiaries Cooperative (TARBC)
- Grains Multipurpose Cooperative

CARD MBA Main Office

#120 M. Paulino St. cor P. Burgos St.,
Brgy. VII-D, San Pablo City, Laguna,
(049) 562-2878

LUZON 1 REGION

Luzon 1 Cluster

Pangasinan 1 PO - Urdaneta City
Pangasinan 2 PO - Lingayen
Benguet PO - Baguio City
Ilocos Norte PO - Laoag
Ilocos Sur PO - Candon

Luzon 2 Cluster

Nueva Vizcaya PO - Bayombong
Cagayan PO - Tuguegarao City
Tarlac PO - Tarlac City
Nueva Ecija PO - Cabanatuan City
Bataan PO - Dinalupihan

Luzon 3 Cluster

Palawan PO - Puerto Princesa City
Pampanga PO - San Fernando City
Bulacan PO - Guiguinto
Metro Manila 1 PO - Pasay City
Metro Manila 2 PO - Quezon City
Rizal PO - Cainta City

LUZON 2 REGION

Luzon 4 Cluster

Oriental Mindoro 1 PO - Victoria
Oriental Mindoro 2 PO - Roxas
Occidental Mindoro PO - Sablayan
Batangas 1 PO - Lipa City
Batangas 2 PO - Lemery
Cavite 2 PO - Tagaytay City

Luzon 5 Cluster

Laguna 1 PO - San Pablo City
Laguna 2 PO - Sta.Cruz
Laguna 3 PO - Calamba City
Cavite 1 PO - Dasmariñas City
Marinduque PO - Gasan

Luzon 6 Cluster

Quezon 1 PO - Gumaca
Quezon 2 PO - Lucena City
Camarines Sur 1 PO - Naga City
Camarines Sur 2 PO - Nabua

Albay PO - Legaspi City
Camarines Norte PO - Daet

VISAYAS REGION

Visayas 1 Cluster

Leyte 1 PO - Tacloban City
Leyte 2 PO - Ormoc City
Samar PO - Calbayog City
Eastern Samar PO - Borongan City

Visayas 2 Cluster

Cebu 1 PO - Cebu City
Cebu 2 PO - Danao
Masbate PO - Masbate City
Bohol PO - Tagbilaran City

Visayas 3 Cluster

Iloilo PO - Iloilo City
Capiz PO - Roxas City
Antique PO - Culasi
Negros Oriental PO - Dumaguete City
Negros Occidental PO - Bacolod City

MINDANAO REGION

Mindanao 1 Cluster

Davao 1 PO - Davao City
Davao 2 PO - Mintal
Sultan Kudarat PO - Isulan
South Cotabato PO - General Santos
North Cotabato PO - Kidapawan City

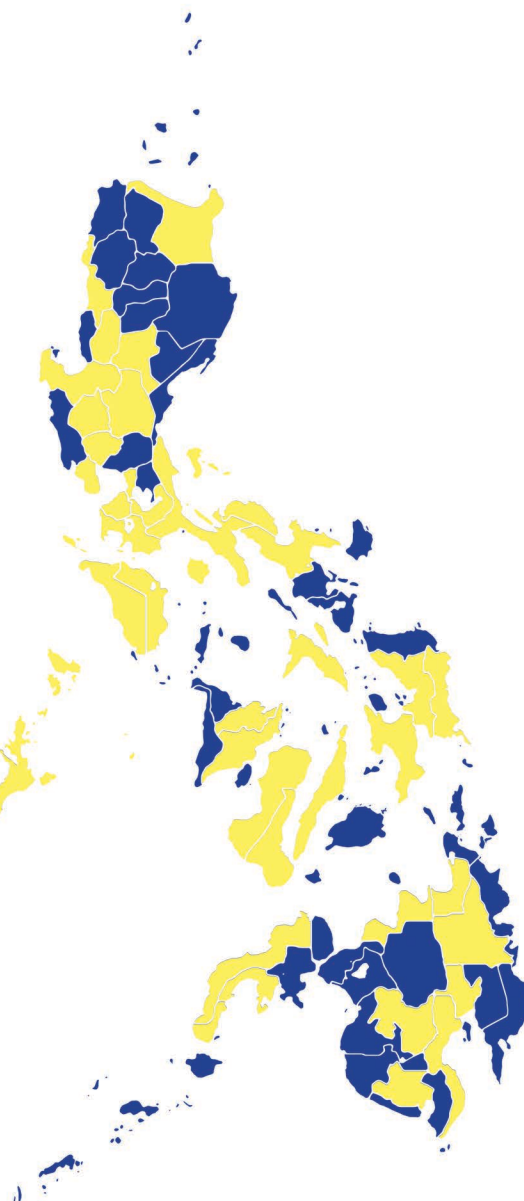
Mindanao 2 Cluster

Misamis Oriental PO - Cagayan de Oro City
Agusan del Sur PO - San Francisco
Agusan del Norte PO - Butuan City
Davao Oriental PO - Mati
Davao del Norte PO - Tagum City

Mindanao 3 Cluster

Zamboanga Sibugay PO - Ipil
Zamboanga del Norte PO - Dipolog City
Zamboanga Basulta PO - Zamboanga City
Lanao Del Norte PO - Tubod

**PO - 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	
	2018	2017
ASSETS		
Cash and Cash Equivalents (Notes 6 and 26)	₱315,295,952	₱255,058,647
Financial Assets (Note 26)		
Loans and receivables - net (Note 8)	1,028,653,464	729,953,840
Held-to-maturity investments (Note 7)	12,689,868,405	10,132,288,942
Available-for-sale financial assets (Note 9)	1,270,657,841	741,813,328
Accrued Income (Notes 10 and 26)	149,918,199	123,097,383
Property and Equipment - net (Note 11)	117,863,287	238,208,081
Investment Properties (Note 12)	308,143,784	203,053,209
Investments in Associates (Note 13)	769,350,788	566,156,425
Pension Asset - net (Note 25)	35,194,710	39,612,340
Other Assets (Note 14)	17,383,509	12,288,568
	₱16,702,329,939	₱13,041,530,763
LIABILITIES AND FUND BALANCE		
Liabilities		
Insurance contract liabilities (Notes 16 and 26)	₱7,783,398,077	₱6,138,529,769
Retirement fund (Note 17)	4,839,250,994	3,843,088,362
Accounts payable and accrued expenses (Notes 15 and 26)	63,282,476	70,541,382
Total Liabilities	12,685,931,547	10,052,159,513
Fund Balance		
Appropriated fund balance (Note 28)	224,304,944	148,726,853
Unappropriated fund balance	3,559,667,260	2,782,952,714
Other comprehensive income	232,426,188	57,691,683
Total Fund Balance	4,016,398,392	2,989,371,250
	₱16,702,329,939	₱13,041,530,763

See accompanying Notes to Financial Statements.

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

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2018	2017
REVENUE		
Gross premiums on insurance contracts (Note 18)	₱3,791,248,317	₱3,002,223,494
Reinsurance' share on gross earned premium on insurance contracts (Note 18)	(3,050,435)	(2,671,816)
Net premiums on insurance contracts	3,788,197,882	2,999,551,678
Investment income (Note 19)	481,744,982	316,582,479
Equity in net earnings of associates (Note 13)	163,180,366	107,123,401
Rental income (Notes 12 and 21)	14,563,949	12,085,534
Surrender charge	6,307	16,806,986
Others	534,222	2,231,736
Other revenue	660,029,826	454,830,136
	4,448,227,708	3,454,381,814
BENEFITS, CLAIMS AND EXPENSES		
Gross change in insurance contract liabilities (Note 16)	1,593,418,254	1,305,607,366
Gross insurance contract benefits and claims paid (Note 16)	1,356,984,623	991,970,077
Insurance benefits and claims	2,950,402,877	2,297,577,443
General and administrative expenses (Note 20)	529,748,899	467,163,048
	3,480,151,776	2,764,740,491
EXCESS OF REVENUE OVER EXPENSES BEFORE PROVISION FOR TAXES	968,075,932	689,641,323
PROVISION FOR INCOME TAX (Note 23)	69,361,386	46,005,885
EXCESS OF REVENUE OVER EXPENSES	898,714,546	643,635,438
EXCESS OF REVENUE OVER EXPENSES	898,714,546	643,635,438
OTHER COMPREHENSIVE INCOME		
Item that will be reclassified to profit or loss in subsequent periods		
Fair value gains on available-for-sale financial assets (Note 9)	179,119,820	17,194,679
Items that will not be reclassified to profit or loss in subsequent periods		
Remeasurement loss on defined benefit plan (Note 25)	(4,851,482)	(4,411,163)
Equity in other comprehensive income (loss) of an associate (Note 13)	466,167	(285,534)
TOTAL COMPREHENSIVE INCOME	₱1,073,449,051	₱656,133,420

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

	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)	Total Other Comprehensive Income	Total Fund Balance
At January 1, 2018	₱148,726,853	₱2,782,952,714	₱51,873,740	₱2,253,383	₱3,564,560	₱57,691,683	₱2,989,371,250
Appropriation during the year	122,000,000	(122,000,000)	—	—	—	—	—
Utilization of appropriation	(46,421,909)	—	—	—	—	—	(46,421,909)
Total comprehensive income:	—	898,714,546	—	—	—	—	898,714,546
Excess of revenue over expenses	—	—	179,119,820	(4,851,482)	466,167	174,734,505	174,734,505
Other comprehensive income (loss)	—	—	₱230,993,560	(₱2,598,099)	₱4,030,727	₱232,426,188	₱4,016,398,392
At December 31, 2018	₱224,304,944	₱3,559,667,260	₱34,679,061	₱6,664,546	₱3,850,094	₱45,193,701	₱2,333,253,375
At January 1, 2017	₱148,742,398	₱2,139,317,276	—	—	—	—	(15,545)
Utilization of appropriation	(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)	—	—	₱51,873,740	₱2,253,383	₱3,564,560	₱57,691,683	₱2,989,371,250
At December 31, 2017	₱148,726,853	₱2,782,952,714	₱51,873,740	₱2,253,383	₱3,564,560	₱57,691,683	₱2,989,371,250

See accompanying Notes to Financial Statements.

