



CARDMBA ANNUAL REPORT 2020

Tanong Mo

CARD MBA
Panatag Ka.

BUILDING DIGITAL COMMUNITIES THROUGH OPTIMAL
RESOURCES AND TECHNOLOGY-DRIVEN INITIATIVES

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ABOUT THE COVER

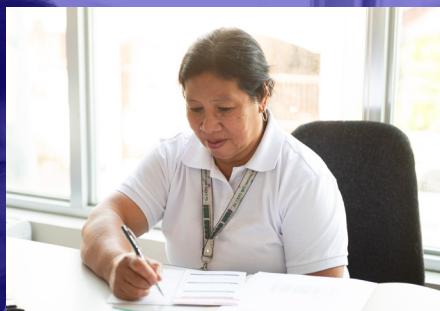


For the last 21 years, CARD MBA has been supporting marginalized women and their families through microinsurance and other social development initiatives. As a new era approaches and a New Normal begins, we continue our mission to eradicate poverty armed with optimal resources that will help us achieve our ultimate goal. This 2020, we chose a new path paved with innovations that had proven to be effective in our journey to digitalization.

Our cover embraces the technology-driven initiatives of CARD MBA and addresses the challenges of the pandemic by utilizing key digital strategies to customer service in the comforts of one's home.

The cover features Lorna Atienza, 62 years old, a former president of CARD MBA, as she holds one of the most important tools that CARD MBA has devised to help answer queries on our products and services, the E-Tanong Mo Chatbot. The cover entails that there is no limitation as to who uses the Facebook chatbot, which can be integrated to the lives of the clients we serve for a more efficient customer service. Be they young or old, anyone can freely use the E-Tanong Mo as the chatbot fulfills the goal of CARD MBA to be of constant service to those in the hem of the society. Meanwhile, the icons that emanate from the mobile device symbolize the digital communities that we have built to bridge the gaps in communication and encourage a collaborative approach between the mutually reinforcing institutions.

LORNA ATIENZA
Member

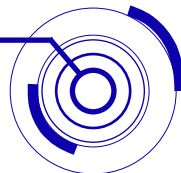


VISION

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

MISSION

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



CRISTITA S. SALAO
President



As CARD MBA's President, leading the association in the midst of the COVID-19 pandemic was challenging. But because we are living at a time when modern technology is in the palm of our hands, we were also given the great opportunity to maximize these innovations so we can immediately respond to the changing needs of our members.

In the past year, we have learned to adapt to the new normal. Thus, we found digital solutions that will

enable us to continue connecting with our members even when we had to be socially distancing to prioritize one another's health. Despite being far apart, we ensure that our presence will still be felt by our members. We continued reaching out to the marginalized sectors of our community and meet them halfway through the technology-driven initiatives of our institution.

We all go through difficult times, but when we have the right people who stand with us, people who are positive and uplifting, people who are in our organization, then tough situations never seem to be difficult.

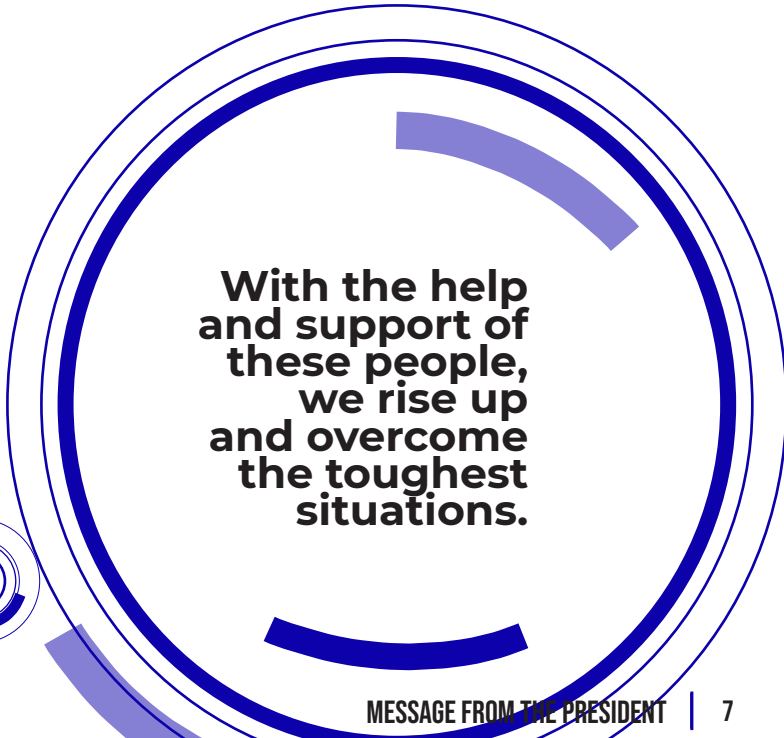
RIISING UP TOGETHER

Message from the President



With the help and support of these people, we rise up and overcome the toughest situations. It is important to help others as much as we can. We are confident that difficulties will not last when we aid each other and struggle together. When we stand for each other and for humanity to help someone, we prevent them from breaking apart. It is through our passion and dedication that difficult situations end.

I am grateful for all our partners and staff for collaborating with us through this journey of eradicating poverty in the country. As we enable each other to be a part of this great mission, may we continue to help and serve our communities with all that we are and all that we can.



**With the help
and support of
these people,
we rise up
and overcome
the toughest
situations.**



A BEACON OF HOPE TO FILIPINO FAMILIES

Chief Executive Officer's Report



Embracing Digital in the Time of COVID-19

In our pursuit to establish a system that will enable our members to file and validate their claims and send their documents without having to go out of their homes, we are converting our processes from manual to digital to serve our members better.

Our members can soon benefit from our Panatag App where beneficiaries can process their claims and submit their death and marriage certificates on the application itself. From eight processes, our claims process was streamlined to three simple procedures. This application is currently being pilot tested to two Provincial Offices, and we are planning to roll this out by the second quarter of 2021.

Also part of our digital transformation is the enhancement and integration of our e-Tanong Mo chatbot. With this new chatbot, our members can inquire about our products and services, general information about CARD MBA, and our policies.

Our Highlights

At the onset of the COVID-19 pandemic, we had to declare a moratorium on our payments until the Enhanced Community Quarantine was lifted, but even during this time, we had 1,581 claims from COVID-19 cases with a total of PhP46,068,570 of benefits from March 17 to



MAY S. DAWAT

Chief Executive Officer



In the first quarter of 2020, the government decided to place communities in strict quarantines and lockdowns to manage the surging cases of COVID-19. Because of this, our mobility was hampered, which imposed challenges to our operations. Nonetheless, CARD MBA believes that in every challenge comes an opportunity to quickly adapt. This is why we came up with innovations that will help expedite our processes while maintaining the level of trust we have with our clients and preserving optimal health and security for both our members and our staff.

December 31, 2020. Our members are constantly covered under CARD MBA's life insurance.

In fact, as of December 31, 2020, we have a total of 5,729,725 active members, 21,859,903 insured individuals in over six regions, 18 clusters, and 74 provincial offices of CARD MBA in the Philippines.

To go into particulars, we have disbursed a total of PhP1,366,266,021 of life insurances with 187 death claims per day and 25 Motor Vehicular Accident Hospitalization (MVAH) benefits per day.

Aside from extending financial assistance in the form of death benefits to families we serve, we have also laid out non-financial services that will empower our clients. Among these include distributing 556,756 packs of relief assistance from our CARD MRI Disaster Relief Assistance Program and supporting 45 scholars in their education.

We have ultimately achieved these through the help and dedication of 1,869 MBA Coordinators and 445 staff that we have employed this 2020 to journey with us through poverty eradication in the country.

Looking Ahead and Straining Forward

As the financial institutions of CARD MRI envision to expand its operations to serve more clients, CARD MBA is gearing towards providing more families with microinsurance services. By 2021, we are targeting to have more than 24 million insured individuals.

For our Golden Life Insurance Program, our aim is to encourage

90% of our retiring members to register to GLIP and continue their journey with us at CARD MRI. For our Katuparan Plan, we are targeting 266 staff to become policy holders, while for the Remitter Protek Plan, we are targeting 90,565 centers.

Because we also want to continue pursuing new, applicable, and timely products as part of our development, we are looking into developing a COVID-19 Group Insurance Plan, which will answer the continuous demand from our members. We will also devote our time to develop our Member's Equity Value in the future.

On the other hand, our Family Security Plan, which is a new product that increases the protection of families, is the product our members asked for the most of all the policies we had. For this plan, we have a target of 189,549 with five policies per unit per month enrollees this coming 2021.

We believe that with our joint efforts, we will achieve our plans for 2021. We are grateful for CARD MRI for being a constant help to us in reaching our goals, from completing our target enrollees to journeying with us through our digital transformation in order to serve our members better. We vow to continue looking for ways to protect more Filipino families in the future. Hand in hand with our partner institutions and the government, we will continue to be a source of hope more so during this trying time.



37,286

GLIP MEMBERS

30,459

BLIP EXPANSION
PLAN MEMBERS

20,227

REMITTER PROTEK
PLAN CENTERS

421

KATUPARAN MEMBERS

17

BOAT PARTNERS

556,756

CDRAP



45

Scholarship

10

Mass Wedding



5,729,725

ACTIVE MEMBERS



6,306,008

MEMBERS SERVED



1,012,144,898

GROSS CONTRIBUTION



21,859,903

INSURED INDIVIDUALS



3,342,287

MEMBERS WITH LOAN INSURED



86,026

Family Security Plan



PROVINCIAL
OFFICES



NO. OF REGIONS



Clusters

NUMBER AND AMOUNT OF CLAIMS SETTLEMENT AS OF DECEMBER 31, 2020		
	NO.	AMOUNT (PHP)
Life Insurance	71,129	1,366,266,021
GLIP	787	36,592,745.32
Retirement	18,523	54,604,182.65
LRF	16,065	186,572,190.10
Refund Life	241,532	290,059,470.28
Refund RF	223,172	153,119,852.10
Remitter Protek Plan	5	16,330.00
Family Security Plan	55	2,594,000
BLIPEX	583	582,050.63
Katuparan Plan	1	40,000.00
Total	571,852	PHP 2,090,446,842

COVID 19 CASES CLAIMS SETTLEMENT MARCH 17-DECEMBER 31,2020				
CLAIMS FOR	PUI		CONFIRMED COVID 19	
	No.	Amount (Php)	No.	Amount (Php)
MEMBER	625	32,217,431.68	122	6,546,138.50
SPOUSE	552	4,800,000.00	97	933,000.00
PARENT	63	440,000.00	16	128,000.00
CHILD	104	984,000.00	2	20,000.00
TOTAL	1,344	PHP 38,441,431.68	237	PHP 7,627,138.50
Total Number of Claims		1,581 claims		
Total Amount of Benefits		PHP 46,068,570.18		

2020
IN NUMBERS



Liked by 78,399



Liked by 65,473



Liked by 74,665



Liked by 94,389





Like Comment Share
Liked by 48,963



Like Comment Share
Liked by 76,593



Like Comment Share
Liked by 79,386



Like Comment Share



Like Comment Share
Liked by 61,150



Like Comment Share
Liked by 62,930

MANAGEMENT COMMITTEE

MAY S. DAWAT

Chief Executive Officer

JANET D. CANEO

Director for Admin and Finance

ARLENE R. UMANDAP

Deputy Director for Claims and
Technical Support

MAURICIO B. MAUR

Deputy Director for Operations

OLIVER M. REYES

Deputy Director for Operations

MA. JOYCE M. ALIMAGNO

Deputy Director for Operations

GINA A. NEVADO

Deputy Director for Operations

FRANCIS R. MONTILLA

Deputy Director for Operations

JANICEKITH N. NAVERA

Acting Deputy Director for Operations

JENNIFER O. REDUBLO

Deputy Director for Compliance

MICHAEL KELVIN N. JUNOS

Deputy Director for Actuarial

KATHRYN JOYCE B. MANIMTIM

Finance Manager

AILEEN C. BARRERA

Claims Manager

EDISON R. REYES

MOPG Manager

ARPHEE A. BAHIA

Financial Management Specialist

ANNE MORENA V. ROLDAN

DCC Manager-OIC

NICE C. MACALALAD

Cluster Manager

JOHN PAULIN P. ICARO

Cluster Manager

ERWIN G. VENANCIO

Cluster Manager

CATHERINE M. PATAY

Cluster Manager

CARLA FE L. LIBOON

Cluster Manager

ROSALIE M. MARTECION

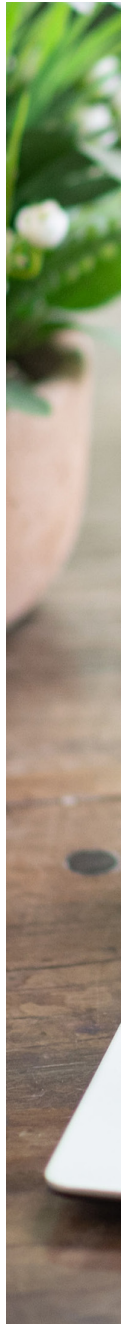
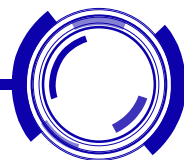
Cluster Manager

CATHERINE E. PONDEVIDA

Cluster Manager

ROY P. JABONAN

Cluster Manager





CARD MBA MANAGEMENT COMMITTEE

May S. Dawat	Janet Caneo	Arigie Umandap	Maurice B. Maur
Oliver Reyes	ma. Joyce Alimag...	Gina Novado	Franz R. Montilla
Janicketh Navera	Ypher Redublo	Kelvin Junos	Kathryn B. Mani...
Aileen Barrera	CARD MBA/Edis...	Arphee Bahia	Anna Morana Ro...
Nice C. Macalad	Jp Icaro	Erwin Venancio	Jing M. Patay

MANAGEMENT COMMITTEE

FIDELA C. ADAN

Cluster Manager

ROY M. YUTIGA

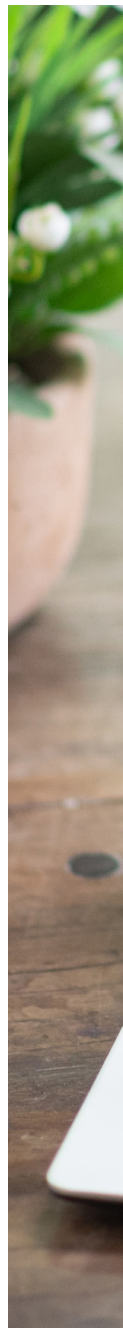
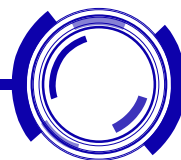
Cluster Manager

EDUARDO D. RAPSING, JR.

Cluster Manager

ROSE A. NAVARRO

Cluster Manager





BOARD OF DIRECTORS

MS. CRISTITA S. SALAO

President

MS. PERLA L. MUNAR

Vice President

MS. OLIVIA C. ORNALES

Secretary

MS. REMEDIOS V. GABRIEL

Treasurer

MS. ELIZABETH A. FRANCISCO

Trustee

MS. MARILYN F. MARAVILLA

Trustee

MS. TERESITA G. VILLANUEVA

Trustee

MS. NORA T. PORLEY

Trustee

MS. GINA M. CABILES

Trustee

MS. JOVELYN M. CAPUYAN

Trustee

MS. MARLIE JEAN S. GIMENO

Trustee

MS. ALICE Y. GREGORY

Trustee

MS. ARLETTE A. UMALI

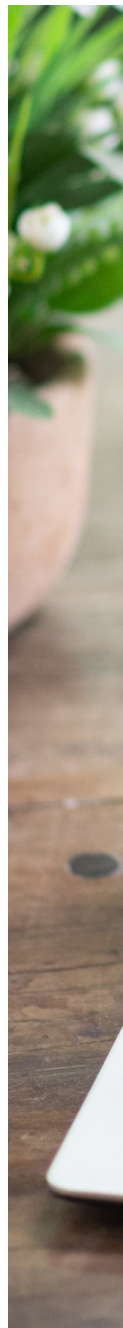
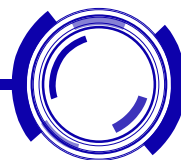
Independent Trustee

