

CARD MBA ANNUAL REPORT 2021



**DIGITALLY EMPOWERING COMMUNITIES
TOWARDS ECONOMIC RECOVERY**

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ABOUT THE COVER



The strength of CARD Mutually Reinforcing Institutions (CARD MRI) is more evident in the face of adversity. For 35 years, the group of social development institutions has been fighting its way in the wilderness of what may be the most poignant obstacle of many—poverty.

As we continue our journey of helping more marginalized communities get past the poverty line and maneuver the effects of a health crisis such as the COVID-19 pandemic, we do not plan of leaving anyone behind. We aim to pull the ropes as one.

Our covers seek to provide a glimpse of how our communities, both families and digital facilities, join forces to pull up and rise from the effects of the pandemic. From the head of the household, down to the next generation, our communities have a role to take in recovering from this obstacle.

With our front cover, the digital hand plays a vital role in reaching out to families and supporting them through technology-driven initiatives.

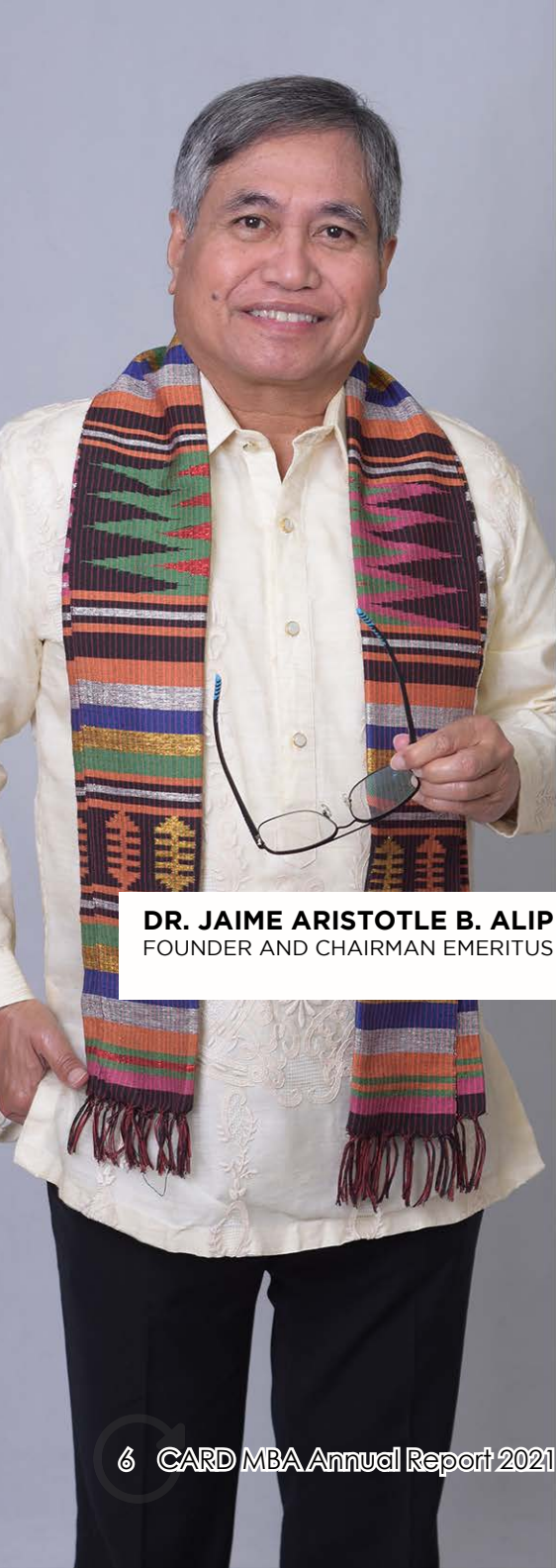
With our back cover, we want to show the true faces of people whom we honor and empower through our devotion and commitment to fighting poverty.

VISION

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

MISSION

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



DR. JAIME ARISTOTLE B. ALIP
FOUNDER AND CHAIRMAN EMERITUS

OPPORTUNITIES FROM UNCERTAINTIES

MESSAGE FROM THE FOUNDER AND CHAIRMAN EMERITUS

After experiencing the grave effects of the COVID-19 pandemic in the past year, we now see a ray of light shining upon us. We have ultimately learned to adapt to the new normal, and the families we serve are slowly standing up again, on their way towards recovery. Finally, 2021 is a year of hope and restoration.

CARD Mutual Benefit Association (CARD MBA) has had its fair share of trials and tribulations, having been providing access to microinsurance since 1999. Since day one, I can absolutely attest that we have faced and overcome many daunting challenges that could have compromised our services had we not been a passionate advocate for development. The COVID-19 pandemic was one of them. With the unpredictable nature of the virus, we have made it clear that it is during this time that we need to strengthen our guards to protect the families we serve from this uncertain time.

We understood how great our responsibility was to our members' well-being especially during this pandemic. Alongside our staff

and our newly elected Board of Trustees, our CARD MBA Coordinators had to quickly adapt in order to continue providing our integrated microinsurance and community development services to our members. While the first year of the pandemic resulted in several setbacks and low accomplishments for us, we made sure to learn from our experiences in 2020 in order to do better. Rather than let this pandemic overwhelm us, we took it as an opportunity to strengthen ourselves and become better agents for social change.

This year, I am pleased to share that CARD MBA has recovered from the initial effects of the pandemic and has now fully adapted to the “new normal.” Thanks to our investment in digital transformation, we were able to tap various digital initiatives that augmented our operations to reach and to support more marginalized families and communities during this pandemic.

The e-Tanong Mo Chatbot and the Panatag Ka application are perhaps two of the most essential tools that CARD MBA have adopted to inform more people of the products and services of the Association and to expedite transactions in line with the 8-24 Claims Settlement Strategy. We have made it abundantly clear that we are committed to giving the best services to our members during the time they need

it the most, and it is through this strategy that we make sure that our members can claim their benefits within eight (8) to 24 hours of filing.

The year 2021 was truly the moment where we were able to triumphantly bounce back from the pandemic. Of course, none of this would have been possible without the full commitment of our loyal staff, alongside our CARD MBA Coordinators as well as our Board of Trustees, who were elected to lead us in our operations within CARD MBA. They have stayed with us through thick and thin while exemplifying the core values of CARD MRI during these trying times. It is truly encouraging to know that the future of CARD MBA will be in good hands.

While the pandemic is still ongoing, I am confident that we will be ceaseless until we have insured 80 million individuals by 2030, in line with our 10-20-80 Strategic Direction. We turned the uncertainties of the pandemic into opportunities for us to learn and to grow, and now CARD MBA has advanced into a digitally empowered Association, eager to expand alongside our microfinance institutions and enhance our services across the Philippines. Our bond has never been stronger, and now I eagerly look forward to what we can do more for our members and communities in the years to come.



ARISTEO A. DEQUITO
MANAGING DIRECTOR

A RETURN TO FORM

MESSAGE FROM THE MANAGING DIRECTOR

The year 2021 for CARD MRI was a time of revitalization. It was during this year that we were able to fully recuperate from the many setbacks we experienced when the pandemic began. By intensifying our digital transformation efforts, we were able to adapt our operations so that we could continue to provide not only our microfinance but most especially our microinsurance services that are undeniably relevant today.

Our steadfast dedication to serve is clearly reflected by the many accomplishments our institutions were able to achieve this year, and CARD MRI is now proud to share a few of our highlights while providing our members and communities with microinsurance products and services that they need to assure them and their families of a secure tomorrow.

Growing Stronger

As our microfinance institutions (MFIs) continue to expand their reach all throughout the islands of Luzon, Visayas, and Mindanao, CARD MBA also widens its coverage to insure more clients of CARD, Inc. (A Microfinance NGO), CARD Bank, CARD SME Bank, and CARD MRI RIZAL BANK (CARD RBI). In fact, this 2021, CARD MBA successfully opened four (4) Provincial Offices (POs) in Pinamalayan in Oriental

Mindoro, Sipocot in Camarines Sur, Sta. Rosa in Laguna, and Tabaco in Albay.

It is invigorating to see how quick we were able to magnify our expansions during this pandemic. Having now fully adjusted ourselves under this new normal, we are assured that our trajectory, with regards to our nationwide expansion, shall remain upwards in the years to come to provide our members with timely claims settlement and other relevant microinsurance products and services.

Digital Empowerment

When we saw how advantageous our digital initiatives were when we were still adapting our operations during the heights of the pandemic, we made sure to further amplify our integration of digital technology throughout our services this year. Through our extensive use of digital initiatives, CARD MBA was able to operate more efficiently while providing continuous service to our members and communities, regardless of any health or travel restrictions set in place in their locations.

While our microinsurance arm has been constantly supporting our MFIs' konek2CARD mobile banking application by amplifying its benefits to our members, CARD MBA has also expanded their use of digital initiatives this year. The Association began their roll-out implementation of the Panatag Ka mobile application which facilitates claims settlement in all Provincial Offices (POs). CARD MBA reported that 80% of its MBA Coordinators are already

registered while the application has processed and validated a total of 11,609 claims amounting to PhP186 million. Another digital initiative taken by CARD MBA was the implementation of their e-Tanong Mo Chatbot, which provides a wealth of information about our microinsurance products and services through Facebook Messenger. This year, the chatbot had a total of 29,543 subscribers with 7,108 inquiries received.

These were but some of the key highlights in CARD MBA's digital transformation journey this year. We remain committed in continuing these successful endeavors and integrating more digital initiatives throughout our operations in the subsequent years, all in support towards our ultimate goal of poverty eradication.

True to Course

Thanks to our lessons from the first year of the pandemic and our substantial push for digital transformation, we were able to recover and return to form. We shall continue to absorb and assess all our experiences as we work under this pandemic so that we can properly align our strategies and approaches for the benefit of our members and communities. While the uncertainties of the pandemic remain, we now have a better grasp of the situation, and as always, we are prepared to adapt ourselves if need be. Once again, CARD MRI looks forward to the horizon of another year, and we assure everyone that we shall remain true to our vision of a poverty-free Philippines.



OLIVIA C. ORNALES
PRESIDENT

A blessed day to us all!

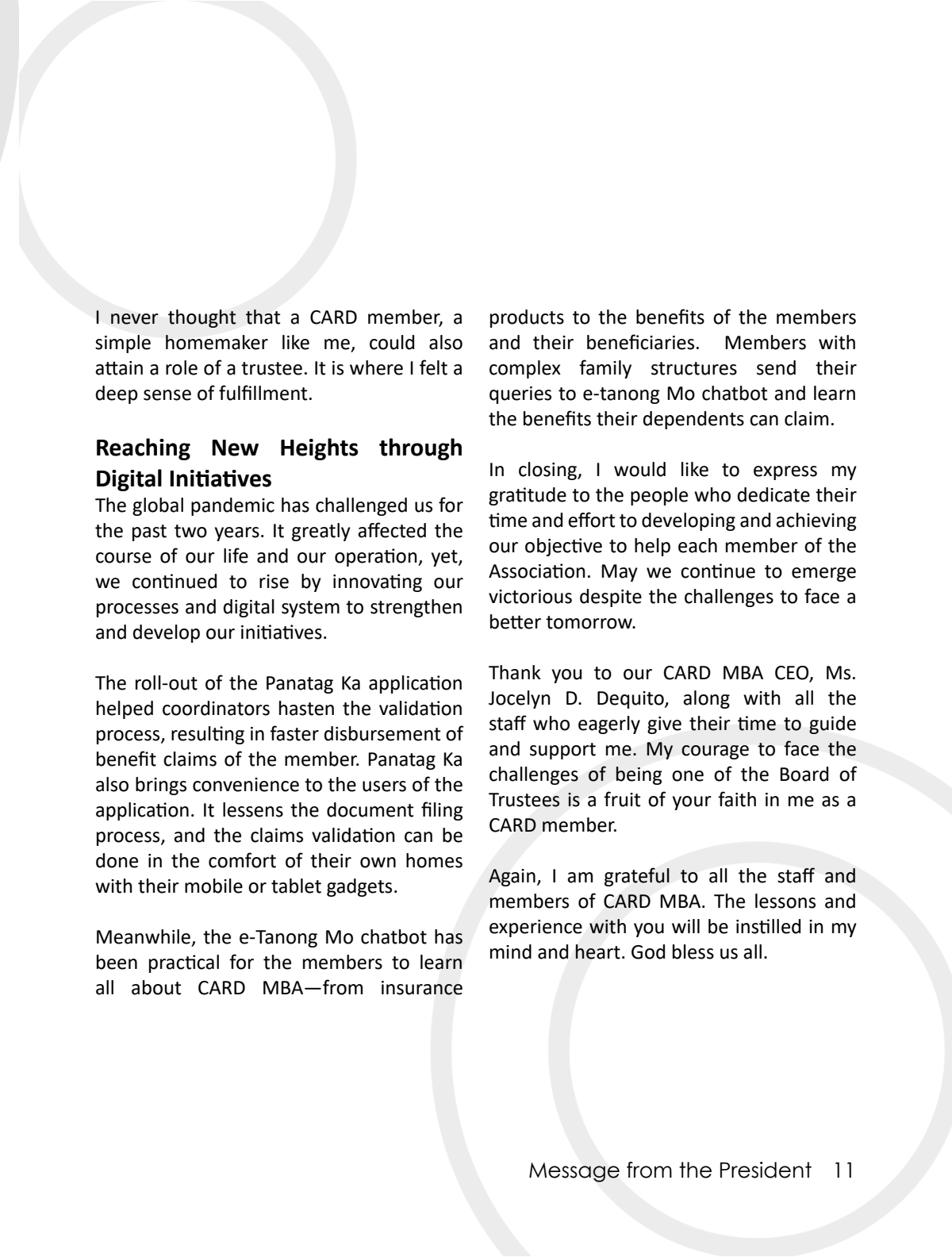
I can indeed say, “Thank you, Lord!” for my life and blessings. I am also grateful to our Founder and Chairman Emeritus Dr. Jaime Aristotle B. Alip, CARD MBA Chief Executive Officer, Ma’am Jocelyn D. Dequito, and Managing Director, Sir Aristeo A. Dequito.

My journey with CARD started when I became a member on January 10, 2000. Since then, the institution has helped me improve my livelihood and supported my children’s education. I have been a Center Officer for the longest time before being elected as an MBA Coordinator.

FULLILLMENT IN SERVICE

As a simple homemaker and mother, becoming an active MBA Coordinator can be challenging. It requires perseverance, willingness, and a heart to serve each member who needs our support. These qualities and full support from my family strengthened me to bear all the responsibilities as a recurring MBA Coordinator for almost nine years.

As an MBA Coordinator, I consider Laguna 1 Provincial Office (PO) my second home, where I learned how to socialize with people from different walks of life. The time I spent at the Laguna 1 PO has taught me valuable lessons and the importance of understanding varying people’s temperaments. I have a heartfelt appreciation to the Provincial Managers and staff I worked with at Laguna 1 PO for being generous in sharing their knowledge, which empowered me to overcome challenges and paved the way for me to become a part of the Board of Trustees.



I never thought that a CARD member, a simple homemaker like me, could also attain a role of a trustee. It is where I felt a deep sense of fulfillment.

Reaching New Heights through Digital Initiatives

The global pandemic has challenged us for the past two years. It greatly affected the course of our life and our operation, yet, we continued to rise by innovating our processes and digital system to strengthen and develop our initiatives.

The roll-out of the Panatag Ka application helped coordinators hasten the validation process, resulting in faster disbursement of benefit claims of the member. Panatag Ka also brings convenience to the users of the application. It lessens the document filing process, and the claims validation can be done in the comfort of their own homes with their mobile or tablet gadgets.

Meanwhile, the e-Tanong Mo chatbot has been practical for the members to learn all about CARD MBA—from insurance

products to the benefits of the members and their beneficiaries. Members with complex family structures send their queries to e-tanong Mo chatbot and learn the benefits their dependents can claim.

In closing, I would like to express my gratitude to the people who dedicate their time and effort to developing and achieving our objective to help each member of the Association. May we continue to emerge victorious despite the challenges to face a better tomorrow.

Thank you to our CARD MBA CEO, Ms. Jocelyn D. Dequito, along with all the staff who eagerly give their time to guide and support me. My courage to face the challenges of being one of the Board of Trustees is a fruit of your faith in me as a CARD member.

Again, I am grateful to all the staff and members of CARD MBA. The lessons and experience with you will be instilled in my mind and heart. God bless us all.



JOCELYN D. DEQUITO
CHIEF EXECUTIVE OFFICER

The new normal has required us to change the dynamics of how we live and transact in an instant. Face-to-face transactions have become limited, but CARD Mutual Benefit Association (CARD MBA) did not let it affect the urgency of providing the clients with financial services in the form of microinsurance, especially when they need it the most.

The importance of microinsurance is especially visible with the pandemic underway. This year, we have disbursed 7,628 death claims due to COVID-19 amounting to PhP244M. Moreover, we have also continued to provide relief goods amounting to PhP17.2M to 147,074 calamity-affected families. Our quick feet to provide timely and relevant services to our members during natural and man-

EQUIPPED FOR THE INEVITABLE CHALLENGES OF THE TIMES

made crisis is proof of our dedication to our mission and our devotion to our members.