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

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses before provision for current and final tax	₱968,075,932	₱689,641,323
Adjustments for:		
Increase in aggregate reserves (Note 16)	1,593,418,254	1,288,800,380
Interest income (Notes 6, 7, 8, and 19)	(355,141,061)	(240,385,394)
Equity in net earnings of associates - net (Note 13)	(163,180,366)	(107,123,401)
Dividend income (Note 10)	(124,249,320)	(74,030,712)
Depreciation (Notes 11, 12, and 21)	24,810,520	23,718,432
Amortization of bond premium (Note 7)	6,915,651	15,419,405
Provision for (reversal of) impairment losses (Note 8)	6,200,507	(1,171,511)
Pension expense (Note 25)	2,964,267	4,427,935
Interest income on pension asset (Notes 19 and 25)	(2,354,601)	(2,166,373)
Gain on sale/retirement of transportation equipment (Note 11)	—	(300,000)
Cash generated from operations before changes in working capital	1,957,459,783	1,596,830,084
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	(34,179,599)	5,791,374
Other assets	(5,142,941)	(3,557,915)
Increase (decrease) in:		
Claims payable	51,450,053	10,371,651
Retirement fund	996,162,632	802,486,895
Accounts payable and accrued expenses	(7,258,905)	5,178,896
Net cash generated from operations	2,958,491,023	2,417,100,985
Contribution to pension fund (Note 25)	(1,043,518)	(16,720,839)
Utilization of appropriation (Note 28)	(46,421,909)	(15,545)
Taxes paid	(69,361,386)	(46,005,885)
Net cash flows provided by operating activities	2,841,664,210	2,354,358,716
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	319,260,149	205,686,853
Cash dividends received	151,361,587	76,917,616
Acquisitions of:		
Held-to-maturity investments (Note 7)	(2,564,495,114)	(2,386,083,043)
Available-for-sale financial assets (Note 9 and 25)	(394,994,693)	(150,063,879)
Short-term investments (Note 8)	(265,142,855)	(422,043,128)
Long-term investments (Note 8)	(261,784,549)	(119,302,003)
Investments in associates (Note 13)	(57,600,000)	(59,083,900)
Property and equipment (Note 11)	(24,349,588)	(25,419,965)
Investment properties (Note 12)	(1,239,837)	(8,003,647)
(Forward)		

	Years Ended December 31	
	2018	2017
Proceeds from sale/maturities of:		
Short-term investments (Note 8)	₱261,078,367	₱419,805,137
Available-for-sale financial assets (Notes 9 and 25)	45,270,000	—
Investment Properties	11,209,628	5,604,814
Held-to-maturity investments (Note 7)	—	186,007,000
Loans receivable (Note 8)	—	35,000,000
Property and equipment (Note 11)	—	6,704,390
Long-term investments	—	2,099,597
Net cash flows used in investing activities	(2,781,426,905)	(2,232,174,158)
NET INCREASE IN CASH AND CASH EQUIVALENTS	60,237,305	122,184,558
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	255,058,647	132,874,089
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	₱315,295,952	₱255,058,647

See accompanying Notes to Financial Statements.

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

(A Nonstock, Not-for-Profit Association)

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

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

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

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.

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 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, 2018. Unless otherwise stated, the adoption of these new and amended standards did not have any significant impact on financial statements of the Association.

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*
- 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.

Applying PFRS 9 *Financial Instruments* with PFRS 4 *Insurance Contracts* (Amendments to IFRS 4)

Qualifying for temporary exemption from PFRS 9

The Association applied the temporary exemption from PFRS 9 as permitted by the amendments to PFRS 4, *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts* issued in September 2016. The temporary exemption permits entities whose activities are predominantly connected with insurance to continue applying PAS 39 rather than PFRS 9 for annual periods beginning before January 1, 2022.

The assessment for whether a reporting entity's activities are predominantly connected with insurance is based on the liabilities connected with insurance in proportion to the entity's total liabilities. An entity may elect the temporary exemption if, and only if:

- o The carrying amount of its liabilities arising from contracts within the scope of PFRS 4 is significant compared to the total carrying amount of all its liabilities; and
- o The percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all of its liabilities is:
 - i. Greater than 90 percent; or
 - ii. Less than or equal to 90 percent but greater than 80 percent, and the insurer does not engage in a significant activity unconnected with insurance.

The predominance assessment is performed using the carrying amounts of liabilities reported on the statement of financial position at the annual reporting date December 31, 2015 and before December 31, 2018. Applying the requirements, the Association performed the predominance assessment using the Association's statement of financial position as of December 31, 2015.

The Association concluded that it qualified for the temporary exemption from PFRS 9 because its activities are predominantly connected with insurance. As at December 31, 2015, the Association's gross liabilities arising from contracts within the scope of PFRS 4 represented 94.00% of the total carrying amount of all its liabilities, and the Association did not engage into any significant activities not connected with insurance. Since December 31, 2015, there has been no change in the activities of the Association that requires reassessment of the use of the temporary exemption.

Fair value disclosures

The table below presents an analysis of the fair value of classes of financial assets as of December 31, 2018, as well as the corresponding change in fair value for the year ended December 31, 2018. In the table, the amortized costs of cash and cash equivalents and short-term receivables have been used as reasonable approximations to fair value. The financial assets are divided into two categories:

- Assets on which contractual cash flows represent solely payments of principal and interest (SPPI), excluding any financial assets that are held for trading or that are managed and whose performance is evaluated on a fair value basis; and
- All financial assets other than those specified in SPPI above (i.e. those for which contractual cash flows do not represent SPPI, assets that are held for trading and assets that are managed and whose performance is evaluated on a fair value basis).

Financial assets measured at Amortized Cost (PFRS 9)

	Carrying Value	Fair Value
Cash and cash equivalents	₱315,295,952	₱315,295,952
Loans and receivables - net	1,028,653,464	1,028,653,464
Held-to-maturity investments	12,689,868,405	11,586,000,495
	₱14,033,817,821	₱12,929,949,911

Financial assets measured at Fair Value through OCI (PFRS 9)

	Carrying Value	Fair Value
Available-for-sale financial assets (PAS 39)		
Equity securities	₱819,115,760	₱819,115,760

Financial assets measured at Fair Value through Profit or Loss (PFRS 9)

	Carrying Value	Fair Value
Available-for-sale financial assets (PAS 39)		
Mutual Funds	₱421,611,239	₱421,611,239
Unit in Trust Fund	29,930,842	29,930,842
	₱451,542,081	₱451,542,081

Credit risk disclosures

The carrying amounts of the SPPI assets in accordance with PAS 39 categories by credit risk rating grades reported to key management personnel (with credit risk rating conventions detailed in Note 26). The carrying amounts are measured in accordance with PAS 39. For assets measured at amortized cost, the carrying amounts shown are before any allowance for impairment losses.

Financial assets that passed the SPPI test have low credit risk as of December 31, 2018.

- 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 retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Association adopted the new standard on the required effective date using the modified retrospective method.

The recognition and measurement requirements in PFRS 15 also apply to gains or losses on disposal of non-financial assets (such as items of property and equipment and intangible assets), when that disposal is not in the ordinary course of business. However, on transition, the effect of these changes is not expected to be material for the Association.

The adoption of PFRS 15 has no significant impact on the Association's financial statements since Association's revenue comprise mainly of net premiums earned, investment income and equity in net earnings of associates which are outside the scope of PFRS 15.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*
- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*
- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

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, 2018. Unless otherwise indicated, the succeeding amended PFRS will not significantly impact the financial statements:

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- PFRS 16, *Leases*

PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Association is currently assessing the impact of adopting PFRS 16.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

Effective beginning on or after January 1, 2022

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2022, with comparative figures required. Early application is permitted. The Company is currently assessing the impact of adopting PFRS 17.

On December 28, 2018, IC issued circular letter 2018-69 stating that it would further defer the implementation of PFRS 17 to January 1, 2023. On the same circular letter, IC instructed pre-need companies, health maintenance organizations and mutual benefit associations to maintain to comply with the current accounting standards until further required by IC to comply with PFRS 17. However, voluntary compliance is not precluded in implementing PFRS 17.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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.

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 26.

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.

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.

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 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.

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, 2018 and 2017, AFS financial assets include investments in mutual fund, investments in unquoted securities and unit in trust fund. Investments in mutual funds and in unit in trust fund are initially recorded at fair value and revalued at year end in reference to published net asset value. The investments in unquoted securities are initially recorded at cost, being the fair value of the investment at the time of acquisition. The investments in mutual funds are carried at fair value (Note 26).

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", and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable and pension liability).

Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to set off the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Association assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Association and all of the counterparties.

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

Prior to January 1, 2018, under PAS 18, *Revenue*, revenue is recognized to the extent that it is probable that economic benefits will flow to the Association and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received. Upon adoption of PFRS 15, beginning January 1, 2018, revenue from contracts with customers is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the Association expects to be entitled in exchange for those services.

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., (d) CARD MRI Rizal Bank, Inc. (e) CARD Leasing and Finance Corp., and (f) CARD Employee Multi-Purpose Cooperative.

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. In 2018, the Association discontinued charging surrender charge upon membership cancellation.

Interest income

Interest on interest-bearing placements and securities are recognized based on the accrual accounting using the EIR.

Rental income

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

Other income

Income from other sources is recognized when earned.

Insurance Contract Liabilities

Life insurance contract liabilities

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

Golden life contract liabilities

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

Golden Life Insurance Program (GLIP)

Golden Life Insurance Program (GLIP) contract liabilities are recognized when contracts are entered into and the premiums are recognized. The policy reserves for Golden Life is calculated using the Net Premium Valuation (NPV) Method. It is calculated as the expected present value of future benefits less the expected value of the future premiums arising from the policy. The assumptions used are discount rate and mortality rate which are based on the pricing assumptions as indicated in the Actuarial Notes. The discount rate is at 3.75% per annum and 100% of 1980 Commissioner's Standard Ordinary (CSO) Male – Age Nearest Birthday for the mortality rate.

Basic Life Insurance Program (BLIP) Extension Plan

Basic Life Insurance Program (BLIP) Extension Plan contract liabilities are recognized when the contracts are entered into and the premiums are recognized. The reserves for BLIP Extension Plan is calculated using the Net Premium Valuation (NPV) Method. It is calculated as the expected present value of future benefits less the expected value of the future premiums arising from the policy. The assumptions used are discount rate and mortality rate which are based on the pricing assumptions as indicated in the Actuarial Notes. The discount rate is at 3.50% per annum and the mortality rate used is 100.00% of the Philippine Intercompany Mortality Table. These assumptions are duly approved by the Insurance Commission.

Katuparan Plan

Katuparan Plan contract liabilities are recognized when the contracts are entered into and the premiums are recognized. The reserve for the Katuparan Plan is calculated as 50% of the gross premium collection for the year 2018.