ATTY. JOMER H. AQUINO

Independent Trustee

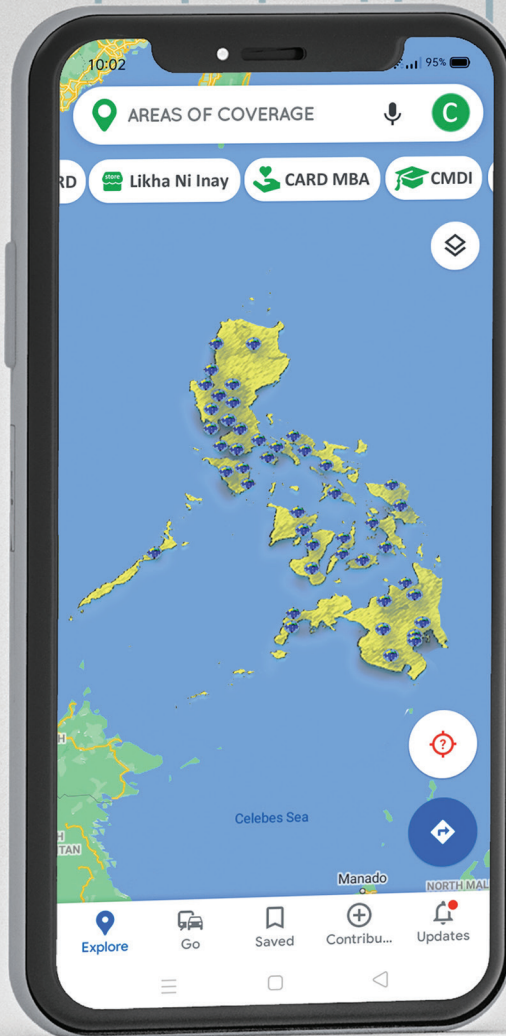
MS. VIDA T. CHIONG

Independent Trustee





AREAS OF COVERAGE



CARD MBA Main Office
San Pablo City, Laguna
(049) 562-2878

LUZON 1 REGION

Laoag, Ilocos Norte
Candon, Ilocos Sur
Baguio City, Benguet
San Fernando La Union
Urdaneta City, Pangasinan
Lingayen, Pangasinan
Matatalaib, Tarlac
Dinalupihan, Bataan
Tuguegarao, Cagayan Valley
Bayombong, Nueva Vizcaya
Cabanatuan, Nueva Ecija
Santiago, Isabela

LUZON 2 REGION

Puerto Princesa, Palawan
Malolos, Bulacan
Cainta, Rizal Province
Calapan City, Oriental Mindoro
Roxas, Oriental Mindoro
Sablayan, Occidental Mindoro
San Fernando, Pampanga
Makati City, Metro Manila
Quezon City, Metro Manila
Las Pinas, Metro Manila
Lemery, Batangas
Dasmariñas, Cavite

LUZON 3 REGION

Lipa City, Batangas
Tanauan, Batangas
San Pablo City, Laguna
Sta. Cruz, Laguna
Calamba, Laguna
Gasan, Marinduque
Tagaytay, Cavite
Gumaca, Quezon
Lucena City, Quezon
Candelaria, Quezon
Calauag, Quezon
Daet, Camarines Norte

LUZVIMIN REGION

Naga City, Camarines Sur
Nabua, Camarines Sur
Goa, Camarines Sur
Legaspi City, Albay
Surigao Del Norte
Cagayan de Oro City, Misamis Oriental
Butuan City, Agusan del Norte
Tacloban City, Leyte
Calbayog City, Western Samar
Borongan City, Eastern Samar
Maasin, Southern Leyte
Ormoc, City
Valencia City, Bukinon

VISAYAS REGION

Guadalupe, Cebu City
Danao City, Cebu
Naga City, Cebu
Tagbilaran City, Bohol
Dumaguete City, Negros Oriental
Bacolod City, Negros Occidental
Kabankalan, Negros Occidental
Masbate City, Masbate
Dimasalang, Masbate
Roxas City, Capiz
Culasi, Antique
Barotac Nuevo, Iloilo
Iloilo City, Iloilo

MINDANAO REGION

Davao City, Davao Del Sur
Digos, Davao Del Sur
Mati, Davao Oriental
Tagum City, Davao del Norte
Isulan, Sultan Kudarat
General Santos, South Cotabato
San Francisco, Agusan del Sur
Tubod, Lanao Del Norte
Dipolog City,
Zamboanga del Norte
Ipil, Zamboanga Sibugay
San Jose Gusu, Zamboanga City
Kidapawan City, North Cotabato

BOAT PARTNERS

Bagnos Multipurpose Cooperative
Bukidnon Integrated Network of Home Industries (BINHI), Inc.
Caunayan Multipurpose Cooperative (MPC)
Los Arcos Multipurpose Cooperative (LAMPCO)
Nangalisan Multipurpose Cooperative
Padre Burgos Multipurpose Cooperative
Progressive Women Agrarian Reform Cooperative
San Julian Multipurpose Cooperative
Libercon Multipurpose Cooperative
Sipsipin Multipurpose Cooperative
Tinabangay sa Igsoong Mag-uuma Gasa ni San Isidro (TIMGAS)
Multipurpose Cooperative
USWAG Development Foundation
Tinagacan Agrarian Reform Beneficiaries Cooperative (TARBC)
Grains Multipurpose Cooperative
Umiray Agrarian Reform Beneficiaries Multipurpose Cooperative
(UMARBEMPCO)

CORPORATE GOVERNANCE





The year 2020 is a tough year that challenges the governance of every company, from enduring the economic effect brought by the pandemic to ensuring transparency and stability to all the stakeholders who are counting on it. CARD Mutual Benefit Association Inc. is no exception to those companies who fought and still fighting against the pandemic. But again, this year, shows the resiliency of CARD MBA, Inc.

Amid the COVID 19 pandemic, the Board of Trustees and the whole management ensure that stakeholders are served and good governance is observed in all its undertakings.

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, their families and to the stakeholders. 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. All of them holds no executive position to 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 Associations' policies and procedures, action plans corporate governance and values towards attainment of the short and long-term strategic objectives.

The Board of Trustees are selected among the members of the Association and nominated by any of the co-members as well, in accordance with the selection and nomination process of the Association. They came from different regions of the country for a diversified representation of the members for a broad range of perspective on the operation of the association based on their race, age, expertise, experience and knowledge. From being a simple 'Nanay' to becoming

an empowered woman that lead and serve the others, the Board of Trustees are trained and exposed to different training and practices.

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. This helps the association in developing and improving its microinsurance products and services by listening to the voices of the members from different regions.

The Board holds regular meetings every first Friday of every other month and special board meeting, if necessary. Below is the attendance for the meetings held in 2020:

Name of Trustee	Position	Total No. Of Meetings	No. Of Meetings Attended	Percentage Rating
Ms. Flordeliza C. Cristobal	President and Chairman of the Board	9	9	100%
Ms. Ligaya P. Ramos	Vice President	9	9	100%
Ms. Cristita S. Salao*	Board Secretary	10	10	100%
Ms. Remedios V. Gabriel	Board Treasurer	10	10	100%
Ms. Marabella D. Celoso	Board Member	9	9	100%
Ms. Roselyn V. Bayron	Board Member	9	9	100%
Ms. Dorfe A. Pagunsan	Board Member	9	9	100%
Ms. Audrey R. Cabebe	Board Member	9	9	100%
Ms. Elizabeth A. Francisco	Board Member	10	10	100%
Ms. Perla L. Munar	Board Member	10	10	100%
Ms. Teresita G. Villanueva	Board Member	10	10	100%
Ms. Nora T. Porley	Board Member	10	10	100%
Ms. Vida T. Chiong	Independent Trustee	10	10	100%
Ms. Arlette A. Umali	Independent Trustee	10	10	100%
Atty. Jomer H. Aquino	Independent Trustee	10	10	100%

NEWLY ELECTED BOARD OF TRUSTEES NOVEMBER 5, 2020

Ms. Marilyn F. Maravilla	Board Member	1	1	100%
Ms. Olivia C. Ornales	Board Member	1	1	100%
Ms. Gina M. Cabiles	Board Member	1	1	100%

Ms. Jovelyn M. Capuyan	Board Member	1	1	100%
Ms. Marlie Jean S. Gimeno	Board Member	1	1	100%
Ms. Alice Y. Gregory	Board Member	1	1	100%

*Ms. Salao was elected as the new President and Chairman of the Board on Nov. 5, 2020 while Ms. Ornales was elected as Secretary on the same day.

BOARD COMMITTEES

Audit Committee

The Audit Committee assist the Board of Trustees in the oversight of internal and external audit functions, including their appointment and dismissal. It is composed of two (2) members of the board without executive position, two (2) Independent Trustees and (1) one from other institution. 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 2020, CARD MBA Audit Committee certifies that CARD MBA Inc., has sufficient internal control systems in place and is aware that constant review of the said systems and procedures is a must to keep abreast with the changing times.

The Audit Committee meets every first Friday of every month. Table below shows the 2020 attendance of each member in the meeting.

Name	No. Of Audit Committee Meetings	No. of Meetings Attended	Percentage
Ms. Arlette A. Umali (Chairperson-Independent Trustee)	12	12	100%
Mr. Jeffrey M. Rondina	12	12	100%
Ms. Cristita S. Salao*	10	10	100%
Ms. Perla L. Munar	12	12	100%
Ms. Olivia C. Ornales*	2	2	100%
Ms. Vida T. Chiong	12	12	100%

* Ms. Salao ended her term as member of the Audit Committee on Nov. 5, 2020 while Ms. Ornales started on the same day

Risk Oversight Committee

Risk Oversight Committee is responsible for the identification and evaluation of risk exposure of CARD MBA and development of risk management strategies and plan and oversees its implementation. Different risk identified by the committee that is regularly monitored includes but not limited to reputational risks, underwriting risks, product risks, compliance risks, IT risks, investment/financial risks and operation risks. The committee also ensure that the management was able to implement effectively the mitigating factors recommended by the committee.

The committee meets every first Friday of every two months. Table below shows the 2020 attendance of each member in the meeting.

Name	No. Of Risk Committee Meetings	No. of Meetings Attended	Percentage
Ms. Vida T. Chiong (Chairperson- Independent Trustee)	6	6	100%
Atty. Jomer H. Aquino -Chairperson	5	5	100%
Ms. May S. Dawat	6	5	83%
Ms. Arlene R. Umandap	6	5	83%
Ms. Juliana B. De Leon	6	5	83%
Ms. Cynthia B. Baldeo	6	6	100%

*Atty. Aquino's term as member of the Risk Oversight Committee ended on November 5, 2020

Related Party Transaction Committee

The RPT committee assist 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 CARD MRI's institutions. The committee set 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 quarterly submission of list of RPT Transactions to the Insurance Commission along with the Organizational Structure which is submitted annually. The committee meets every first Friday of every two months or as the need arise. Table below shows the 2020 attendance of each member in the meeting.

Name	No. Of RPT Committee Meetings	No. of Meetings Attended	Percentage
Atty. Jomer H. Aquino* (Chairperson-Independent Trustee)	2	2	100%
Ms. Vida T. Chiong	7	7	100%
Ms. Arlette A. Umali	5	5	100%
Ms. Flordeliza Cristobal	5	5	100%
Ms. Remedios Gabriel	7	7	100%
Ms. Cristita S. Salao	1	1	100%

**Atty. Aquino's term as Chairman of the RPT Committee started on November 5, 2020

Central Nomination Committee

Atty. Jomer H.
Aquino - Chairperson
Ms. Arlette A. Umali
Ms. Violeta A. Aquino

Election Committee

Atty. Virlyn Rose R.
Ramirez - Chairperson
Atty. Anatalia Buenaventura
Ms. Rhea Race

Selection of nominees for the Board of Trustees adheres to the Governance Manual adopted by the Association. Nominees underwent two level of screening: first is on a regional selection level and finally to the Central Nomination Committee in the Main Office. Regional level selection meeting done by Regional Selection Committee (RSC) on July 9, 2020 includes validation and background checking of eligibility and qualifications of the nominees in accordance with the Association's By-Laws. Selected nominees are endorsed to the Central Nomination Committee (CNC) in the Main Office, which is composed of all Independent Trustees and one former President. The CNC met on July 15, 2020 via zoom for the final scrutinization of the nominees. Ensuring that the nominee possesses and upholds the values aligned with the principles the Association believes in achieving its purpose and mission is one of the tasks of the CNC.

During the Annual General Membership Meeting (AGMM), nominees are then elected with the supervision of an independent Election Committee. They supervise the voting ceremony during the AGMM up to the counting of votes, tabulation and announcement the results thereof.

Remuneration Committee

To ensure that a competitive remuneration arrangements of a wider employee population are met, Remuneration Committee meets at least twice a year to review and discuss the matter. Further, this Committee is also responsible to evaluate the support given to the MBA coordinators, as they are a volunteered member who helps the Association achieve its goal of efficient and timely payment of claims. On 2020, no Remuneration Committee was conducted due to the pandemic.

Treasury Committee

As a manifestation of good stewardship of the members' fund, Board of Trustees are assisted by a body called Treasury Committee whose responsibility is to review and give advices and recommendations for actions on financial matters, particularly on investment. Every investment offering received by the Association is scrutinized by the Treasury Committee to ensure that a good investment house is selected for the funds of the association to be on good hands.

The Treasury Committee meets every third Monday of every two months. Table below shows the 2020 attendance of each member in the meeting.

Name	No. Of Treasury Committee Meetings	No. of Meetings Attended	Percentage
Ms. Mary Jane A. Perreras (Chairperson)	6	6	100%
Ms. Lorenza Dt. Banez	6	6	100%
Ms. Janet D. Caneo	6	6	100%
Ms. Marie Sharon D. Roxas	6	5	83%
Ms. Jennifer O. Redublo	6	6	100%
Ms. May S. Dawat	6	6	100%
Ms. Floderliza C. Cristobal	5	5	100%
Ms. Remedios V. Gabriel	6	6	100%
Ms. Arpheejeane A. Bahia	6	6	100%
Ms. Cristita S. Salao*	1	1	100%
Ms. Mico M. Cabance	3	3	100%

* Ms. Salao was elected as the new President and Chairman of the Board on Nov. 5, 2020

Product Development and Innovation Committee (PDIC)

With the combined efforts of the operations staff and MBA Coordinators, the association through the Product Development and Innovation Committee was able to offer a new and very competitive product to its members and his/her family. PDIC is a body whose primary responsibility is to develop products and enhance benefit packages and services that meet the emerging needs of members. PDIC meets every first 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.

Table below shows the 2020 attendance of each member in the meeting.

Name	No. Of PDIC Committee Meetings	No. of Meetings Attended	Percentage
Mr. Wilfredo M. Llanto (Chairperson)	6	6	100%
Ms. May S. Dawat	6	6	100%
Ms. Flodeliza C. Cristobal	6	6	100%
Ms. Ligaya P. Ramos	6	6	100%
Mr. Roselito A. Magpantay	4	4	100%
Ms. Cristita S. Salao*	1	1	100%
Ms. Perla L. Munar*	1	1	100%

*Ms. Salao ended her term as member of the Audit Committee on Nov. 5, 2020 while Ms. Ornales started on the same day

Governance Committee

Pursuant with the Revised Code of Corporate Governance, the Association established a Governance Committee last December 15, 2020. Governance Committee is tasked to assist the board of trustees in fulfilling its corporate governance responsibilities including the evaluation of the board, overseeing the nomination process for the members of the board, continuing education program for the board and others.

The Governance Committee meets every 4th Friday of every other month or as the need arises. The committee composed of four (4) members who are all independent directors including the chairman.

Table below shows the attendance of each member in the meeting.

Name	No. Of Governance Committee Meetings	No. of Meetings Attended	Percentage
Atty. Jomer H. Aquino (Chairperson)	1	1	100%
Ms. Vida T. Chiong	1	1	100%
Ms. Cristita S. Salao	1	1	100%
Ms. Perla L. Munar	1	1	100%

INDEPENDENT CHECKS AND BALANCES

As integrity and stewardship is among the core values adopted by CARD MBA, independent checks and balances through the help of the following functions are continuously carried out throughout the year.

External Auditor

Appointed by the Audit Committee, Sycip, Gorres, Velayo & Co. conducts the external audit of the Association. The engagement team was headed by Mr. Miguel U. Ballelos and was paid Php1, 493, 184.00 to audit the 2020 Financial Statements. The result of audit was presented and affirmed by the Board of Trustees during its meeting on May 23, 2020.

In 2020, no non-audit fees were paid to external auditor.

Internal Audit

Internal Audit helps the Board of Trustees ensuring that an effective internal control system in place is working. It adds value on achieving the goals of the Association by independent evaluation and testing of the operation, compliance and risk management practices. The Unit is headed by the Deputy Director for Audit – Ms. Rhea Race who is directly supervised by the Audit Committee.

Compliance

To ensure compliance of the Associations to the required laws and regulations, more particularly of the Insurance Commission, a Compliance Officer was appointed by the Board. Aside from external regulatory requirements, Compliance Unit also aid to see to it that the management apply the corrective actions recommended by the internal and external audit and of the Risk Oversight committee for continuous improvement of the operation. The Unit is headed by the Deputy Director for Compliance – Ms. Jennifer O. Redublo.

Risk Management

Risk Management is one of the integral part of the Association as it helps sustain a safe and sound operations to ensure that the Association's goals and objective will be attained by mitigating the risk that it may encounter. Ergo, a Risk Officer, Mr. Anthony Yacap, was appointed by the Board of Trustees last December 15, 2020 to be the person in charge in identifying, assessing and analyzing the possible risks in the operations as a whole. With the help of the Risk Oversight Committee those risk identified were mitigated.

CODE OF CONDUCT AND BUSINESS ETHICS

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

Related Party Transactions

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 guesting 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.

Chatbot. CARD MBA's e-Tanong Mo is chatbot thru a Facebook messenger where anyone can throw questions and concerns related to CARD MBA products and services, membership and claims procedures and other policies on their insurance coverage.

Board Performance Evaluation

The performance assessment was conducted to further distinguish well and improve the 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 5, 2020, 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

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

Members' Satisfaction

One of the ways for CARD MBA to improve its products and services is through its members' feedback. Based on the result of the survey conducted by the research team of CARD MBA on 2020, 93% of the respondents said they are satisfied with the products, prices, benefits, and services of the Association.