In fact, this 2021, we have also continued to expand by building four Provincial Offices (PO) particularly in Pinamalayan in Oriental Mindoro, Sipocot in Camarines Sur, Sta. Rosa in Laguna, and Tabaco City in Albay. By setting up these additional POs, we aim to bring our microinsurance services closer to our members and expand alongside our microfinance institutions (MFIs), including CARD, Inc. (A Microfinance NGO), CARD Bank, CARD SME Bank, and CARD MRI RIZAL BANK (CARD RBI). We also believe that this does not only support the growing membership of our MFIs that automatically enroll its clients as members of CARD MBA, but this move will also maintain timely settlement of claims for our members, especially with our 8-24 claims settlement strategy, which allows us to process claims within eight to 24 hours of filing.

Our goal to settle our members' claims as quick as possible is complemented with our digitization strategies that will improve

customer service and create efficiency in claims processing.

Strengthening Customer Service through Digital Platforms

Before the pandemic hit, the digitization of transactions and processes had already been in our line-up. The launch and the roll-out of CARD MBA's digital initiatives were just in time to make use of the existing and the new technology in digitally empowering the community to make the 8-24 settlement strategy happen, despite the limitation of community movement. Implementing these digital innovations speeds up the transaction process and encourages the community to adapt to the inevitable digital advancement for years to come.

This year, the continuous development of available digital platforms such as the e-Tanong Mo chatbot and Liham-Paalala transpired. With the Customer's Feedback Facility in the e-Tanong Mo chatbot, we can monitor the platform's effectiveness through feedback. The improvement on Liham-Paalala, on the other hand, is the automation of text blast notices to remind the members of the upcoming 45-day grace period deadline.

When it comes to fast and convenient claims payment settlements, the CARD Microinsurance System (CMS) system integration to CARD Sulit Padala has effectively provided the clients a contactless option. The Remit-to-Deposit feature of

this system disburses the claims directly to the beneficiary's savings account. In 2021, a total of 5,699 transactions were processed, disbursing PhP231.90M in total.

The recent implementation of the Panatag Ka application has brought ease to the clients with the support of CARD MBA Coordinators when it comes to filing claims to the POs. CARD MBA staff and coordinators were trained to use the Panatag Ka to ensure smooth claims settlement transactions. By the end of 2021, about 80% of CARD MBA Coordinators were already registered to the application, assisting a total of 11,609 claim settlements amounting to PhP186,000,000.00.

Meanwhile, as we exhaust all possible options to lift our members from poverty with our microinsurance services, we also make sure to support CARD MRI in its digital transformation journey, especially in its promotion of konek2CARD, a mobile banking application that eases clients' financial transactions with features such as balance inquiry, bills payment, e-load purchase, and a lot more.

This year, we have supported konek2CARD's road to reaching 3.5 million registered users through our MBA Coordinator's Information Education Campaign (IEC), which was received by 5,203 of our members. Through the IEC, 4,283 members were endorsed to register with konek2CARD with 3,200 members successfully registered to the mobile banking application.

Because we see the importance of konek2CARD in the lives of the families we serve, we will not stop promoting this to build financially inclusive communities in the Philippines.

Ensuring Enhanced Protection

With the support from our MFIs, CARD MBA has reached an 868,700 increase in membership from 2020 to 2021. By the end of 2021, we have reached a performance rating of 98.45% and reached a total of 22,838,562 insured individuals.

The optional insurance product Family Security Plan (FSP), which was launched in 2020, was fully deployed in 2021. FSP offers additional protection at a low annual premium on top of the member's basic life insurance. This product ensures that the members and their families immediately qualify to claim the benefits in case of unforeseen accidents or death without the contestability period.

By improving the incentive scheme on FSP, we encouraged 312,255 clients to enroll, generating PhP321.20M. As a result, CARD MBA ensured the protection of 368,999 clients through FSP as the year ended.

With this offer, there is no wonder why FSP is the most sought-after information on the e-Tanong Mo chatbot platform based on the collected data.

Internal Security and Capacity-Building to Reach Full Capacity

As we secure the lives of our members through our microinsurance products and services, we also make sure to strengthen our security controls to protect our members' and employees' information. With this in mind, we continuously implement various Information Security Controls such as phishing simulation and vulnerability assessment with remediation. We have also added security features to our POs' official mobile and upgraded our firewall firmware to the latest and stable version.

We have also issued Information Security Awareness Newsletters to our staff and conducted Security Awareness Examination to strengthen their knowledge on several matters pertaining to information security. This makes us confident that our data is secure at all times and in every way possible.

Aside from these initiatives, we have also continued to equip our staff to transform them into even more effective leaders in our society. Therefore, it is with joy that I would like to congratulate six of our staff who have demonstrated their excellence in their master's and bachelor's degree with magna cum laude and distinction awards. We at CARD MBA acknowledge your hard work and devotion to your craft.

I am also even more hopeful for the future of CARD MBA with our newly elected Board of Trustees, mothers that we transform to leaders, who will assist in governing CARD MBA to address the needs of their fellow members. With this, I am optimistic that we can better serve our communities through these people who are our greatest assets to achieve social development in our areas of coverage.

Influencing Economic Growth

Being the microinsurance pioneer in the Philippines, CARD MBA serves as a trailblazer for other microinsurance companies. We share our digital initiatives, programs, projects, and best practices with other MBA networks in the country. Our continuous effort to assist other organized groups through the Build-Operate-and-Transfer-Program (BOAT) Program secures

the consistency of helping marginalized sectors outside CARD.

The Better Things to Come

In line with the 10-20-80 strategic direction, which aims to help 20 million clients and insure 80 million individuals in the next 10 years, CARD MBA is committed to reaching more families by establishing more offices and improving our digital platforms this 2022. Our partners and members can expect better communication, transaction services, and processing.

In 2022, we anticipate the development of our digital platforms, especially the Panatag Ka application. We can all look forward to the additional application features, including the automation of sending Aplikasyon sa Pagiging Kasapi (APK) as part of the onboarding process, document management, product enrollment, and members' data record.

In the uncertainty of the pandemic's effect on our lives and the economy, we will remain focused on fulfilling our purpose to protect our members from the many uncertainties in life. We at CARD MBA are looking forward to making this possible now and in the years to come.

2021 IN NUMBERS



Active Members

6,340,175



Loan Redemption Fund

22,695



Members Served

6,480,895



Retirement Fund

323,646



Insured Individuals

22,992,402



Life Refund

323,543

486 Staff

15 BOAT Partners

1,923 MBA Coordinators

283,393 CARD MRI Disaster Relief Assistance Program (CDRAP)

₱33,711,002.50

Amount of Claims Settlement for COVID-19 Cases

₱92,271,973.00

Confirmed COVID-19 Cases

₱151,737,930.69

Persons Under Investigation (PUI)

78 Provincial Offices

06 No. of Regions

18 clusters

1,568

Golden Life Insurance Program Claims

97,494

Basic Life Insurance Program (BLIP)

5,953

Donated Benefits

1,319

BLIP Expansion

1,491

Family Security Plan

4

Remitter Protek Plan



15

Mass Weddings



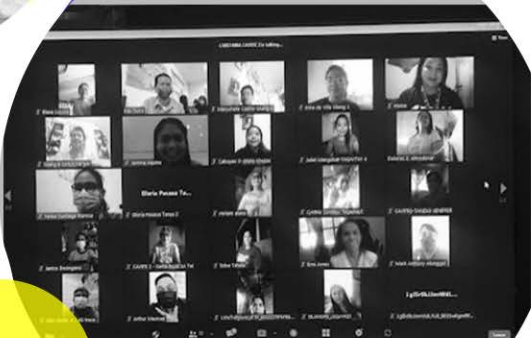
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Scholarships



THIS IS OUR 2021.







MANAGEMENT COMMITTEE

Jocelyn D. Dequito
Chief Executive Officer

Janet D. Caneo
Director for Administration
and Finance

Oliver M. Reyes
Sr. Operations Director

Arlene R. Umandap
Director for Claims and
Technical Support - OIC

Michael Kelvin N. Junos
Director for Actuarial - OIC

Jennifer O. Redublo
Director for Compliance - OIC

Gina A. Nevado
Deputy Director for Operations

Ma. Joyce M. Alimagno
Deputy Director for Operations

Mauricio B. Maur
Deputy Director for Operations

Francis R. Montilla
Deputy Director for Operations

Rosalie B. Martecion
Deputy Director for
Operations - OIC

Janicekith N. Navera
Deputy Director for
Operations - OIC



BOARD OF TRUSTEES

Ms. Olivia C. Ornales
President

Ms. Mylin M. Chozas
Board Treasurer

Ms. Marilyn F. Maravilla
Board Trustee

Ms. Gina M. Cabiles
Board Trustee

Ms. Jovelyn M. Capuyan
Board Trustee

Ms. Alice Y. Gregory
Board Trustee

Ms. Rowena R. Bayuga
Board Trustee

Ms. Filda R. Tolen
Board Trustee

Ms. Marlie Jean S. Gimeno
Vice President

Ms. Marjorie I. Quisoy
Board Trustee

Ms. Beverly A. Sinadjan
Board Trustee

Ms. Jenelyn A. Sanchez
Board Trustee

Ms. Vida T. Chiong
Independent Trustee

Mr. Francis M. Puzon
Independent Trustee

Mr. Rolando A. Robles
Independent Trustee

AREAS OF COVERAGE

CARD MBA MAIN OFFICE
SAN PABLO CITY, LAGUNA
(049) 562-2878

LUZON 2 REGION

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

LUZVIMIN REGION

Naga City, Camarines Sur
Nabua, Camarines Sur
Goa, Camarines Sur
Legaspi City, Albay
Surigao City, 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, Bukidnon
Tabaco City, Albay

LUZON 2 REGION

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

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

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
Sta. Rosa, Laguna
Sipocot, Camarines Sur

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 Cotobato
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 Cotobato

BUILD-OPERATE-AND-TRANSFER PROGRAM (BOAT) PARTNERS

Luzon

Bagnos Multipurpose Cooperative

Caunayan Multipurpose Cooperative (MPC)

Nangalisan Multipurpose Cooperative

Sipsipin Multipurpose Cooperative

Umiray Agrarian Reform Beneficiaries Multipurpose Cooperative (UMARBEMPCO)

Visayas

Tinabangay sa Igsoong Mag-uuma Gasa ni San Isidro (TIMGAS) Multipurpose Cooperative

USWAG Development Foundation

San Julian Multipurpose Cooperative

Libercon Multipurpose Cooperative

Padre Burgos Multipurpose Cooperative

Progressive Women Agrarian Reform Cooperative

Mindanao

Bukidnon Integrated Network of Home Industries (BINHI), Inc.

Los Arcos Multipurpose Cooperative (LAMPCO)

Tinagacan Agrarian Reform Beneficiaries Cooperative (TARBC)

Grains Multipurpose Cooperative



CORPORATE GOVERNANCE

The year 2021 is a season of progression for CARD Mutual Benefit Association, Inc. (CARD MBA). It was the year that Ms. Jocelyn D. Dequito was introduced as the new chief executive officer of CARD MBA. The changing of guard is part of the succession plan of CARD MRI, which entails our commitment to good governance.

Also, to ensure that the Association's transactions will always uphold the best interest of its members and other stakeholders, having an independent eye that will oversee the Association is key to effective and efficient operations. Hence, this year, new Independent Trustees, Mr. Francis M. Puzon and Mr. Rolando A. Robles, were also introduced to succeed those who have completed their term as independent trustees.

CORPORATE GOVERNANCE CONFIRMATION STATEMENT

The Board of Trustees and the Management of CARD MBA 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 gives 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 hold no executive position in the Association. They act in a manner characterized by transparency, accountability, fairness, and for the best interest of the members and stakeholders. Trustees are primarily responsible for approving and overseeing the implementation of the Associations' policies and procedures, action plans, corporate governance, and values towards attainment of the short and long-term strategic objectives.

The 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 leads and serves others, the trustees are trained and exposed to different training and practices.

As part of their responsibility, the BOT has to visit five (5) members and three (3) 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 BOT holds regular meetings every first Friday of every other month and special board meetings, if necessary. Below is the attendance for the meetings held in 2021:

Name of Trustee	Position	Term	Total No. of Meetings	No. of Meetings Attended	Percentage Rating
Ms. Cristita S. Salao	President/ Chairman of the Board	Sept. 2019 – Nov. 2021	8	8	100.00%
Ms. Perla L. Munar	Vice President	Sept. 2019 – Nov. 2021	8	8	100.00%
Ms. Remedios V. Gabriel	Board Treasurer	Sept. 2019 – Nov. 2021	8	8	100.00%
Ms. Olivia C. Ornales*	Board Secretary	Nov. 2020 – Present	8	8	100.00%
Ms. Teresita G. Villanueva	Board Trustee	Sept. 2019 – Nov. 2021	8	8	100.00%
Ms. Nora T. Porley	Board Trustee	Sept. 2019 – Nov. 2021	8	8	100.00%
Ms. Gina M. Cabiles	Board Trustee	Nov. 2020 – Present	8	8	100.00%
Ms. Jovelyn M. Capuyan	Board Trustee	Nov. 2020 – Present	8	8	100.00%
Ms. Marie Jean S. Gimeno	Board Trustee	Nov. 2020 – Present	8	8	100.00%
Ms. Elizabeth T. Francisco	Board Trustee	Nov. 2020 – Present	8	8	100.00%
Ms. Marilyn F. Maravilla	Board Trustee	Nov. 2020 – Present	8	8	100.00%
Ms. Alice Y. Gregory	Board Trustee	Nov. 2020 – Present	8	8	100.00%
Ms. Arlette A. Umali	Independent Trustee	Jan. 2015 – Nov. 2021	8	8	100.00%
Atty. Jomer H. Aquino	Independent Trustee	Jan. 2015 – Nov. 2021	8	8	100.00%
Ms. Vida T. Chiong	Independent Trustee	Sept. 2019 – Present	8	8	100.00%

*Ms Ornales was elected as President and Chairman of the Board starting Nov. 4, 2021

NEWLY ELECTED BOARD OF TRUSTEES NOVEMBER 4, 2021

Ms. Mylin M. Chozas	Board Treasurer	1	1	100.00%
Ms. Rowena R. Bayuga	Board Trustee	1	1	100.00%
Ms. Filda R. Tolen	Board Trustee	1	1	100.00%
Ms. Marjorie I. Quisoy	Board Trustee	1	1	100.00%
Ms. Beverly A. Sinadjan	Board Trustee	1	1	100.00%
Ms. Jenelyn A. Sanchez	Board Trustee	1	1	100.00%
Ms. Francis M. Puzon	Independent Trustee	1	1	100.00%
Ms. Rolando A. Robles	Independent Trustee	1	1	100.00%

BOARD COMMITTEES

Audit Committee

The Audit Committee assists the BOT in the oversight of internal and external audit functions, including their appointment and dismissal. It is composed of three (3) appropriately qualified non-executive directors, the majority of whom, including the Chairman, are independent. Members of the committee have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing, and finance. 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 2021, CARD MBA Audit Committee certifies that CARD MBA 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. The table below shows the 2021 attendance of each member in the meeting.

Name of Trustee	Term	No. of Audit Committee Meetings	No. of Meetings Attended	Percentage Rating
Ms. Arlette A. Umali (Former Committee Chairperson)	Jan. 2015 – Nov. 2021	12	12	100%
Mr. Francis M. Puzon (Committee Chairperson)	Dec. 2021 – Present	1	1	100%
Ms. Vida T. Chiong	Sept. 2019 – Present	12	12	100%
Ms. Olivia C. Ornales	Nov. 2020 – Present	12	12	100%

Ms. Perla L. Munar	Sept. 2019 – Nov. 2021	11	11	100%
Mr. Jeffrey M. Rondina	Sept. 2019 – Nov. 2021	11	11	100%

Risk Oversight Committee

The Risk Oversight Committee is responsible for the identification and evaluation of risk exposure of CARD MBA and the development of risk management strategies. The committee is also responsible for overseeing the implementation of these plans. Different risks identified by the committee that are regularly monitored include, but are not limited to, reputational risks, underwriting risks, product risks, compliance risks, IT risks, investment/financial risks and operation risks. The committee also ensures that the management is able to implement the mitigating factors recommended by the committee effectively. The committee is composed of qualified members, the majority of whom, including the Chairman, is independent or holds no executive function to the Association. The Chairman should not be the Chairman of the Board or of any other committee

The committee meets every first Friday of every two months. The table below shows the 2021 attendance of each member in the meeting.