Remitter Protek Plan

Remitter Protek Plan contract liabilities are recognized when the contracts are entered into and the premiums are recognized. The reserve for Remitter Protek Plan is calculated as a week-worth of premium for every active policy as of December 31, 2018.

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 RE: CARD MBA FS 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. 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 basis as rental income. Contingent rents are recognized as revenue in the period in which these are earned.

Provisions

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

Contingent Liabilities and Contingent Assets

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

Events After the End of the Reporting Period

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

5. Significant Accounting Judgments, Estimates and Assumptions

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

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

Judgments

Product classification

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

The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect. As a general guideline, the Association defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did 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 ₱12.69 billion and ₱10.13 billion as of December 31, 2018 and 2017, respectively (see Note 7). As of December 31, 2018 and 2017, the fair value of HTM investments amounted to ₱11.59 billion and ₱10.32 billion, respectively (see Note 7).

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

	2018	2017
Financial assets	₱14,226,410,927	₱11,879,851,002
Financial liabilities	59,488,522	64,458,434

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 year ended December 31, 2018, an impairment loss has been recognized amounting to ₱1,535,764 for property and equipment and ₱3,335,730 for investment properties. No impairment loss was recognized in 2017.

The following table sets forth the fair values of investment properties as of December 31:

	2018	2017
Investment properties (Note 12)	₱435,537,408	₱315,185,022

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 ₱54.56 million and ₱21.71 million as of December 31, 2018 and 2017, respectively (see Note 8). Allowance for impairment losses amounted to ₱2.97 million and ₱1.64 million as of December 31, 2018 and 2017, 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, 2018 and 2017, the fair value of AFS financial assets amounted to ₱1.27 billion and ₱741.81 million, respectively (see Note 9). There is no impairment loss recognized on AFS financial assets in 2018 and 2017.

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 ₱35.20 million and ₱39.61 million as of December 31, 2018 and 2017, 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:

	2018	2017
Cash on hand	₱114,845	₱117,510
Cash in banks	106,167,182	89,691,136
Cash equivalents	209,013,925	165,250,001
	₱315,295,952	₱255,058,647

Cash in banks earns interest at the prevailing bank deposit rates ranging from 0.05% to 1.5% in 2018 and 2017.

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 4.50% to 6.25% and 1.88% to 2.13% in 2018 and 2017, respectively.

Interest income earned from cash and cash equivalents amounted to ₱4.24 million and ₱2.66 million in 2018 and 2017, respectively (see Note 19). Accrued income from cash and cash equivalents amounted to ₱0.53 million and ₱0.30 million as of December 31, 2018 and 2017, respectively (see Note 10).

7. Held-to-Maturity Investments

As of December 31, 2018 and 2017, the carrying amounts and fair values of these securities follow:

	2018		2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Fixed treasury notes	₱8,286,368,025	₱7,625,242,371	₱6,336,059,730	₱6,454,038,415
Retail treasury bonds	3,858,047,629	3,468,140,496	3,413,229,212	3,476,784,215
Corporate bonds	545,000,000	492,617,628	383,000,000	390,131,536
Treasury bills	452,751	—	—	—
	₱12,689,868,405	₱11,586,000,495	₱10,132,288,942	₱10,320,954,166

These investments bear annual interest rates which ranged from 3.25% to 8.06% in 2018 and 3.25% to 7.75% in 2017 and will mature between one (1) and nine (9) years from the statements of financial position date. Interest income from these investments net of premium amortization amounted to ₱329.84 million and ₱224.77 million in 2018 and 2017, respectively (see Note 19). Accrued income from these investments amounted to ₱96.37 million and ₱75.29 million in 2018 and 2017, respectively (see Note 10).

The carrying value of HTM investments follows:

	2018	2017
At January 1	₱10,132,288,942	₱7,947,632,304
Additions	2,564,313,114	2,386,083,043
Amortization of bond premium	(6,915,651)	(15,419,405)
Maturities	—	(186,007,000)
At December 31	₱12,689,686,405	₱10,132,288,942

As of December 31, 2018 and 2017, HTM investments include government securities classified as guaranty fund amounting to ₱137.86 million. 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, 2018 and 2017, the Association's loans and receivables are as follows:

	2018	2017
Receivables – net	₱54,561,901	₱21,711,312
Short-term investments	119,715,969	115,651,483
Long-term investments	854,375,594	592,591,045
	₱1,028,653,464	₱729,953,840

Receivables

This account consists of:

	2018	2017
Receivables from:		
Related parties (Note 22)	₱6,314,600	₱9,905,996
Members and employees	1,391,977	283,706
Loans receivable (Note 8)	6,460,000	6,460,000
Advances for future stock subscription	–	4,000,000
Others	43,363,198	2,700,473
	57,529,775	23,350,175
Less allowance for impairment losses	2,967,874	1,638,863
	₱54,561,901	₱21,711,312

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 UniHealth Quezon Hospital and Medical Center. The movements in loans receivable follow:

	2018	2017
At January 1	₱6,460,000	₱35,000,000
Additions	–	6,460,000
Principal collections	–	(35,000,000)
At December 31	₱6,460,000	₱6,460,000

Significant terms and conditions of the loan follows:

	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 rd year of the loan.

Total interest income received from the loans receivable amounted to ₱0.39 million and ₱1.51 million in 2018 and 2017, respectively (see Note 19). Accrued income from total loans and receivables amounted to ₱53.02 million and ₱38.50 million in 2018 and 2017, respectively (see Note 10).

In October 5, 2018, advances for future stocks subscription amounting to ₱4.00 million were reclassified as investment in unquoted equity securities after BSP's approval of CARD MRI Rizal Bank, Inc. increase in authorized capital stock.

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.

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, 2018 and 2017, allowance for impairment losses for receivables determined based on specific identification and assessment follows:

	Receivables from Related Parties	Other Receivables	Total
At January 1, 2017	₱2,489,039	₱322,542	₱2,811,581
Write-off	—	(1,207)	(1,207)
Reversal	(1,374,018)	202,507	(1,171,511)
At December 31, 2017	1,115,021	523,842	1,638,863
Write-off	—	(81,702)	(81,702)
Provision for probable losses	(639,292)	2,050,005	1,410,713
At December 31, 2018	₱475,729	₱2,492,145	₱2,967,874

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.

In 2018, amounts written off represents accounts from agency staff that encountered road accident while the service vehicle of the Association. Due to the accident the total expenses incurred amounting to ₱0.17million wherein only ₱0.083 million was reimbursed from the insurance policy.

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 5.25% in 2018 and 0.875% to 2.125% in 2017. Interest income earned from these investments amounted to ₱3.45 million and ₱2.59 million in 2018 and 2017, respectively (see Note 19).

The rollforward analysis of short-term investments follows:

	2018	2017
At January 1	₱115,651,483	₱113,413,490
Additions	265,142,853	422,043,128
Maturities	(261,078,367)	(419,805,135)
At December 31	₱119,715,969	₱115,651,483

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 2018 and 2017. Interest income earned from these investments amounted to ₱17.23 million and ₱8.85 million in 2018 and 2017, respectively (see Note 19). Acquisitions during the year amounted to ₱261.78 million. While there are no maturities for the year.

	2018	2017
At January 1	₱592,591,045	₱475,388,639
Additions	261,784,549	119,302,003
Maturities	—	(2,099,597)
At December 31	₱854,375,594	₱592,591,045

9. Available-for-Sale Financial Assets

This account consists of:

	2018	2017
Quoted securities		
Mutual funds	₱421,611,239	₱480,411,928
Unquoted securities		
Preferred shares	819,115,760	261,401,400
Unit in Trust Fund	29,930,842	—
	₱1,270,657,841	₱741,813,328

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

	Investments in Mutual Funds	Unquoted Equity Securities	Units in Trust Fund	Total
At January 1, 2017	₱363,217,249	₱234,992,200	₱—	₱598,209,449
Additions	100,000,000	32,869,200	—	132,869,200
Fair value losses	17,194,679	—	—	17,194,679
Disposal	—	(6,460,000)	—	(6,460,000)
At December 31, 2017	₱480,411,928	₱261,401,400	₱—	₱741,813,328
Additions	—	364,715,400	30,279,293	394,994,693
Fair value gains/(loss)	(13,800,687)	192,998,960	(78,453)	179,119,820
Disposal	(45,000,002)	—	(269,998)	(45,270,000)
At December 31, 2018	₱421,611,239	₱819,115,760	₱29,930,842	₱1,270,657,841

Investments in unquoted equity shares pertain to the Association's investments in preferred shares of CARD Bank, Inc., CARD Leasing and Finance Corporation, CARD MRI Rizal Bank Inc. and UniHealth, Inc.

Details of the Association's investments in unquoted equity securities follow:

	2018			2017		
	Amount	Shares	Percentage of ownership	Amount	Shares	Percentage of ownership
CARD Bank, Inc.	₱767,340,603	2,934,508	58.00%	₱227,881,400	*1,139,407	6.90%
CLFC	15,840,184	40,000	4.00%	4,000,000	40,000	4.0%
CARD MRI Rizal Bank, Inc.	35,434,973	173,576	64.29%	29,020,000	*145,100	58.04%
UniHealth, Inc.	500,000	500	0.13%	500,000	500	0.66%
	₱819,115,760			₱261,401,400		

**Ownership in the preferred shares*

In 2018 and 2017, the Association subscribed to additional 1,795,101 and 97,646 preferred shares of CARD Bank, Inc., respectively, at ₱200 per value with a total amount ₱359.02 million and ₱19.53 million, respectively

Dividends received from this investment amounted to ₱108.16 million and ₱74.03 million in 2018 and 2017 (see Note 19). Accrued dividend amounted to nil and ₱9.06 million in 2018 and 2017, respectively (see Note 10).

In 2018 and 2017, the Association owns 173,576 and 145,100 preferred shares of CARD MRI Rizal Bank, Inc. amounting to ₱35.32 million and ₱29.02 million, respectively. In 2018, the Association received dividend income from this investment amounting to ₱14.84 million.

In 2018, the Association received dividend income from investments in unquoted shares of CLFC amounting to 1.25 million.

In 2018, the Association's investment in UniHealth amounted to ₱0.50 million in December 31, 2018 and 2017.