Member's Health and Safety Community Health Days

With the unexpected event of the COVID-19 pandemic, CARD MRI Microfinance and Health Protection (MaHP) delivery of health service Community Health Day (CHD) and CARD MRI Community Clinic (CCC) were put on hold. But it did not stop MaHP Unit in providing assistance to the members health needs. They conduct FB live sessions and did online webinars and lectures to reach out to members and their families through online health education. MaHP also have **CARD Laboratory Service** that provides laboratory services to both CARD MRI clients & staff and their dependents.

On April 1, 2020 a new program of MaHP unit established called **CARD e – Doctor Online consultation** wherein free online consultations were provided to the clients, staff and the general public who cannot and doesn't have the means to go to clinics or hospital for consultations amid the COVID-19 pandemic. On 2020 MaHP reached 92,975 patients availment in CARD e-Doctor, Clinic, Online Health Education & Laboratory.

Disaster Preparedness and First Aid Training

On February 22, 2020, through the cooperation of Bureau of Fire, a Fire and Earthquake Drill with First Aid Training was conducted by the employees of the association. This aims to orient and teach all the participants on how to be prepared in times of inevitable and sudden disaster or unfortunate event and for their own protection.

Supplier/Contractor Selection Criteria

CARD MBA is implementing a selection process procedures to all suppliers and contractors, who will be accredited by the association, to ensure that a good quality of products and services with a competitive price is provided. Supplies' and contractors' financial stability, response time, service availability, cost benefit, compliance with the regulatory and reputation to the market is being considered as part of the due diligence criteria.

Environmentally-friendly Value Chain

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

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

brushing their teeth, and to use a basin when washing their clothes.

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

Interaction with Communities

On 2020, due to the COVID 19 pandemic no physical activities were undertaken but never the less the Association joined in the campaign of preventing the spread of the COVID 19 by conducting a webinar on the prevention and cure of the COVID 19. Further, the association supported the CARD e – Doctor Online consultation wherein free online consultations were provided to the members, staff and the general public who cannot and doesn't have the means to go to clinics or hospital.

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 provide consciousness and commitment to every employee's duty to report in good faith any instances of suspected or actual commission of fraud and any event that is contrary to the value of integrity of CARD.

To further support this, CARD established a Grievance Committee to handle and serve as a formal venue to resolved employees' issues on its work environment. Series of trainings was conducted to all the staff to educate them on the proceedings of documenting the issues and its resolutions.

Creditors' Right

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

EMPLOYEES DEVELOPMENT AND SAFETY 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. Two Hundred Seventy-Five (275) employees underwent APE/ Executive Check-up in 2020. Also, all regular employees were given health cards and free dental allowances annually.

Training and Development

It is a policy that all staff are required to have at least 16 hours training every year to ensure that all are properly equipped and capacitated with the requirements of their respective duties. Because of this pandemic most of the trainings attended by the staff were through virtual via zoom to help in preventing rapid spread of this COVID-19 virus and to ensure the safety of each staff.

Rank	Average Training Hours	Equivalent No. Of Days
Staff	20	3 days
Manager	30	4 days

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

Trainings and Webinars Attended by the Board of Trustees

1. Leadership Training Workshop dated January 8-10,2020

Ms. Cristita S. Salao
Ms. Remedios P. Gabriel

2. National Micro-Insurance Furom dated January 30, 2020

Ms. Flordeliza C. Cristobal
Ms. Perla L. Munar Ms. Remedios P. Gabriel
Ms. Cristita S. Salao

3. "Arise Philippines Act" (HBN 6815) dated July 06, 2020

Ms. Cristita S. Salao
Ms. Perla L. Munar
Ms. Remedios P. Gabriel

4. ICD: Corporate Governance Orientation Program dated August 4-5, 2020

Ms. Arlette A. Umali
Atty. Jomer H. Aquino
Ms. Vida T. Chiong

5. Briefer on TRAIN Package 4: Passive Income and Financial Intermediary Taxation Act (PIFITA) dated August 7, 2020

Ms. Flordeliza C. Cristobal
Ms. Audrey R. Cabebe
Ms. Ligaya P. Ramos
Ms. Elizabeth A. Francisco
Ms. Cristita S. Salao
Ms. Perla M. Munar
Ms. Remedios V. Gabriel
Ms. Teresita G. Villanueva
Ms. Marabella D. Celoso
Ms. Nora T. Porley
Ms. Roselyn V. Bayron
Ms. Dorfe A. Pagunsan

6. Revised Code of Corporate Governance dated August 10, 2020

Ms. Flordeliza C. Cristobal
Ms. Audrey R. Cabebe
Ms. Ligaya P. Ramos
Ms. Elizabeth A. Francisco
Ms. Cristita S. Salao
Ms. Perla M. Munar
Ms. Remedios V. Gabriel
Ms. Teresita G. Villanueva
Ms. Marabella D. Celoso
Ms. Nora T. Porley
Ms. Roselyn V. Bayron
Ms. Dorfe A. Pagunsan

7.COVID 19 Awareness: Prevention and Cure dated September 9, 2020

Ms. Flordeliza C. Cristobal
Ms. Audrey R. Cabebe
Ms. Perla M. Munar
Ms. Ligaya P. Ramos
Ms. Elizabeth A. Francisco
Ms. Cristita S. Sala
Ms. Remedios V. Gabriel
Ms. Teresita G. Villanueva
Ms. Marabella D. Celloso
Ms. Nora T. Porley
Ms. Roselyn V. Bayron
Ms. Dorfe A. Pagunsan

8. IT Governance and Digital Transformation Training dated October 7, 2020

Ms. Flordeliza C. Cristobal
Ms. Audrey R. Cabebe
Ms. Ligaya P. Ramos
Ms. Elizabeth A. Francisco
Ms. Cristita S. Salao
Ms. Perla M. Munar
Ms. Remedios V. Gabriel
Ms. Teresita G. Villanueva
Ms. Marabella D. Celloso
Ms. Nora T. Porley
Ms. Roselyn V. Bayron
Ms. Dorfe A. Pagunsan
Ms. Vida T. Chiong
Atty. Jomer H. Aquino
Ms. Arlette A. Umali

9. Orientation Program for the Newly Elected Board of Trustees and Professional Image Enhancement Course dated December 15-16, 2020

Ms. Cristita S. Salao
Ms. Gina M. Cabiles
Ms. Marlie Jean S. Gimeno
Ms. Jovelyn M. Capuyan
Ms. Marilyn F. Maravilla
Ms. Alice Y. Gregory
Ms. Olivia C. Ornales

BOARD OF TRUSTEES PROFILE

Cristita S. Salao, 50 years old; Filipino, is a member of the Board of Trustees since September 5, 2019 and was elected as Board Chairman and President on November 5, 2020. She is a member of Related Party Transaction Committee, Governance Committee and Remuneration Committee. She is a BS Medical Technology graduate and currently resides in Dasmariñas, Cavite. She is into a buy and sell business. Ms. Salao is a non-executive trustees and holds no directorship or any position in any listed company.

Perla L. Munar, 48 years old, Filipino, is a member of the Board of Trustees since September 5, 2019 She was elected as the Vice-Chair on November 5, 2020. She is a member of Audit Committee. She is a BS Biology undergraduate and currently resides in Floridablanca, Pampanga. She is into a buy and sell business. Ms. Munar is a non-executive trustees and holds no directorship or any position in any listed company.

Olivia C. Ornales, 55 years old; Filipino, is a member of the Board of Trustees since November 5, 2020 and was elected as Board Secretary on the same date. She is a member of Audit Committee and Remuneration Committee. She is a High School graduate and currently resides in Alaminos, Laguna. She is into a buy and sell business. Ms. Ornales Ms. Francisco is a non-executive trustees and holds no directorship or any position in any listed company.

Remedios V. Gabriel, 60 years old, Filipino, is a member of the Board of Trustees since September 5, 2019 and was elected as Board Treasurer on the same date. She is a member of Related Party Transactions Committee and Treasury Committee. She is a High School graduate and currently resides in Balete Batangas. She is into a food vending business. Ms. Gabriel is a non-executive trustees and holds no directorship or any position in any listed company.

Elizabeth A. Francisco, 50 years old, Filipino, is a member of the Board of Trustees since September 5, 2019. She is a High School Graduate and currently resides in Villaverde, Nueva Vizcaya. She is into a direct selling business. Ms. Francisco is a non-executive trustees and holds no directorship or any position in any listed company.

Teresita G. Villanueva, 55 years old, Filipino, is a member of the Board of Trustees since September 5, 2019. She is a High School graduate and currently resides in Baco, Oriental Mindoro. She is into a buy and sell business. Ms. Villanueva is a non-executive trustees and holds no directorship or any position in any listed company.

Nora T. Porley, 47 years old; Filipino, is a member of the Board of Trustees since September 5, 2019. She is a BS Midwifery undergraduate and currently

resides in Torrijos, Marinduque. She is into a buy and sell business. Ms. Porley is a non-executive trustee and holds no directorship or any position in any listed company.

Marilyn F. Maravilla, 47 years old; Filipino, is a member of the Board of Trustees since November 5, 2020. She is a BS Nursing graduate and currently resides in Candon City, Ilocos Sur. She has a Muffler Fabricator Business. Ms. Maravilla is a non-executive trustee and holds no directorship or any position in any listed company.

Gina M. Cabiles, 47 years old; Filipino, is a member of the Board of Trustees since November 5, 2020. She is a High School graduate and currently resides in Bagong Silang Village, Masbate City. She is into a buy and sell business. Ms. Cabiles is a non-executive trustee and holds no directorship or any position in any listed company.

Jovelyn M. Capuyan, 56 years old; Filipino, is a member of the Board of Trustees since November 5, 2020. She is a BS Commerce and BS Elementary Education graduate and currently resides in Danao City, Cebu. She is into a buy and sell business. Ms. Capuyan is a non-executive trustee and holds no directorship or any position in any listed company.

Marlie Jean S. Gimeno, 48 years old; Filipino, is a member of the Board of Trustees since November 5, 2020. She is a BS Mathematics graduate and currently resides in Brgy. Banaybanay, Davao Oriental. She is into a buy and sell business. Ms. Gimeno is a non-executive trustee and holds no directorship or any position in any listed company.

Alice Y. Gregory, 43 years old; Filipino, is a member of the Board of Trustees since November 5, 2020. She is a BS Hotel and Restaurant Management undergraduate and currently resides in Brgy. Bangoy, Davao City. She has a water refilling business. Ms. Gregory is a non-executive trustee and holds no directorship or any position in any listed company.

Atty. Jomer H. Aquino, 51 years old, Filipino, has been an Independent Trustee of CARD MBA Inc.'s Board of Trustees since January 2, 2015. He is the Chairman of the Related Party Transaction Committee, Governance Committee, Remuneration Committee and Nomination Committee. He is a graduate of AB Philosophy (1989) and attained his degree in Law in 1997. Atty. Aquino is a non-executive trustee and holds no directorship or any position in any listed company.

Arlette A. Umali, 71 years old, Filipino, has been an Independent Trustee of CARD MBA Inc.'s Board of Trustees since January 2, 2015. She is the Chairman of the Audit Committee and member of Nomination Committee and member of Related Party Transactions 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 was a former internal audit head in Development Bank of the Philippines. She currently resides in Marikina City. Ms. Umali is a non-executive trustees and holds no directorship or any position in any listed company.

Vida T. Chiong, 68 years old, elected as Independent Trustee of CARD MBA on September 5, 2019. She is the Chairman of the Risk Oversight Committee and member of Audit Committee, Related Party Transaction Committee and Governance Committee. She has a degree in Bachelor of Science in Mathematics (1970), has a Diploma in Mathematics (1973); Master of Science in Management (1990) and Doctor of Management Science. She also held various positions in Insurance Commission for the period 1981-1999 while she became Deputy Insurance Commissioner from 1999 to 2016. She currently resides in San Pedro, Laguna. Ms. Chiong is a non-executive trustees and holds no directorship or any position in any listed company.

AUDITED FINANCIAL STATEMENTS

2020



5,699,

ACTIVE MEMBER

6,306,

MEMBERS SERVE

54,604,

RETIREMENT FU

21,859,

INSURED INDIV

3,342,

MEMBERS WITH

86,01,

Family S

Center for Agriculture and Rural
Development (CARD)
Mutual Benefit Association, Inc.
(A Nonstock, Not-for-Profit Association)

Financial Statements
December 31, 2020 and 2019

and

Independent Auditor's Report

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A 1 9 9 9 - 1 5 7 5 0

COMPANY NAME

C E N T E R F O R A G R I C U L T U R E A N D R U R
A L D E V E L O P M E N T (C A R D) M U T U A L B
E N E F I T A S S O C I A T I O N , I N C .

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

I 2 0 M . P A U L I N O S T . C O R . P . B U R G O
S S T . B R G Y V I I - D S A N P A B L O C I T
Y , L A G U N A

Form Type

A A F S

Department requiring the report

C R M D

Secondary License Type, If Applicable

N / A

COMPANY INFORMATION

Company's Email Address

cardmba9999@cardmri.com

Company's Telephone Number

(049) 562-2878

Mobile Number

(0928) 520-5769

No. of Stockholders

N/A

Annual Meeting (Month / Day)

9/7

Fiscal Year (Month / Day)

12/31

CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

May S. Dawat

Email Address

may.dawat@cardmri.com

Telephone Number/s

(049) 562-2878

Mobile Number

(0928) 520-5769

CONTACT PERSON'S ADDRESS

120 M. Paulino St., Corner P. Burgos St., Brgy. VII-D, San Pablo City, Laguna

NOTE 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

SGVFSM007928

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Center for Agriculture and Rural Development (CARD)
Mutual Benefit Association, Inc.
120 M. Paulino St., Corner P. Burgos St., Brgy. VII-D
San Pablo City, Laguna

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Center for Agriculture and Rural Development (CARD) Mutual Benefit Association, Inc. (the Association), which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of comprehensive income, statements of changes in fund balance and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Association in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

SGVFSM007928

Those charged with governance are responsible for overseeing the Association's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

SGVFSM007928

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 in Note 32 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Center for Agriculture and Rural Development (CARD) Mutual Benefit Association, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Miguel U. Ballelos, Jr.
Partner
CPA Certificate No. 109950
SEC Accreditation No. 1566-AR-1 (Group A),
April 3, 2019, valid until April 2, 2022
Tax Identification No. 241-031-088
BIR Accreditation No. 08-001998-114-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 8534220, January 4, 2021, Makati City

April 29, 2021

SGVFSM007928

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Center for Agriculture and Rural Development (CARD)
Mutual Benefit Association, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Center for Agriculture and Rural Development (CARD) Mutual Benefit Association, Inc. (the Association), which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of comprehensive income, statements of changes in fund balance and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Association in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

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Those charged with governance are responsible for overseeing the Association's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 in Note 32 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Center for Agriculture and Rural Development (CARD) Mutual Benefit Association, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Miguel U. Ballelos, Jr.
Partner
CPA Certificate No. 109950
SEC Accreditation No. 1566-AR-1 (Group A),
April 3, 2019, valid until April 2, 2022
Tax Identification No. 241-031-088
BIR Accreditation No. 08-001998-114-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 8534220, January 4, 2021, Makati City

April 29, 2021

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

(A Nonstock, Not-for-Profit Association)

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2020	2019
ASSETS		
Cash and Cash Equivalents (Notes 6 and 26)	P 591,126,625	P 547,505,284
Financial Assets (Note 26)		
Loans and receivables - net (Note 8)	2,964,304,519	1,315,512,698
Held-to-maturity investments (Note 7)	16,573,941,641	15,558,075,386
Available-for-sale (AFS) financial assets (Note 9)	1,634,284,391	1,645,370,276
Accrued Income (Note 10)	283,510,335	220,407,218
Property and Equipment - net (Note 11)	105,354,061	111,341,570
Right-of-use Assets (Note 21)	6,792,342	4,728,698
Investment Properties (Note 12)	338,650,898	352,949,431
Investments in Associates (Note 13)	1,142,545,741	946,624,769
Pension Asset - net (Note 25)	49,119,906	43,261,782
Other Assets (Note 14)	17,420,790	17,246,568
	P 23,707,051,249	P 20,763,023,680
LIABILITIES AND FUND BALANCE		
Liabilities		
Insurance contract liabilities (Notes 16 and 26)	P 10,769,367,158	P 9,306,435,713
Retirement fund (Note 17)	7,108,784,001	5,990,697,711
Accounts payable and accrued expenses (Notes 15 and 26)	70,699,966	43,424,017
Lease liabilities (Note 21)	6,355,577	4,801,734
Total Liabilities	17,955,206,702	15,345,359,175
Fund Balance		
Appropriated fund balance (Note 28)	511,061,525	529,629,710
Unappropriated fund balance	4,909,099,375	4,394,749,858
Other comprehensive income (Notes 9, 13 and 25)	331,683,647	493,284,937
Total Fund Balance	5,751,844,547	5,417,664,505
	P 23,707,051,249	P 20,763,023,680

See accompanying Notes to Financial Statements.