Name of Trustee	Term	No. of Risk Committee Meetings	No. of Meetings Attended	Percentage Rating
Ms. Vida T. Chiong (Committee Chairperson)	Dec. 2019 – Present	6	6	100%
Ms. May S. Dawat	Dec. 2016 – Jun. 2021	3	3	100%
Ms. Jocelyn D. Dequito	Jul. 2021– Present	3	3	100%
Ms. Cynthia B. Baldeo	Dec. 2016 – Dec. 2021	6	6	100%
Ms. Juliana B. De Leon	Dec. 2016 – Dec. 2021	6	6	100%
Ms. Arlene R. Umandap	Dec. 2016 -Present	6	6	100%
Mr. Rolando A. Robles	Nov. 2021 – Present	1	1	100%
Ms. Marlie S. Jean Gimeno	Nov. 2021 – Present	1	1	100%

Related Party Transaction Committee

The Related Party Transaction (RPT) Committee assists the BOT in evaluating transactions with related parties to ensure that related party transactions are undertaken on 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 sets a materiality threshold and authorization level for each type of transaction dealt with the related parties.

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

The committee shall have a regular meeting every fourth Friday of every other month or as the need arises. The table below shows the 2021 attendance of each member in the meeting.

Name of Trustee	Term	No. of RPT Committee Meetings	No. of Meetings Attended	Percentage Rating
Atty. Jomer H. Aquino <i>-(Former Committee Chairperson)</i>	Dec. 2020 – Nov. 2021	5	5	100%
Mr. Rolando A. Robles (Committee Chairperson)	Dec. 2021 -Present	1	1	100%
Ms. Vida T. Chiong	Nov. 2019 -Present	6	6	100%
Ms. Remedios V. Gabriel	Sept. 2019 – Nov. 2021	5	5	100%
Ms. Cristita S. Salao	Sept. 2019 – Nov. 2021	5	5	100%
Ms. Mylin M. Chozas	Dec. 2021 -Present	1	1	100%

Corporate Governance Committee

Pursuant with the Revised Code of Corporate Governance, the Association established a Governance Committee last December 15, 2020. The Corporate Governance Committee is tasked to assist the BOT 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 Corporate Governance Committee meets every fourth Friday of every other month or as the need arises. The committee is composed of three (3) qualified members who are all independent trustees including the chairman.

The table below shows the attendance of each member in the meeting.

Name of Trustee	Term	No. of Governance Committee Meetings	No. of Meetings Attended	Percentage Rating
Atty. Jomer H. Aquino <i>–(Former Committee Chairperson)</i>	Dec. 2020 – Nov. 2021	6	5	83%
Mr. Rolando A. Robles (Committee Chairperson)	Dec. 2021 -Present	1	1	100%
Ms. Vida T. Chiong	Dec. 2020 – Present	6	5	83%
Ms. Cristita S. Salao	Dec. 2020 – Nov. 2021	6	6	100%
Ms. Perla L. Munar	Dec. 2020 – Nov. 2021	6	6	100%
Mr. Francis M. Puzon	Dec. 2020 – Nov. 2021	1	1	100%

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 F. Buenaventura
 Ms. Rhea P. Race

Selection of nominees for the BOT adheres to the Governance Manual adopted by the Association. Nominees underwent two (2) levels of screening. First is on a regional selection level and finally to the Central Nomination Committee in the Main Office. The regional level selection meeting was conducted by the Regional Selection Committee (RSC) on May 4, 2021. This includes the 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 June 3, 2021 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 that 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 of the results.

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 (PDIC), was able to offer a new and competitive product to its members and their family. PDIC is a body whose primary responsibility is to review, 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.

The table below shows the 2021 attendance of each member in the meeting.

Name of Trustee	No. of PDIC Committee Meetings	No. of Meetings Attended	Percentage Rating
Mr. Wilfredo M. Llanto (Committee Chairperson)	6	6	100%
Ms. Cristita S. Salao	6	6	100%
Ms. Perla L. Munar	6	6	100%
Ms. May S. Dawat	5	4	80%
Ms. Jocelyn D. Dequito	2	2	100%
Mr. Roselito Magpantay	6	6	100%

Treasury Committee

As a manifestation of good stewardship of the members' fund, the BOT is assisted by a body called Treasury Committee whose responsibility is to review and give advice 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 in good hands.

The Treasury Committee meets every third Monday of every two months.

The table below shows the 2021 attendance of each member in the meeting.

Name of Trustee	No. of Treasury Committee Meetings	No. of Meetings Attended	Percentage Rating
Ms. Lorenza Dt. Bañez	5	5	100%
Ms. May S. Dawat	5	5	100%
Ms. Janet D. Caneo	5	5	100%
Ms. Jennifer O. Redublo	5	5	100%
Ms. Arphee Jane A. Bahia	5	5	100%
Ms. Cristita S. Salao	5	5	100%
Ms. Remedios. V. Gabriel	5	5	100%
Ms. Mico M. Cabance	5	5	100%
Ms. Marie Sharon D. Roxas	3	3	100%
Ms. Jocelyn D. Dequito	2	2	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 Php1,767,181.00 to audit the 2021 Financial Statements. The result of the audit was presented and affirmed by the BOT during its meeting on April 9, 2022.

In 2021, no non-audit fees were paid to the external auditor.

Internal Audit

Internal Audit helps the BOT in ensuring that an effective internal control system is in place. 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 P. Race who is directly supervised by the Audit Committee.

Compliance

To ensure compliance of the Association to the required laws and regulations, more particularly of the IC, a Compliance Officer was appointed by the BOT. Aside from external regulatory requirements, the Compliance Unit also ensures that the management applies 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. Ms. Redublo attended the training on good governance last March 22, 2021 entitled, “Promoting Good Governance through Strengthened MBA/MFI Cooperative Partnership.”

Risk Management

Risk Management is one of the integral parts of the Association as it helps sustain 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, designated Risk Officer, Mr. Anthony Yacap, was appointed by the BOT 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, the risks 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 RPT Committee warrants those transactions made by the Association follow the best interest of its members and stakeholders. There is an authorization level set for the proper approval; nevertheless all are presented and approved by the BOT and eventually ratified by the members during the AGMM. The details of RPTs are 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 the Audited Financial Statement, Annual Reports, and other advisories for easy access and immediate availability.

Media. The Association launched its Facebook account (www.facebook.com/cardmbaofficial) in 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 Chatbot is a chatbot through Facebook messenger where anyone can throw questions and concerns related to CARD MBA's products and services, membership, claims procedures, and other policies on their insurance coverage.

Board Performance Evaluation

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

Using a rating scale questionnaire, the Trustees assess themselves, their peers, and their respective committees. The assessment, conducted on November 4, 2021, 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 receives 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 is conducted in a transparent and fair manner.

Member's 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 in 2021, 94% of the respondents said they are satisfied with the products, prices, benefits, and services of the Association, including how the staff accommodate their queries.

Member's Health and Safety

Community Health Days

Due to the unexpected events following the COVID-19 pandemic, CARD MRI Microfinance and Health Protection (MaHP) Unit's delivery of health services through Community Health Days (CHD) and CARD MRI Community Clinic (CCC) was put on hold. Still, it did not stop MaHP in providing assistance to the members' health needs. They conduct Facebook Live sessions as well as online webinars and lectures to reach out to members and their families through online health education. MaHP also has CARD Laboratory Service that provides laboratory services to both CARD MRI clients and staff and their dependents.

On April 1, 2020 a new program of MaHP was established. This is called CARD e-Doctor Online consultation wherein free online consultations were provided to the clients, staff, and the general public who cannot afford and do not have the means to go to clinics or hospitals for consultations amid the COVID-19 pandemic. In 2021, MaHP reached 180,604 patients, who availed the services of CARD e-Doctor, Clinic, and Online Health Education & Laboratory.

Disaster Preparedness and First Aid Training

Due to the ongoing effects of the COVID 19 pandemic, CARD MBA follows the safety protocol implemented by the Inter-Agency Task Force (IATF) such as avoiding physical activities. For this reason, no training for Disaster Preparedness and Fire and Earthquake Drill with First Aid Training was conducted for the safety of their staff. Nevertheless, all disaster preparedness kits are still provided to all the offices to ensure that staff and members are safe and sound.

Supplier/Contractor Selection Criteria

CARD MBA is implementing a selection process procedure to all suppliers and contractors, who will be accredited by the Association, to ensure that good quality of products and services with a competitive price is provided. Suppliers' 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 it is 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 the institutions of CARD MRI. We have availed solar panels through CARD Leasing and Finance Corporation (CARD LFC) to ensure the continuous operations of the Provincial Offices (POs) despite certain calamities, especially typhoons. This endeavor is also in support of CARD-Business Development Service Foundation Inc.’s (CARD-BDSFI) renewable energy initiatives.

Interaction with Communities

In 2021, no physical activities were undertaken due to the COVID-19 pandemic. Nevertheless, the Association joined in the campaign of preventing the spread of the virus 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 afford and do not have the means to go to clinics or hospitals. Lastly, CARD MBA reached out to Local Government Units and other private sectors for vaccination schedules to ensure that their staff will be vaccinated.

Anti-Corruption Program/Whistle Blowing Policy

CARD MBA continuously implements its policies on anti-corruption programs such as Bantay-Integridad, Paid Mandatory Leave, and Cluster Manager’s Audit Monitoring System (CMAMs). The Bantay-Integridad program provides 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 MRI.

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



Creditor's 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. Further, in accordance with the law, the Association's creditors, if any, are given priority in payment of obligations in the normal course of business and in the event of liquidation.

EMPLOYEES' DEVELOPMENT AND SAFETY PROGRAM

Annual Physical Examination (APE)

The Annual Physical Examination/Executive Checkup is one of the health programs of the Association for its qualified employees to ensure that all are fit and in the best condition. Three Hundred Seventy-Eight (378) employees underwent APE / Executive Check-up in 2021. 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 of training every year to ensure that all are properly equipped and capacitated with the requirements of their respective duties. Because of the pandemic, most of the training attended by the staff was virtual to prevent rapid spread of the virus and to ensure the safety of the staff.

Rank	Average Training Hours	Equivalent No. Of Days
Staff	13	2 days
Manager	14	2 days

Below are the training and seminars attended by the BOT.

TRAINING AND WEBINARS ATTENDED BY THE BOARD OF TRUSTEES

1. National Microinsurance Forum 2021: “Thriving in the New Normal” dated January 26, 2021

Ms. Olivia C. Ornales	Ms. Marilyn F. Maravilla
Ms. Marlie Jean S. Gimeno	Ms. Gina M. Cabilles
Ms. Jovelyn M. Capuyan	Ms. Alice Y. Gregory
Ms. Vida T. Chiong	

2. Promoting Good Governance through Strengthened MBA-MFI/Coop Partnership dated March 22, 2021

Ms. Vida T. Chiong	Mr. Francis M. Puzon
Ms. Cristita S. Salao	Atty. Jomer H. Aquino

3. Leadership Training Workshop: Soft Skills for Servant Leadership dated April 29, 2021

Ms. Olivia C. Ornales

4. Governance and Anti-Money Laundering Act (AMLA) Workshop for Mi-MBAs dated June 4, 2021

Ms. Olivia C. Ornales	Ms. Marilyn F. Maravilla
Ms. Marlie Jean S. Gimeno	Ms. Gina M. Cabilles
Ms. Jovelyn M. Capuyan	Ms. Alice Y. Gregory
Mr. Francis M. Puzon	

5. 29th Leadership Conference (LC) dated November 11-12, 2021

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

6. Board of Trustees Orientation and Professional Image Enhancement Course dated December 13, 2021

Ms. Olivia C. Ornales	Ms. Marjorie I. Quisoy
Ms. Mylin M. Chozas	Ms. Jenelyn A. Sanchez
Ms. Rowena R. Bayuga	Ms. Beverly A. Sinadjan
Ms. Filda R. Tolen	

7. Independent Trustees Orientation Program

Mr. Francis M. Puzon	Mr. Rolando A. Robles
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BOARD OF TRUSTEES PROFILE

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 the 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 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.

Mylin M. Chozas, 38 years old; Filipino, is a member of the Board of Trustees since November 4, 2021. She is a BS Electrical Engineer Undergraduate and currently resides in Mabuhay City, Mamatid, Cabuyao, Laguna. She has a sari-sari store or food vending business. Ms. Chozas 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 Fabrication 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.

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.

Rowena R. Bayuga, 33 years old; Filipino, is a member of the Board of Trustees since November 4, 2021. She is a BS Agricultural graduate and a resident of Batac, Ilocos Norte. She has a hog-raising business. Ms. Bayuga is a non-executive trustee and holds no directorship or any position in any listed company.

Filda R. Tolen, 33 years old; Filipino, is a member of the Board of Trustees since November 4, 2021. She is a high school graduate and a resident of Sarrat, Ilocos Norte. She is engaged in hog-raising business. Ms. Tolen is a non-executive trustee and holds no directorship or any position in any listed company.

Marjorie I. Quisoy, 40 years old; Filipino, is a member of the Board of Trustees since November 4, 2021. She is a BS Communication Arts undergraduate and a resident of Pioduran, Albay. She engaged in direct selling/farming business. Ms. Quisoy is a non-executive trustee and holds no directorship or any position in any listed company.

Beverly A. Sinadjan, 34 years old; Filipino and is a member of the Board of Trustees since November 4, 2021. She is a high school graduate and a resident of Cawayan, Masbate. She is engaged in fishing and online business. Ms. Sinadjan is a non-executive trustee and holds no directorship or any position in any listed company.

Jenelyn A. Sanchez, 28 years old; Filipino and is a member of the Board of Trustees since November 4, 2021. She is a high school graduate and a resident of San Jose, Occidental Mindoro. She is engaged in a buy-and-sell business. Ms. Sinadjan is a non-executive trustee 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 the 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 the 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 trustee and holds no directorship or any position in any listed company.

Francis M. Puzon, elected as Independent Trustee of CARD MBA on November 4, 2021. He is an experienced Banker for over 35 years in a Universal and Commercial Bank handling Senior Management/Supervisory function relative to Compliance, Corporate Governance, Risk, Internal Audit & Controls, Credit & Collections and Remedial Management, Credit Review, Administration and Control, Branch Operations and Head Office Support Functions, Process Re- Engineering and Customer/Quality Service Function, among others. He currently resides in Taytay, Rizal. Mr. Puzon is a non-executive trustee and holds no directorship or any position in any listed company.

Rolando A. Robles, 63 years old; elected as Independent Trustee of CARD MBA on November 4, 2021. He has highly developed analytical and problem-solving skills needed to make critical decisions when facing challenges; adaptable and transformational as a leader with the ability to build cross-functional teams. He is a former President in Sun Life Asset Management Company Inc., Sun Life of Canada Philippines Inc., Senior Vice President, Head of Distribution Channels in Sun Life of Canada Philippines Inc., Senior Vice President, Head of the Professional Sales Agency in Pioneer Life Inc., Senior Vice President, Head of Individual Life Product Management in Pioneer Life Inc. He currently resides in Las Piñas City. Mr. Robles is a non-executive trustee and holds no directorship or any position in any listed company.




AUDITED FINANCIAL
STATEMENTS


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

Financial Statements
December 31, 2021 and 2020

and

Independent Auditor's Report

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, 2021 and 2020, 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, 2021 and 2020, 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.

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.

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 31 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

Tax Identification No. 241-031-088

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 109950-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-114-2022, January 20, 2022, valid until January 19, 2025

PTR No. 8853488, January 3, 2022, Makati City

April 9, 2022

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

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2021	2020
ASSETS		
Cash and Cash Equivalents (Notes 6 and 26)	₱228,528,514	₱591,126,625
Financial Assets (Note 26)		
Loans and receivables - net (Note 8)	4,118,060,612	2,964,304,519
Held-to-maturity investments (Note 7)	19,070,997,581	16,573,941,641
Available-for-sale (AFS) financial assets (Note 9)	1,743,308,691	1,634,284,391
Accrued Income (Note 10)	341,179,676	283,510,335
Property and Equipment - net (Note 11)	99,602,126	105,354,061
Right-of-use Assets (Note 21)	11,064,476	6,792,342
Investment Properties (Note 12)	326,463,106	338,650,898
Investments in Associates (Note 13)	1,337,848,934	1,142,545,741
Pension Asset - net (Note 25)	44,089,622	49,119,906
Other Assets (Note 14)	19,818,210	17,420,790
	₱27,340,961,548	₱23,707,051,249
LIABILITIES AND FUND BALANCE		
Liabilities		
Insurance contract liabilities (Notes 16 and 26)	₱12,504,354,764	₱10,769,367,158
Retirement fund (Note 17)	8,362,624,691	7,108,784,001
Accounts payable and accrued expenses (Notes 15 and 26)	31,037,853	70,699,966
Lease liabilities (Note 21)	11,122,585	6,355,577
Total Liabilities	20,909,139,893	17,955,206,702
Fund Balance		
Appropriated fund balance (Note 28)	1,306,131,542	511,061,525
Unappropriated fund balance	4,671,589,276	4,909,099,375
Other comprehensive income (Notes 9, 13 and 25)	454,100,837	331,683,647
Total Fund Balance	6,431,821,655	5,751,844,547
	₱27,340,961,548	₱23,707,051,249

See accompanying Notes to Financial Statements.