Investments in mutual funds have the following details:

	2018		2017	
	Amount	Units	Amount	Units
Sun Life Prosperity Bond Fund	₱230,702,657	83,430,732	₱277,289,860	99,870,289
Sun Life Peso Balance Fund	96,064,275	26,306,727	105,134,835	26,306,727
Philam Bond Fund	94,844,306	24,194,976	97,987,233	24,194,976
	₱421,611,238		₱480,411,928	

The increase and decrease in reserve for fluctuation in value of the investments in mutual funds amounted to ₱179.12 million and ₱17.19 million in 2018 and 2017, respectively. This is presented as "Other comprehensive gain/(losses)" in the statements of comprehensive income.

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

	2018	2017
At January 1	₱51,873,740	₱34,679,061
Fair value gains (losses) on AFS financial assets		
Unquoted equity shares	192,998,960	—
Mutual funds	(13,800,687)	17,194,679
Units of trust fund	(78,453)	—
At December 31	₱230,993,560	₱51,873,740

10. Accrued Income

This account consists of:

	2018	2017
Interest receivable on:		
Cash and cash equivalents (Note 6)	₱533,733	₱297,906
Held-to-maturity investments (Note 7)	96,365,005	75,289,796
Loans and receivables (Note 8)	53,015,461	38,449,585
Dividend receivable (Notes 9 and 13)	—	9,060,096
	₱149,914,199	₱123,097,383

11. Property and Equipment - net

The rollforward analysis of this account follow:

	2018					
	Land	Land improvement	Transportation equipment	Computer and office equipment	Office furniture and fixtures	Building
Cost						
At January 1						
Additions	P160,177,952	P825,654	P464,181	P16,575,139	P4,066,982	P79,031,673
Retirement	—	—	—	2,271,888	390,270	1,091,922
Redistributions (Note 12)	(115,384,941)	—	—	(33,800)	—	—
At December 31	44,793,011	825,654	464,181	18,838,602	4,479,877	87,549,621
Accumulated Depreciation						
At January 1	—	99,122	460,798	13,154,932	2,965,370	11,489,145
Depreciation (Note 20)	—	82,569	3,378	2,600,205	657,019	8,348,933
Retirement	—	—	—	(33,800)	—	—
At December 31	—	181,691	464,176	15,721,337	3,622,389	19,838,078
Impairment loss (Notes 5 and 20)	—	—	—	—	—	1,535,764
Net Book Value	P44,793,011	P643,963	P5	P3,117,265	P857,488	P67,711,543

	2017					
	Land	Land improvement	Transportation equipment	Computer and office equipment	Office furniture and fixtures	Building
Cost						
At January 1						
Additions	P138,177,952	P514,168	P3,573,987	P17,765,528	P3,393,770	P83,936,468
Disposals	22,000,000	311,486	—	2,100,995	676,412	1,491,438
Transfers from investment properties (Note 12)	—	—	(3,109,806)	(3,291,384)	(3,200)	—
At December 31	160,177,952	825,654	464,181	16,575,139	4,066,982	79,031,673
Accumulated Depreciation						
At January 1	—	42,547	2,954,306	12,088,947	2,292,093	4,295,033
Depreciation (Note 20)	—	56,575	616,298	2,357,566	676,477	7,918,195
Disposals	—	—	(3,109,806)	(1,291,381)	(3,200)	—
Retirement	—	—	—	—	—	(724,083)
At December 31	—	99,122	460,798	13,154,932	2,965,370	11,489,145
Net Book Value	P160,177,952	P726,532	P3,383	P3,420,207	P1,101,612	P67,542,528

	2017					
	Land	Land improvement	Transportation equipment	Computer and office equipment	Office furniture and fixtures	Building
Cost						
At January 1						
Additions	P138,177,952	P514,168	P3,573,987	P17,765,528	P3,393,770	P83,936,468
Disposals	22,000,000	311,486	—	2,100,995	676,412	1,491,438
Transfers from investment properties (Note 12)	—	—	(3,109,806)	(3,291,384)	(3,200)	—
At December 31	160,177,952	825,654	464,181	16,575,139	4,066,982	79,031,673
Accumulated Depreciation						
At January 1	—	42,547	2,954,306	12,088,947	2,292,093	4,295,033
Depreciation (Note 20)	—	56,575	616,298	2,357,566	676,477	7,918,195
Disposals	—	—	(3,109,806)	(1,291,381)	(3,200)	—
Retirement	—	—	—	—	—	(724,083)
At December 31	—	99,122	460,798	13,154,932	2,965,370	11,489,145
Net Book Value	P160,177,952	P726,532	P3,383	P3,420,207	P1,101,612	P67,542,528

	2017					
	Land	Land improvement	Transportation equipment	Computer and office equipment	Office furniture and fixtures	Building
Cost						
At January 1						
Additions	P138,177,952	P514,168	P3,573,987	P17,765,528	P3,393,770	P83,936,468
Disposals	22,000,000	311,486	—	2,100,995	676,412	1,491,438
Transfers from investment properties (Note 12)	—	—	(3,109,806)	(3,291,384)	(3,200)	—
At December 31	160,177,952	825,654	464,181	16,575,139	4,066,982	79,031,673
Accumulated Depreciation						
At January 1	—	42,547	2,954,306	12,088,947	2,292,093	4,295,033
Depreciation (Note 20)	—	56,575	616,298	2,357,566	676,477	7,918,195
Disposals	—	—	(3,109,806)	(1,291,381)	(3,200)	—
Retirement	—	—	—	—	—	(724,083)
At December 31	—	99,122	460,798	13,154,932	2,965,370	11,489,145
Net Book Value	P160,177,952	P726,532	P3,383	P3,420,207	P1,101,612	P67,542,528

Gain on retirement of transportation equipment, transportation equipment and office furniture and fixtures amounted to nil and ₱0.30 million in 2018 and 2017, 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 ₱9.18 million and ₱11.47 million as of December 31, 2018 and 2017, respectively.

12. Investment Properties

The rollforward analyses of this account follow:

	Land	2018 Building	Total
Cost			
At January 1	₱106,697,728	₱122,162,709	₱228,860,437
Additions	—	1,239,837	1,239,837
Sale	(11,209,628)	—	(11,209,628)
Transfers from property and equipment (Note 11)	115,384,940	16,129,573	131,514,513
At December 31	210,873,040	139,532,119	350,405,159
Accumulated Depreciation			
At January 1	—	25,807,228	25,807,228
Depreciation (Note 20)	—	13,118,416	13,118,416
At December 31	—	38,925,644	38,925,644
Impairment loss (Notes 5 and 20)	—	3,335,730	3,335,730
Net Book Value	₱210,873,040	₱97,270,744	₱308,143,784

	Land	2017 Building	Total
Cost			
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
Accumulated Depreciation			
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
Net Book Value	₱106,697,728	₱96,355,481	₱203,053,209

In 2018, the Association transferred portion of its investment properties amounting to ₱131.51 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 ₱435.54 million and ₱315.19 million as of December 31, 2018 and 2017, 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, 2018 and 2017, 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 400 square meters amounted to ₱0.72 million.

The Association earned rental income amounting to ₱14.56 million and ₱12.09 million from its investment properties in 2018 and 2017, respectively (see Note 21).

13. Investments in Associates

This account consists of the following:

	2018	2017
Acquisition cost	₱566,156,425	₱412,135,396
Accumulated equity in net earnings	202,728,196	154,306,563
Accumulated equity in other comprehensive income (loss)	466,167	(285,534)
	₱769,350,788	₱566,156,425

Details of the Association's investments in associates follow:

	2018		2017	
	Amount	Percentage*	Amount	Percentage*
CPMI	₱557,326,231	46.10%	₱ 411,913,591	46.10%
CMIT	96,508,833	40.00%	80,770,533	40.00%
BotiCARD	16,840,784	30.00%	15,743,155	30.00%
CMPHI	90,443,165	40.00%	49,953,121	40.00%
CMHI	7,571,822	25.00%	7,507,350	25.00%
CMHTI	120,643	20.00%	105,453	20.00%
CMPuHI	539,310	30.00%	163,222	30.00%
	₱769,350,788		₱ 566,156,425	

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

CARD Pioneer Microinsurance, Inc.

The details of this investment follow:

	2018	2017
Acquisition cost:		
At January 1	₱278,982,753	₱278,982,753
Accumulated equity in net earnings		
At January 1	133,055,343	36,133,920
Equity in net earnings	144,302,334	96,920,423
At December 31	277,357,677	133,054,343
Accumulated equity in other comprehensive income (loss):		
At January 1	(123,505)	162,029
Equity in other comprehensive income	1,109,306	(285,534)
At December 31	985,801	(123,505)
	₱557,326,231	₱411,913,591

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.

CARD MRI Information Technology, Inc. (CMIT)

The details of this investment follow:

	2018	2017
Acquisition cost:		
At January 1	₱61,487,000	₱40,000,000
Placements	17,600,000	21,487,000
At December 31	79,087,000	61,487,000
Accumulated equity in net earnings:		
At January 1	17,126,923	18,006,408
Equity in net earnings	16,245,872	9,120,515
Dividend income	(17,504,367)	(10,000,000)
At December 31	15,868,428	17,126,923
Accumulated equity in other comprehensive income (loss):		
At January 1	2,156,610	2,156,610
Equity in other comprehensive loss	(603,205)	—
At December 31	1,553,405	2,156,610
	₱96,508,833	₱80,770,533

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, 2018 and 2017, the Association's investment in CMIT amounted to ₱96.51 million and ₱80.77 million, respectively.

BotiCARD, Inc.

The details of the investment follow:

	2018	2017
Acquisition cost		
At January 1	₱11,697,000	₱9,750,000
Placement	—	1,947,000
At December 31	11,697,000	11,697,000
Accumulated equity in net earnings:		
At January 1	2,683,331	4,254,929
Equity in net earnings	1,685,367	375,402
Dividend income	(547,803)	(1,947,000)
At December 31	3,820,895	2,683,331
Accumulated equity in other comprehensive income		
At January 1	1,362,824	1,362,824
Equity in other comprehensive loss	(39,935)	—
At December 31	1,322,889	1,362,824
	₱16,840,784	₱15,743,155

In 2011, the Association purchased 780,000 common shares at ₱5.00 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 nil and ₱1.95 million was made in 2018 and 2017, respectively. As of December 31, 2018 and 2017, the Association's investment in BotiCARD amounted to ₱16.84 million and ₱15.74 million, respectively.