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**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	
	2020	2019
REVENUE		
Members' contribution and premiums – micro (Note 18)	P 3,759,967,304	P 4,355,117,886
Reinsurance' share on gross earned premium on insurance contracts (Note 18)	(2,478,250)	(3,031,225)
Net premiums on insurance contracts	3,757,489,054	4,352,086,661
Investment income (Note 19)	566,512,860	559,374,444
Equity in net earnings of associates – net (Note 13)	164,254,282	157,177,654
Rental income (Notes 12 and 21)	17,015,254	16,235,175
Others (Note 17)	3,913,080	23,936,346
Other revenue	751,695,476	756,723,619
	4,509,184,530	5,108,810,280
BENEFITS, CLAIMS AND EXPENSES (Note 16)		
Gross change in insurance contract liabilities	1,416,533,115	1,520,383,309
Gross insurance contract benefits and claims paid	1,885,983,230	1,719,455,970
Insurance benefits and claims	3,302,516,345	3,239,839,279
GENERAL AND ADMINISTRATIVE EXPENSES (Note 20)	553,937,852	596,859,838
	3,856,454,197	3,836,699,117
EXCESS OF REVENUE OVER EXPENSES BEFORE PROVISION FOR TAXES	652,730,333	1,272,111,163
PROVISION FOR INCOME TAX (Note 23)	88,281,306	75,770,402
EXCESS OF REVENUE OVER EXPENSES	564,449,027	1,196,340,761
OTHER COMPREHENSIVE INCOME		
<i>Item that will be reclassified to profit or loss in subsequent periods</i>		
Fair value gain (loss) on AFS financial assets (Note 9)	(166,248,469)	255,690,405
<i>Items that will not be reclassified to profit or loss in subsequent periods</i>		
Remeasurement gains on defined benefit plan (Note 25)	5,317,567	6,268,786
Equity in other comprehensive losses of an associate (Note 13)	(670,388)	(1,100,442)
	(161,601,290)	260,858,749
TOTAL COMPREHENSIVE INCOME	P 402,847,737	P 1,457,199,510

See accompanying Notes to Financial Statements.

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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	Other Comprehensive Income				Total Fund Balance
			Fair Value Gain (Loss) on AFS Financial Assets (Note 9)	Remeasurement of Actuarial Gains (Losses) (Note 25)	Equity in other comprehensive income (loss) of an associate (Note 13)	Total	
At January 1, 2020	P 529,629,710	P 4,394,749,858					
Appropriation during the year	50,099,510	(50,099,510)	P 486,683,965	P 3,670,687	P 2,930,285	P 493,284,937	P 5,417,664,505
Utilization of appropriation	(68,667,695)	—	—	—	—	—	—
Total comprehensive income:							(68,667,695)
Excess of revenue over expenses	—	564,449,027	—	—	—	—	564,449,027
Other comprehensive income (loss)	—	—	(166,248,469)	5,317,567	(670,388)	(161,601,290)	(161,601,290)
At December 31, 2020	P 511,061,525	P 4,909,099,375	P 320,435,496	P 8,988,254	P 2,259,897	P 331,683,647	P 5,751,844,547
At January 1, 2019	P 224,304,944	P 3,559,667,260					
Appropriation during the year	364,832,531	(364,832,531)	P 230,993,560	(P 2,598,099)	P 4,030,727	P 232,426,188	P 4,016,398,392
Reversal of appropriations	(3,578,072)	3,574,368	—	—	—	—	(3,704)
Utilization of appropriation	(55,929,693)	—	—	—	—	—	(55,929,693)
Total comprehensive income:							1,196,340,761
Excess of revenue over expenses	—	1,196,340,761	—	—	—	—	1,196,340,761
Other comprehensive income (loss)	—	—	255,690,405	6,268,786	(1,100,442)	260,858,749	260,858,749
At December 31, 2019	P 529,629,710	P 4,394,749,858	P 486,683,965	P 3,670,687	P 2,930,285	P 493,284,937	P 5,417,664,505

See accompanying Notes to Financial Statements.

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**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	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses before provision for current and final tax	P 652,730,333	P 1,272,111,163
Adjustments for:		
Increase in aggregate reserves (Note 16)	1,416,533,115	1,520,382,466
Interest income (Notes 6, 7, 8 and 19)	(445,850,604)	(388,674,929)
Dividend income (Notes 9 and 19)	(120,662,256)	(169,885,744)
Equity in net earnings of an associate - net (Note 13)	(164,254,282)	(157,177,654)
Depreciation (Notes 11, 12, and 21)	34,376,218	32,744,305
Amortization of bond discount (Note 7)	(2,721,207)	(10,398,377)
Reversal of or provision for credit losses (Note 8)	(4,876,603)	3,596,596
Pension expense – net (Note 25)	1,455,074	(29,439)
Reversal of impairment loss or impairment loss on property and equipment and investment properties (Notes 11 and 12)	971,496	(1,098,425)
Interest expense on lease liability (Note 21)	397,183	422,093
Gain on disposal of property and equipment (Note 11)	(160,780)	–
Cash generated from operations before changes in working capital	1,367,937,687	2,101,992,055
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	151,169,336	(133,620,414)
Short-term investments	19,236,177	(156,835,416)
Other current assets	(352,026)	136,936
Increase (decrease) in:		
Retirement fund	1,118,086,290	1,151,446,717
Accounts payable and accrued expenses	27,275,949	(15,443,418)
Claims payable	46,398,331	2,655,170
Net cash generated from operations	2,729,751,744	2,950,331,630
Income taxes paid	(88,281,306)	(75,770,402)
Utilization of appropriation (Note 28)	(68,667,695)	(55,929,693)
Contributions paid (Note 25)	(1,995,631)	(1,768,847)
Net cash provided by operating activities	2,570,807,112	2,816,862,688
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	382,747,487	318,185,910
Cash dividends received	157,081,609	188,464,724
Acquisitions of:		
Held-to-maturity investments (Note 7)	(1,304,172,348)	(3,098,694,594)
Available-for-sale financial assets (Note 9)	(155,170,975)	(119,031,630)
Long-term investments (Note 8)	(1,814,320,731)	–
Investment properties (Note 12)	–	(64,029,102)
Investments in associates (Note 13)	(68,756,430)	(39,775,749)
Property and equipment (Note 11)	(7,543,910)	(13,553,512)

(Forward)

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	Years Ended December 31	
	2020	2019
Proceeds from sale/maturities of:		
Held-to-maturity investments (Note 7)	P 291,027,300	P 240,885,990
Available-for-sale financial assets (Note 9 and 25)	8,391	9,600
Property and equipment (Note 11)	161,731	–
Receipt of refund from the building contractor (Notes 11 and 12)	–	8,674,443
Net cash flows used in investing activities	(2,518,937,876)	(2,578,863,920)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease liabilities (Note 21)	(8,247,895)	(5,789,436)
Net cash used in financing activities	(8,247,895)	(5,789,436)
NET INCREASE IN CASH AND CASH EQUIVALENTS	43,621,341	232,209,332
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	547,505,284	315,295,952
CASH AND CASH EQUIVALENTS AT END OF YEAR	P 591,126,625	P 547,505,284

See accompanying Notes to Financial Statements.

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**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 non-stock, 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 non-stock, 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 (P), 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 adoption of new and amended standards and interpretations effective as at January 1, 2020. The Association has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Unless otherwise indicated, adoption of these new standards did not have an impact on the financial statements of the Association.

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- Amendments to PFRS 3, *Business Combinations, Definition of a Business*
The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments may impact future periods should the Association enter into any business combinations.
- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*
The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*
The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

- Conceptual Framework for Financial Reporting issued on March 29, 2018
The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*
The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:
 - The rent concession is a direct consequence of COVID-19;
 - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
 - Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
 - There is no substantive change to other terms and conditions of the lease.

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A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendments had no impact on the financial statements of the Association.

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, 2020. Unless otherwise indicated, the succeeding amended PFRS will not significantly impact the financial statements:

Effective beginning on or after January 1, 2021

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to Conceptual Framework*
- Amendments to PAS 16, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Cost of Fulfilling a Contract*
- *Annual Improvements to PFRSs 2018 – 2020 Cycle*
 - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
 - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*
 - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

Effective beginning on or after January 1, 2023

- Amendments to PAS 1, *Classifications of Liabilities as Current and Non-current*
- Amendments to PFRS 17, *Insurance Contracts*

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, 2021, with comparative figures required. Early application is permitted. The Association is currently assessing the impact of adopting PFRS 17.

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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-ned 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*

Accounting Standards Effective but not yet Adopted

- Amendments to PFRS 4, *Insurance Contracts*, Applying PFRS 9, *Financial Instruments*, with PFRS 4

The amendments address concerns arising from implementing PFRS 9, the new financial instrument standard before implementing the new insurance contract standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply the approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

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%

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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.

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 nonfinancial 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

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

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.

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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 "general and administrative expenses" in the Association's statement of comprehensive income.

As of December 31, 2020 and 2019, AFS financial assets include investments in mutual fund, investments in unquoted securities and units 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.

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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.

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.

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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

The Association's property and equipment consist of land, building, equipment and right-of-use assets that do not qualify as investment properties.

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	7
Computer equipment	5
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.

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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.

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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

Revenue from contracts with customers is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

Members' Contribution and Premiums

Contributions and premiums are recognized when collected. When contributions and premiums are recognized, actuarial liabilities are computed, with the result that benefits and expenses are matched with such revenue. The Association collects its contributions and 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 and all BOAT partners.

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 2019, 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

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the statutory requirements as set by the IC where the assumptions used are based on 50.00% of gross premiums of the Association for the year. Valuation standards for life insurance policy reserves, requiring insurance companies to calculate the reserves for traditional life insurance policies with a term of one year or less using unearned premium method.

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 4.00% 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 100.00% 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.

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 computed using the unearned net premiums reserves method.

Family Security Plan

Family Security Plan contract liabilities are recognized when the contracts are entered into and the premiums are recognized. The reserve for Family Security Plan is calculated using the Unearned Premium Reserve's 24th method.

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.

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Liability adequacy test

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

Claim Costs

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

Expense Recognition

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

Benefits and claims

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

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

General and administrative expenses

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

Defined benefit plan

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

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

Defined benefit costs comprise the following:

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

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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 Association determines at contract inception whether a contract is, or contains, a lease by assessing whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Association as a lessee

The Association applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Association recognizes right-of-use assets representing the right to use the underlying assets and lease liabilities to make lease payments

- **Right-of-use assets**
At the commencement date of the lease (i.e., the date the underlying asset is available for use), the Association recognizes right-of-use assets measured at cost. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Subsequent to initial recognition, the Association measures the right-of-use assets at cost less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities.

Unless the Association is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term. Right-of-use assets are subject to impairment.

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- Lease liabilities

At the commencement date of the lease, the Association recognizes lease liabilities measured at the present value of lease payments to be made over the lease term discounted using the Association's incremental borrowing rate with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The lease payments include fixed payments, any variable lease payments that depend on an index or a rate, and any amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Association and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date of the lease, the Association measures the lease liabilities by increasing the carrying amount to reflect interest on the lease liabilities (recorded in 'Interest expense on bills payable and other borrowings'), reducing the carrying amount to reflect the lease payments made, and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

- Short-term leases and leases of low-value assets

The Association applies the short-term lease recognition exemption to its leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option, and the leases of low-value assets recognition exemption to its leases of office spaces and other equipment that are considered of low value (i.e., below P250,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense under 'Occupancy and equipment-related costs' on a straight-line basis over the lease term.

The Association as a lessor

In operating leases where the Association does not transfer substantially all the risks and rewards incidental to ownership of an asset, the Association recognizes rental income on a straight-line basis over the lease terms. The Association adds back the initial direct costs incurred in negotiating and arranging an operating lease to the carrying amount of the leased asset and recognizes them as rental income over the lease term on the same basis. The Association recognizes contingent rents as revenue in the period in which they are earned.

Income Tax

Current Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted at the end of the reporting period.

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 Reporting Period

Any post year-end event that provides additional information about the Associations's position at the reporting date (adjusting event) is reflected in the financial statements. Post year-end events that are not adjusting events, if any, are disclosed in the notes to the financial statements, when material.

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

a. 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.

b. 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 P16.57 billion and P15.56 billion as of December 31, 2020 and 2019, respectively (see Note 7). As of December 31, 2020 and 2019, the fair value of HTM investments amounted to P17.68 billion and P15.85 billion, respectively (see Note 7).

c. 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

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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):

	2020	2019
Financial assets	P23,484,278,447	P19,580,929,271
Financial liabilities	74,240,881	45,422,277

Estimates

a. 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, 2020, impairment loss recognized for property and equipment and investment properties was nil and P0.97 million, respectively (see Notes 11 and 12). Gain on reversal of impairment loss was recognized in 2019 amounting to P0.42 million for property and equipment and P0.67 million for investment properties (see Notes 11 and 12).

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

	2020	2019
Investment properties (Note 12)	P410,474,022	P730,289,423

b. 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 P38.29 million and P184.59 million as of December 31, 2020 and 2019, respectively (see Note 8). Allowance for probable losses amounted to P1.69 million and P6.56 million as of December 31, 2020 and 2019, respectively (see Note 8).

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c. 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, 2020 and 2019, the fair value of AFS financial assets amounted to P1.63 billion and P1.65 billion, respectively (see Note 9). No impairment loss recognized on AFS financial assets in 2020 and 2019.

d. 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 P49.12 million and P43.26 million as of December 31, 2020 and 2019, 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

e. 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.

d. Contingencies

The Association estimates basic contingency reserve for payment of claims or obligations computed on the basis of a prudent prospective actuarial assumptions. Basic contingency reserve is set on Membership Certificates to meet the contractual obligation, other than the Member's Equity Value, as it falls due. The estimate is based on mortality, disability, and morbidity rate assumptions.

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6. Cash and Cash Equivalents

This account consists:

	2020	2019
Cash on hand	P120,000	P216,900
Cash in banks	160,998,942	186,738,622
Cash equivalents	430,007,683	360,549,762
	P591,126,625	P547,505,284

Cash in banks earns interest at the prevailing bank deposit rates ranging from 0.05% to 1.50% in 2020 and 2019.

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 0.10% to 3.50% and 3.12% to 3.80% in 2020 and 2019, respectively.

Interest income earned from cash and cash equivalents amounted to P9.81 million and P9.95 million in 2020 and 2019, respectively (see Note 19). Accrued income from cash and cash equivalents amounted to P0.38 million and P1.26 million as of December 31, 2020 and 2019, respectively (see Note 10).

7. Held-to-Maturity Investments

As of December 31, 2020 and 2019, the carrying amounts and fair values of these securities follow:

	2020		2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Fixed treasury notes	P10,722,201,848	P11,427,661,804	P10,307,395,292	P10,619,503,784
Retail treasury bonds	5,097,303,279	5,437,762,973	4,549,754,145	4,610,632,686
Corporate bonds	744,436,514	803,039,979	699,344,772	617,279,272
Treasury bills	10,000,000	10,000,000	1,581,177	1,609,341
	P16,573,941,641	P17,668,464,756	P15,558,075,386	P15,849,025,083

These investments bear annual interest rates which ranged from 1.25% to 8.06% and 3.25% to 8.06% in 2020 and 2019, respectively, and will mature between one (1) and nineteen (19) years from the statements of financial position date. Interest income from these investments net of premium amortization amounted to P403.52 million and P356.07 million in 2020 and 2019, respectively (see Note 19). Accrued income from these investments amounted to P142.87 million and P126.80 million in 2020 and 2019, respectively (see Note 10).

The rollforward analysis of HTM investments follows:

	2020	2019
At January 1	P15,558,075,386	P12,689,868,405
Additions	1,304,172,348	3,098,694,594
Amortization of bond discount	2,721,207	10,398,377
Maturities	(291,027,300)	(240,885,990)
At December 31	P16,573,941,641	P15,558,075,386

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As of December 31, 2020 and 2019, HTM investments include government securities classified as guaranty fund amounting to P225.59 million and P225.06 million, respectively. These investments are deposited with the IC, in accordance with the provisions of Section 405 of the 2013 Revised Insurance Code, as security for the benefit of policyholders and creditors of the Association.

8. Loans and Receivables

As of December 31, 2020 and 2019, the Association's loans and receivables are as follows:

	2020	2019
Receivables – net	P38,292,986	P184,585,719
Short-term investments	257,315,208	276,551,385
Long-term investments	2,668,696,325	854,375,594
	P2,964,304,519	P1,315,512,698

Receivables

This account consists of:

	2020	2019
Receivables from:		
Related parties (Note 22)	P4,670,621	P27,007,901
Members and employees	2,006,367	1,752,094
Loans receivable (Note 22)	14,610,909	19,960,000
Advances for future stock subscription (Note 9)	–	121,273,000
Advances to EMSHI	15,000,000	–
Others	3,691,098	21,157,323
	39,978,995	191,150,318
Less: Allowance for probable losses	1,686,009	6,564,599
	P38,292,986	P184,585,719

Receivables from related parties pertain to premiums collected by related parties from the Association's members. 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 and CARD MRI Property Holdings, Inc (CMPHI). The movements in loans receivable follow:

	2020	2019
At January 1	P19,960,000	P6,460,000
Additions	–	15,000,000
Principal collections	(5,349,091)	(1,500,000)
At December 31	P14,610,909	P19,960,000

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Significant terms and conditions of the loan follows:

2020				
	Outstanding balance	Release date	Interest rate	Terms
UniHealth Quezon Hospital and Medical Center	P4,110,910	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.
CARD MRI Property Management, Inc.	10,500,000	May 16, 2019	5.711% per annum	
2019				
	Outstanding balance	Release date	Interest rate	Terms
UniHealth Quezon Hospital and Medical Center	P6,460,000	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.
CARD MRI Property Management, Inc.	13,500,000	May 16, 2019	5.711% per annum	

Advances to Evangelista Medical Specialty Hospital, Inc. (EMSHI) pertains to payment made for the acquisition of 10,800 shares of EMSHI representing 7.2% ownership. Payment was made in 2020 but the deed of sale was executed on January 8, 2021 and the shares are not yet issued to the Association as of December 31, 2020.