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

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2021	2020
REVENUE		
Members' contribution and premiums – micro (Note 18)	₱5,084,378,442	₱3,759,967,304
Reinsurance' share on gross earned premium on insurance contracts (Note 18)	(2,615,000)	(2,478,250)
Net premiums on insurance contracts	5,081,763,442	3,757,489,054
Investment income (Note 19)	612,976,190	566,512,860
Equity in net earnings of associates – net (Note 13)	187,057,372	164,254,282
Rental income (Notes 12 and 21)	17,872,741	17,015,254
Others (Note 17)	36,658,375	3,913,080
Other revenue	854,564,678	751,695,476
	5,936,328,120	4,509,184,530
BENEFITS, CLAIMS AND EXPENSES (Note 16)		
Gross change in insurance contract liabilities	1,745,261,153	1,416,533,115
Gross insurance contract benefits and claims paid	2,811,773,763	1,885,983,230
Insurance benefits and claims	4,557,034,916	3,302,516,345
GENERAL AND ADMINISTRATIVE EXPENSES (Note 20)	689,881,451	553,937,852
	5,246,916,367	3,856,454,197
EXCESS OF REVENUE OVER EXPENSES BEFORE PROVISION FOR TAXES	689,411,753	652,730,333
PROVISION FOR INCOME TAX (Note 23)	91,171,070	88,281,306
EXCESS OF REVENUE OVER EXPENSES	598,240,683	564,449,027
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)	125,307,108	(166,248,469)
<i>Items that will not be reclassified to profit or loss in subsequent periods</i>		
Remeasurement gains (losses) on defined benefit plan (Note 25)	(3,561,240)	5,317,567
Equity in other comprehensive income (loss) of associates (Note 13)	671,322	(670,388)
	122,417,190	(161,601,290)
TOTAL COMPREHENSIVE INCOME	₱720,657,873	₱402,847,737

See accompanying Notes to Financial Statements.

**CENTER FOR AGRICULTURE AND RURAL DEVELOPMENT (CARD)
MUTUAL BENEFIT ASSOCIATION
(A Nonstock, Not-for-Profit Association)
STATEMENTS OF CHANGES IN FUND BALANCE**

	Appropriated Fund Balance (Note 28)	Unappropriated Fund Balance	Fair Value Gain on AFS Financial Assets (Note 9)	Other Comprehensive Income			Total Fund Balance
				Remeasurement of Actuarial Gains (Losses) (Note 25)	Equity in other comprehensive income of an associate (Note 13)	Total	
At January 1, 2021	₱11,061,525	₱4,909,099,375	₱320,435,496	₱8,988,254	₱2,259,897	₱331,683,647	₱5,751,844,547
Appropriation during the year	835,750,782	(835,750,782)	—	—	—	—	—
Utilization of appropriation	(40,680,765)	—	—	—	—	—	(40,680,765)
Total comprehensive income:	—	598,240,683	125,307,108	(3,561,240)	671,322	122,417,190	598,240,683
Excess of revenue over expenses	—	—	—	—	—	—	—
Other comprehensive income (loss)	—	—	—	—	—	—	—
At December 31, 2021	₱1,306,131,542	₱4,671,589,276	₱445,742,604	₱5,427,014	₱2,931,219	₱454,100,837	₱6,431,821,655
At January 1, 2020	₱529,639,710	₱4,394,749,858	₱486,683,965	₱3,670,687	₱2,930,285	₱493,284,937	₱5,417,664,505
Appropriation during the year	50,099,510	(50,099,510)	—	—	—	—	—
Utilization of appropriation	(68,667,695)	—	—	—	—	—	(68,667,695)
Total comprehensive income:	—	564,449,027	—	—	—	—	564,449,027
Excess of revenue over expenses	—	—	(166,248,469)	—	—	(161,601,290)	(161,601,290)
Other comprehensive income (loss)	—	—	—	—	(670,388)	—	—
At December 31, 2020	₱511,061,525	₱4,909,099,375	₱320,435,496	₱8,988,254	₱2,259,897	₱331,683,647	₱5,751,844,547

See accompanying Notes to Financial Statements.

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

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses before provision for current and final tax	₱689,411,753	₱652,730,333
Adjustments for:		
Increase in aggregate reserves (Note 16)	1,745,261,153	1,416,533,115
Interest income (Notes 6, 7, 8 and 19)	(508,370,150)	(445,850,604)
Dividend income (Notes 9 and 19)	(104,606,040)	(120,662,256)
Equity in net earnings of an associate - net (Note 13)	(187,057,372)	(164,254,282)
Depreciation (Notes 11, 12, and 21)	36,496,902	34,376,218
Amortization of bond discount (Note 7)	(593,670)	(2,721,207)
Reversal of or provision for credit losses (Note 8)	(398,261)	(4,876,603)
Pension expense – net (Note 25)	2,018,622	1,455,074
Impairment loss on available-for-sale investment	12,752,196	–
Impairment loss on investment properties (Notes 12)	–	971,496
Interest expense on lease liability (Note 21)	1,036,738	397,183
Gain on disposal of property and equipment (Note 11)	–	(160,780)
Cash generated from operations before changes in working capital	1,685,951,871	1,367,937,687
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	(90,927,197)	151,169,336
Short-term investments	(1,053,365,747)	19,236,177
Other current assets	(2,204,935)	(352,026)
Increase (decrease) in:		
Retirement fund	1,253,840,690	1,118,086,290
Accounts payable and accrued expenses	(30,355,925)	27,275,949
Claims payable	(10,273,547)	46,398,331
Net cash generated from operations	1,752,665,210	2,729,751,744
Income taxes paid	(91,171,070)	(88,281,306)
Utilization of appropriation (Note 28)	(40,680,765)	(68,667,695)
Contributions paid (Note 25)	(549,578)	(1,995,631)
Net cash provided by operating activities	1,620,263,797	2,570,807,112
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	450,700,809	382,747,487
Cash dividends received	141,612,842	154,076,839
Acquisitions of:		
Held-to-maturity investments (Note 7)	(4,495,476,666)	(1,304,172,348)
Available-for-sale financial assets (Note 9)	(205,616,730)	(155,170,975)
Long-term investments (Note 8)	(94,375,715)	(1,814,320,731)
Investment properties (Note 12)	(1,154,021)	–
Investments in associates (Note 13)	(44,581,300)	(65,751,660)
Property and equipment (Note 11)	(8,472,434)	(7,543,910)

(Forward)

	Years Ended December 31	
	2021	2020
Proceeds from sale/maturities of:		
Held-to-maturity investments (Note 7)	₱1,999,014,396	₱291,027,300
Available-for-sale financial assets (Note 9 and 25)	190,534,967	8,391
Long-term investment (Note 8)	94,617,014	-
Property and equipment (Note 11)	363,695	161,731
Net cash flows used in investing activities	(1,972,833,143)	(2,518,937,876)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease liabilities (Note 21)	(10,028,765)	(8,247,895)
Net cash used in financing activities	(10,028,765)	(8,247,895)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(362,598,111)	43,621,341
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	591,126,625	547,505,284
CASH AND CASH EQUIVALENTS AT END OF YEAR	₱228,528,514	₱591,126,625

See accompanying Notes to Financial Statements.

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

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Center for Agriculture and Rural Development (CARD) Mutual Benefit Association, Inc. (the Association) was registered with the Securities and Exchange Commission (SEC) as a 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).

On July 22, 2013, the BIR issued Revenue Memorandum Order (RMO) No. 20-2013, prescribing the policies and guidelines in availing the Tax Exemption Rulings to qualified non-stock, not-for-profit corporations and associations. It requires these corporations and associations to file their respective Applications for Tax Exemption/Revalidation with the revenue district office where they are registered. The said RMO also specified that failure to renew the Tax Exemption Ruling within its validity period of three years would revoke the qualified entity's exemption.

On October 29, 2013, the BIR issued RMO No. 28-2013, clarifying certain provisions of RMO 20-2013. It clarified that failure to renew the Tax Exemption Ruling shall be deemed revocation of the Tax Exemption Ruling upon the expiration of the three-year period.

On December 27, 2013, the Association filed its Application for Tax Exemption/Revalidation with the BIR. The Association has made a regular follow-up on the status of its application. As of December 31, 2021 and 2020, the revalidation of tax exemption is still pending with the BIR (Note 5).

On September 18, 2014, the BIR issued RMO No. 34-2014 clarifying certain provisions of RMO 20-2013, as amended by RMO 28-2013. It clarified that Tax Exemption Rulings do not confer tax exemptions which are not provided for by law, nor can Tax Exemption Rulings abrogate those exemptions which are granted by the law. Consistent with this nature of Tax Exemption Rulings, the absence of a valid, current and subsisting Tax Exemption Ruling will not operate to divest qualified entities of the tax exemption provided under the Constitution or Section 30 of the Tax Code.

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

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

2. Basis of Preparation and Statement of Compliance

Basis for Preparation

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

Statement of Compliance

The financial statements of the Association have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

3. Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new and amended standards and interpretations effective as at January 1, 2021. The Association has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Adoption of these new standards did not have an impact on the financial statements of the Association.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*
The amendment provides 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, 2022; and
 - There is no substantive change to other terms and conditions of the lease.

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 amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted.

- Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*
The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
 - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform;
 - Relief from discontinuing hedging relationships; and

- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

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, 2021. Unless otherwise indicated, the succeeding amended PFRS will not significantly impact the financial statements:

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs 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 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

Effective beginning on or after January 1, 2025

- 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 main features of the new accounting model for insurance contracts are, as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, re-measured every reporting period (the fulfilment cash flows).
- A Contractual Service Margin ("CSM") that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profitability of the insurance contracts to be recognized in profit or loss over the service period (i.e., coverage period).

- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognized in profit or loss over the remaining contractual service period.
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice.
- The presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period.
- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the income statement, but are recognized directly on the balance sheet.
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense.
- Extensive disclosures to provide information on the recognized amounts from insurance contracts and the nature and extent of risks arising from these contracts.

The standard is effective for annual periods beginning on or after 1 January 2025. Early application is permitted, provided the entity also applies PFRS 9 and PFRS 15 on or before the date it first applies PFRS 17. An entity shall apply PFRS 17 retrospective approach for estimating the CSM on the transition date. However, if full retrospective application for estimating the CSM, is impracticable, an entity is required to choose one of the following two alternatives:

- Modified retrospective approach

Based on reasonable and supportable information available without undue cost and effort to the entity, certain modifications are applied to the extent full retrospective application is not possible, but still with the objective to achieve the closest possible outcome to retrospective application.

- Fair value approach

The CSM is determined as the positive difference between the fair value determined in accordance with PFRS 13, *Fair Value Measurement* and the fulfilment cash flows (any negative difference would be recognized in retained earnings at the transition date).

Both the modified retrospective approach and the fair value approach provide transitional reliefs for determining the grouping of contracts. If an entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, it is required to apply the fair value approach.

To date, the Association has not started assessing the impact of the new standard.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *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, 2025.

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:

- 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
- 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% 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

For measurement and disclosures purposes, the Association determines the fair value of an asset or liability at initial measurement or at each reporting date.

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

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.

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, 2021 and 2020, AFS financial assets include investments in mutual fund, investments in unquoted equity securities and unit investment trust fund. Investments in mutual funds and unit investment trust fund are initially recorded at fair value and revalued at year-end in reference to published net asset value. Meanwhile, investment in unquoted securities are initially recorded at cost, being the fair value of the investment at the time of acquisition.

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.

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

An associate is an entity over which the Association has a significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The Association's investment in an associate is accounted for using the equity method.

Under the equity method, investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Association's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of income reflects the Association's share of the results of operations of the associate. Any change in OCI of the associate is presented as part of the Association's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Association recognizes its share of any changes, when applicable, in the statement of changes in fund balance. Unrealized gains and losses resulting from transactions between the Association and associate are eliminated to the extent of the interest in the associate'.

The financial statements of the associate are prepared for the same reporting period as the Association. The associate's accounting policies conform to those used by the Association for like transactions and events in similar circumstances.

Upon loss of significant influence over the associate, the Association measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in statement of income.

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.

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:

	<u>In Years</u>
Building	10-15

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

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

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

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

Impairment of Nonfinancial Assets

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

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

Fund Balance

Fund balance represents accumulated excess of revenue over expenses.

Revenue Recognition

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.

Interest income

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

Rental income

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

Other income

Income from other sources is recognized when earned.

Insurance Contract Liabilities

Life insurance contract liabilities

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

Liability adequacy test

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

Claim Costs

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

Expense Recognition

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

Benefits and claims

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

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

General and administrative expenses

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

Defined benefit plan

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

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

Defined benefit costs comprise the following:

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

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

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

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

Plan assets are assets that are held by a long-term employee benefit fund. 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.

- **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 ₱250,000). 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 ₱19.07 billion and ₱16.57 billion as of December 31, 2021 and 2020, respectively (see Note 7). As of December 31, 2021 and 2020, the fair value of HTM investments amounted to ₱19.36 billion and ₱17.68 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 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):

	<u>2021</u>	<u>2020</u>
Financial assets	₱26,264,111,245	₱23,484,276,446
Financial liabilities	31,037,853	70,699,966

d. *Tax position on the Association's tax exempt operations*

As of December 31,, 2021 and 2020, the Association's renewal of its Tax Exemption Ruling is still pending with the BIR. In this regard, the status of the Association's tax-exempt operations is considered an uncertain tax position. The Association has assessed that it is probable that the taxation authority will accept said uncertain tax treatment, and accordingly has determined its tax-exempt profit consistently with the tax treatment used in its income tax filings. However, future events or conditions may have an impact on this assessment.

On January 23, 2020, the Association received a letter from the OIC-Revenue District Officer of BIR Revenue District Office No. 055-East Laguna (BIR RDO 055), in response to the Association's request for the revalidation of its 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. In response to the BIR's letter, the Association submitted that it qualifies as a tax-exempt entity under Section 30 (C) of the Tax Code, as amended, and that its source of income is in consonance with the operations of a mutual benefit association as provided for and governed under Chapter VII, Title 1, Sections 403 to 423 of Republic Act No. 10607, otherwise known as the Insurance Code of the Philippines.

In August 2020, the Association received a reply from BIR RDO 055, and after having referred the matter to its Legal Division it had issued Legal Opinion Numbered RR9B-022-2020 dated June 15, 2020, wherein it mentioned that the Association "failed to prove" that it is a non-stock, non-profit association which is exempt from tax, while also citing certain documentary requirements. The Association submitted the documentary requirements to the BIR on September 4, 2020.

On October 19, 2020, the Association received another letter from BIR RDO 055, providing its findings on the submitted documents, and instructed the Association to comply with Section VI (A) 3 (I, ii, iii, iv) and 4 of Revenue Memorandum Circular 38-2019, whereby the Association's letter together with all the attachments be filed again with the respective Revenue District Office after compliance of such requirements. The Revenue District Office also informed that the currently submitted documents have been indorsed to its Legal Division.

The Association's Legal Counsel responded to the above BIR letter in November 2020, resubmitting all the required documents and reiterating its compliance with the aforementioned requirements regarding its tax-exempt status, while also requesting that the Tax Exemption Certification already be issued to the Association.

On December 18, 2020, the Association received another letter from BIR RDO 055, requesting for a copy of the Association's latest License to Operate granted by the Insurance Commission, to further evaluate the Association's tax-exempt status. The Revenue District Office also stated that since the Association has a pending audit investigation for the taxable year 2018, it cannot issue a Certificate of No Pending Investigation, which is one of the requirements under RMO 38-2019. The Association accordingly responded to this BIR letter on the same day and submitted a copy of its latest License to Operate.

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.

Impairment loss recognized for investment properties was nil and ₱0.97 million in 2021 and 2020, respectively (see Note 12).

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

	<u>2021</u>	<u>2020</u>
Investment properties (Note 12)	₱411,628,043	₱410,474,022

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 ₱138.92 million and ₱38.29 million as of December 31, 2021 and 2020, respectively (see Note 8). Allowance for probable losses amounted to ₱0.90 million and ₱1.69 million as of December 31, 2021 and 2020, respectively (see Note 8).

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, 2021 and 2020, the fair value of AFS financial assets amounted to ₱1.74 billion and ₱1.63 billion, respectively (see Note 9). No impairment loss recognized on AFS financial assets in 2021 and 2020.

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 ₱44.09 million and ₱49.12 million as of December 31, 2021 and 2020, 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.

f. 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.

6. Cash and Cash Equivalents

This account consists:

	2021	2020
Cash on hand	P 200,010	P120,000
Cash in banks	190,968,241	160,998,942
Cash equivalents	37,360,263	430,007,683
	P228,528,514	P591,126,625

Cash in banks earns interest at the prevailing bank deposit rates ranging from 0.01% to 1.00% and 0.05% to 1.50% in 2021 and 2020, respectively.

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 1.20% and 0.10% to 3.50% in 2021 and 2020, respectively.

Interest income earned from cash and cash equivalents amounted to P8.76 million and P9.81 million in 2021 and 2020, respectively (see Note 19). Accrued income from cash and cash equivalents amounted to P0.01 million and P0.38 million as of December 31, 2021 and 2020, respectively (see Note 10).