CARD MRI Property Holdings, Inc. (CMPHI)

The details of the investment follow:

	2018	2017
Acquisition cost		
At January 1	₱50,000,000	₱14,600,100
Placement	40,000,000	35,399,900
At December 31	90,000,000	50,000,000
Accumulated equity in net earnings:		
At January 1	(46,879)	(402,425)
Equity in net earnings	490,044	355,546
	443,165	(46,879)
At December 31	₱90,443,165	₱49,953,121

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, 2018 and 2017, the Association's investment in CMPHI amounted to ₱90.44 million and ₱49.95 million, respectively.

CARD MRI Holdings, Inc. (CMHI)

The details of the investment follow:

	2018	2017
Acquisition cost:		
At January 1 and December 31	₱7,812,500	₱7,812,500
Accumulated equity in net loss:		
At January 1	(474,781)	(805,615)
Equity in net earnings	65,472	331,834
At December 31	(409,309)	(473,781)
Accumulated equity in other comprehensive income:		
At January 1 and December 31	168,631	168,631
	₱7,571,822	₱7,507,350

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, 2018 and 2017, the Association's investment in CMHI amounted to ₱7.57 million and ₱7.51 million, respectively.

CARD MRI Hijos Tours, Inc. (CMHTI)

The details of the investment follow:

	2018	2017
Acquisition cost:		
At January 1	₱100,000	₱–
Placements	–	100,000
At December 31	100,000	100,000
Accumulated equity in net gain:		
At January 1	5,453	–
Equity in net earnings	15,190	–
Dividend income	–	5,453
At December 31	₱120,643	₱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, 2018 and 2017, the Association's investment in CMHTI amounted to ₱0.12 million and ₱0.11 million, respectively.

CARD MRI Publishing House, Inc. (CMPuHI)

The details of the investment follow:

	2018	2017
Acquisition cost:		
At January 1	₱150,000	₱—
Placements	—	150,000
At December 31	150,000	150,000
Accumulated equity in net gain:		
At January 1	13,222	—
Equity in net gain	376,088	13,222
At December 31	₱539,310	₱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, 2018 and 2017, the Association's investment in CMPuHI amounted to ₱.54 million and ₱0.16 million, respectively.

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

Financial information of the Association's associates follows:

	2018	2017
CPMI		
Total assets	₱2,151,507,520	₱1,525,650,803
Total liabilities	932,646,386	622,634,845
Net income	313,169,696	210,342,091
Other comprehensive income (loss)	2,407,453	(619,675)
CMIT		
Total assets	322,179,870	267,563,566
Total liabilities	81,587,290	75,216,509
Net income	40,614,679	22,801,288
Other comprehensive loss	(1,508,012)	—
BotiCARD		
Total assets	50,791,169	36,780,799
Total liabilities	14,167,534	4,152,121
Net income	5,617,892	1,120,267
Other comprehensive loss	(133,116)	—
CMPHI		
Total assets	267,045,763	153,455,754
Total liabilities	70,488,799	28,612,451
Net income	1,225,111	888,864
CMHI		
Total assets	29,873,142	30,803,164
Total liabilities	331,750	50,000
Net income	261,888	1,327,338

	2018	2017
CMHTI		
Total assets	₱1,763,509	₱784,362
Total liabilities	553,809	256,899
Net income	75,950	27,266
CMPuHI		
Total assets	2,911,687	869,270
Total liabilities	1,105,855	323,002
Net income	1,253,626	44,074

14. Other Assets

This account consists of:

	2018	2017
Prepaid expenses	₱5,181,229	₱3,889,332
Supplies inventory	6,549,212	3,859,708
Prepaid rent	2,238,485	1,675,979
Funds and deposits	1,540,583	1,541,756
Prepaid taxes	1,004,417	584,100
Deferred reinsurance premiums (Note 18)	869,583	737,693
	₱17,383,509	₱12,288,568

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:

	2018	2017
Accounts payable		
Related parties (Note 22)	₱25,094,563	₱28,601,739
Suppliers and contractors	17,933,664	10,826,159
Staff, members and employees	25,650	7,660,605
Accrued expenses	11,009,927	16,840,384
Collection fee payable		
Staff, members and employees	1,578,874	1,258,486
Related parties (Note 22)	2,059,982	1,125,925
Rent deposits	2,776,124	2,242,892
Premium received in advance	1,155,400	—
Due to government agencies	1,388,428	1,551,449
Others	259,864	433,743
	₱63,282,476	₱70,541,382

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.

Premium received in advances pertains to the premium payment of the CARD MRI members for Remitter Protek Plan for the year 2019.

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:

	2018	2017
Life insurance contract liabilities	₱7,595,923,442	₱5,990,996,658
Loan redemption contract liabilities	187,474,635	147,533,111
	₱7,783,398,077	₱6,138,529,769

a) Life insurance contract liabilities

Details of the life insurance contract liabilities follow:

	2018	2017
Provision for unearned premiums	₱7,507,432,541	₱5,948,998,400
Outstanding claims provision	88,490,901	41,998,258
Total life insurance contract liabilities	₱7,595,923,442	₱5,990,996,658

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:

	2018	2017
At January 1	₱5,948,998,400	₱4,686,413,458
Premiums received	1,926,097,096	1,507,295,591
Liability released for payments of death, maturity and surrender benefits and claims	(367,662,955)	(244,710,649)
At December 31	₱7,507,432,541	₱5,948,998,400

The rollforward analysis of outstanding claims provision follows:

	2018	2017
At January 1	₱41,998,258	₱51,516,097
Claims incurred in the current year	1,266,190,935	883,296,772
Claims paid during the year	(1,219,698,292)	(892,814,611)
At December 31	₱88,490,901	₱41,998,258

b) Loan redemption contract liabilities

Details of the loan redemption contract liabilities follow:

	2018	2017
Provision for unearned premiums	₱180,568,421	₱145,584,308
Provision for claims incurred but not reported (IBNR)	6,906,214	1,948,803
Total loan redemption contract liabilities	₱187,474,635	₱147,533,111

The rollforward analysis of provision for unearned premiums follows:

	2018	2017
At January 1	₱145,584,308	₱119,368,871
Premiums received	645,300,995	502,141,755
Earned premiums	(610,316,882)	(475,926,318)
At December 31	₱180,568,421	₱145,584,308

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

The rollforward analysis of provision for claims IBNR follows:

	2018	2017
At January 1	₱1,948,803	₱2,758,382
Increase/Decrease in IBNR	4,957,411	(809,579)
At December 31	₱6,906,214	₱1,948,803

The rollforward analysis of outstanding claims provision follows:

	2018	2017
At January 1	₱—	₱44,234
Claims incurred in the current year	137,286,331	99,111,232
Claims paid during the year	(137,286,331)	(99,155,466)
At December 31	₱—	₱—

The loan redemption insurance covers the outstanding loan balance of members from CARD, Inc., CARD SME Bank, Inc., CARD Bank, Inc., and CARD MRI Rizal Rural Bank, Inc., CARD Leasing and Finance Corporation and CARD Employees' Multi-purpose Cooperative in case of death of a member-borrower. The Association also records reserves on loan redemption insurance. As of December 31, 2018 and 2017, loans covered by the Association's loan redemption insurance amounted to ₱42.3 billion and ₱21.49 billion, respectively.

17. Retirement Fund

The retirement fund or provident fund represents contributions of members of the Association to the Retirement fund, net of administrative expenses. The retirement 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 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 retirement 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 fund follows:

	2018	2017
At January 1	₱3,843,088,362	₱3,040,601,467
Contribution	1,034,952,503	825,500,073
Interest income	172,913,063	135,359,108
Claims and expenses	(211,702,934)	(158,372,286)
At December 31	₱4,839,250,994	₱3,843,088,362

The allocation of interest for retirement fund is equivalent to 3.53% in 2018 and 2017, of the beginning balance of the account plus contribution from members during the year.

18. Net Earned Premiums

The net earned premiums consist of the following:

	2018	2017
Gross earned premiums on insurance contracts		
Life insurance premiums	₱3,145,947,322	₱2,500,081,738
Loan insurance premiums	645,300,995	502,141,756
Total gross premiums earned on insurance contracts	3,791,248,317	3,002,223,494
Less: Reinsurer's share on gross earned premium on insurance contracts		
Life insurance	3,050,435	2,671,816
Net earned premiums on insurance contracts	₱3,788,197,882	₱2,999,551,678

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 ₱15.00 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 ₱50.00 or ₱100.00 premium every week with death benefit of ₱25,000 or ₱50,000, respectively. Premiums are payable for ten (10) years.

Under the basic life insurance program extension program, members retiring from the Basic Life Insurance Program shall pay a single premium amounting to ₱1,000.00 per year, 50% of which is Member's Equity Value refundable to the member upon termination of the policy.

Katuparan program provides protection ensuring that the member's target savings will be met after a loss. Under this plan, the member may choose between five (5) options with varying Target Savings Amount and term to meet the said target. The face amount ranges from ₱10,000.00 up to ₱100,000.00 with term of at least two (2) years up to a maximum of five (5) years.

Remitter Protek Plan is a group personal accident insurance cover that provides benefits for death, dismemberment/disablement and daily hospitalization caused by an accident. This insures member elected in a Center meeting who is tasked to remit the collection of the Center to the Unit Offices, Bank Lite Unit (BLU) or Branches of CARD MRI Microfinancing Institutions and other organizations recognized by and affiliated with CARD MBA. The corresponding premium for this plan is ₱200 per center per year.

The loan redemption insurance covers the outstanding principal loan balance of members to CARD Micro-finance institutions namely: CARD Inc., CARD Bank, Inc., CARD SME Bank Inc. and CARD MRI Rizal Rural Bank, Inc. in case of death. Under this program, the member contributes 1.5% per annum of his/her principal loan to be recognized by the Association as gross premiums.