Total interest income received from the loans receivable amounted to P0.87 million and P0.81 million in 2020 and 2019, respectively (see Note 19).

In October 2020, CARD Bank, Inc. (CBI) have issued to the Association the shares which corresponds to the advances for stocks paid in previous years amounting to P121.27 million (see Note 9).

As of December 31, 2020 and 2019, allowance for probable losses for receivables determined based on specific identification and assessment follows:

	Receivables from Related Parties (Note 22)	Other Receivables	Total
At January 1, 2019	P475,729	P2,492,145	P2,967,874
Provision for probable losses	1,279,120	2,317,605	3,596,725
At December 31, 2019	P1,754,849	P4,809,750	P6,564,599
Write-off	—	(1,987)	(1,987)
Reversal of provision for probable losses	(603,145)	(4,273,458)	(4,876,603)
At December 31, 2020	P1,151,704	P534,305	P1,686,009

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 0.38% to 4.00% in 2020 and 1.25% to 4.00% in 2019. Interest income earned from these investments amounted to P7.07 million and P4.30 million in 2020 and 2019, respectively (see Note 19).

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The rollforward analysis of short-term investments follows:

	2020	2019
At January 1	P276,551,385	P119,715,969
Additions	325,325,967	293,504,436
Maturities	(344,562,144)	(136,669,020)
At December 31	P257,315,208	P276,551,385

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 2020 and 2019. Interest income earned from these investments amounted to P24.59 million and P18.35 million in 2020 and 2019, respectively (see Note 19).

The rollforward analysis of long-term investments follows:

	2020	2019
At January 1	P854,375,594	P854,375,594
Additions	1,814,320,731	—
At December 31	P2,668,696,325	P854,375,594

Accrued interest income from total loans and receivables amounted to P140.26 million and P92.35 million in 2020 and 2019, respectively (see Note 10).

9. Available-for-Sale Financial Assets

This account consists of:

	2020	2019
Unquoted equity securities	P1,084,243,217	P1,108,241,463
Mutual funds	473,609,078	464,070,729
Unit Investment Trust Fund (UITF)	76,432,096	73,058,084
	P1,634,284,391	P1,645,370,276

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

	Unquoted Equity Securities	Mutual Funds	UITF	Total
At January 1, 2019	P819,115,760	P421,611,239	P29,930,842	P1,270,657,841
Additions	79,023,400	—	40,008,230	119,031,630
Fair value gains	210,102,303	42,459,490	3,128,612	255,690,405
Disposal	—	—	(9,600)	(9,600)
At December 31, 2019	P1,108,241,463	P464,070,729	P73,058,084	P1,645,370,276
Additions	155,170,975	—	—	155,170,975
Fair value gains (losses)	(179,169,221)	9,538,349	3,382,403	(166,248,469)
Disposal	—	—	(8,391)	(8,391)
At December 31, 2020	P1,084,243,217	P473,609,078	P76,432,096	P1,634,284,391

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

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

	2020			2019		
	Amount	Shares	Percentage of ownership	Amount	Shares	Percentage of ownership
CARD Bank, Inc.*	P966,262,877	3,783,776	66.17%	P1,005,762,446	3,148,807	63.00%
CARD MRI Rizal Bank, Inc.*	80,443,600	402,218	70.88%	86,138,833	354,394	70.88%
CLFC	19,563,602	40,000	4.00%	15,840,184	40,000	4.00%
Rizal College of Laguna	17,473,138	12	0.04%	—	—	—
UniHealth, Inc.	500,000	500	0.13%	500,000	500	0.13%
	P1,084,243,217			P1,108,241,463		

*Ownership in the preferred shares

Preferred shareholders CARD Bank, Inc. and CARD MRI Rizal Bank, Inc. are entitled to a dividend rate of 6.00% and 8.00% per annum, respectively. Preferred shares in CARD Bank, Inc. and CARD MRI Rizal, Inc. are cumulative, non-voting and non-redeemable.

In 2020 and 2019, the Association subscribed to additional 28,604 and 214,299 preferred shares of CARD Bank, Inc., respectively, at P200 par value with a total amount of P5.72 million and P359.02 million, respectively. Dividends received from this investment amounted to P111.11 million and P147.46 million in 2020 and 2019 (see Note 19).

In 2020 and 2019, the Association owns 402,218 and 354,394 preferred shares of CARD MRI Rizal Bank, Inc. amounting to P97.76 million and P86.14 million, respectively. In 2020 and 2019, the Association received dividend income from this investment amounting to P8.55 million and P22.43 million, respectively.

In 2020, the Association acquired 12 founder's share of Rizal College of Laguna amounting to P18.61 million (see Note 15).

Investments in mutual funds have the following details:

	2020		2019	
	Amount	Units	Amount	Units
Sun Life Prosperity Bond Fund	P267,470,584	83,430,732	P256,624,587	83,430,732
Sun Life Peso Balance Fund	94,004,458	26,306,727	101,643,932	26,306,727
Philam Bond Fund	112,134,036	24,194,976	105,802,210	24,194,976
	P473,609,078		P464,070,729	

The increase and decrease in reserve for fluctuation in value of the investments in available-for-sale investments amounted to P166.25 million decrease and P255.69 million increase in 2020 and 2019, respectively. This is presented as "Other comprehensive gain/(losses)" in the statements of comprehensive income.

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

	2020	2019
At January 1	P486,683,965	P230,993,560
Fair value gains (losses) on AFS financial assets		
Unquoted equity shares	(179,169,221)	210,102,303
Mutual funds	9,538,349	42,459,490
UITF	3,382,403	3,128,612
At December 31	P320,435,496	P486,683,965

10. Accrued Income

This account consists of:

	2020	2019
Interest receivable on:		
Cash and cash equivalents (Note 6)	P376,881	P1,255,764
Held-to-maturity investments (Note 7)	142,874,677	126,799,215
Loans and receivables (Note 8)	140,258,777	92,352,239
	P283,510,335	P220,407,218

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11. Property and Equipment - net

The rollforward analysis of this account follows:

	2020					2019				
	Land	Land improvement	Transportation equipment	Computer and office equipment	Office furniture and fixtures	Building	Construction in progress	Total		
Cost										
At January 1	P44,793,012	P1,287,428	P464,181	P24,457,657	P4,717,493	P87,278,655	P-	P162,998,426		
Additions	-	-	-	4,967,592	356,272	2,220,046	-	7,543,910		
Depreciation	-	-	(101,733)	(95,554)	(28,728)	-	-	(226,015)		
At December 31	44,793,012	1,287,428	362,448	29,329,695	5,045,037	89,498,701	-	170,316,321		
Accumulated depreciation										
At January 1	-	283,500	464,176	17,866,563	3,914,719	29,127,898	-	51,656,856		
Depreciation (Note 20)	-	128,746	-	4,021,880	486,433	8,893,409	-	13,530,468		
Depreciation	-	-	(101,733)	(94,605)	(28,728)	-	-	(235,069)		
At December 31	-	412,246	362,443	21,793,840	4,372,424	38,021,307	-	64,962,260		
Net book value	P44,793,012	P875,182	P3	P7,535,855	P672,613	P51,477,394	P-	P105,354,061		

	2019					2018				
	Land	Land improvement	Transportation equipment	Computer and office equipment	Office furniture and fixtures	Building	Construction in progress	Total		
Cost										
At January 1	P44,793,012	P2,256,533	P464,181	P18,838,602	P4,779,877	P86,013,857	P2,275,776	157,690,938		
Additions	-	461,775	-	6,604,426	379,176	7,344,929	-	14,790,306		
Depreciation	-	-	-	-	-	-	-	-		
Retirement	-	-	-	(985,371)	(341,560)	-	-	(1,326,931)		
Reclassifications	-	-	-	-	-	2,275,776	(2,275,776)	-		
Reversal of impairment	-	-	-	-	-	425,816	-	425,816		
At December 31	44,793,012	1,287,428	464,181	24,457,657	4,717,493	87,278,655	-	162,998,426		
Accumulated depreciation										
At January 1	-	181,691	464,176	15,721,337	3,622,389	19,838,078	-	39,827,671		
Depreciation (Note 20)	-	101,809	-	3,130,597	633,890	9,289,820	-	13,156,116		
Retirement	-	-	-	(985,371)	(341,560)	-	-	(1,326,931)		
At December 31	-	283,500	464,176	17,866,563	3,914,719	29,127,898	-	51,656,856		
Net book value	P44,793,012	P1,603,928	P3	P6,591,094	P672,613	P58,150,757	P-	P111,241,270		

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Gain on retirement of computer and office equipment, office furniture and fixtures and building amounted to P0.16 million and nil in 2020 and 2019, respectively.

As if December 31, 2020 and 2019, the cost of fully depreciated property and equipment still in use amounted to P17.58 million and P13.51 million, respectively.

Depreciation of property and equipment included in the general and administrative expenses amounted to P13.53 million and P13.15 million in 2020 and 2019, respectively

12. Investment Properties - net

The rollforward analyses of this account follow:

	2020		
	Land	Building	Total
Cost	P271,423,726	P134,337,925	P405,761,651
Accumulated depreciation			
At January 1	—	52,812,220	52,812,220
Depreciation (Note 20)	—	13,327,037	13,327,037
At December 31	—	66,139,257	66,139,257
Impairment loss	(971,496)	—	(971,496)
Net book value	P270,452,230	P68,198,668	P338,650,898

	2019		
	Land	Building	Total
Cost			
At January 1	P210,873,040	P136,196,389	P347,069,429
Additions	60,550,686	3,478,415	64,029,101
Retirement/Others	—	(6,009,488)	(6,009,488)
Gain on reversal	—	672,609	672,609
At December 31	271,423,726	134,337,925	405,761,651
Accumulated depreciation			
At January 1	—	38,925,644	38,925,644
Depreciation (Note 20)	—	13,886,576	13,886,576
At December 31	—	52,812,220	52,812,220
Net book value	P271,423,726	P81,525,705	P352,949,431

The investment properties have a total fair value of P410.47 million and P730.29 million as of December 31, 2020 and 2019, 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, 2020 and 2019, no investment has been pledged as collateral or security for any of the Association's liabilities.

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The Association earned rental income amounting to P17.02 million and P16.24 million from its investment properties in 2020 and 2019, respectively (see Note 21).

Depreciation of investment property included in the general and administrative expenses amounted to P13.33 million and P13.89 million in 2020 and 2019, respectively.

13. Investments in Associates

This account consists of the following:

	2020	2019
Acquisition cost	P508,141,233	P467,829,253
Placements during the year	68,756,430	40,311,980
Accumulated equity in net earnings	563,388,182	435,553,252
Accumulated equity in other comprehensive income	2,259,896	2,930,284
	P1,142,545,741	P946,624,769

The total undistributed accumulated equity in associate's net earnings are included in the Association's unappropriated fund balance.

Details of the Association's investments in associates follow:

	2020		2019	
	Amount	Percentage*	Amount	Percentage*
CPMI	P802,458,965	46.08%	P677,532,699	46.08%
CMIT	146,797,667	37.58%	119,007,276	40.00%
CMPMI	129,937,772	35.00%	114,847,802	40.00%
CMHI	31,945,754	25.00%	8,554,351	25.00%
BotiCARD	21,215,609	30.00%	19,468,227	30.00%
CARD Astro Laboratories, Inc.	9,085,224	32.00%	6,015,095	28.00%
CMPuHI	858,135	30.00%	779,373	30.00%
CMHTI	246,615	20.00%	419,946	20.00%
	P1,142,545,741		P946,624,769	

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

CARD Pioneer Microinsurance, Inc. (CPMI)

The details of this investment follow:

	2020	2019
Acquisition cost	P278,982,753	P278,982,753
Accumulated equity in net earnings		
At January 1	397,564,144	277,357,677
Equity in net earnings	125,596,725	120,206,467
At December 31	523,160,869	397,564,144
Accumulated equity in other comprehensive income		
At January 1	985,801	985,801
Equity in other comprehensive loss	(670,458)	—
At December 31	315,343	985,801
	P802,458,965	P677,532,696

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On July 16, 2013, the Association entered into an agreement with CPMI for the purchase of 2,303,428 shares at P100 par value representing 47.00% ownership in CPMI. On September 30, 2013, the consideration paid to CPMI amounted to P257.98 million. No goodwill was recognized since the consideration paid is equal to the proportionate ownership in CPMI. In 2014, an amount of P0.06 million was added to the investment in CPMI representing adjustments at the time of its acquisition.

In 2016, the Association invested additional P27.74 million in CPMI representing contributed surplus in order for CPMI to meet the minimum capitalization requirement by IC. Moreover, the P65.47 million equity in net earnings is net of the P6.79 million dilution on investment in CPMI resulting from the decrease of the Association's percentage ownership from 47.00% to 46.08% 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:

	2020	2019
Acquisition cost		
At January 1	P86,000,000	P79,087,000
Placements	26,363,700	6,913,000
At December 31	112,363,700	86,000,000
Accumulated equity in net earnings		
At January 1	31,453,871	15,868,428
Equity in net earnings	34,240,421	32,465,443
Dividends received	(32,813,730)	(16,880,000)
At December 31	32,880,562	31,453,871
Accumulated equity in other comprehensive income	1,553,405	1,553,405
	P146,797,667	P119,007,276

In 2011, the Association subscribed to 400,000 common shares at P100 par value representing 40.00% ownership in CMIT. In 2019, the Association subscribed additional 69,130 common shares at P100 par value amounting to P6.91 million. In 2020, additional 263,637 common shares at P100 par value was subscribed by the Association. Furthermore, CMIT issued new shares in 2020 to other investors, causing a decrease in the Association's percentage of ownership from 40.00% to 37.58%.

CARD MRI Property Management, Inc. (CMPMI)

The details of the investment follow:

	2020	2019
Acquisition cost		
At January 1	P115,495,000	P90,000,000
Placements	15,000,000	25,495,000
At December 31	130,495,000	115,495,000

(Forward)

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	2020	2019
Accumulated equity in net earnings		
At January 1	P331,897	P443,165
Equity in net earnings	89,970	383,732
Dividends received	—	(495,000)
At December 31	421,867	331,897
Accumulated equity in other comprehensive loss		
At January 1	(979,095)	—
Equity in other comprehensive loss	—	(979,095)
At December 31	(979,095)	(979,095)
	P129,937,772	P114,847,802

In October and November 2016, the Association invested in 146,000 shares of CMPMI with par value of P100 representing 40.00% ownership. In 2017, additional placement was made amounting to P36.00 million. In 2020, additional 150,000 common shares at P100 par value amounting to P15.00 million was subscribed by the Association. However, despite the placements made in 2020, the Association's percentage of ownership decreased from 40.00% to 35.00% brought by the additional investments of new investors in CMPMI.

CARD MRI Holdings, Inc. (CMHI)

The details of the investment follow:

	2020	2019
Acquisition cost		
At January 1	P7,812,500	P7,812,500
Placements	23,437,500	—
At December 31	31,250,000	7,812,500
Accumulated equity in net earnings		
At January 1	573,220	(409,309)
Equity in net earnings (loss)	(46,097)	982,529
At December 31	527,123	573,220
Accumulated equity in other comprehensive income	168,631	168,631
	P31,945,754	P8,554,351

On February 5, 2016, the Association invested in 78,125 shares of CMHI with par value of P100 representing 25% ownership. In 2020, additional 234,375 shares with P100 par value amounting to P23.44 million was subscribed by the Association.

BotiCARD, Inc.

The details of the investment follow:

	2020	2019
Acquisition cost		
At January 1	P12,900,980	P11,697,000
Placements	3,004,770	1,203,980
At December 31	15,905,750	12,900,980

(Forward)

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	2020	2019
Accumulated equity in net earnings		
At January 1	P5,244,358	P3,820,895
Equity in net earnings	1,747,382	2,627,443
Dividends received	(3,004,770)	(1,203,980)
At December 31	3,986,970	5,244,358
Accumulated equity in other comprehensive income	1,322,889	1,322,889
	P21,215,609	P19,468,227

In 2011, the Association purchased 780,000 common shares at P5.00 par value of BotiCARD amounting to P3.90 million.

In 2012, the Association deposited P3.00 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 P3.00 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 P2.50 million. Additional investment amounting P1.95 million was made in 2017.

In 2020, BotiCARD declared 2,000,000 common shares at P5.00 per share amounting to P10.00 million as stock dividends based on July 2020 financial statements. The Association received a total of 600,954 shares as stock dividends.

CARD Astro Laboratories, Inc.