7. Held-to-Maturity Investments

As of December 31, 2021 and 2020, the carrying amounts and fair values of these securities follow:

	2021		2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Fixed treasury notes	P 12,245,297,643	P 12,442,130,883	P10,722,201,848	P11,427,661,804
Retail treasury bonds	5,548,761,688	5,576,712,941	5,097,303,279	5,437,762,973
Corporate bonds	950,249,686	1,014,104,924	744,436,514	803,039,979
Treasury bills	326,688,564	330,881,818	10,000,000	10,000,000
	P19,070,997,581	P19,363,830,566	P16,573,941,641	P17,678,464,756

These investments bear annual interest rates which ranged from 1.40% to 8.00% and 1.25% to 8.06% in 2021 and 2020, respectively and will mature between one (1) and twelve (12) years from the statements of financial position date. Interest income from these investments net of premium amortization amounted to P422.75 million and P403.52 million in 2021 and 2020, respectively (see Note 19). Accrued income from these investments amounted to P160.31 million and P142.87 million in 2021 and 2020, respectively (see Note 10).

The rollforward analysis of HTM investments follows:

	2021	2020
At January 1	P 16,573,941,641	P15,558,075,386
Additions	4,495,476,666	1,304,172,348
Amortization of bond discount	593,670	2,721,207
Maturities	(1,999,014,396)	(291,027,300)
At December 31	P19,070,997,581	P16,573,941,641

As of December 31, 2021 and 2020, HTM investments include government securities classified as guaranty fund amounting to ₱222.69 million and ₱225.59 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, 2021 and 2020, the Association's loans and receivables are as follows:

	2021	2020
Receivables – net	₱138,924,633	₱38,292,986
Short-term investments	1,310,680,953	257,315,208
Long-term investments	2,668,455,026	2,668,696,325
	₱4,118,060,612	₱2,964,304,519

Receivables

This account consists of:

	2021	2020
Receivables from:		
Related parties (Note 22)	₱3,743,720	₱4,670,621
Members and employees	1,521,946	2,006,367
Loans receivable (Note 22)	104,072,061	14,610,909
Advances for future stock subscription (Note 9)	27,306,288	15,000,000
Others	3,182,894	3,691,098
	139,826,909	39,978,995
Less: Allowance for probable losses	902,276	1,686,009
	₱138,924,633	₱38,292,986

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

	2021	2020
At January 1	₱14,610,909	₱19,960,000
Additions	100,000,000	–
Principal collections	(10,538,848)	(5,349,091)
At December 31	₱104,072,061	₱14,610,909

Significant terms and conditions of the loan follows:

2021					
	Outstanding balance	Release date	Interest rate	Terms	Maturity Date
UniHealth Quezon Hospital and Medical Center	₱1,761,818	December 19, 2017	6% per annum payable quarterly	5 years; Quarterly interest on the first two years and Principal plus interest starting 3 rd year of the loan.	September 30, 2022
CARD MRI Property Management, Inc.	7,500,000	May 16, 2019	5.711% per annum	Interest is payable every quarter and principal amount of loan is payable every 6 months.	May 16, 2024
CARD, Inc.	94,810,244	October 8, 2021	2.50% per annum	Interest and principal is payable every month.	October 8, 2024
2020					
	Outstanding balance	Release date	Interest rate	Terms	Maturity Date
UniHealth Quezon Hospital and Medical Center	₱4,110,910	December 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.	September 30, 2022
CARD MRI Property Management, Inc.	10,500,000	May 16, 2019	5.711% per annum	Interest is payable every quarter and principal amount of loan is payable every 6 months.	May 16, 2024

Total interest income received from the loans receivable amounted to ₱1.72 million and ₱0.87 million in 2021 and 2020, respectively (see Note 19).

Advances for stock subscription pertains to payments made for the investments to Matapat Holdings, Inc.(MHI) in 2021 and Evangelista Medical Specialty Hospital, Inc. (EMSHI) in 2020. Shares of stocks of the entities mentioned are not yet issued to the Association as of December 31, 2021 and 2020, respectively.

In 2021, the Association made a deposit for future stock subscription of the MHI's proposed increase of capital stock. The increase in authorized capital of MHI is not yet approved as of December 31, 2021.

In 2020, payment was made for the acquisition of 10,800 shares of EMSHI representing 7.2% ownership for a total consideration of ₱15.00 million. The deed of sale was executed on January 8, 2021 and subsequently the shares which corresponds to the advances for stocks subscription were issued to the Association (see Note 9).

As of December 31, 2021 and 2020, 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, 2020	₱1,754,849	₱4,809,750	₱6,564,599
Write-off	-	(1,987)	(1,987)
Reversal of probable losses	(603,145)	(4,273,458)	(4,876,603)
At December 31, 2020	₱1,151,704	₱534,305	₱1,686,009
Write-off	-	(385,472)	(385,472)
Reversal of or provision for probable losses	(954,506)	556,245	(398,261)
At December 31, 2021	₱197,198	₱705,078	₱902,276

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 0.15% to 2.00% in 2021 and 0.38% to 4.00% in 2020. Interest income earned from these investments amounted to ₱9.82 million and ₱7.07 million in 2021 and 2020, respectively (see Note 19).

The rollforward analysis of short-term investments follows:

	2021	2020
At January 1	₱257,315,208	₱276,551,385
Additions	1,341,530,921	325,325,967
Maturities	(288,165,176)	(344,562,144)
At December 31	₱1,310,680,953	₱257,315,208

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 3.00% to 6.00% in 2021 and 4.00% to 6.00% in 2020, respectively. Interest income earned from these investments amounted to ₱65.32 million and ₱24.59 million in 2021 and 2020, respectively (see Note 19).

The rollforward analysis of long-term investments follows:

	2021	2020
At January 1	₱2,668,696,325	₱854,375,594
Additions	94,375,715	1,814,320,731
Maturities	(94,617,014)	-
At December 31	₱2,668,455,026	₱2,668,696,325

Accrued interest income from total loans and receivables amounted to ₱180.86 million and ₱140.26 million in 2021 and 2020, respectively (see Note 10).

9. Available-for-Sale Financial Assets

This account consists of:

	2021	2020
Unquoted equity securities	₱1,235,744,500	₱1,084,243,217
Mutual funds	430,322,245	473,609,078
Unit Investment Trust Fund (UITF)	77,241,946	76,432,096
	₱1,743,308,691	₱1,634,284,391

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

	Unquoted Equity Securities	Mutual Funds	UITF	Total
At January 1, 2020	₱1,108,241,463	₱464,070,729	₱73,058,084	₱1,645,370,276
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	₱1,084,243,217	₱473,609,078	₱76,432,096	₱1,634,284,391
Additions	52,359,800	151,201,681	2,055,249	205,616,730
Fair value gains (losses)	130,506,054	(6,008,795)	809,849	125,307,108
Impairment loss	(12,752,196)	-	-	(12,752,196)
Disposal	-	(188,479,719)	(2,055,248)	(190,534,967)
Other adjustment	(18,612,375)	-	-	(18,612,375)
At December 31, 2021	₱1,235,744,500	₱430,322,245	₱77,241,946	₱1,743,308,691

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

	2021			2020		
	Amount	Shares	Percentage of ownership	Amount	Shares	Percentage of ownership
CARD Bank, Inc.*	₱1,086,246,414	3,783,776	66.17%	₱966,262,877	3,783,776	66.17%
CARD MRI Rizal Bank, Inc.*	129,595,520	589,017	70.88%	80,443,600	402,218	70.88%
CLFC	17,010,800	40,000	4.00%	19,563,602	40,000	4.00%
EMSHI (Note 8)	2,247,807	10,800	7.00%	-	-	-
UniHealth, Inc.	643,959	500	0.13%	500,000	500	0.13%
Rizal College of Laguna	-	-	-	17,473,138	12	0.04%
	₱1,235,744,500			₱1,084,243,217		

*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, the Association subscribed to additional 28,604 preferred shares of CARD Bank, Inc., at ₱200 par value with a total amount of ₱5.72 million. The Association has no additional shares acquired in year 2021. Dividends received from this investment amounted to ₱90.81 million and ₱111.11 million in 2021 and 2020 (see Note 19).

In 2021, the Association subscribed additional 186,799 preferred shares to CARD MRI Rizal Bank, Inc., at ₱200 par value with a total amount of ₱37.36 million. In 2021 and 2020, the Association received dividend income from this investment amounting to ₱11.20 million and ₱8.55 million, respectively (see Note 19).

The Association also received cash dividend from CLFC amounting to ₱2.60 million in 2021 and ₱1.01 million in 2020, respectively (Note 19).

In December 10, 2021, the Association also received its shares from EMSHI from the deposit for stock subscription paid in 2020 amounting to ₱15.00 million (Note 8).

In 2021, impairment loss was recognized under “statement of income” amounting to ₱12.75 million for in the investment in EMSHI (Note 20).

Investments in mutual funds have the following details:

	2021		2020	
	Amount	Units	Amount	Units
Sun Life Prosperity Bond Fund	₱192,930,646	60,643,316	₱267,470,584	83,430,732
Sun Life Peso Balance Fund	138,488,935	38,565,563	94,004,458	26,306,727
Philam Bond Fund	98,902,664	22,502,426	112,134,036	24,194,976
	₱430,322,245		₱473,609,078	

The increase and decrease in reserve for fluctuation in value of the investments in available-for-sale investments amounted to ₱125.31 million decrease and ₱166.25 million decrease in 2021 and 2020, respectively. This is presented as “Other comprehensive gain/(losses)” in the statements of comprehensive income.

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

	2021	2020
At January 1	₱320,435,496	₱486,683,965
Fair value gains (losses) on AFS financial assets		
Unquoted equity shares	130,506,054	(179,169,221)
Mutual funds	(6,008,795)	9,538,349
UITF	809,849	3,382,403
At December 31	₱445,742,604	₱320,435,496

10. Accrued Income

This account consists of:

	2021	2020
Interest receivable on:		
Cash and cash equivalents (Note 6)	₱10,356	₱376,881
Held-to-maturity investments (Note 7)	160,305,336	142,874,677
Loans and receivables (Note 8)	180,863,984	140,258,777
	₱341,179,676	₱283,510,335

11. Property and Equipment - net

The rollforward analysis of this account follows:

	2021					Total
	Land	Land improvement	Transportation equipment	Computer and office equipment	Office furniture and fixtures	
Cost						
At January 1	P44,793,012	P1,287,428	P362,448	P29,329,695	P5,045,037	P89,498,701
Additions	-	-	133,000	7,355,394	241,836	742,204
Derecognition	-	-	(255,870)	(10,157,273)	(2,485,925)	-
At December 31	44,793,012	1,287,428	239,578	26,527,816	2,800,948	90,240,905
Accumulated depreciation						
At January 1	-	412,246	362,443	21,793,840	4,372,424	38,021,307
Depreciation (Note 20)	-	128,746	3,194	4,225,289	412,211	9,091,234
Derecognition	-	-	(255,870)	(9,842,731)	(2,436,772)	-
At December 31	-	540,992	109,767	16,176,398	2,347,863	47,112,541
Net book value	P44,793,012	P746,436	P129,811	P10,351,418	P453,085	P43,128,364

	2020					Total
	Land	Land improvement	Transportation equipment	Computer and office equipment	Office furniture and fixtures	
Cost						
At January 1	P44,793,012	P1,287,428	P464,181	P24,457,657	P4,717,493	P87,278,655
Additions	-	-	-	4,967,592	356,272	2,220,046
Derecognition	-	-	(101,733)	(95,554)	(28,728)	-
At December 31	44,793,012	1,287,428	362,448	29,329,695	5,045,037	89,498,701
Accumulated depreciation						
At January 1	-	283,500	464,176	17,866,563	3,914,719	29,127,898
Depreciation (Note 20)	-	128,746	-	4,021,880	486,433	8,893,409
Derecognition	-	-	(101,733)	(94,603)	(28,728)	-
At December 31	-	412,246	362,443	21,793,840	4,372,424	38,021,307
Net book value	P44,793,012	P875,182	P5	P7,535,855	P672,613	P51,477,394

Gain on retirement of computer and office equipment, office furniture and fixtures and building amounted to nil and ₱0.16 million in 2021 and 2020, respectively.

As of December 31, 2021 and 2020, the cost of fully depreciated property and equipment still in use amounted to ₱12.52 million and ₱17.58 million, respectively.

Depreciation of property and equipment included in the general and administrative expenses amounted to ₱13.86 million and ₱13.53 million in 2021 and 2020, respectively (Note 20).

12. Investment Properties - net

The rollforward analyses of this account follow:

	2021		
	Land	Building	Total
Cost			
At January 1	₱271,423,726	₱134,337,925	₱405,761,651
Additions	–	1,154,021	1,154,021
At December 31	271,423,726	135,491,946	406,915,672
Accumulated depreciation			
At January 1	–	66,139,257	66,139,257
Depreciation (Note 20)	–	13,341,813	13,341,813
At December 31	–	79,481,070	79,481,070
Impairment loss	(971,496)	–	(971,496)
Net book value	₱270,452,230	₱56,010,876	₱326,463,106

	2020		
	Land	Building	Total
Cost			
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	₱270,452,230	₱68,198,668	₱338,650,898

The investment properties have a total fair value of ₱411.63.23 million and ₱410.47 million as of December 31, 2021 and 2020, 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, 2021 and 2020, no investment has been pledged as collateral or security for any of the Association's liabilities.

The Association earned rental income amounting to ₱17.87 million and ₱17.02 million from its investment properties in 2021 and 2020, respectively (see Note 21).

Depreciation of investment property included in the general and administrative expenses amounted to ₱13.34 million and ₱13.33 million in 2021 and 2020, respectively (see Note 20).

13. Investments in Associates

This account consists of the following:

	2021	2020
Acquisition cost	₱573,892,893	₱508,141,233
Placements during the year	44,581,300	65,751,660
Accumulated equity in net earnings	716,443,522	566,392,952
Accumulated equity in other comprehensive income	2,931,219	2,259,896
	₱1,337,848,934	₱1,142,545,741

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:

	2021		2020	
	Amount	Percentage*	Amount	Percentage*
CPMI	₱919,366,189	46.08%	₱802,458,965	46.08%
CMIT	206,586,562	37.58%	146,797,667	37.58%
CMPMI	138,902,531	34.68%	129,937,772	35.00%
CMHI	37,212,762	23.15%	31,945,754	25.00%
BotiCARD	23,121,326	30.05%	21,215,609	30.00%
CARD Astro Laboratories, Inc.	10,401,804	32.00%	9,085,224	32.00%
CMPuHI	1,615,139	30.00%	858,135	30.00%
CMHTI	642,621	20.00%	246,615	20.00%
	₱1,337,848,934		₱1,142,545,741	

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

CARD Pioneer Microinsurance, Inc. (CPMI)

The details of this investment follow:

	2021	2020
Acquisition cost		
At January 1	₱278,982,753	₱278,982,753
Accumulated equity in net earnings		
At January 1	523,160,869	397,564,144
Equity in net earnings	116,463,657	125,596,725
At December 31	639,624,526	523,160,869
Accumulated equity in other comprehensive income		
At January 1	315,343	985,801
Equity in other comprehensive income (loss)	443,567	(670,458)
At December 31	758,910	315,343
	₱919,366,189	₱802,458,965

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

In 2016, the Association invested additional ₱27.74 million in CPMI representing contributed surplus in order for CPMI to meet the minimum capitalization requirement by IC. Moreover, the ₱65.47 million equity in net earnings is net of the ₱6.79 million dilution on investment in CPMI resulting from the decrease of the Association's percentage ownership from 47.00% 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.

In 2021, the Association received a 575,980 stock dividend from CPMI amounting to ₱57.60 million.

CARD MRI Information Technology, Inc. (CMIT)

The details of this investment follow:

	2021	2020
Acquisition cost		
At January 1	₱112,363,700	₱86,000,000
Placements	33,382,800	26,363,700
At December 31	145,746,500	112,363,700
Accumulated equity in net earnings		
At January 1	32,880,562	31,453,871
Equity in net earnings	61,686,604	34,240,421
Dividends received	(33,991,466)	(32,813,730)
At December 31	60,575,700	32,880,562
Accumulated equity in other comprehensive income		
At January 1	1,553,405	1,553,405
Equity in other comprehensive loss	(1,289,043)	-
At December 31	264,362	1,553,405
	₱206,586,562	₱146,797,667

In 2011, the Association subscribed to 400,000 common shares at ₱100 par value representing 40.00% ownership in CMIT. In 2019, the Association subscribed additional 69,130 common shares at ₱100 par value amounting to ₱6.91 million. In 2020, additional 263,637 common shares at ₱100 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%.

In 2021, the Association subscribed additional 333,828 common shares at ₱100 par value amounting ₱33.38 million.

The Association received cash dividend from CMIT amounting to ₱33.99 million and 32.81 million in 2021 and 2020, respectively.

CARD MRI Property Management, Inc. (CMPMI)

The details of the investment follow:

	2021	2020
Acquisition cost		
At January 1	P130,495,000	P115,495,000
Placements	8,063,100	15,000,000
At December 31	138,558,100	130,495,000
Accumulated equity in net earnings		
At January 1	421,867	331,897
Equity in net earnings	901,659	89,970
At December 31	1,323,526	421,867
Accumulated equity in other comprehensive loss	(979,095)	(979,095)
	P138,902,531	P129,937,772

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.