In April 2014, the Association entered into a reinsurance agreement with National Reinsurance Corporation of the Philippines (PHILNARE) in response to the increased risk brought by severe calamities hitting the country. Portion of the premiums received amounting to ₱3.18 million and ₱2.38 million in 2018 and 2017, 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:

	2018	2017
At January 1	₱737,693	₱1,033,695
Premiums ceded to reinsurer	3,182,325	2,375,814
Reinsurer's share of gross earned premiums on insurance contracts	(3,050,435)	(2,671,816)
At December 31	₱869,583	₱737,693

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

19. Investment Income

This account consists of

	2018	2017
Interest income on:		
HTM investments (Note 7)	₱329,836,355	₱224,769,447
Long-term investments (Note 8)	17,232,436	8,851,065
Cash and cash equivalents (Note 6)	4,241,345	2,660,887
Short-term investments (Note 8)	3,445,479	2,590,990
Pension asset (Note 25)	2,354,600	2,166,373
Loans and receivable (Note 8)	385,447	1,513,005
Dividend income (Note 9)	124,249,320	74,030,712
	₱481,744,982	₱316,582,479

20. General and Administrative Expenses

This account consists of:

	2018	2017
Transportation and travel	₱187,519,010	₱155,785,420
Salaries and allowances	93,521,629	79,835,931
Professional fees	37,868,454	26,881,849
Program, monitoring and evaluation	26,740,119	24,297,385
Depreciation (Notes 3, 5, 11 and 12)	24,810,520	23,718,433
Rental (Note 21)	22,645,692	16,909,387
Supplies	21,699,803	18,458,511
Donation and contribution	20,719,615	41,824,384
Security and janitorial services	14,058,706	12,659,868
Repairs and maintenance	10,295,874	5,383,366
Meetings and seminars	9,068,974	8,725,583
Training and development	7,008,396	11,433,422
Insurance	7,010,451	9,265,393
Provision for probable losses (Notes 5, 8, 11 and 12)	6,567,996	6,360,781
Communication	6,131,070	6,900,027
Interest expense	5,959,535	3,958,833
Pension expense (Note 25)	2,964,267	4,427,935
Light and water	4,216,964	3,941,079
Taxes and licenses	1,969,356	2,733,571
Membership dues	1,041,907	1,034,560
Bank charges	923,966	656,795
Entertainment, amusement and recreation	492,604	622,681
Research and documentation	135,801	91,835
Miscellaneous	16,378,190	1,256,019
	₱529,748,899	₱467,163,048

In 2018, miscellaneous includes adjustment to Retirement Fund amounting to ₱15.52 million for the loss recognize due to the difference in the interest yields which is used in the computation of retirement payments.

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 2018 and 2017 amounted to ₱22.65 million and ₱16.91 million, respectively. The future minimum rentals payable within one (1) year of the existing contracts amounted to a total of ₱6.09 million and ₱8.20 million as of December 31, 2018 and 2017, 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 2018 and 2017 amounted to ₱14.56 million and ₱12.09 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:

	2018	2017
Within 1 year	₱17,913,653	₱12,085,534
More than 1 year but not more than 5 years	32,515,060	33,090,095
	₱50,428,713	₱45,175,629

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, 2018					
Category	Amount	Outstanding	Nature	Terms	Conditions
<i>Associates</i>					
<i>CMIT</i>					
Account receivable	₱479,392	₱21	Un-remitted contributions for staff and shares on expenses	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	170,077	38,441	Unpaid expenses	On-demand; Noninterest-bearing	Unsecured; no impairment
Rental Income	236,908	–	Income received from office space rentals	On-demand; noninterest-bearing	Unsecured; no impairment
<i>BoTICARD</i>					
Account receivable	161,718	14,804	Un-paid billing re: water and electricity.	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	5,058,885	4,959,022	Unpaid medicines and other expenses	On-demand; noninterest-bearing	Unsecured; no impairment
Rental Income	306,386	–	Income received from office space rentals	On-demand; noninterest-bearing	Unsecured; no impairment
<i>CPMI</i>					
Account receivable	77,650,271	2,882,225	Unpaid reimbursement on claims for members who avail CPMI products	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	926,675,124	888,568	Unpaid Premiums for CPMI products	On-demand; noninterest-bearing	Unsecured; no impairment
Rental Income	78,417	–	Income received from office space rentals	On-demand; noninterest-bearing	Unsecured; no impairment

December 31, 2018

Category	Amount	Outstanding	Nature	Terms	Conditions
Affiliates					
<i>MNLI</i>					
Accounts receivable	₱100,641	₱6,565		On-demand; Noninterest-bearing	Unsecured; no impairment
Accounts payable	89,986	26,216	Unpaid billings from MNLI re: products	On-demand; noninterest-bearing	Unsecured; no impairment
<i>CaMIA</i>					
Account receivable	6,591,829	463,774	Unpaid reimbursement on claims for members who avail CaMIA products and others expenses incurred	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	12,221,959	1,251,113	Unpaid Premiums for CaMIA products	On-demand; noninterest-bearing	Unsecured; no impairment
Rental Income	359,579	–	Income received from office space rentals	On-demand; noninterest-bearing	Unsecured; no impairment
<i>CMDI</i>					
Account receivable	151,243	45,272	Unpaid billing re: electricity	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	547,738	45,070	Unpaid expenses for administration and training cost of staff & coordinators	On-demand; noninterest-bearing	Unsecured; no impairment
<i>CARD Inc.</i>					
Account receivable	196,688,763	690,706	Unremitted collection from members contributions	On-demand; noninterest-bearing	Unsecured; no impairment
Collection fee payable	227,565,026	1,624,525	Amount of claims and expenses is much higher than the collected contributions	On-demand; noninterest-bearing	Unsecured; no impairment
Rental Income	350,520	–	Income received from office space rentals	On-demand; noninterest-bearing	Unsecured; no impairment
<i>CARD SME Bank Inc.</i>					
Cash and cash equivalents		11,309,942	Various	On-demand; interest at 1.50% for regular savings deposit	Unsecured; no impairment
Deposits	1,382,489,097				
Withdrawals	1,384,337,441				
Account receivable	11,357,391	58,347	Unremitted collection from members contributions	On-demand; noninterest-bearing	Unsecured; no impairment
Collection fee payable	17,881,156	6,717	Amount of claims and expenses is much higher than the collected contributions	On-demand; noninterest-bearing	Unsecured; no impairment
Rental Income	4,621,241	–	Income received from office space rentals	On-demand; noninterest-bearing	Unsecured; no impairment
Interest Income	318,608	–	Income from deposited made (including in cash and cash equivalents)	On-demand; noninterest-bearing	Unsecured; no impairment
<i>BDSFI</i>					
Account receivable	3,455	–	Uncollected of staff contribution	On-demand; noninterest-bearing	Unsecured; no impairment

December 31, 2018

Category	Amount	Outstanding	Nature	Terms	Conditions
Accounts payable	–	–	Unpaid billing re: repacking and delivery of relief goods	On-demand; noninterest-bearing	Unsecured; no impairment
<i>CARD EMPC</i>					
Account receivable	₱834,022	₱769,250	unremitted loan redemption premium and health reimbursement of staff	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	19,519	–	Unpaid claims benefit of staff for his loans.	On-demand; noninterest-bearing	Unsecured; no impairment
<i>CARD MRI RIZAL BANK INC.</i>					
Cash and cash equivalents		7,827,561	Various	On-demand; interest at 1.50% for regular savings deposit	Unsecured; no impairment
Deposits	636,469,311				
Withdrawals	632,719,209				
Account receivable	7,641,678	638,565	Unremitted collection from members contributions	On-demand; noninterest-bearing	Unsecured; no impairment
Collection fee payable	36,272,970	37,624	Amount of claims and expenses is much higher than the collected contributions	On-demand; noninterest-bearing	Unsecured; no impairment
Interest Income	171,666	–	Income from deposited made (including in cash and cash equivalents)	On-demand; noninterest-bearing	Unsecured; no impairment
Rental Income	1,858,653	–	Income received from office space rentals	On-demand; noninterest-bearing	Unsecured; no impairment
<i>CLFC</i>					
Account receivable	61,713	48,821	Unremitted loan redemption premium	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	7,901,309	1,676	Unpaid billing re: supplies	On-demand; noninterest-bearing	Unsecured; no impairment
<i>CARD Bank Inc.</i>					
Cash and cash equivalents		34,631,930	Various	On-demand; interest at 1.50% for regular savings deposit	Unsecured; no impairment
Deposits	4,000,726,698				
Withdrawals	632,719,209				
Account receivable	59,649,361	696,250	Unremitted collection from members contributions	On-demand; noninterest-bearing	Unsecured; no impairment
Collection fee payable	56,037,460	391,117	Amount of claims and expenses is much higher than the collected contributions	On-demand; noninterest-bearing	Unsecured; no impairment
Rental Income	6,752,245	–	Income received from office space rentals	On-demand; noninterest-bearing	Unsecured; no impairment
Interest Income	830,396		Income from deposited made (including in cash and cash equivalents)	On-demand; noninterest-bearing	Unsecured; no impairment

December 31, 2017

Category	Amount	Outstanding	Nature	Terms	Conditions
<i>Associates</i>					
<i>CMIT</i>					
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;
<i>BoTICARD</i>					
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
<i>CPMI</i>					
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
<i>Affiliates</i>					
<i>MNLI</i>					
Accounts payable	807,066	27,225	Unpaid billings from MNLI re: products	On-demand; noninterest-bearing	Unsecured; no impairment
<i>CaMIA</i>					
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
<i>CMDI</i>					
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

December 31, 2017

Category	Amount	Outstanding	Nature	Terms	Conditions
<i>CARD Inc.</i>					
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
<i>CARD SME Bank Inc.</i>					
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
<i>BDSFI</i>					
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
<i>CARD EMPC</i>					
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
<i>CARD MRI RIZAL BANK INC.</i>					
Cash and cash equivalents	240,365,769	5,215,562	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

December 31, 2017

Category	Amount	Outstanding	Nature	Terms	Conditions
<i>CLFC</i>					
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
<i>CARD Bank Inc.</i>					
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
<i>FDS</i>					
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, 2018 and 2017 are summarized as follows:

	2018	2017
Cash and cash equivalents	₱53,769,433	₱61,502,965
Accounts payable (Note 15)	(5,958,993)	(27,148,292)
Accounts receivable	6,314,600	9,905,995
Accounts payable - CAMIA	(1,251,113)	(1,453,447)
Net due from related parties	₱52,873,927	₱41,681,296

23. Income Tax

The provision for income tax consists of:

	2018	2017
Current tax	₱298,988	₱398,212
Final tax	69,062,398	45,607,673
Provision for income tax	₱69,361,386	₱46,005,885

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:

	2018	2017
Statutory income tax	₱290,422,780	₱206,892,397
Add (deduct) the tax effect of:		
Gross premiums on insurance contracts	(1,136,459,365)	(899,865,503)
Gross change in insurance contract liabilities	478,025,476	376,734,119
Gross insurance contract benefits and claims		
Paid	407,095,387	297,591,023
General and administrative expenses	158,924,670	136,381,767
Equity in net earnings of associates	(48,954,110)	(32,137,020)
Dividend income	(37,274,796)	(22,209,214)
Interest income subjected to final tax	(32,194,555)	(23,398,726)
Interest income not subjected to final tax	(5,277,656)	(2,655,318)
Rental income	(4,077,906)	—
Other income	(866,647)	(1,233,635)
Surrender charge	(1,892)	9,905,995
Provision for income tax	₱69,361,386	₱46,005,885

24. Notes to Statement of Cash Flows

The Association's principal noncash investing activity in 2018 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).