The details of the investment follow:

	2020	2019
Acquisition cost		
At January 1	P6,400,000	P-
Placements	500,500	6,400,000
At December 31	6,900,500	6,400,000
Accumulated equity in net earnings		
At January 1	(384,905)	-
Equity in net earnings	2,569,629	(384,905)
At December 31	2,184,724	-
	P9,085,224	P6,015,095

On August 6, 2019, the Association invested in 128,000 shares of CARD Astro with par value of P50.00 representing 28.00% ownership.

In 2020, additional 10,010 shares with P50 par value amounting to P0.50 million was subscribed by the Association. Also, a former stockholder of CARD Astro assigned 24,000 shares with P50 par value to the Association increasing its percentage of ownership to 32.00%.

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CARD MRI Publishing House, Inc. (CMPuHI)

The details of the investment follow:

	2020	2019
Acquisition cost		
At January 1	P150,000	P 150,000
Placements	449,960	—
At December 31	599,960	150,000
Accumulated equity in net income		
At January 1	750,720	389,310
Equity in net earnings	229,655	361,410
Dividend received	(600,853)	—
At December 31	379,522	750,720
Accumulated equity in other comprehensive income		
At January 1	(121,347)	—
Equity in other comprehensive income	—	(121,347)
At December 31	(121,347)	(121,347)
	P858,135	P779,373

On September 12, 2017, the Association invested in 30,000 shares of CMPuHI with par value of P5.00 representing 30.00% ownership.

In 2020, additional 89,992 shares with P5 par value amounting to P0.45 million was subscribed by the Association.

CARD MRI Hijos Tours, Inc. (CMHTI)

The details of the investment follow:

	2020	2019
Acquisition cost		
At January 1	P400,000	P 100,000
Placements	—	300,000
At December 31	400,000	400,000
Accumulated equity in net earnings		
At January 1	19,946	20,643
Equity in net earnings	(173,401)	(697)
At December 31	(153,455)	19,946
Equity in other comprehensive income	70	—
	P246,615	P419,946

On September 12, 2017, the Association invested in 20,000 shares of CMHTI with par value of P5.00 representing 20.00% ownership.

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Financial information of the Association's associates follows:

	2020	2019
CPMI		
Total assets	P2,593,855,839	P2,803,139,535
Total liabilities	821,650,710	1,478,771,022
Net income	272,574,167	260,876,051
Other comprehensive loss	(1,454,986)	–
CMIT		
Total assets	479,653,836	386,030,454
Total liabilities	80,716,327	87,984,766
Net income	91,113,414	81,163,608
CMPMI		
Total assets	419,184,016	396,675,887
Total liabilities	72,614,764	96,925,529
Net income	257,056	959,330
Other comprehensive loss	–	(2,447,737)
CMHI		
Total assets	66,257,242	41,673,176
Total liabilities	228,753	540,015
Net income (loss)	(184,387)	3,930,116
BotiCARD		
Total assets	59,130,682	60,847,669
Total liabilities	3,126,509	11,083,675
Net income	5,824,605	8,758,147
CARD Astro		
Total assets	28,305,406	15,291,482
Total liabilities	5,688,977	1,666,044
Net income (loss)	8,030,091	(1,374,662)
CMPIuHI		
Total assets	3,894,943	3,313,030
Total liabilities	1,004,577	1,209,999
Net income	765,516	1,204,703
Other comprehensive loss	–	(404,491)
CMHTI		
Total assets	2,114,140	2,998,074
Total liabilities	899,829	891,881
Net loss	(867,005)	(3,487)
Other comprehensive income	349	–

14. Other Assets

This account consists of:

	2020	2019
Supplies inventory	P6,669,631	P5,077,904
Prepaid expenses	3,496,365	5,281,081
Other funds and deposits	2,893,085	2,235,200

(Forward)

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	2020	2019
Prepaid rent	P2,814,468	P2,879,611
Prepaid taxes	946,741	1,096,022
Deferred reinsurance premiums (Note 18)	600,500	676,750
	P17,420,790	P17,246,568

Prepaid rent pertains to the payment made in advance and security deposits paid to the owners of the spaces being leased by the Association.

Deferred reinsurance premiums are advance payments made by the Association to National Reinsurance Corporation of the Philippines (NatRe) for the ceded insurance premiums.

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.

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

Funds and deposits pertain to mutual guaranty fund paid to Microinsurance Association of the Philippines (MiMAP). This fund represents a claim reserve fund 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 assets of the members in case of insolvency.

15. Accounts Payable and Accrued Expenses

This account consists of:

	2020	2019
Accrued expenses	P9,134,333	P14,495,819
Collection fee payable (Note 22)	36,748,267	10,527,250
Accounts payable		
Suppliers and contractors	5,249,244	7,606,373
Related parties (Note 22)	3,396,403	3,635,146
Staff, members and employees	1,657,619	2,404,679
Payable to PHINMA	9,306,188	—
Rent deposits	2,814,663	2,803,474
Due to government agencies	1,848,745	1,862,021
Others	544,504	89,255
	P70,699,966	P43,424,017

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) 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.

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

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Accounts payable to related parties pertains balances of unpaid claims, purchases of products, and expenses incurred for medicines as well as administration and training cost of staff and coordinators.

Accounts payable to staff, members and employees include amounts accrued for expenses related to other employee benefits and refund of resigned member or staff. These are settled within one year after reporting date.

Payable to PHINMA pertains to the payable to the said counterparty for the shares of Rizal College of Laguna classified as available-for-sale investments bought last December 2020 amounting to ₱18.61 million representing 0.04% ownership (see Note 9). As of December 31, 2020, the balance of the payable amounted to ₱9.31 million.

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

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

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

16. Insurance Contract Liabilities

This account consists of:

	2020	2019
Life insurance contract liabilities	₱10,486,084,129	₱9,080,796,917
Loan redemption contract liabilities	283,283,029	225,638,796
	₱10,769,367,158	₱9,306,435,713

a) Life insurance contract liabilities

Details of the life insurance contract liabilities follow:

	2020	2019
Provision for unearned premiums	₱10,355,809,299	₱8,990,033,345
Outstanding claims provision	130,274,830	90,763,572
Total life insurance contract liabilities	₱10,486,084,129	₱9,080,796,917

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 50% of gross contributions to Basic Life Insurance for the year.

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The rollforward analysis of provision for unearned premiums follows:

	2020	2019
At January 1	P8,990,033,345	P7,507,432,541
Premiums received	3,242,664,517	1,859,987,552
Liability released for payments of death, maturity and surrender benefits and claims	(1,876,888,563)	(377,386,748)
At December 31	P10,355,809,299	P8,990,033,345

The rollforward analysis of outstanding claims provision follows:

	2020	2019
At January 1	P90,763,572	P88,490,901
Claims incurred in the current year	1,738,922,297	1,550,657,986
Claims paid during the year	(1,699,411,039)	(1,548,385,315)
At December 31	P130,274,830	P90,763,572

b) Loan redemption contract liabilities

Details of the loan redemption contract liabilities follow:

	2020	2019
Provision for unearned premiums	P269,107,244	P218,350,082
Provision for claims incurred but not reported (IBNR)	14,175,785	7,288,714
Total loan redemption contract liabilities	P283,283,029	P225,638,796

The rollforward analysis of provision for unearned premiums follows:

	2020	2019
At January 1	P218,350,082	P180,568,421
Premiums received	517,302,788	740,819,961
Earned premiums	(466,545,626)	(703,038,300)
At December 31	P269,107,244	P218,350,082

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:

	2020	2019
At January 1	P7,288,714	P6,906,214
Increase in IBNR	6,887,071	382,500
At December 31	P14,175,785	P7,288,714

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The rollforward analysis of outstanding claims provision follows:

	2020	2019
At January 1	P=	P=
Claims incurred in the current year	186,572,190	171,070,655
Claims paid during the year	(186,572,190)	(171,070,655)
At December 31	P=	P=

The loan redemption insurance covers the outstanding loan balance of members from CARD, Inc., CARD SME Bank, Inc., CARD Bank, Inc., CARD MRI Rizal Rural Bank, Inc., CARD Leasing and Finance Corporation, CARD Employees' Multi-purpose Cooperative and all BOAT partners in case of death of a member-borrower.

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:

	2020	2019
At January 1	P5,990,697,711	P4,839,250,994
Contribution	1,012,144,898	1,169,890,840
Interest income	336,997,815	266,369,240
Claims and expenses	(231,056,423)	(284,813,363)
At December 31	P7,108,784,001	P5,990,697,711

The allocation of interest for retirement fund is equivalent to 2.95% in 2020 and 3.87% in 2019, of the beginning balance of the account plus contribution from members during the year.

As of December 31, 2020 and 2019, included in 'Other income' are adjustments on interest income previously allocated to retirement fund amounting to P3.18 million and P22.13 million, respectively.

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18. Net Earned Premiums

The net earned premiums consist of the following:

	2020	2019
Members' contribution and premiums – micro		
Life insurance premiums	P3,051,163,884	P3,614,297,925
Loan insurance premiums	708,803,420	740,819,961
Total members' contribution and premiums – micro	3,759,967,304	4,355,117,886
Less: Reinsurer's share on gross earned premium on insurance contracts -		
Life insurance	2,478,250	3,031,225
Members' contribution and premiums – micro – net	P3,757,489,054	P4,352,086,661

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 P15.00 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 P50.00 or P100.00 premium every week with death benefit of P25,000 or P50,000, 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 P1,000.00 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 P10,000.00 up to P100,000.00 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 insured 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 P200 per center per year.

Family Security Plan is a Group Yearly Renewable Term Plan which may be availed voluntarily by eligible member to supplement the coverage he/she and his/her dependent/s currently enjoy under the mandatory Basic Life Insurance Plan (BLIP). In case of death or total and permanent disability of the insured/s (i.e. member and/or the member's qualified dependent/s), the designated beneficiaries shall be indemnified in accordance with the following table of benefits of Family Security Plan. The member may avail the plan thru loan or cash payment. The corresponding premium for this plan is P1,000 per year.

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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.

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

The rollforward of the deferred reinsurance premiums follows:

	2020	2019
At January 1	₱676,750	₱869,583
Premiums ceded to reinsurer	2,402,000	2,838,392
Reinsurer's share of gross earned premiums on insurance contracts	(2,478,250)	(3,031,225)
At December 31	₱600,500	₱676,750

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

19. Investment Income

This account consists of

	2020	2019
Interest income on:		
Cash and cash equivalents (Note 6)	₱9,807,037	₱9,947,332
HTM investments (Note 7)	403,523,931	356,072,560
Loans and receivable (Note 8)	868,292	813,772
Short-term investments (Note 8)	7,066,145	4,301,188
Long-term investments (Note 8)	24,585,199	18,353,848
Dividend income (Note 9)	120,662,256	169,885,744
	₱566,512,860	₱559,374,444

20. General and Administrative Expenses

This account consists of:

	2020	2019
Transportation and travel	₱167,999,785	₱217,049,900
Salaries and allowances	110,384,455	124,970,973
Professional fees	42,592,109	42,418,370
Depreciation (Notes 11, 12 and 21)	34,376,218	32,744,305
Supplies	32,434,810	23,990,520

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	2020	2019
Other members' benefit	P28,259,476	P19,923,144
Training and development	27,836,640	12,582,991
Program, monitoring and evaluation	24,541,859	27,678,433
Rental (Note 21)	23,231,034	23,041,101
Communication	10,880,988	7,233,686
Security and janitorial	8,905,989	16,694,566
Repairs and maintenance	7,591,889	7,142,978
Interest expense	6,134,894	5,391,811
Insurance	5,027,822	5,529,295
Provision (reversal of provision) for probable losses (Note 8)	(4,876,603)	3,596,596
Light and water	4,538,767	5,392,774
Taxes and licenses	4,268,247	5,589,490
Meetings and seminars	3,158,894	11,618,985
Bank charges	2,991,186	1,246,271
Pension expense – net (Note 25)	1,455,074	(29,439)
Membership dues	1,027,467	1,065,723
Impairment loss (Note 12)	971,496	–
Entertainment, amusement and recreation	537,237	1,210,395
Research and documentation	109,691	167,396
Reversal of impairment loss (Notes 11 and 12)	–	(1,098,426)
Miscellaneous	9,558,428	1,708,000
	P553,937,852	P596,859,838

21. Leases

The Association as a Lessee

Short-term and low-value leases

The Association leases vehicles, IT equipment and office spaces. The lease contracts are for the periods ranging from six (6) months to two (2) years and are renewable upon mutual agreement between the Association and the lessors such as CARD Leasing and Finance Corporation and other third-party lessors.

Rent expense amounted to P23.23 million and P23.04 million in 2020 and 2019, respectively. Rent expense in 2020 and 2019 pertains to expenses from short-term leases and leases of low-value assets.

As of December 31, 2020, and 2019, the Company has no contingent rent payable.

Long-term leases

The Association leases vehicles, IT equipment and office spaces. The lease contracts are for the periods ranging from one (1) year and five (5) months to two (2) years and are renewable upon mutual agreement between the Company and the lessors such as CARD Bank, Inc., CARD Inc., CARD Leasing and Finance Corporation, CARD MRI Development Institute, CARD MRI Property Holdings, CARD SME Bank and third-party lessors.

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The movements in the right-of-use asset follows:

	2020	2019
Cost		
At January 1	P10,434,011	P1,995,105
Additions	9,582,357	8,438,906
Terminated lease	(5,460,011)	–
At December 31	14,556,357	10,434,011
Accumulated Depreciation		
At January 1	5,705,313	–
Depreciation	7,518,713	5,705,313
Terminated lease	(5,460,011)	–
At December 31	7,764,015	5,705,313
Net Book Value	P6,792,342	P4,728,698

The movements in lease liabilities follows:

	2020	2019
Balance at beginning of year	P4,801,734	P1,916,179
Additions	9,404,555	8,252,898
Interest expense	397,183	422,093
Payments	(8,247,895)	(5,789,436)
Balance at end of year	P6,355,577	P4,801,734

In 2019, the Association entered into new lease contracts with CLFC and other third-party lessor for the lease of office space and vehicles. These contracts have terms ranging from one (1) year and five (5) months to two (2) years.

The following are the amounts recognized in statement of income:

	2020	2019
Lease payments relating to short-term leases and leases with low value assets	P23,231,034	P23,041,101
Depreciation expense of ROU assets included in property and equipment	7,518,713	5,705,313
Interest expense on lease liabilities	397,182	422,093
Total amount recognized in statement of income	P31,146,929	P29,168,507

Shown below is the maturity analysis of the undiscounted lease payments:

	2020	2019
Within one year	P5,535,184	P9,700,422
Beyond one to two years	1,063,084	851,976
	P6,598,268	P10,552,398

The Association as a 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 2020 and 2019 amounted to P17.02 million and P16.24 million, respectively.