In 2021, the Association acquired additional 80,631 common shares at P100 par amounting to P8.06 million. The Association's percentage of ownership decreased from 35.00% to 34.68% brought by the additional investments of new investors in CMPMI.

CARD MRI Holdings, Inc. (CMHI)

The details of the investment follow:

	2021	2020
Acquisition cost		
At January 1	P31,250,000	P7,812,500
Placements	-	23,437,500
At December 31	31,250,000	31,250,000
Accumulated equity in net earnings		
At January 1	527,123	573,220
Equity in net earnings (loss)	3,750,209	(46,097)
At December 31	4,277,332	527,123
Accumulated equity in other comprehensive income		
At January 1	168,631	168,631
Equity in other comprehensive income	1,516,799	-
At December 31	1,685,430	168,631
	P37,212,762	P31,945,754

On February 5, 2016, the Association invested in 78,125 shares of CMHI with par value of P100 representing 25.00% ownership. In 2020, additional 234,375 shares with P100 par value amounting to P23.44 million was subscribed by the Association. In 2021, the Association's percentage ownership decreased from 25.00% to 23.15% brought by the additional investments of new investors in CMPMI.

BotiCARD, Inc.

The details of the investment follow:

	2021	2020
Acquisition cost		
At January 1	₱12,900,980	₱12,900,980
Placements	1,084,500	-
At December 31	13,985,480	12,900,980
Accumulated equity in net earnings		
At January 1	6,991,740	5,244,358
Equity in net earnings	1,916,563	1,747,382
Dividends received	(1,095,346)	-
At December 31	7,812,957	6,991,740
Accumulated equity in other comprehensive income	1,322,889	1,322,889
	₱23,121,326	₱21,215,609

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

In 2012, the Association deposited ₱3.00 million which will be used to subscribe to 600,000 additional common shares of BotiCARD initially recorded as advances for future stock subscription. On May 19, 2015, the SEC already approved BotiCARD's request for increase in authorized capital stock. The ₱3.00 million advances were reclassified from advances for future stock subscription as investment in BotiCARD as of December 31, 2015 together with the additional investment of ₱2.50 million. Additional investment amounting ₱1.95 million was made in 2017.

In 2021, additional 216,900 common shares amounting to ₱1.08 million were acquired by the Association which caused increase in percentage ownership from 30.00% to 30.05%.

The Association received 600,954 shares and 150,238 shares as stock dividend from BotiCARD in 2021 and 2021, respectively.

In 2021, the Association also received cash dividend to ₱1.10 million from BotiCARD.

CARD Astro Laboratories, Inc.

The details of the investment follow:

	2021	2020
Acquisition cost		
At January 1	₱6,900,500	₱6,400,000
Placements	1,900,900	500,500
At December 31	8,801,400	6,900,500
Accumulated equity in net earnings		
At January 1	2,184,724	(384,905)
Equity in net earnings	1,335,670	2,569,629
Dividend received	(1,919,990)	-
At December 31	1,600,404	2,184,724
	₱10,401,804	₱9,085,224

On August 6, 2019, the Association invested in 128,000 shares of CARD Astro with par value of ₱50.00 representing 28.00% ownership.

In 2020, additional 10,010 shares with ₱50 par value amounting to ₱0.50 million was subscribed by the Association. Also, a former stockholder of CARD Astro assigned 24,000 shares with ₱50 par value to the Association increasing its percentage of ownership to 32.00%.

In 2021, additional 38,018 shares with ₱50 par value amounting to ₱1.90 million was acquired by the Association.

CARD MRI Publishing House, Inc. (CMPuHI)

The details of the investment follow:

	2021	2020
Acquisition cost		
At January 1	₱599,960	₱150,000
Placements	150,000	449,960
At December 31	749,960	599,960
Accumulated equity in net income		
At January 1	379,522	750,720
Equity in net earnings	607,004	229,655
Dividend received	-	(600,853)
At December 31	986,526	379,522
Accumulated equity in other comprehensive income	(121,347)	(121,347)
	₱1,615,139	₱858,135

On September 12, 2017, the Association invested in 30,000 shares of CMPuHI with par value of ₱5.00 representing 30.00% ownership.

In 2020, additional 89,992 shares with ₱5 par value amounting to ₱0.45 million was subscribed by the Association.

In 2021, the Association acquired additional 30,000 shares with ₱5 par value amounting to ₱0.15 million.

CARD MRI Hijos Tours, Inc. (CMHTI)

The details of the investment follow:

	2021	2020
Acquisition cost	₱400,000	₱400,000
Accumulated equity in net earnings		
At January 1	(153,455)	19,946
Equity in net earnings	396,006	(173,401)
At December 31	242,551	(153,455)
Equity in other comprehensive income	70	70
	₱642,621	₱246,615

On September 12, 2017, the Association invested in 20,000 shares of CMHTI with par value of ₱5.00 representing 20.00% ownership. In 2019, the Association subscribed additional 60,000 shares with par value of ₱5.00 amounting to ₱0.30 million.

Financial information of the Association's associates follows:

CPMI	2021	2020
Net income	₱252,753,285	₱272,574,167
Other comprehensive income (loss)	962,602	(1,454,986)
Total assets	2,688,590,829	2,593,855,839
Total liabilities	663,984,246	821,650,710
Net assets	2,024,606,583	1,772,205,129
Association's share in net assets	₱919,366,189	₱802,458,965
CMIT	2021	2020
Net income	₱164,147,428	₱91,113,414
Other comprehensive loss	(3,430,131)	-
Total assets	615,413,528	479,653,836
Total liabilities	62,756,398	80,716,327
Net assets	552,657,130	398,937,509
Association's share in net assets	₱206,586,562	₱146,797,667
CMPMI	2021	2020
Net income	₱2,599,939	₱257,056
Total assets	426,266,136	419,184,016
Total liabilities	44,245,547	72,614,764
Net assets	382,020,589	346,569,252
Association's share in net assets	₱138,902,531	₱129,937,772
CMHI	2021	2020
Net income (loss)	₱16,199,606	(₱184,387)
Other comprehensive income	6,552,047	
Total assets	126,279,984	66,257,242
Total liabilities	125,662	228,753
Net assets	126,154,322	66,028,489
Association's share in net assets	₱37,212,762	₱31,945,754
BotiCARD	2021	2020
Net income	₱6,377,912	₱5,824,605
Total assets	67,968,464	59,130,682
Total liabilities	4,780,524	3,126,509
Net assets	63,187,940	56,004,173
Association's share in net assets	₱23,121,326	₱21,215,609

CARD Astro	2021	2020
Net income	₱4,173,969	₱8,030,091
Total assets	30,823,120	28,305,406
Total liabilities	558,722	5,688,977
Net assets	30,264,398	22,616,429
Association's share in net assets	₱10,401,804	₱9,085,224
CMPuHI	2021	2020
Net income	₱2,023,345	₱765,516
Total assets	6,164,279	3,894,943
Total liabilities	1,250,568	1,004,577
Net assets	4,913,711	2,890,366
Association's share in net assets	₱1,615,139	₱858,135
CMHTI	2021	2020
Net income (loss)	₱1,980,031	(₱867,005)
Other comprehensive income	-	349
Total assets	3,419,210	2,114,140
Total liabilities	224,868	899,829
Net assets	3,194,342	1,214,311
Association's share in net assets	₱642,621	₱246,615

14. Other Assets

This account consists of:

	2021	2020
Supplies inventory	₱8,108,594	₱6,669,631
Prepaid expenses	3,575,210	3,496,365
Other funds and deposits	2,900,261	2,893,085
Prepaid rent	2,790,183	2,814,468
Deferred reinsurance premiums (Note 18)	2,149,565	600,500
Prepaid taxes	294,397	946,741
	₱19,818,210	₱17,420,790

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

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

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.

15. Accounts Payable and Accrued Expenses

This account consists of:

	2021	2020
Accrued expenses	₱10,356,238	₱9,134,333
Collection fee payable (Note 22)	5,120,184	36,748,267
Accounts payable		
Suppliers and contractors	2,318,945	5,249,244
Related parties (Note 22)	1,609,897	3,396,403
Staff, members and employees	4,349,132	1,657,619
Payable to PHINMA	-	9,306,188
Rent deposits	4,805,569	2,814,663
Due to government agencies	2,196,911	1,848,745
Others	280,977	544,504
	₱31,037,853	₱70,699,966

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 (one) 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.

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). In 2021, the Association reclassify the investment to advances, as shares of stocks were not yet issued as of December 31, 2021 which result also to derecognition of this payable.

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

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

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

16. Insurance Contract Liabilities

This account consists of:

	2021	2020
Life insurance contract liabilities	₱12,202,208,301	₱10,486,084,129
Loan redemption contract liabilities	302,146,463	283,283,029
	₱12,504,354,764	₱10,769,367,158

a) Life insurance contract liabilities

Details of the life insurance contract liabilities follow:

	2021	2020
Provision for unearned premiums	₱12,079,419,146	₱10,355,809,299
Outstanding claims provision	122,789,155	130,274,830
Total life insurance contract liabilities	₱12,202,208,301	₱10,486,084,129

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.

The rollforward analysis of provision for unearned premiums follows:

	2021	2020
At January 1	₱10,355,809,299	₱8,990,033,345
Premiums received	4,353,212,520	3,242,664,517
Liability released for payments of death, maturity and surrender benefits and claims	(2,629,602,673)	(1,876,888,563)
At December 31	₱12,079,419,146	₱10,355,809,299

The rollforward analysis of outstanding claims provision follows:

	2021	2020
At January 1	₱130,274,830	₱90,763,572
Claims incurred in the current year	2,519,739,399	1,738,922,297
Claims paid during the year	(2,527,225,074)	(1,699,411,039)
At December 31	₱122,789,155	₱130,274,830

b) Loan redemption contract liabilities

Details of the loan redemption contract liabilities follow:

	2021	2020
Provision for unearned premiums	P290,758,549	P269,107,244
Provision for claims incurred but not reported (IBNR)	11,387,914	14,175,785
Total loan redemption contract liabilities	P302,146,463	P283,283,029

The rollforward analysis of provision for unearned premiums follows:

	2021	2020
At January 1	P269,107,244	P218,350,082
Premiums received	731,165,923	517,302,788
Earned premiums	(709,514,618)	(466,545,626)
At December 31	P290,758,549	P269,107,244

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:

	2021	2020
At January 1	P14,175,785	P7,288,714
Increase/(Decrease) in IBNR	(2,787,871)	6,887,071
At December 31	P11,387,914	P14,175,785

The rollforward analysis of outstanding claims provision follows:

	2021	2020
At January 1	P-	P-
Claims incurred in the current year	284,548,689	186,572,190
Claims paid during the year	(284,548,689)	(186,572,190)
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:

	2021	2020
At January 1	₱7,108,784,001	₱5,990,697,711
Contribution	1,255,522,978	1,012,144,898
Interest income	302,795,022	336,997,815
Claims and expenses	(304,477,310)	(231,056,423)
At December 31	₱8,362,624,691	₱7,108,784,001

The allocation of interest for retirement fund is equivalent to 2.57% in 2021 and 2.95% in 2020, of the beginning balance of the account plus contribution from members during the year.

As of December 31, 2021 and 2020, included in 'Other income' are adjustments on interest income previously allocated to retirement fund amounting to ₱31.63 million and ₱3.18 million, respectively.

18. Net Earned Premiums

The net earned premiums consist of the following:

	2021	2020
Members' contribution and premiums – micro		
Life insurance premiums	₱3,786,845,214	₱3,051,163,884
Loan insurance premiums	1,297,533,228	708,803,420
Total members' contribution and premiums – micro	5,084,378,442	3,759,967,304
Less: Reinsurer's share on gross earned premium on insurance contracts -		
Life insurance	2,402,750	2,372,500
LRF	212,250	105,750
Members' contribution and premiums – micro – net	₱5,081,763,442	₱3,757,489,054

Under the Association's basic life insurance program, members and its qualified dependents are entitled to receive a minimum amount of benefit upon death or permanent disability duly approved by the Association after meeting certain conditions as stated in the certificate of membership issued to members. The member's contribution is ₱15.00 every week.

Under the basic life insurance program is the golden life insurance program wherein members aging 70 years old are entitled to enroll in the program and have continued coverage up to 100 years old. The member has the option to choose between ₱50.00 or ₱100.00 premium every week with death benefit of ₱25,000 or ₱50,000, respectively. Premiums are payable for ten (10) years.

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

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

Remitter Protek Plan is a group personal accident insurance cover that provides benefits for death, dismemberment/disability 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 ₱200.00 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 ₱1,000 per year.

The loan redemption insurance covers the outstanding principal loan balance of members to CARD Micro-finance institutions namely: CARD Inc., CARD Bank, Inc., CARD SME Bank Inc. and CARD MRI Rizal Rural Bank, Inc. in case of death. Under this program, the member contributes 1.50% 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 (Note 14).

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

The rollforward of the deferred reinsurance premiums follows:

	2021	2020
At January 1	₱600,500	₱676,750
Premiums ceded to reinsurer	4,164,065	2,402,000
Reinsurer's share of gross earned premiums on insurance contracts	(2,615,000)	(2,478,250)
At December 31	₱2,149,565	₱600,500

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

19. Investment Income

This account consists of

	2021	2020
Interest income on:		
Cash and cash equivalents (Note 6)	P8,764,254	P9,807,037
HTM investments (Note 7)	422,746,461	403,523,931
Loans and receivable (Note 8)	1,724,536	868,292
Short-term investments (Note 8)	9,817,581	7,066,145
Long-term investments (Note 8)	65,317,318	24,585,199
Dividend income (Note 9)	104,606,040	120,662,256
	P612,976,190	P566,512,860

20. General and Administrative Expenses

This account consists of:

	2021	2020
Transportation and travel	P220,294,864	P167,999,785
Salaries and allowances	134,909,061	110,384,455
Professional fees	62,859,242	42,592,109
Other members' benefit	40,934,000	28,259,476
Depreciation (Notes 11, 12 and 21)	36,496,902	34,376,218
Supplies	28,421,067	32,434,810
Marketing expense	26,099,259	5,991,222
Program, monitoring and evaluation	24,082,737	24,541,859
Rental (Note 21)	21,969,767	23,231,034
Security and janitorial	17,919,504	8,905,989
Communication	15,053,313	10,880,988
Impairment loss (Note 9)	12,752,193	971,496
Interest expense (Note 21)	8,992,800	6,134,894
Repairs and maintenance	6,689,898	7,591,889
Light and water	5,794,809	4,538,767
Training and development	5,376,341	27,836,640
Taxes and licenses	5,046,776	4,268,247
Meetings and seminars	3,545,598	3,158,894
Bank charges	2,807,600	2,991,186
Insurance	2,673,049	5,027,822
Pension expense – net (Note 25)	2,018,622	1,455,074
Dues and subscription	1,412,482	88,025
Membership dues	1,129,307	1,027,467
Entertainment, amusement and recreation	874,210	537,237
Research and documentation	90,259	109,691
Reversal of provision for probable losses (Note 8)	(398,261)	(4,876,603)
Miscellaneous	2,036,052	3,479,181
	P689,881,451	P553,937,852

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 ₱21.97 million and ₱23.23 million in 2021 and 2020, respectively. Rent expense in 2021 and 2020 pertains to expenses from short-term leases and leases of low-value assets.

As of December 31, 2021, and 2020, 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 six (6) months to five (5) 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.

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

	2021	2020
Cost		
At January 1	₱14,556,357	₱10,434,011
Additions	13,926,717	9,582,357
Terminated lease	(10,575,880)	(5,460,011)
At December 31	17,907,194	14,556,357
Accumulated Depreciation		
At January 1	7,764,015	5,705,313
Depreciation	9,294,415	7,518,713
Terminated lease	(10,215,712)	(5,460,011)
At December 31	6,842,718	7,764,015
Net Book Value	₱11,064,476	₱6,792,342

The movements in lease liabilities follows:

	2021	2020
Balance at beginning of year	₱6,355,577	₱4,801,734
Additions	13,759,035	9,404,555
Interest expense	1,036,738	397,183
Payments	(10,028,765)	(8,247,895)
Balance at end of year	₱11,122,585	₱6,355,577

The following are the amounts recognized in statement of income:

	2021	2020
Lease payments relating to short-term leases and leases with low value assets	₱21,969,767	₱23,231,034
Depreciation expense of ROU assets	9,294,415	7,518,713
Interest expense on lease liabilities	1,036,738	397,182
Total amount recognized in statement of income	₱32,300,920	₱31,146,929

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

	2021	2020
Within one year	₱7,384,028	₱5,535,184
Beyond one to two years	4,180,800	1,063,084
	₱11,564,828	₱6,598,268

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 2021 and 2020 amounted to ₱17.87 million and ₱17.02 million, respectively.