25. Employee Benefits

The Association, CARD Bank, CARD Inc., CARD SME Bank, CAMIA, CARD BDSF, CMIT, BotiCARD, CMDI, MLNI, RBI, CLFC, RISE and EMPC maintain a funded and formal noncontributory defined benefit retirement plan - the CARD MRI Multi-Employer Retirement Plan (MERP) - covering all of their regular employees and CARD Group Employees' Retirement Plan (Hybrid Plan) applicable to employees hired on or after July 1, 2016. MERP is valued using the projected unit cost method and is financed solely by the Parent Company and its related parties.

MERP and the Hybrid Plan are compliant with the requirements of RA No. 7641 (Retirement Law). MERP provides lump sum benefits equivalent to up to 120% of final salary for every year of credited service, a fraction of at least six (6) months being considered as one whole year, upon retirement, death, total and permanent disability, or voluntary separation after completion of at least one year of service with the participating companies.

The Hybrid Plan provides a retirement benefit equal to 100% of the member's employer accumulated value (the Parent Company's contributions of 8% plan salary to Fund A plus credited earnings) and 100% of the member's employee accumulated value (member's own contributions up to 10% of plan salary to Fund B plus credited earnings), if any. Provided that in no case shall 100% of the employer accumulated value in Fund A be less than 100% of plan salary for every year of credited service.

Total retirement expense in 2018 related to Hybrid Plan amounted to ₱0.91 million.

The latest actuarial valuation report covers reporting period as of December 31, 2018.

Changes in funded retirement plan are as follow:

	2018									
	Net benefit cost in statement of comprehensive income					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 changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Effect of changes in asset ceiling
Present value of defined benefit obligation	¥25,349,370	¥2,964,267	¥1,462,659	¥4,426,936	(¥90,883)	(¥1,437,995)	¥-	(¥422,109)	(¥7,730,661)	¥2,292,503
Fair value of plan assets	(88,502,279)	-	(5,175,551)	(5,175,551)	¥90,883	¥1,437,995	1,512,452	-	-	-
Effect of changes in asset ceiling	23,540,569	-	1,358,291	1,358,291	-	-	-	-	-	9,199,297
Retirement liability (asset)	(¥39,612,340)	¥2,964,267	(¥2,254,601)	¥609,666	¥-	¥-	¥1,512,452	(¥422,109)	(¥7,730,661)	¥2,292,503
										¥91,199,297
										¥2,292,503
										¥4,851,482
										¥1,043,518
										(¥1,043,518)
										¥34,098,157
										(¥1,043,518)
										(¥35,194,710)
	2017									
	Net benefit cost in statement of comprehensive income					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 changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Effect of changes in asset ceiling
Present value of defined benefit obligation	¥32,218,101	¥4,427,935	¥1,887,981	¥6,315,196	(¥516,868)	(¥1,394,753)	¥-	(¥389,371)	(¥8,966,358)	(¥1,917,297)
Fair value of plan assets	(69,526,540)	-	(4,508,165)	(4,508,165)	¥516,868	¥1,394,753	341,644	-	-	-
Effect of changes in asset ceiling	7,744,213	-	453,811	453,811	-	-	-	-	-	15,342,545
Retirement liability (asset)	(¥29,564,226)	¥4,427,935	(¥2,166,373)	¥2,260,842	¥-	¥-	¥341,644	(¥389,371)	(¥8,966,358)	¥15,342,545
										¥15,342,545
										(¥1,917,297)
										¥1,917,297
										¥15,342,545
										¥15,342,545
										¥341,644
										(¥1,917,297)
										(¥1,917,297)
										¥15,342,545
										¥15,342,545
										¥341,644
										(¥1,917,297)
										(¥1,917,297)
										¥15,342,545
										¥15,342,545
										¥341,644
										(¥1,917,297)
										(¥1,917,297)
										¥15,342,545
										¥15,342,545
										¥341,644
										(¥1,917,297)
										(¥1,917,297)
										¥15,342,545
										¥15,342,545
										¥341,644
										(¥1,917,297)
										(¥1,917,297)
										¥15,342,545
										¥15,342,545
										¥341,644
										(¥1,917,297)
										(¥1,917,297)
										¥15,342,545
										¥15,342,545
										¥341,644
										(¥1,917,297)
										(¥1,917,297)
										¥15,342,545
										¥15,342,545
										¥341,644
										(¥1,917,297)
										(¥1,917,297)
										¥15,342,545
										¥15,342,545
										¥341,644
										(¥1,917,297)
										(¥1,917,297)
										¥15,342,545
										¥15,342,545
										¥341,644
										(¥1,917,297)
										(¥1,917,297)
										¥15,342,545
										¥15,342,545
										¥341,644
										(¥1,917,297)
										(¥1,917,297)
										¥15,342,545
										¥15,342,545
										¥341,644
										(¥1,917,297)
										(¥1,917,297)
										¥15,342,545
										¥15,342,545
										¥341,644
										(¥1,917,297)
										(¥1,917,297)
										¥15,342,545
										¥15,342,545
										¥341,644
										(¥1,917,297)
										(¥1,917,297)
										¥15,342,545
										¥15,342,545
										¥341,644
										(¥1,917,297)
										(¥1,917,297)
										¥15,342,545
										¥15,342,545
										¥341,644
										(¥1,917,297)
										(¥1,917,297)
										¥15,342,545
										¥15,342,545
										¥341,644
										(¥1,917,297)
										(¥1,917,297)
										¥15,342,545
										¥15,342,545
										¥341,644
										(¥1,917,297)
										(¥1,917,297)
										¥15,342,545
										¥15,342,545
										¥341,644
										(¥1,917,297)
										(¥1,917,297)
										¥15,342,545
										¥15,342,545
										¥341,644
										(¥1,917,297)
										(¥1,917,297)
										¥15,342,545
										¥15,342,545
										¥341,644
										(¥1,917,297)
										(¥1,917,297)
										¥15,342,545
										¥15,342,545
										¥341,644
										(¥1,917,297)
										(¥1,917,297)
										¥15,342,545
										¥15,342,545
										¥341,644
										(¥1,917,297)
										(¥1,917,297)
										¥15,342,545
										¥15,342,545
										¥341,644
										(¥1,917,297)
										(¥1,917,297)
										¥15,342,545
										¥15,342,545
										¥341,644
										(¥1,917,297)
										(¥1,917,297)
										¥15,342,545
										¥15,342,545
										¥341,644
										(¥1,917,297)
										(¥1,917,297)
										¥15,342,545
										¥15,342,545
										¥341,644
										(¥1,917,297)
										(¥1,917,297)
										¥15,342,545
										¥15,342,545
										¥341,644
										(¥1,917,297)
										(¥1,917,297)
										¥15,342,545
										¥15,342,545
										¥341,644
										(¥1,917,297)
										(¥1,917,297)
										¥15,342,545
										¥15,342,545
										¥341,644
										(¥1,917,297)
										(¥1,917,297)
										¥15,342,545
										¥15,342,545
										¥341,644
										(¥1,917,297)
										(¥1,917,297)
										¥15,342,545
										¥15,342,545
										¥341,644
										(¥1,917,297)
										(¥1,917,297)
										¥15,342,545
										¥15,342,545
										¥341,644
										(¥1,917,297)
										(¥1,917,297)
										¥15,342,545
										¥15,342,545
										¥341,644
										(¥1,917,297)
										(¥1,917,297)
										¥15,342,545
										¥15,342,545
										¥341,644
										(¥1,917,297)
										(¥1,917,297)

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

	2018	2017
Discount rate	7.70%	5.77%
Salary increase rate	5.00%	5.00%
Average remaining working lives	31.1 years	31.7 years

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

	2018	2017
Assets		
Cash and cash equivalents	₱42,001,779	₱36,471,790
Investment in bonds	47,334,738	46,578,749
Investment in mutual funds	—	415,961
Loans	—	3,894,100
Others	5,219,491	1,141,679
	₱94,556,008	₱88,502,279

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, 2018, assuming if all other assumptions were held constant:

		Effect on defined pension plan	
	Increase (decrease)	2018	2017
Discount rate	+100 basis points	(₱3,002,726)	(₱3,660,310)
	-100 basis points	3,635,936	4,568,616
Future salary increase	+100 basis points	3,700,254	4,282,538
	-100 basis points	(3,099,592)	(3,515,259)

The Association expects to contribute ₱5.29 million to the defined pension plan in 2019.

As of December 31, 2018, the maturity profiles of undiscounted benefit payments of the Association follow:

Less than one year	₱1,414,605
More than one year to five years	7,416,085
More than five years	15,974,883
	₱24,805,573

The average duration of the defined benefit obligation at the end of the reporting period is 13.1 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, 2018 and 2017, the Association has a total of ₱137.86 million, representing guaranty fund which is deposited with the IC.

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:

	2018	2017
Member's equity	₱3,424,570,960	₱2,543,017,789
RBC requirement	873,509,195	611,503,957
RBC ratio	392.05%	415.86%

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. However, in 2018 per advisory no. 6-2018 as released by IC, the Association shift back to NPV as the implementation of GPV for mutual benefit associations (MBAs) is meantime deferred as there appears a pressing need to issue a new Financial Reporting Framework for MBAs which shall be implemented simultaneously to avoid asset-liability mismatch. As a result of Advisory No. 6-2018, the Association retrospectively changed its insurance remeasurement policy from GPV to NPV.

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.