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

	2020	2019
Within 1 year	P18,094,550	P13,015,653
More than 1 year but not more than 5 years	27,873,241	13,858,768
	P45,967,791	P26,874,421

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:

	2020				
Category	Amount	Outstanding	Nature	Terms	Conditions
Associates					
CMI					
Account receivable	P 3,313,314	P -	Unremitted Collection of members (staff contribution), share on electricity and other expense incurred	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	248	-	Unpaid expenses	On-demand; noninterest-bearing	Unsecured; no impairment
Rental income (Note 21)	50,670	-	Income received from office space rentals	On-demand; noninterest-bearing	Unsecured; no impairment
BoTICARD					
Account receivable	1,255,308	701,219	Unremitted Collection of members (Staff contribution) and others expense incurred	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	454,349	451,450	Unpaid medicines and other expenses incurred	On-demand; noninterest-bearing	Unsecured; no impairment
Rental Income (Note 21)	420,687	-	Income received from office space rentals	On-demand; noninterest-bearing	Unsecured; no impairment
CPMI					
Account receivable	5,350,604	445,198	Advance payment for claims to members who avail CPMI products and other related expenses	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	15,624,707	360,716	Unpaid Premiums uncollected from CPMI products	On-demand; noninterest-bearing	Unsecured; no impairment
Rental income (Note 21)	175,184	-	Income received from office space rentals	On-demand; noninterest-bearing	Unsecured; no impairment

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2020					
Category	Amount	Outstanding	Nature	Terms	Conditions
Affiliates					
MNLI					
Accounts receivable	P 18,000	P -	Uncollected insurance premiums of employees	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	1,800	1,800	Unpaid expenses incurred in MNLI Product	On-demand; noninterest-bearing	Unsecured; no impairment
CaMLA					
Account receivable	5,010,522	81,941	Advance payment of claims to members who avail CaMLA products and other related expenses incurred	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	1,428,134	4,150	Unpaid Premiums uncollected from CaMLA products	On-demand; noninterest-bearing	Unsecured; no impairment
Rental income (Note 21)	471,717	-	Income received from office space rentals	On-demand; noninterest-bearing	Unsecured; no impairment
CMDI					
Account receivable	399,806	-	Unremitted Collection of Staff contribution & others expense incurred	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	163,580	5,400	Unpaid expenses for administration and training cost of staff & coordinators	On-demand; noninterest-bearing	Unsecured; no impairment
CARD Inc.					
Account receivable	313,347,502	666,818	Unremitted Collection of members (Staff contribution) and others expense incurred	On-demand; noninterest-bearing	Unsecured; no impairment
Collection fee payable	212,423,939	20,135,274	Unpaid claims and expenses incurred	On-demand; noninterest-bearing	Unsecured; no impairment
Rental income (Note 21)	379,460	-	Income received from office space rentals	On-demand; noninterest-bearing	Unsecured; no impairment
CARD SME Bank, Inc.					
Cash and cash equivalents	-	23,330,860	On-demand; interest at 1.50% for regular savings deposit		Unsecured; no impairment
Account receivable	62,904,744	70,935	Unremitted Collection of members (Staff contribution) and others expense incurred	On-demand; noninterest-bearing	Unsecured; no impairment
Collection fee payable	48,079,068	8,546,904	Unpaid claims and expenses incurred	On-demand; noninterest-bearing	Unsecured; no impairment
Rental income (Note 21)	5,071,424	-	Income received from office space rentals	On-demand; noninterest-bearing	Unsecured; no impairment
BDSFI					
Account receivable	17,360	-	Unremitted Collection of Staff contribution	On-demand; noninterest-bearing	Unsecured; no impairment
CARD EMPC					
Account receivable	1,546,488	1,392,114	Unremitted Collection of members (Staff contribution) and others expenses	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	2,022,426	1,964,583	Unpaid claims & expenses incurred	On-demand; noninterest-bearing	Unsecured; no impairment
<i>(Forward)</i>					
Rizal Bank Inc.					
Cash and cash equivalents	P -	P 23,813,052	On-demand; interest at 1.50%		Unsecured; no impairment

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2020					
Category	Amount	Outstanding	Nature	Terms	Conditions
			for regular savings deposit		
Account receivable	47,448,345	232,071	Unremitted Collection of members (Staff contribution) and others expense incurred	On-demand; noninterest-bearing	Unsecured; no impairment
Collection fee payable	27,375,615	2,929,351	Unpaid claims and expenses incurred	On-demand; noninterest-bearing	Unsecured; no impairment
Rental income (Note 21)	2,014,112	–	Unremitted Collection of Staff contribution	On-demand; noninterest-bearing	Unsecured; no impairment
CLFC					
Account receivable	280,871	188,549	Unremitted Collection of members (Staff contribution) and others expenses	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	794,845	574,553	Unpaid expenses incurred in leasing	On-demand; noninterest-bearing	Unsecured; no impairment
Rental income (Note 21)	57,600	–	Unremitted Collection of Staff contribution	On-demand; noninterest-bearing	Unsecured; no impairment
CARD Bank Inc.					
Cash and cash equivalents	–	69,591,282	On-demand; interest at 1.50% for regular savings deposit		Unsecured; no impairment
Account receivable	72,038,814	891,776	Unremitted Collection of staff contributions, rental for year end and other expenses incurred	On-demand; noninterest-bearing	Unsecured; no impairment
Collection fee payable	99,681,565	5,136,738	Unpaid claims and expenses incurred	On-demand; noninterest-bearing	Unsecured; no impairment
Rental income (Note 21)	8,363,563	–	Unremitted Collection of Staff contribution	On-demand; noninterest-bearing	Unsecured; no impairment
CMPHI					
Loans receivable	10,500,000	10,500,000	Loan granted to CMPH on May 16, 2019	3-year term, interest at 5.11%	Unsecured; no impairment
CARD Hijos Tours					
Accounts payable	33,751	33,751	Unpaid claims and expenses incurred	On-demand; noninterest-bearing	Unsecured; no impairment
2019					
Category	Amount	Outstanding	Nature	Terms	Conditions
Associates					
CMIT					
Account receivable	P 3,781,863	P –	Unremitted Collection of members (staff contribution), share on electricity and other expense incurred	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	699	–	Unpaid expenses	On-demand; noninterest-bearing	Unsecured; no impairment
Rental income (Note 21)	250,596	–	Income received from office space rentals	On-demand; noninterest-bearing	Unsecured; no impairment

(Forward)

BoTICARD

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2019					
Category	Amount	Outstanding	Nature	Terms	Conditions
Account receivable	₱ 601,752	₱ 18,346	Unremitted Collection of members (Staff contribution) and others expense incurred	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	230,822	95,312	Unpaid medicines and other expenses incurred	On-demand; noninterest-bearing	Unsecured; no impairment
Rental income (Note 21)	420,687	—	Income received from office space rentals	On-demand; noninterest-bearing	Unsecured; no impairment
CPMI					
Account receivable	50,031,520	2,825,892	Advance payment for claims to members who avail CPMI products and other related expenses	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	586,244,351	429,049	Unpaid Premiums uncollected from CPMI products	On-demand; noninterest-bearing	Unsecured; no impairment
Rental income (Note 21)	133,368	—	Income received from office space rentals	On-demand; noninterest-bearing	Unsecured; no impairment
Affiliates					
MNLI					
Accounts receivable	6,000	—	Uncollected insurance premiums of employees	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	394,355	386,197	Unpaid expenses incurred in MNLI Product	On-demand; noninterest-bearing	Unsecured; no impairment
CaMIA					
Account receivable	7,547,061	565,119	Advance payment of claims to members who avail CaMIA products and other related expenses incurred	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	12,016,709	1,338,860	Unpaid Premiums uncollected from CaMIA products	On-demand; noninterest-bearing	Unsecured; no impairment
Rental income (Note 21)	389,053	—	Income received from office space rentals	On-demand; noninterest-bearing	Unsecured; no impairment
CMDI					
Account receivable	364,017	5,480	Unremitted Collection of Staff contribution & others expense incurred	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	110,557	38,202	Unpaid expenses for administration and training cost of staff & coordinators	On-demand; noninterest-bearing	Unsecured; no impairment
CARD Inc.					
Account receivable	236,123,800	1,756,075	Unremitted Collection of members (Staff contribution) and others expense incurred	On-demand; noninterest-bearing	Unsecured; no impairment
Collection fee payable	264,041,912	2,668,792	Unpaid claims and expenses incurred	On-demand; noninterest-bearing	Unsecured; no impairment
Rental income (Note 21)	365,364	—	Income received from office space rentals	On-demand; noninterest-bearing	Unsecured; no impairment

(Forward)

CARD SME Bank Inc.

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2019					
Category	Amount	Outstanding	Nature	Terms	Conditions
Account receivable	P 65,857,689	P 5,511,075	Unremitted Collection of members (Staff contribution) and others expense incurred	On-demand; noninterest-bearing	Unsecured; no impairment
Collection fee payable	46,289,928	1,750,313	Unpaid claims and expenses incurred	On-demand; noninterest-bearing	Unsecured; no impairment
Rental income (Note 21)	4,841,300	—	Income received from office space rentals	On-demand; noninterest-bearing	Unsecured; no impairment
BDSFI					
Account receivable	13,520	300	Unremitted Collection of Staff contribution	On-demand; noninterest-bearing	Unsecured; no impairment
CARD EMPC					
Account receivable	—	901,428	Unremitted Collection of members (Staff contribution) and others expenses	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	43,320	—	Unpaid Claims & expenses incurred	On-demand; noninterest-bearing	Unsecured; no impairment
Rizal Bank Inc.					
Cash and cash equivalents	—	24,742,984	On-demand; interest at 1.50% for regular savings deposit		Unsecured; no impairment
Account receivable	22,652,693	5,439,389	Unremitted Collection of members (Staff contribution) and others expense incurred	On-demand; noninterest-bearing	Unsecured; no impairment
Collection fee payable	18,717,278	(330,594)	Unpaid claims and expenses incurred	On-demand; noninterest-bearing	Unsecured; no impairment
Rental income (Note 21)	1,987,727	—	Income received from office space rentals	On-demand; noninterest-bearing	Unsecured; no impairment
CLFC					
Account receivable	114,532	5,136	Unremitted Collection of members (Staff contribution) and others expenses	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	1,501,585	1,347,445	Unpaid expenses incurred in leasing	On-demand; noninterest-bearing	Unsecured; no impairment
CARD Bank Inc.					
Cash and cash equivalents	—	73,174,694	On-demand; interest at 1.50% for regular savings deposit		Unsecured; no impairment
Account receivable	185,749,445	6,826,641	Unremitted Collection of staff contributions, rental for year end and other expenses incurred	On-demand; noninterest-bearing	Unsecured; no impairment
Collection fee payable	63,474,165	3,303,018	Unpaid claims and expenses incurred	On-demand; noninterest-bearing	Unsecured; no impairment
Rental Income	7,801,758	—	Income received from office space rentals	On-demand; noninterest-bearing	Unsecured; no impairment
CMPHI					
Loans receivable	15,000,000	15,000,000	Loan granted to CMPH on May 16, 2019	3-year term; interest at 5.11%	Unsecured; no impairment

In 2020 and 2019, short-term employee benefit compensation to the Association's key management personnel amounted to P1.41 million and P1.60 million, respectively. Post-employment benefits compensation to key management personnel amounted to P1.81 million and P1.70 million in 2020 and 2019, respectively.

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23. Income Tax

Income taxes include income tax on its income not incidental to its operations (e.g., rent income) and final withholding tax on interest income on cash in banks, short-term and long-term investments and held-to-maturity investments.

Current tax regulations provide that RCIT rate shall be 30.0%. It further states that nondeductible interest expense shall likewise be reduced to 33.0% of interest income subjected to final tax.

An optional standard deduction (OSD) equivalent to 40.0% of gross income may be claimed as an alternative deduction in computing for the RCIT. For the 2020 and 2019 RCIT computation, the Bank elected to claim itemized expense deductions instead of the OSD.

Relevant Tax Updates

RA No. 10963, *The Tax Reform for Acceleration and Inclusion (TRAIN)*, is the first package of the comprehensive tax reform program of the government. The bill was signed into law on December 19, 2017 and took effect on January 1, 2018, amending some provisions of the old Philippine tax system.

Except for resident foreign corporations, which is still subject to the existing rate of 7.50%, tax on interest income of foreign currency deposit was increased to 15.00% under TRAIN. Documentary stamp tax on bank checks, drafts, certificate of deposit not bearing interest, all debt instruments, bills of exchange, letters of credit, mortgages, deeds and others are now subjected to a higher rate.

Revenue Regulations No. 4-2011

TRAIN Law

RA No. 10963, the Tax Reform for Acceleration and Inclusion (TRAIN), is the first package of the comprehensive tax reform program of the government. The bill was signed into law on December 19, 2018 and took effect on January 1, 2018, amending some provisions of the old Philippine tax system.

Except for resident foreign corporations, which is still subject to the existing rate of 7.5%, tax on interest income of foreign currency deposit was increased to 15% under TRAIN. Documentary stamp tax on bank checks, drafts, certificate of deposit not bearing interest, all debt instruments, bills of exchange, letters of credit, mortgages, deeds and others are now subjected to a higher rate.

CREATE Bill

The Corporate Recovery and Tax Incentives for Enterprise (CREATE) bill aims to reduce the corporate income tax rate from 30% to 25% starting July 2020 and to rationalize the current fiscal incentives.

Current tax regulations also provide for the ceiling on the amount of entertainment, amusement and recreation (EAR) expense that can be claimed as a deduction against taxable income. Under the regulation, EAR expense allowed as a deductible expense is limited to the actual EAR paid or incurred but not to exceed 1.0% of the Association's net revenue.

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The provision for income tax consists of:

	2020	2019
Current tax	P1,000,044	P720,767
Final tax	87,281,262	75,049,635
	P88,281,306	P75,770,402

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:

	2020	2019
Statutory income tax	P195,819,100	P381,633,349
Add (deduct) the tax effect of:		
Gross premiums on insurance contracts	(1,127,246,716)	(1,305,625,998)
Gross change in insurance contract liabilities	424,959,935	456,114,993
Gross insurance contract benefits and claims Paid	565,794,969	515,836,791
General and administrative expenses	166,181,356	176,812,407
Equity in net earnings of associates	(49,276,285)	(47,153,296)
Dividend income	(36,198,677)	(50,965,723)
Interest income subjected to final tax	(42,039,711)	(37,032,108)
Interest income not subjected to final tax	(7,375,560)	(5,506,154)
Rental income	(5,104,576)	(4,870,553)
Other expense (income)	2,767,471	(3,473,053)
Surrender charge	—	(253)
Provision for income tax	P88,281,306	P75,770,402

24. Notes to Statement of Cash Flows

The Association's principal noncash investing activity in 2020 and 2019 pertains to additions to ROU assets amounting to P9.58 million and P8.44 million, respectively.

The table below summarizes the changes in lease liabilities, including both changes arising from cash flows and non-cash changes.

	At January 1	Additions	Settlements	Other Adjustments	At December 31
2020	P4,801,734	P9,404,555	(P8,247,895)	P397,183	P6,355,577
2019	1,916,179	8,252,898	(5,789,436)	422,093	4,801,734

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25. Employee Benefits

The Association, CARD Bank, CARD Inc., CARD SME Bank, CAMIA, CARD BDSFI, 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.

The latest actuarial valuation report covers reporting period as of December 31, 2020.

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	2020									
	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	Transfer to plan	Return on plan assets (excluding demographic assumptions)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Actuarial changes arising from changes in experience assumptions	Subtotal
Present value of defined benefit obligation	₹8,195,349	₹3,948,500	₹1,116,023	₹6,064,012	₹1,621,943	₹-	₹(287,830)	₹(433,450)	₹(852,793)	₹-
Fair value of plan assets	(100,296,971)	-	₹(5,653,265)	₹(5,653,265)	(1,523,943)	1,630,411	-	-	-	-
Effect of changes in asset ceiling	18,89,840	-	1,043,727	1,043,727	-	-	-	-	-	-
Retirement liability (asset)	(₹4,32,61,782)	₹3,948,500	(₹2,935,510)	₹1,485,674	₹-	₹1,630,411	(₹287,830)	(₹433,450)	(₹852,793)	(₹3,37,589.6)
Retirement liability (asset)	-	-	-	-	₹-	₹1,630,411	(₹287,830)	(₹433,450)	(₹852,793)	(₹3,37,589.6)
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The principal actuarial assumptions used in determining retirement liability for the Association's retirement plan are shown below:

	2020	2019
Discount rate	3.96%	5.54%
Salary increase rate	3.00%	5.00%
Average remaining working lives	30.9 years	31.8 years

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

	2020	2019
Investment in bonds	P45,907,574	P45,854,646
Cash and cash equivalents	49,896,725	43,913,402
Loans receivable	—	8,262,907
Investment in mutual funds	528,293	501,902
Real estate	9,013,324	—
Others	2,468,961	1,764,114
	P107,814,877	P100,296,971

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, 2020, assuming if all other assumptions were held constant:

		Effect on defined pension plan	
		2020	2019
Discount rate	Increase (decrease)		
	+100 basis points	(P4,942,317)	(P4,612,127)
Future salary increase	-100 basis points	5,986,729	5,595,562
	+100 basis points	5,984,186	5,568,815
	-100 basis points	(5,028,544)	(4,674,112)

The Association expects to contribute P21.92 million to the defined pension plan in 2021.

As of December 31, 2020, the maturity profiles of undiscounted benefit payments of the Association follow:

Less than one year	P2,327,719
More than one year to five years	11,204,022
More than five years	19,781,044
	P33,312,785

The average duration of the defined benefit obligation at the end of the reporting period is 13.0 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.

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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 P5.00 million. This minimum amount shall be maintained at all times and it must be increased by an amount equivalent to 5.00% of the Association's gross premium collections until the guaranty fund reaches 12.50% of the minimum paid up capital for domestic life insurance companies or P125.00 million. As of December 31, 2020 and 2019, the Association has a total of P225.59 million and P225.06 million, respectively, 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:

	2020	2019
Member's equity	P5,193,787,557	P4,576,314,812
RBC requirement	1,254,937,910	1,107,625,917
RBC ratio	413.87%	413.16%

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.

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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. In 2019, the Association changed the account title for the collected contributions from the members under the basic and optional funds, respectively, from ‘Gross premiums on insurance contracts’ to ‘Members’ Contributions’ and ‘Premiums – Micro’. Said accounts still conform 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.

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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.

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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.

2020

	Increase of 1.00% on discount rate and decrease of 25.00% on mortality rate	Increase of 1.00% on discount rate and increase of 25.00% on mortality rate
Increase (decrease) on liabilities	(P11,868,119)	P8,274,480
Increase (decrease) on revenue	11,868,119	(8,274,480)

2019

	Increase of 1.00% on discount rate and decrease of 25.00% on mortality rate	Increase of 1.00% on discount rate and increase of 25.00% on mortality rate
Increase (decrease) on liabilities	P7,688,000,118	(P399,369,648)
Increase (decrease) on revenue	(7,688,000,118)	399,369,648

The sensitivity analyses consider 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.