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

	2021	2020
Within (one) 1 year	₱17,059,043	₱18,094,550
More than (one) 1 year but not more than (five) 5 years	44,094,500	27,873,241
	₱61,153,543	₱45,967,791

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:

Category	2021			Terms	Conditions
	Amount	Outstanding	Nature		
Associates					
CMIT					
Account receivable	₱2,210,862	P-	Unremitted Collection of members (staff contribution), share on electricity and other expense incurred	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	1,862,141	-	Unpaid expenses	On-demand; noninterest-bearing	Unsecured; no impairment

(Forward)

2021					
Category	Amount	Outstanding	Nature	Terms	Conditions
Rental income (Note 21)		P-	Income received from office space rentals	On-demand; noninterest-bearing	Unsecured; no impairment
BoTICARD					
Account receivable	(P701,219)	-	Unremitted Collection of members (Staff contribution) and others expense incurred	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	(451,450)	-	Unpaid medicines and other expenses incurred	On-demand; noninterest-bearing	Unsecured; no impairment
Rental Income (Note 21)	448,390	-	Income received from office space rentals	On-demand; noninterest-bearing	Unsecured; no impairment
CPMI					
Account receivable	300,836	746,034	Advance payment for claims to members who avail CPMI products and other related expenses	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	579,792	940,508	Unpaid Premiums uncollected from CPMI products	On-demand; noninterest-bearing	Unsecured; no impairment
Rental income (Note 21)	188,096	-	Income received from office space rentals	On-demand; noninterest-bearing	Unsecured; no impairment
Affiliates					
MNLI					
Accounts receivable	16,745	-	Uncollected insurance premiums of employees	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	6,177	7,977	Unpaid expenses incurred in MNLI Product	On-demand; noninterest-bearing	Unsecured; no impairment
CaMIA					
Account receivable	288,151	370,093	Advance payment of claims to members who avail CaMIA products and other related expenses incurred	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	(4,150)	-	Unpaid Premiums uncollected from CaMIA products	On-demand; noninterest-bearing	Unsecured; no impairment
Rental income (Note 21)	499,077	-	Income received from office space rentals	On-demand; noninterest-bearing	Unsecured; no impairment
CMDI					
Account receivable	114,260	-	Unremitted Collection of Staff contribution & others expense incurred	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	(5,400)	-	Unpaid expenses for administration and training cost of staff & coordinators	On-demand; noninterest-bearing	Unsecured; no impairment
CARD Inc.					
Account receivable	251,587	918,405	Unremitted Collection of members (Staff contribution) and others expense incurred	On-demand; noninterest-bearing	Unsecured; no impairment
Collection fee payable	(15,257,846)	4,877,428	Unpaid claims and expenses incurred	On-demand; noninterest-bearing	Unsecured; no impairment
Loan receivable	100,000,000	94,810,243	Loan granted to CARD Inc. on October 8, 2021	3-year term; interest at 5.11%	Unsecured; no impairment
Rental income (Note 21)	448,343	-	Income received from office space rentals	On-demand; noninterest-bearing	Unsecured; no impairment

(Forward)

2021					
Category	Amount	Outstanding	Nature	Terms	Conditions
CARD SME Bank, Inc.					
Cash and cash equivalents	₱-	₱26,953,254	Regular savings deposit	On-demand; interest at 0.50%	Unsecured; no impairment
Account receivable	(42,283)	28,652	Unremitted Collection of members (Staff contribution) and others expense incurred	On-demand; noninterest-bearing	Unsecured; no impairment
Collection fee payable	(8,478,616)	68,288	Unpaid claims and expenses incurred	On-demand; noninterest-bearing	Unsecured; no impairment
Rental income (Note 21)	5,325,430	-	Income received from office space rentals	On-demand; noninterest-bearing	Unsecured; no impairment
BDSFI					
Account receivable	19,363	-	Unremitted Collection of Staff contribution	On-demand; noninterest-bearing	Unsecured; no impairment
CARD EMPC					
Account receivable	(96,496)	1,295,618	Unremitted Collection of members (Staff contribution) and others expenses	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	(1,564,593)	399,990	Unpaid claims & expenses incurred	On-demand; noninterest-bearing	Unsecured; no impairment
Rizal Bank Inc.					
Cash and cash equivalents	-	22,293,474	Regular savings deposit	On-demand; interest at 0.50%	Unsecured; no impairment
Account receivable	(215,429)	16,642	Unremitted Collection of members (Staff contribution) and others expense incurred	On-demand; noninterest-bearing	Unsecured; no impairment
Collection fee payable	(2,816,205)	113,146	Unpaid claims and expenses incurred	On-demand; noninterest-bearing	Unsecured; no impairment
Rental income (Note 21)	2,087,113	-	Unremitted Collection of Staff contribution	On-demand; noninterest-bearing	Unsecured; no impairment
CLFC					
Account receivable	188	188,737	Unremitted Collection of members (Staff contribution) and others expenses	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	(324,583)	249,970	Unpaid expenses incurred in leasing	On-demand; noninterest-bearing	Unsecured; no impairment
Rental income (Note 21)	30,000	-	Unremitted Collection of Staff contribution	On-demand; noninterest-bearing	Unsecured; no impairment
CARD Bank Inc.					
Cash and cash equivalents	-	40,246,799	Regular savings deposit	On-demand; interest at 0.50%	Unsecured; no impairment
Account receivable	(712,237)	179,539	Unremitted Collection of staff contributions, rental for year end and other expenses incurred	On-demand; noninterest-bearing	Unsecured; no impairment
Collection fee payable	(5,075,523)	61,215	Unpaid claims and expenses incurred	On-demand; noninterest-bearing	Unsecured; no impairment
Rental income (Note 21)	8,846,292	-	Unremitted Collection of Staff contribution	On-demand; noninterest-bearing	Unsecured; no impairment
CMPMI					
Loans receivable	(3,000,000)	7,500,000	Loan granted to CMPH on May 16, 2019	3-year term; interest at 5.11%	Unsecured; no impairment
Accounts receivable	951	-	Unremitted Collection of staff contributions, rental for year end and other expenses incurred	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable		11,452	Unpaid expenses	On-demand; noninterest-bearing	Unsecured; no impairment

2020					
Category	Amount	Outstanding	Nature	Terms	Conditions
<i>Associates</i>					
<i>CMIT</i>					
Account receivable	₱3,313,314	₱-	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
<i>BoTICARD</i>					
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
<i>CPMI</i>					
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
<i>Affiliates</i>					
<i>MNLI</i>					
Accounts receivable	18,000	-	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
<i>CaMIA</i>					
Account receivable	5,010,522	81,941	Advance payment of claims to members who avail CaMIA products and other related expenses incurred	On-demand; noninterest-bearing	Unsecured; no impairment
Accounts payable	1,428,134	4,150	Unpaid Premiums uncollected from CaMIA 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
<i>CMDI</i>					
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
<i>(Forward)</i>					

2020						
Category	Amount	Outstanding	Nature	Terms	Conditions	
<i>CARD Inc.</i>						
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	
<i>CARD SME Bank, Inc.</i>						
Cash and cash equivalents	–	23,330,860	Regular savings deposit	On-demand; interest at 1.50%	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	
<i>BDSFI</i>						
Account receivable	17,360	–	Unremitted Collection of Staff contribution	On-demand; noninterest-bearing	Unsecured; no impairment	
<i>CARD EMPC</i>						
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>Rizal Bank Inc.</i>						
Cash and cash equivalents	–	23,813,052	Regular savings deposit	On-demand; interest at 1.50%	Unsecured; no impairment	
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	
<i>CLFC</i>						
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	
<i>CARD Bank Inc.</i>						
Cash and cash equivalents	–	69,591,282	Regular savings deposit	On-demand; interest at 1.50%	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	

(Forward)

2020					
Category	Amount	Outstanding	Nature	Terms	Conditions
Rental income (Note 21)	₱8,363,563	₱-	Unremitted Collection of Staff contribution	On-demand; noninterest-bearing	Unsecured; no impairment
<i>CMPHI</i> 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
<i>CARD Hijos Tours</i> Accounts payable	33,751	33,751	Unpaid claims and expenses incurred	On-demand; noninterest-bearing	Unsecured; no impairment

In 2021 and 2020, short-term employee benefit compensation to the Association's key management personnel amounted to ₱1.17 million and ₱1.41 million, respectively. Post-employment benefits compensation to key management personnel amounted to ₱2.14 million and ₱1.81 million in 2021 and 2020, respectively.

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.

Tax regulations provide that RCIT rate shall be 25.00% and 30.00% in 2021 and 2020, respectively. It further states that nondeductible interest expense shall likewise be reduced to 20.00% and 33.00% of interest income subjected to final tax in 2021 and 2020, respectively.

An optional standard deduction (OSD) equivalent to 40.00% of gross income may be claimed as an alternative deduction in computing for the RCIT. For the 2021 and 2020 RCIT computation, the Bank elected to claim itemized expense deductions instead of the OSD.

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 1.00% of the Association's net revenue.

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.

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 7.50%, 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.

CREATE Bill

In November 2020, the Philippine Senate approved Senate Bill (SB) No. 1357 and forwarded the same to the House of Representative in December 2021. SB No. 1357 also known as the Corporate Recovery and Tax Incentive Act (CREATE Bill) which reduces the corporate income tax from 30.00% to 25.00% effective July 2021 except for domestic corporations with net taxable income not exceeding ₱5,000,000 and with total assets not exceeding ₱100,000,000 (excluding land on which the particular business entity’s office, plant, and equipment are situated) which will be taxed at 20.00%. The bill also provides that effective July 1, 2020 to June 30, 2023, the MCIT will be lowered to 1.00% from 2.00%.

As of December 31, 2020, the Association did not consider the provisions of the bill yet in the income tax computation as reported in the financial statement given that the law was only signed by the President of the Philippines on March 26, 2021 and it was considered as a non-adjusting subsequent event. However, the Association reflected the lower provision in its 2020 annual income tax return. For financial reporting purposes, The Association started to use the new tax rate for the income tax computation in the first quarter of 2021. This resulted to a lower provision for current income tax for the year ended December 31, 2021 by ₱83,337.

The provision for income tax consists of:

	2021	2020
Current tax	₱1,562,788	₱1,000,044
Final tax	89,608,282	87,281,262
	₱91,171,070	₱88,281,306

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:

	2021	2020
Statutory income tax	₱172,352,938	₱195,819,100
Add (deduct) the tax effect of:		
Gross premiums on insurance contracts	(1,270,440,861)	(1,127,246,716)
Gross change in insurance contract liabilities	436,315,288	424,959,935
Gross insurance contract benefits and claims Paid	702,943,441	565,794,969
General and administrative expenses	172,470,363	166,181,356
Equity in net earnings of associates	(46,764,343)	(49,276,285)
Dividend income	(26,151,510)	(36,198,677)
Interest income subjected to final tax	(44,132,830)	(42,039,711)
Interest income not subjected to final tax	(16,329,330)	(7,375,560)
Rental income	(4,468,185)	(5,104,576)
Other expense (income)	15,459,436	2,767,471
CREATE Law Adjustment	(83,337)	-
Provision for income tax	₱91,171,070	₱88,281,306

24. Notes to Statement of Cash Flows

The Association's principal noncash investing activity in 2021 and 2020 pertains to additions to ROU assets amounting to ₱13.93 million and ₱9.58 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
2021	₱6,355,577	₱13,759,035	(₱10,028,765)	₱1,036,738	₱11,122,585
2020	4,801,734	9,404,555	(8,247,895)	397,183	6,355,577

**pertains to interest expense*

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 120.00% 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 100.00% of the member's employer accumulated value (the Parent Company's contributions of 8% plan salary to Fund A plus credited earnings) and 100.00% of the member's employee accumulated value (member's own contributions up to 10.00% of plan salary to Fund B plus credited earnings), if any. Provided that in no case shall 100.00% of the employer accumulated value in Fund A be less than 100.00% of plan salary for every year of credited service.

The latest actuarial valuation report covers reporting period as of December 31, 2021.

Changes in funded retirement plan are as follows:

	Net benefit cost in statement of comprehensive income				Remeasurements in other comprehensive income				At December 31			
	January 1	Current service cost (Note 20)	Net interest (Note 19)	Subtotal	Transfer to plan	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in experience		Effect of changes in asset ceiling	Contribution by employer	
Present value of defined benefit obligation	\$42,185,599	\$3,980,692	\$1,670,438	\$5,651,230	(\$851,032)	\$1,156,107	(\$292,155)	\$5,230,317	\$1,514,581	\$-	\$6,453,743	\$4,694,317
Fair value of plan assets	(107,814,876)	-	(4,286,391)	(4,286,391)	(1,156,107)	(94,846)	-	-	-	-	(94,846)	(114,681,766)
Effect of changes in asset ceiling	16,509,671	-	653,783	653,783	-	-	-	-	-	(2,796,657)	(2,796,657)	14,366,797
Retirement asset	(\$49,119,906)	\$3,980,692	(\$1,962,070)	\$2,018,622	\$-	(\$94,846)	(\$292,155)	\$5,230,317	\$1,514,581	(\$2,796,657)	\$3,561,240	(\$49,578) (\$44,089,622)

	Net benefit cost in statement of comprehensive income				Remeasurements in other comprehensive income				At December 31			
	January 1	Current service cost (Note 20)	Net interest (Note 19)	Subtotal	Transfer to plan	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in experience		Effect of changes in asset ceiling	Contribution by employer	
Present value of defined benefit obligation	\$38,195,349	\$3,948,590	\$2,116,022	\$6,064,612	(\$24,523)	\$1,523,943	(\$287,839)	(\$2,433,450)	(\$852,793)	\$-	(\$3,574,082)	\$42,185,299
Fair value of plan assets	(100,296,971)	-	(5,653,265)	(5,653,265)	(1,523,943)	1,630,411	-	-	-	-	1,630,411	(107,814,876)
Effect of changes in asset ceiling	18,839,840	-	1,043,727	1,043,727	-	-	-	-	-	(3,373,896)	(3,373,896)	16,509,671
Retirement asset	(\$43,261,782)	\$3,948,590	(\$2,493,516)	\$1,455,074	\$-	(\$1,630,411)	(\$287,839)	(\$2,433,450)	(\$852,793)	(\$3,373,896)	(\$5,317,567)	(\$43,689,311) (\$49,119,906)

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

	2021	2020
Discount rate	5.14%	3.96%
Salary increase rate	5.00%	3.00%
Average remaining working lives	30.20 years	30.90 years

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

	2021	2020
Investment in bonds	P54,863,537	P45,907,574
Cash and cash equivalents	46,056,882	49,896,725
Loans receivable	9,564,095	-
Investment in mutual funds	-	528,293
Real estate	-	9,013,324
Others	2,566,252	2,468,961
	P113,050,766	P107,814,877

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, 2021, assuming if all other assumptions were held constant:

	Increase (decrease)	Effect on defined pension plan	
		2021	2020
Discount rate	+100 basis points	(P6,148,090)	(P4,942,317)
	-100 basis points	7,413,908	5,986,729
Future salary increase	+100 basis points	7,347,837	5,984,186
	-100 basis points	(6,209,481)	(5,028,544)

The Association expects to contribute P2.76 million to the defined pension plan in 2022.

As of December 31, 2021 and 2020, the maturity profiles of undiscounted benefit payments of the Association follow:

	2021	2020
Less than one year	P3,052,391	P2,327,719
More than one year to five years	14,577,876	11,204,022
More than five years	31,398,979	19,781,044
	P49,029,246	P33,312,785

The average duration of the defined benefit obligation at the end of the reporting period is 12.40 years.

26. Management of Insurance and Financial Risks

Governance Framework

The Association has established a risk management function with clear terms of reference and with the responsibility for developing policies on market, credit, liquidity, insurance and operational risk. It also supports the effective implementation of policies at the overall association and individual business unit levels.

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

Regulatory Framework

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

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

Guaranty fund

As a mutual benefit association, IC requires the Association to possess a guaranty fund of 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, 2021 and 2020, the Association has a total of P222.69 million and P225.59 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:

	2021	2020
Member's equity	P5,738,198,874	P5,193,787,557
RBC requirement	1,135,002,763	1,254,937,910
RBC ratio	505.57%	413.87%

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

Standard chart of accounts

IC has released Circular No. 2014-41 containing the standard chart of accounts for all new and existing mutual benefit associations doing business in the Philippines. This circular is in line with the requirements of SRC Rule 68, Section 189 of the Amended Insurance Code, and the current accounting standards in the Philippines. This circular is effective immediately and should be used in the annual statement filed with IC starting calendar year 2014. In year 2021, IC released Circular Letter No. 2021-14 which prescribes amendments to the standard chart of accounts to be used by mutual benefit associations.

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

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

Insurance Risk

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

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

Underwriting risk

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

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

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

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

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

Mortality and morbidity rates

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

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

Investment return

The weighted average rate of return is derived based on a model portfolio that is assumed to back liabilities, consistent with the long-term asset allocation strategy. These estimates are based on current market returns as well as expectations about future economic and financial developments.

An increase in investment return would lead to a reduction in expenditure and an increase in the funds of the Association.