2018

	Increase of 1.00% on discount rate and decrease of 25.00% on mortality rate	Increase of 1.00% on discount rate and decrease of 25.00% on mortality rate
Increase (decrease) on liabilities	₱6,094,577,512	(₱418,615,574)
Increase (decrease) on revenue	(6,094,577,512)	418,615,574

2017

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

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, 2018 and 2017:

	2018		2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Cash and cash equivalents	₱315,295,952	₱315,295,952	₱255,058,647	₱255,058,647
HTM investments	12,689,868,405	11,586,000,495	10,132,288,942	10,320,954,166
Loans and Receivables				
Short-term investments	119,715,969	119,715,969	115,651,481	115,651,481
Long-term investments	854,375,594	728,560,686	492,591,045	588,803,558
Receivables				
Accounts receivables	8,545,024	8,545,024	11,154,399	11,154,399
Loans receivable	6,460,000	5,192,010	6,460,000	4,898,123
Other receivables	42,524,752	42,524,752	10,795,873	10,795,873
AFS financial assets				
Quoted	451,542,081	451,542,081	480,411,928	480,411,928
Unquoted	819,115,760	819,115,760	261,401,400	261,401,400
Accrued interest receivable	149,918,199	149,918,199	114,037,287	114,037,287
	₱15,457,361,736	₱14,226,410,928	₱11,879,851,002	₱12,163,166,862
Financial Liabilities				
Accounts payable and accrued expenses	₱59,488,522	₱59,488,522	₱64,458,434	₱64,458,434

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 a reliable fair value.

For loans receivable and long-term investments classified under loans and receivable, fair value are based on discounted value of future cash flows using applicable rates for similar types of instruments. The discount rate used ranged from 4.00% to 6.00% and 4.00% as of December 31, 2018 and 2017, respectively.

For investments in mutual fund companies under AFS investments, fair values are established by reference to the published net asset value.

As of December 31, 2018 and 2017, the fair value of the investments in mutual funds designated as AFS financial assets of the Association amounted to ₱421.61 million and ₱480.41 million, respectively.

As of December 31, 2018, the Association invest in Unit Investment Trust Fund (UITF) with BPI Bayanihan Balanced Fund amounting to ₱29.93 million.

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 using dividend yield model. During the reporting period ended December 31, 2018 and 2017, 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.

Impact on fair value of level 3 financial instruments measured at fair value of changes to key assumptions

Starting in 2018, the Association determined the fair value of its unquoted equity securities classified as AFS financial assets using the dividend yield model. This method are based on inputs other than quoted prices that are observable for the asset such as weighted cost of capital.

The assumptions above were used in the “Base Case” projections. These assumptions were individually changed (while holding other assumptions steady as in the Base Case) and the resulting valuations derived, to show sensitivity of the valuation to various changes in assumptions.

		Increase (decrease) in fair value
Significant Unobservable Input	Movement in basis points	2018
Weighted cost of capital	+500%	(P39,019,418)
	-500%	43,043,355

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:

- 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.
- 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.

	2018	2017
Financial Assets		
Cash and cash equivalents (excluding cash on hand amounting ₱0.11 million and ₱0.17 million in 2018 and 2017, respectively)	₱315,181,107	₱254,941,137
HTM investments	12,689,868,405	10,132,288,942
Loans and Receivables		
Short-term investments	119,715,969	115,651,481
Long-term investment	854,375,594	592,591,045
Receivables		
Accounts receivable	8,545,024	11,154,399
Loans receivable	6,460,000	6,460,000
Advances for future stocks subscriptions	—	4,000,000
Other receivables	42,524,752	10,795,873
Unquoted	819,115,760	261,401,400
Quoted	451,542,080	480,411,928
Accrued income	149,918,199	114,037,287
	₱15,457,246,890	₱11,983,733,492

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, 2018 and 2017.

2018

	Neither Past-Due nor Impaired		Past Due and Impaired	Total
	Investment Grade	Non-investment Grade		
Financial Assets				
HTM investments	₱12,689,868,405	₱—	₱—	₱12,689,868,405
Cash and cash equivalents	315,295,952	—	—	315,295,952
Loans and Receivables				
Long-term investments	854,375,594	—	—	854,375,594
Short-term investments	119,715,969	—	—	119,715,969
Accrued interest receivable	149,918,199	—	—	149,918,199
Loans receivable	6,460,000	—	—	6,460,000
Accounts receivables	8,008,383	—	536,641	8,545,024
Other receivables	40,597,082	—	1,927,670	42,524,752
AFS financial assets				
Quoted	451,542,080	—	—	451,542,080
Unquoted	819,115,760	—	—	819,115,760
	₱15,454,897,424	₱—	₱2,464,311	₱15,457,361,735

2017

	Neither Past-Due nor Impaired		Past Due and Impaired	Total
	Investment Grade	Non-investment Grade		
Financial Assets				
HTM investments	P10,132,288,942	P-	P-	P10,132,288,942
Cash and cash equivalents	255,058,647	-	-	255,058,647
Loans and Receivables				
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
AFS financial assets				
Quoted	480,411,928	-	-	480,411,928
Unquoted	261,401,400	-	-	261,401,400
	P11,981,100,876	P-	P1,638,862	P11,982,739,738

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

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

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

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

Liquidity risk

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

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

- a) The Association's liquidity risk policy sets out the assessment and determination of what constitutes liquidity risk for the Association. Compliance with the policy is monitored and exposures and breaches are reported to the management. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- b) Set guidelines on asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding available to meet insurance and investment contracts obligations.

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

2018

	Up to one year	1-3 years	Over 5 years	No term	Total
Financial assets					
Cash and other cash items	₱315,295,952	₱–	₱–	₱–	₱315,295,952
HTM investments	84,182,645	1,760,224,980	7,423,278,827	–	9,267,686,452
Loans and Receivables					
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	119,715,969	–	–	–	119,715,969
Long-term investments	–	–	854,375,594	–	854,375,594
AFS financial assets	–	–	–	1,270,657,841	1,270,657,841
	₱658,457,606	₱1,767,409,499	₱8,277,654,421	₱1,270,657,841	₱11,974,179,367
Financial liabilities					
Other financial liabilities					
Accounts payable – CAMIA	₱1,406,063	₱–	₱–	₱–	₱1,406,063
Claims payable	95,397,115	–	–	–	95,397,115
Collection fee payable	45,542,935	–	–	–	45,542,935
Accrued expenses	7,215,972	–	–	–	7,215,972
	₱149,562,085	₱–	₱–	₱–	₱149,562,085

2017

	1-3 years	3-5 years	Over 5 years	No term	Total
Financial assets					
Cash and other cash items	₱255,058,647	₱–	₱–	₱–	₱255,058,647
HTM investments	329,649,685	1,595,713,987	6,081,581,424	–	8,006,945,096
Loans and Receivables					
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
	₱910,688,823	₱2,124,423,581	₱6,081,581,424	₱741,813,328	₱9,858,507,156
Financial liabilities					
Other financial liabilities					
Accounts payable - CAMIA	₱1,453,447	₱–	₱–	₱–	₱1,453,447
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
	₱94,968,706	₱9,364,616	₱–	₱–	₱104,333,322

Market risk

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

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

- a. The market risk policy sets out the assessment and determination of what constitutes market risk for the Association. Compliance with the policy is monitored and exposures and breaches are reported to the association risk committee. The policy is reviewed regularly for pertinence and for changes in the risk environment.
- b. Set asset allocation and portfolio limit structure, to ensure that assets back specific member liabilities and that assets are held to deliver income and gains for members which are in line with expectations of the members.
- c. Stipulated diversification benchmarks by type of instrument, as the association is exposed to guaranteed bonuses, cash and annuity options when interest rates falls.

Currency risk

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

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

	2018		2017	
	U.S. Dollar ⁽¹⁾	Peso Equivalent	U.S. Dollar ⁽¹⁾	Peso Equivalent
Cash in bank	\$495,128	26,033,842	\$3,356	167,544
Short-term investments	5,623	295,638	5,578	278,482
Total	\$500,751	26,329,480	\$8,934	446,026

⁽¹⁾ The exchange rate used was ₱52.58 to US\$1.00 in 2018 and ₱49.923 to US\$1.00 in 2017.

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
2018	USD	+0.10	₱2,632,949
		-0.10	(2,632,949)
2017	USD	+0.10	₱44,155
		-0.10	(₱44,155)

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.

As of December 31, 2018 and 2017, the Association does not have financial instruments which have repricing interest.

2018

	Range of interest rate	Up to a year	Over one (1) year
Cash and cash equivalents-regular deposit	0.05% to 1.50%	₱106,282,027	₱—
Cash and cash equivalents-time deposits	1.575 % to 2.125 %	209,013,925	—
Short-term investments	0.875 % to 2.125 %	119,715,969	—
Long term investments	4.00% to 6.00%	—	854,375,594
HTM investments	3.25% to 8.06%	—	12,689,868,405
Total financial assets		₱435,011,921	₱13,544,243,999

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
Total financial assets		₱487,310,501	₱10,608,115,104

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 and unit investment trust fund, with all other variables held constant, of the Association's equity (due to changes in the net asset value of mutual funds).

	2018		2017	
Change in NAVPS	+10%	-10%	+10%	-10%
Mutual Funds	₱4,354,784	(₱4,354,784)	₱4,852,651	₱4,852,651
Unit Investment Trust Fund	32,913,666	(32,913,666)	—	—

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, 2018 and 2017, 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, 2017	₱137,861,701	₱–	₱558,301	₱10,322,396	₱148,742,398
Appropriation					
Reversal of Appropriation					
Utilization of appropriation	–	–	(15,545)	–	(15,545)
At December 31, 2017	₱137,861,701	₱–	₱542,756	₱10,322,396	₱148,726,853
Appropriation	–	50,000,000	–	72,000,000	122,000,000
Reversal of Appropriation	–	–	–	–	–
Utilization of appropriation	–	(46,421,909)	–	–	(46,421,909)
At December 31, 2018	₱137,861,701	₱3,578,091	₱542,756	₱82,322,396	₱224,304,944

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 ₱50.00 million and nil in 2018 and 2017, 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 2018 and 2017, reversal and utilization of appropriation amounted to ₱46.42 and nil, 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. 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 11, 2019.

30. 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 2018:

<i>Local tax</i>	
License and permit fees	₱313,927
Real property taxes	1,542,481
Others	89,787
	<u>1,946,195</u>
<i>National tax</i>	
Registration fees	23,161
	<u>₱1,969,356</u>

- c. Withholding Taxes

Details consist of the following:

	Remitted	December 31, 2018
Withholding taxes on compensation and benefits	₱347,954	₱25,052
Expanded withholding taxes	3,248,080	273,539
	<u>₱3,596,034</u>	<u>₱298,591</u>

- d. Tax Assessments and Cases

As of December 31, 2018, the Association has no open tax assessments or pending cases with the BIR.



CARD MRI

CARD Mutually Reinforcing Institutions



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



(63)-(049)-562-2878 / 562-5573



www.cardmba.com



CARD MBA

Date Issued: April 30, 2019