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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, 2020 and 2019:

	2020		2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Cash and cash equivalents	P591,126,625	P591,126,625	P547,505,284	P547,505,284
HTM investments	16,573,941,641	17,668,464,756	15,558,075,386	15,849,025,083
Loans and Receivables				
Short-term investments	257,315,208	257,315,208	276,551,385	276,551,385
Long-term investments	2,668,696,325	3,009,108,401	854,375,594	854,375,594
Receivables				
Accounts receivables	6,676,988	8,584,779	29,119,251	25,961,427
Loans receivable	14,610,909	15,098,644	19,960,000	19,960,000
Other receivables	18,691,098	16,785,308	142,071,067	141,773,004
AFS financial assets				
Quoted	550,041,174	550,041,174	537,128,813	537,128,813
Unquoted	1,084,243,217	1,084,243,217	1,108,241,463	1,108,241,463
Accrued interest receivable	283,510,335	283,510,335	220,407,218	220,407,218
	P22,048,853,520	P23,484,278,447	P19,293,435,461	P19,580,929,271
Financial Liabilities				
Accounts payable and accrued expenses	P74,240,881	P74,240,881	P45,422,277	P45,422,277

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 under Level 3 of fair value hierarchy. This is determined using capital asset pricing model (CAPM). This is a model that describes the relationship between risks and expected return. Similar companies to the investee companies are identified and used as basis to identify the risks involved.

For loans receivable and long-term investments classified under loans and receivable, fair values 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% of December 31, 2020 and 2019.

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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, 2020 and 2019, the fair value of the investments in mutual funds designated as AFS financial assets of the Association amounted to P473.61 million and P464.07 million, respectively.

As of December 31, 2020 and 2019, the investment in Unit Investment Trust Fund (UITF) with BPI Bayanihan Balanced Fund amounted to P76.43 million and P73.06 million, respectively.

The Association classifies AFS financial assets under Level 1 of the fair value hierarchy, except for the unquoted 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, 2020 and 2019, 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 is 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.

Significant Unobservable Input	Movement in basis points	Increase (decrease) in fair value	
		2020	2019
Weighted cost of capital	+500	(P26,313,582)	(P83,494,663)
	-500	24,542,800	98,051,182

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.

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

- a. The credit risk in respect of customer balances, incurred on non-payment of premiums or contributions will only persist during the grace period specified in the policy document or when the policy is either paid up or terminated.
- b. Reinsurance is placed with highly rated counterparties and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and update the reinsurance purchase strategy, ascertaining suitable allowance for impairment.
- c. The Association sets the maximum amounts and limits that may be advanced to corporate counterparties by reference to their long-term credit ratings.

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

	2020	2019
Financial Assets		
Cash and cash equivalents (excluding cash on hand amounting P0.12 million and P0.22 million in 2020 and 2019, respectively)	P591,006,625	P547,288,384
HTM investments	16,573,941,641	15,558,075,386
Loans and Receivables		
Short-term investments	257,315,208	276,551,385
Long-term investment	2,668,696,325	854,375,594
Receivables		
Accounts receivable	6,676,988	29,119,251
Loans receivable	14,610,909	19,960,000
Advances for future stocks subscriptions	—	121,273,000
Other receivables	18,691,098	20,798,067
AFS financial assets		
Unquoted	1,084,243,217	1,108,241,463
Quoted	550,041,174	537,128,813
Accrued interest receivable	283,510,335	220,407,218
	P22,048,733,520	P19,293,218,561

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, 2020 and 2019.

2020

	Neither Past-Due nor Impaired		Past Due and Impaired	Total
	Investment Grade	Non-Investment Grade		
Financial Assets				
HTM investments	P 16,573,941,641	P —	P —	P 16,573,941,641
Cash and cash equivalents	591,126,625	—	—	591,126,625

(Forward)

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	Neither Past-Due nor Impaired		Past Due and Impaired	Total
	Investment Grade	Non-Investment Grade		
Loans and Receivables				
Long-term Investments	P 2,668,696,325	P –	P –	P 2,668,696,325
Short-term Investments	257,315,208	–	–	257,315,208
Accrued interest receivable	283,510,335	–	–	283,510,335
Loans receivable	14,610,909	–	–	14,610,909
Accounts receivables	6,676,988	–	1,151,704	7,828,692
Other receivables	18,691,098	–	534,305	19,225,403
AFS financial assets				
Quoted	550,041,174	–	–	550,041,174
Unquoted	1,084,243,217	–	–	1,084,243,217
	P 22,048,853,520	P –	P 1,686,009	P 22,050,539,529

2019

	Neither Past-Due nor Impaired		Past Due and Impaired	Total
	Investment Grade	Non-Investment Grade		
Financial Assets				
HTM investments	P 15,558,075,386	P –	P –	P 15,558,075,386
Cash and cash equivalents	547,505,284	–	–	547,505,284
Loans and Receivables				
Long-term investments	854,375,594	–	–	854,375,594
Short-term investments	276,551,385	–	–	276,551,385
Accrued interest receivable	220,407,218	–	–	220,407,218
Loans receivable	19,960,000	–	–	19,960,000
Accounts receivables	27,364,402	–	1,754,849	29,119,251
Other receivables	137,261,317	–	4,809,750	142,071,067
AFS financial assets				
Quoted	537,128,813	–	–	537,128,813
Unquoted	1,108,241,463	–	–	1,108,241,463
	P 19,286,870,862	P –	P 6,564,599	P 19,293,435,461

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.

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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:

2020

	Up to 1 year	1-3 years	over 5 years	No term	Total
Financial assets					
Cash and cash equivalents	P 592,559,350	P -	P -	P -	P 592,559,350
HTM investments	2,710,010,216	13,521,398,186	6,243,882,572	-	22,475,290,974
Loans and receivables					
Accounts receivable	6,676,988	-	-	-	6,676,988
Accrued interest receivable	140,635,658	-	-	-	140,635,658
Loans receivable	-	16,055,503	-	-	16,055,503
Other receivables	18,691,098	-	-	-	18,691,098
Short-term investments	257,721,284	-	-	-	257,721,284
Long-term investments	-	-	3,279,496,567	-	3,279,496,567
AFS financial assets	-	-	-	1,634,284,391	1,634,284,391
	P 3,726,294,594	P 13,537,453,689	P 9,523,379,139	P 1,634,284,391	P 28,421,411,813
Financial liabilities					
Other financial liabilities					
Accounts payable - CaMIA	P 4,150	P -	P -	P -	P 4,150
Claims payable	144,450,616	-	-	-	144,450,616
Collection fee payable	47,578,348	-	-	-	47,578,348
Accrued expenses	26,658,383	-	-	-	26,658,383
Lease liabilities	5,307,875	1,047,702	-	-	6,355,577
	P 223,999,372	P 1,047,702	P -	P -	P 225,047,074

2019

	Up to 1 year	1-3 years	over 5 years	No term	Total
Financial assets					
Cash and cash equivalents	P 547,505,284	P -	P -	P -	P 547,505,284
HTM investments	220,640,616	4,816,249,964	10,521,184,806	-	15,558,078,376
Loans and receivables					
Accounts receivable	24,845,505	1,070,935	-	-	25,916,440
Accrued interest receivable	220,407,218	-	-	-	220,407,218
Loans receivable	-	19,960,000	-	-	19,960,000
Advances for future stocks subscriptions	121,273,000	-	-	-	121,273,000
Other receivables	17,170,676	3,149,817	-	-	20,320,493
Short-term investments	276,551,385	-	-	-	276,551,385
Long-term investments	-	-	854,375,594	-	854,375,594
AFS financial assets	-	-	-	1,645,370,276	1,645,370,276
	P 1,428,393,684	P 4,840,430,716	P 11,375,560,400	P 1,645,370,276	P 19,289,755,076

(Forward)

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	Up to 1 year	1-3 years	over 5 years	No term	Total
Financial liabilities					
Other financial liabilities					
Accounts payable - CaMLA	P 1,340,685	P -	P -	P -	P 1,340,685
Claims payable	98,052,285	-	-	-	98,052,285
Collection fee payable	22,902,073	-	-	-	22,902,073
Accrued expenses	21,179,520	-	-	-	21,179,520
Lease Liabilities	4,196,266	605,468	-	-	4,801,734
	P 147,670,829	P 605,468	P -	P -	P 148,276,297

Market risk

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

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

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

Currency risk

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

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

	2020		2019	
	U.S. Dollar ⁽¹⁾	Peso Equivalent	U.S. Dollar ⁽¹⁾	Peso Equivalent
Cash in bank	\$5,540	P 266,063	\$12,681	P 642,112
Cash equivalents	489,854	23,524,245	-	-
Short-term investments	5,732	275,277	487,676	24,693,053
Total	\$501,126	P 24,065,585	\$500,357	P 25,335,165

⁽¹⁾ The exchange rate used was P 48.02 to US\$1.00 in 2020 and P 50.64 to US\$1.00 in 2019.

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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
2020	USD	+0.10	P 2,406,407
		-0.10	(2,406,407)
2019	USD	+0.10	P 2,533,807
		-0.10	(2,533,807)

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, 2020 and 2019, the Association does not have financial instruments which have repricing interest.

2020

	Range of interest rate	Up to a year	Over one (1) year
Cash and cash equivalents-regular deposit	0.05% to 1.50%	P 160,998,942	P –
Cash and cash equivalents-time deposits	0.10% to 3.50%	430,007,683	–
Short-term investments	0.38% to 4.00%	257,315,208	–
Long term investments	4.00% to 6.00%	–	2,668,696,325
HTM investments	1.25% to 8.06%	–	16,573,941,641
Total financial assets		P 848,321,833	P 19,242,637,966

2019

	Range of interest rate	Up to a year	Over one (1) year
Cash and cash equivalents-regular deposit	0.05% to 1.50%	P 186,955,522	P –
Cash and cash equivalents-time deposits	3.12% to 3.80%	360,549,762	–
Short-term investments	1.25% to 4.00%	276,551,385	–
Long term investments	4.00% to 6.00%	–	854,375,594
HTM investments	3.25% to 8.06%	–	15,558,075,386
Total financial assets		P 824,056,669	P 16,412,450,980

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.

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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).

	2020		2019	
Change in NAVPS	+10%	-10%	+10%	-10%
Mutual Funds	P47,360,908	(P47,360,908)	P44,323,038	(P44,323,038)
Unit Investment Trust Fund	7,643,210	(7,643,210)	7,312,364	(7,312,364)

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, 2020 and 2019, 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	CARD MRI Disaster Relief Assistance Program	Experience Refund	Enhancement of IT system	Total
At January 1, 2019	P137,861,701	P3,578,091	P542,756	P82,322,396	P224,304,944
Appropriation	87,200,000	80,000,000	—	197,632,531	364,832,531
Reversal of Appropriation	—	(3,578,072)	—	—	(3,578,072)
Utilization of Appropriation	—	(55,929,693)	—	—	(55,929,693)
At December 31, 2019	225,061,701	24,070,326	542,756	279,954,927	529,629,710
Appropriation	532,000	49,567,510	—	—	50,099,510
Utilization of Appropriation	—	(68,667,695)	—	—	(68,667,695)
At December 31, 2020	P225,593,701	P4,970,141	P542,756	P279,954,927	P511,061,525

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 P125.00 million, whichever is higher.

The Association appropriated P49.57 million and P80.00 in 2020 and 2019, 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 2020 and 2019, reversal and utilization of appropriation amounted to P68.67 million and P59.51 million, respectively.

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29. Maturity Profile of Assets and Liabilities

The table below presents the assets and liabilities of the Association as of December 31, 2020 and 2019 analyzed according to whether they are expected to be recovered or settled within one year and beyond one year from the reporting date:

	2020		Total	2019		Total
	Within One Year	Beyond One Year		Within One Year	Beyond One Year	
Financial Assets						
Cash and cash equivalents	P 591,126,625	P –	P 591,126,625	P 547,505,284	P –	P 547,505,284
Financial assets at FVTPL						
Loans and receivables – net	282,683,294	2,683,307,234	2,965,990,528	443,520,951	878,556,346	1,322,077,297
HTM investments	1,903,290,259	14,670,651,382	16,573,941,641	220,640,616	15,337,434,770	15,558,075,386
AFS financial assets	–	1,634,284,391	1,634,284,391	–	1,645,370,276	1,645,370,276
Accrued income	283,510,335	–	283,510,335	220,407,218	–	220,407,218
	3,060,610,513	18,988,243,007	22,048,853,520	1,432,074,069	17,861,361,392	19,293,435,461
Nonfinancial Assets						
Property and Equipment	P –	P 170,316,320	P 170,316,320	P –	162,998,426	162,998,426
Right-of-use Assets	–	14,556,357	14,556,357	–	10,434,011	10,434,011
Investment Properties	–	404,790,155	404,790,155	–	405,761,651	405,761,651
Investments in Associates	–	1,142,545,741	1,142,545,741	–	946,624,769	946,624,769
Pension Asset	–	49,119,906	49,119,906	–	43,261,782	43,261,782
Other Assets	13,936,667	3,484,123	17,420,790	14,334,618	2,911,950	17,246,568
	13,936,667	1,784,812,602	1,798,749,269	14,334,618	1,571,992,589	1,586,327,207
	3,074,547,180	20,773,055,609	23,847,602,789	1,446,408,687	19,433,353,981	20,879,762,668
Less: Allowance for credit losses			1,686,009			6,564,599
Accumulated depreciation – property and equipment			64,962,259			51,656,856
Accumulated depreciation – ROU Asset			7,764,015			5,705,313
Accumulated depreciation – Investment properties			66,139,257			52,812,220
			P 23,707,051,249			P 20,763,023,680
Financial Liabilities						
Accounts payable and accrued expenses	P 70,699,966	P –	P 70,699,966	P 43,424,017	P –	P 43,424,017
Lease liabilities	5,307,875	1,047,702	6,355,577	4,196,266	605,468	4,801,734
	76,007,841	1,047,702	77,055,543	47,620,283	605,468	48,225,751
Nonfinancial Liabilities						
Insurance contract liabilities	–	10,769,367,158	10,769,367,158	–	9,306,435,713	9,306,435,713
Retirement fund	–	7,108,784,001	7,108,784,001	–	5,990,697,711	5,990,697,711
	–	17,878,151,159	17,878,151,159	–	15,297,133,424	15,297,133,424
	76,007,841	17,879,198,861	P 17,955,206,702	47,620,283	15,297,738,892	P 15,345,359,175

30. Subsequent Events

Continuing COVID-19 pandemic

Because of the coronavirus disease 2019 (COVID-19) pandemic, the Company is exposed to a number of trends and uncertainties which can affect its financial performance. These include levels of general economic activity and its effect on the disposable incomes of households in the Philippines.

Various levels of community quarantine throughout the country have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

The scale and duration of these developments continue to be uncertain as of the report date. The Company observed declines in its revenues. However, it is not possible to estimate the overall impact of the pandemic's near-term and longer-term effects. The Company has incurred and will continue to incur costs as it continues to mitigate the adverse effects of the pandemic on its operations. The

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pandemic could have a material impact on the Company's financial results for the rest of 2021 and even periods thereafter. Considering the evolving nature of the pandemic, the Company will continue to monitor the situation.

CREATE Act

President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Company:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding P5.0 million and with total assets not exceeding P100.0 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.
- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

Applying the provisions of the CREATE Act, the Company would have been subjected to lower regular corporate income tax rate of 25% and minimum corporate income tax rate of 1% effective July 1, 2020.

Based on the provisions of Revenue Memorandum Circulars (RMC) No. 50-2021 dated April 5, 2021 issued by the BIR, the prorated CIT rate of the Company for CY2020 is 27.50%. This will result in lower provision for current income tax for the year ended December 31, 2020 amounting to P916,707, or a reduction of P83,337. The reduced amounts will be reflected in the Company's 2020 annual income tax return. However, for financial reporting purposes, the changes will only be recognized in the 2021 financial statements.

31. 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 29, 2021.

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

The Association reported and/or paid the following types of taxes in 2020:

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 from its rental income and interest earned from loans receivables amounting P2.04 million and P0.10 million, respectively.

- b. The Association did not incur any input VAT in 2020.

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 2020:

<i>Local tax</i>	
License and permit fees	P2,848,704
Real property taxes	1,274,874
Others	117,969
	<u>4,241,547</u>
<i>National tax</i>	
Registration fees	26,700
	<u>P4,268,247</u>

c. Withholding Taxes

Details consist of the following:

	December 31,	
	Remitted	2020
Withholding taxes on compensation and benefits	P504,970	P46,600
Expanded withholding taxes	2,846,313	397,811
	<u>P3,351,283</u>	<u>P444,411</u>

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d. Tax Assessments and Cases

On January 23, 2020, the Association received a letter from the OIC-Revenue District Officer of BIR Revenue District Office No. 055-East Laguna, in response to the Association's request for the issuance of certificate of tax exemption, opining that the Association "does not qualify for exemption under Section 30 (G) of the NIRC, as amended, and, therefore, is liable for regular corporate income tax imposed under Title II of the same Code and other applicable taxes such as Value Added Tax (VAT) or Percentage Tax on the alleged ground that its primary source of income is the gross premiums on insurance contracts as this indicates that the Association is a credit facility or a financing enterprise administered for profit.

The Association's Legal Counsel duly protested the same and filed on February 20, 2020 its position paper thereto.

Currently, the matter has been referred to the Legal Division of the BIR's Revenue Region No. 09 for appropriate action. The resolution on this matter is on-going.

Management together with its Legal Counsel assessed that it is highly probable that BIR will accept the uncertain tax treatment.

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CARD MBA Head Office

4th floor 120 M. Paulino St. Corner Burgos St.
Brgy. VII D San Pablo City, Laguna
(+63 49)562 2878
www.cardmba.com