Expenses

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

Lapse and surrender rates

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

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

Discount rate

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

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

Sensitivities

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

2021

	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	(₱18,291,342)	₱12,735,442
Increase (decrease) on revenue	18,291,342	(12,735,442)

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	(₱11,868,119)	₱8,274,480
Increase (decrease) on revenue	11,868,119	(8,274,480)

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.

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, 2021 and 2020:

	Carrying Value	2021			Total
		Level 1	Level 2	Level 3	
Financial assets					
Cash and cash equivalents	₱228,528,514	₱228,528,514	₱-	₱-	₱228,528,514
HTM investments	19,070,997,581	19,363,830,566	-	-	19,363,830,566
Loans and receivables					
Short-term investments	1,310,680,953	-	-	1,310,680,953	1,310,680,953
Long-term investments	2,668,455,026	-	-	3,128,606,909	3,128,606,909
Receivables					
Accounts receivables	5,265,666	-	-	5,265,666	5,265,666
Loans receivable	104,072,061	-	-	112,221,088	112,221,088
Other receivables	30,489,182	-	-	30,489,182	30,489,182
AFS financial assets					
Quoted	507,564,191	507,564,191	-	-	507,564,191
Unquoted	1,235,744,500	-	-	1,235,744,500	1,235,744,500
Accrued interest receivable	341,179,676	-	-	341,179,676	341,179,676
	₱25,502,977,350	₱20,099,923,271	₱-	₱6,164,187,974	₱26,264,111,245
Financial liabilities					
Accounts payable and accrued expenses	31,037,853	₱-	₱-	₱31,037,853	₱31,037,853
	₱31,037,853	₱-	₱-	₱31,037,853	₱31,037,853
	Carrying Value	Level 1	Level 2	Level 3	Total
Financial assets					
Cash and cash equivalents	₱591,126,625	₱591,126,625	₱-	₱-	₱591,126,625
HTM investments	16,573,941,641	17,668,464,756	-	-	17,668,464,756
Loans and receivables					
Short-term investments	257,315,208	-	-	257,315,208	257,315,208
Long-term investments	2,668,696,325	-	-	3,009,108,401	3,009,108,401
Receivables					
Accounts receivables	6,676,988	-	-	6,676,988	6,676,988
Loans receivable	14,610,909	-	-	15,098,644	15,098,644
Other receivables	18,691,098	-	-	18,691,098	18,691,098
AFS financial assets					
Quoted	550,041,174	550,041,174	-	-	550,041,174
Unquoted	1,084,243,217	-	-	1,084,243,217	1,084,243,217
Accrued interest receivable	283,510,335	-	-	283,510,335	283,510,335
	₱22,048,853,520	₱18,809,632,555	₱-	₱4,674,643,891	₱23,484,276,446
Financial liabilities					
Accounts payable and accrued expenses	₱70,699,966	₱-	₱-	₱70,699,966	₱70,699,966
	₱70,699,966	₱-	₱-	₱70,699,966	₱70,699,966

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 3.00% to 6.00% and 4.00% to 6.00% in December 31, 2021 and 2020, respectively.

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

As of December 31, 2021 and 2020, the fair value of the investments in mutual funds designated as AFS financial assets of the Association amounted to ₱430.32 million and ₱473.61 million, respectively.

As of December 31, 2021 and 2020, the investment in Unit Investment Trust Fund (UITF) with BPI Bayanihan Balanced Fund amounted to ₱77.24 million and ₱76.43 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, 2021 and 2020, 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	
		2021	2020
Weighted cost of capital	+500	₱61,629,396	(₱26,313,582)
	-500	61,654,616	24,542,800

Financial Risks

The Association is exposed to financial risk through its financial assets, financial liabilities and insurance liabilities. In particular, the key financial risk that the Association is exposed to is that the proceeds from its financial assets may not be sufficient to fund the obligations arising from its

insurance contracts. The most important components of this financial risk are credit risk, liquidity risk and market risk.

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

Credit risk

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

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

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

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

	2021	2020
Financial Assets		
Cash and cash equivalents (excluding cash on hand amounting P0.20 million and P0.12 million in 2021 and 2020, respectively)	₱228,328,504	₱591,006,625
HTM investments	19,070,997,581	16,573,941,641
Loans and Receivables		
Short-term investments	1,310,680,953	257,315,208
Long-term investment	2,668,455,026	2,668,696,325
Receivables		
Accounts receivable	5,265,666	6,676,988
Loans receivable	104,072,062	14,610,909
Advances for future stocks subscriptions	27,306,288	15,000,000
Other receivables	3,182,894	3,691,098
AFS financial assets		
Unquoted	1,235,744,500	1,084,243,217
Quoted	507,564,191	550,041,174
Accrued interest receivable	341,179,676	283,510,335
	₱25,502,777,341	₱22,048,733,520

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, 2021 and 2020.

2021

	Neither Past-Due nor Impaired		Past Due and Impaired	Total
	Investment Grade	Non-investment Grade		
Financial Assets				
HTM investments	₱19,070,997,581	₱-	₱-	₱19,070,997,581
Cash and cash equivalents	228,528,514	-	-	228,528,514
Loans and Receivables				
Long-term investments	2,668,455,026	-	-	2,668,455,026
Short-term investments	1,310,680,953	-	-	1,310,680,953
Accrued interest receivable	341,179,676	-	-	341,179,676
Loans receivable	104,072,061	-	-	104,072,061
Accounts receivables	5,265,666	-	705,078	5,970,744
Other receivables	30,489,182	-	197,198	30,686,380
AFS financial assets				
Quoted	507,564,191	-	-	507,564,191
Unquoted	1,235,744,500	-	-	1,235,744,500
	₱25,502,977,350	₱-	₱902,276	₱25,503,879,626

2020

	Neither Past-Due nor Impaired		Past Due and Impaired	Total
	Investment Grade	Non-investment Grade		
Financial Assets				
HTM investments	₱16,573,941,641	₱-	₱-	₱16,573,941,641
Cash and cash equivalents	591,126,625	-	-	591,126,625
Loans and Receivables				
Long-term investments	₱2,668,696,325	₱-	₱-	₱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
	₱22,048,853,520	₱-	₱1,686,009	₱22,050,539,529

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 (one) 1-30 days terms and are all current. All receivables are neither past due nor impaired.

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

Liquidity risk

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

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

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

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

2021

	Up to 1 year	1-3 years	over 3 years	No term	Total
Financial assets					
Cash and cash equivalents	P228,701,785	P-	P-	P-	P228,701,785
HTM investments	3,496,397,104	10,057,834,280	9,495,470,864	-	23,049,702,248
Loans and receivables					
Accounts receivable	5,265,666	-	-	-	5,265,666
Accrued interest receivable	341,179,676	-	-	-	341,179,676
Loans receivable	39,642,894	72,268,103	-	-	111,910,997
Other receivables	30,489,182	-	-	-	30,489,182
Short-term investments	1,317,091,459	-	-	-	1,317,091,459
Long-term investments	318,681,836	2,465,595,320	306,154,761	-	3,090,431,917
AFS financial assets	-	-	-	1,743,308,691	1,743,308,691
	P5,777,449,602	P12,595,697,703	P9,801,625,625	P1,743,308,691	P29,918,081,621
Financial liabilities					
Other financial liabilities					
Claims payable	P134,177,070	P-	P-	P-	P134,177,070
Collection fee payable	5,120,184	-	-	-	5,120,184
Accrued expenses	21,112,100	-	-	-	21,112,100
Lease liabilities	7,416,351	3,706,234	-	-	11,122,585
	P167,825,705	P3,706,234	P-	P-	P171,531,939

2020

	Up to 1 year	1-3 years	over 3 years	No term	Total
Financial assets					
Cash and cash equivalents	P592,559,350	P-	P-	P-	P592,559,350
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
	P3,726,294,594	P13,537,453,689	P9,523,379,139	P1,634,284,391	P28,421,411,813

	Up to 1 year	1-3 years	over 3 years	No term	Total
Financial liabilities					
Other financial liabilities					
Accounts payable -CaMIA	P4,150	P-	P-	P-	P4,150
Claims payable	144,450,616	-	-	-	144,450,616
Collection fee payable	47,578,348	-	-	-	47,578,348
Accrued expenses	9,134,333	-	-	-	9,134,333
Other liabilities	9,292,648	-	-	-	9,292,648
Lease liabilities	5,307,875	1,047,702	-	-	6,355,577
	P215,767,970	P1,047,702	P-	P-	P216,815,672

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.

	2021		2020	
	U.S. Dollar ⁽¹⁾	Peso Equivalent	U.S. Dollar ⁽¹⁾	Peso Equivalent
Cash in bank	\$2,633	P134,257	\$5,540	P266,063
Cash equivalents	490,982	25,035,172	489,854	23,524,245
Short-term investments	5,762	293,804	5,732	275,275
Total	\$499,377	P25,463,233	\$501,126	P24,065,585

⁽¹⁾ The exchange rate used was P50.99 to US\$1.00 in 2021 and P48.02 to US\$1.00 in 2020.

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
2021	USD	+0.10	₱254,261
		-0.10	(254,261)
2020	USD	+0.10	₱240,640
		-0.10	(240,640)

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, 2021 and 2020, the Association does not have financial instruments which have repricing interest.

2021

	Range of interest rate	Up to a year	Over one (1) year
Cash and cash equivalents-regular deposit	0.01% to 1.00%	₱190,968,241	₱-
Cash and cash equivalents-time deposits	0.10% to 1.20%	37,360,263	-
Short-term investments	0.15% to 2.00%	1,310,680,953	-
Long term investments	3.00% to 6.00%	-	2,668,455,026
HTM investments	1.40% to 8.00%	-	19,070,997,581
Total financial assets		₱1,539,209,457	₱21,739,452,607

2020

	Range of interest rate	Up to a year	Over one (1) year
Cash and cash equivalents-regular deposit	0.05% to 1.50%	₱160,998,942	₱-
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		₱848,321,833	₱19,242,637,966

Price risk

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

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

Sensitivity analysis

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

	2021		2020	
	+10%	-10%	+10%	-10%
Change in NAVPS				
Mutual Funds	(P43,032,225)	(P43,032,225)	P47,360,908	(P47,360,908)
Unit Investment Trust Fund	7,724,195	(7,724,195)	7,643,210	(7,643,210)

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, 2021 and 2020, 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	Disaster Relief Assistance Program	Experience Refund	Interest on Refund	Enhancement of IT system	Capacity Building	Research and Development	Members' Education	Total
At January 1, 2020	P225,061,701	P24,070,326	P542,756	P-	P279,954,927	P-	P-	P-	P529,629,710
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	P-	P279,954,927	P-	P-	P-	P511,061,525
Appropriation	-	90,000,000	-	244,255,430	100,880,271	201,760,541	100,880,270	100,880,270	838,656,782
Utilization of Appropriation	-	(33,710,882)	-	-	(6,969,883)	-	-	-	(40,680,765)
Adjustments on guaranty fund	(2,906,000)	-	-	-	-	-	-	-	(2,906,000)
At December 31, 2021	P222,687,701	P61,259,259	P542,756	P244,255,430	P373,865,315	P201,760,541	P100,880,270	P100,880,270	P1,306,131,542

The Association is required to increase the guaranty fund based on the 5.00% annual gross premium collections until the guaranty fund reaches 12.50% of the minimum paid up capital for domestic life insurance companies or ₱125.00 million, whichever is higher. In 2021, there was an adjustment for guaranty fund amounting to ₱2.91 million.

The Association appropriated ₱90.00 million and ₱49.57 million in 2021 and 2020, 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 2021 and 2020, utilization of appropriation amounted to ₱33.71 million and ₱68.67 million, respectively.

Also, during the year, there was an additional appropriation for enhance of IT system amounting to ₱100.88 million, interest on refund amounting to ₱244.26 million, capacity building amounting to ₱201.76 million, research and development amounting to ₱100.88 million, and members' education amounting to ₱100.88 million. Utilization of appropriation amounted to ₱6.97 million.

29. Maturity Profile of Assets and Liabilities

The table below presents the assets and liabilities of the Association as of December 31, 2021 and 2020 analyzed according to whether they are expected to be recovered or settled within one year and beyond one year from the reporting date:

	2021			2020		
	Within One Year	Beyond One Year	Total	Within One Year	Beyond One Year	Total
Financial Assets						
Cash and cash equivalents	₱228,528,514	₱-	₱228,528,514	₱591,126,625	₱-	₱591,126,625
Financial assets at FVTPL						
Loans and receivables	1,658,469,919	2,460,492,969	4,118,962,888	282,683,294	2,683,307,234	2,965,990,528
HTM investments	2,892,869,504	16,178,128,077	19,070,997,581	1,903,290,259	14,670,651,382	16,573,941,641
AFS financial assets	-	1,743,308,691	1,743,308,691	-	1,634,284,391	1,634,284,391
Accrued income	341,179,676	-	341,179,676	283,510,335	-	283,510,335
	<u>5,121,047,613</u>	<u>20,381,929,737</u>	<u>25,502,977,350</u>	<u>3,060,610,513</u>	<u>18,988,243,007</u>	<u>22,048,853,520</u>
Nonfinancial Assets						
Property and Equipment	₱-	₱165,889,687	₱165,889,687	₱-	₱170,316,320	₱170,316,320
Right-of-use Assets	-	17,907,194	17,907,194	-	14,556,357	14,556,357
Investment Properties	-	405,944,177	405,944,177	-	404,790,155	404,790,155
Investments in Associates	-	1,337,848,933	1,337,848,933	-	1,142,545,741	1,142,545,741
Pension Asset	-	44,089,622	44,089,622	-	49,119,906	49,119,906
Other Assets	14,770,974	5,047,236	19,818,210	13,936,665	3,484,125	17,420,790
	<u>14,770,974</u>	<u>1,976,726,849</u>	<u>1,991,497,823</u>	<u>13,936,665</u>	<u>1,784,812,604</u>	<u>1,798,749,269</u>
	<u>5,135,818,587</u>	<u>22,358,656,586</u>	<u>27,494,475,173</u>	<u>3,074,547,178</u>	<u>20,773,055,611</u>	<u>23,847,602,789</u>
Less: Allowance for credit losses			902,276			1,686,009
Accumulated depreciation – property and equipment			66,287,561			64,962,259
Accumulated depreciation – ROU Asset			6,842,718			7,764,015
Accumulated depreciation – Investment properties			79,481,070			66,139,257
			<u>₱27,340,961,548</u>			<u>₱23,707,051,249</u>
Financial Liabilities						
Accounts payable and accrued expenses	₱31,037,853	₱-	₱31,037,853	₱70,699,966	₱-	₱70,699,966
Lease liabilities	7,416,351	3,706,234	11,122,585	5,307,875	1,047,702	6,355,577
	<u>38,454,204</u>	<u>3,706,234</u>	<u>42,160,438</u>	<u>76,007,841</u>	<u>1,047,702</u>	<u>77,055,543</u>
Nonfinancial Liabilities						
Insurance contract liabilities	-	12,504,354,764	12,504,354,764	-	10,769,367,158	10,769,367,158
Retirement fund	-	8,362,624,691	8,362,624,691	-	7,108,784,001	7,108,784,001
	-	<u>20,866,979,455</u>	<u>20,866,979,455</u>	-	<u>17,878,151,159</u>	<u>17,878,151,159</u>
		<u>₱</u>			<u>₱</u>	
	<u>₱38,454,204</u>	<u>20,870,685,689</u>	<u>₱20,909,139,893</u>	<u>₱76,007,841</u>	<u>17,879,198,861</u>	<u>₱17,955,206,702</u>

30. Approval of the Financial Statements

The accompanying financial statements of the Association were approved and authorized for issue by the Board of Trustees on April 9, 2022.

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

The Association reported and/or paid the following types of taxes in 2021:

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 ₱2.14 million and ₱0.30 million, respectively.

- b. The Association did not incur any input VAT in 2021.

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 2021:

<i>Local tax</i>	
License and permit fees	₱1,353,511
Real property taxes	1,455,867
Others	2,197,898
	<hr/>
	5,007,276
<i>National tax</i>	
Registration fees	39,500
	<hr/>
	₱5,046,776

- c. Withholding Taxes

Details consist of the following:

	December 31,	
	Remitted	2021
Withholding taxes on compensation and benefits	₱776,939	₱126,802
Expanded withholding taxes	3,615,056	287,957
	<hr/>	<hr/>
	₱4,391,995	₱414,759

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 revalidation of its 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. 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.

Subsequent to the protest, the Association received letters of authority from the BIR on March 2020 and February 2021 for taxable year 2018 and 2019, respectively.

On October 29, 2021, the BIR issued a Formal Letter of Demand (FLD) against the Association for deficiency income tax and value added tax for the taxable year 2018. The Association, through its Legal Counsel, duly protested the said assessments on the ground that the same are devoid of any legal and factual basis. The case is currently with the Revenue District Office No. 055 for reinvestigation.

The BIR examination for taxable year 2019 is ongoing as of the date of approval of the 2021 financial statements.

Management believes, as supported by the advice from its legal counsel, that it has strong and meritorious grounds that BIR will accept the uncertain tax treatment and that the deficiency assessments be eventually cancelled and set aside.



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