

*(f) Retirement and Other Employee Benefits*

The determination of the obligation and cost of retirement benefits is dependent on the selection of certain assumptions used by the actuary in calculating such amounts. Those assumptions include, among others, discount rates, expected returns on plan assets and salary increase rates.

While the Association believes that the assumptions are reasonable and appropriate, significant differences between actual experience and assumptions may materially affect the cost of employee benefits and related obligations.

As at December 31, 2015 and 2014, the Association has a retirement asset of P2.81 million and P4.02 million, respectively (see Note 21).

Retirement expense amounted to P0.23 million in 2015 and P0.86 million in 2014 while employee benefit reserves amounted to P0.39 million and P2.20 million as at December 31, 2015 and 2014, respectively (see Note 21).

---

**5. Management of Insurance and Financial Risks**

The Association's activities expose it to a variety of risks such as financial and insurance risks. The overall objective of risk management is to focus on the unpredictability of financial and insurance contingencies to minimize potential adverse effects on the financial condition of the Association.

Governance

The Board of Trustees of the Association has overall responsibility for the establishment and oversight of the Association's risk management framework. The Board of Trustees has delegated to the management the responsibility of developing and monitoring the Association's risk management policies.

The Association's risk management policies are established to identify and analyze the risks faced by the Association, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Association's activities. The Association, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The management is responsible for monitoring compliance with the risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Association.

Regulatory Framework

Regulators are interested in protecting the rights of the members and maintain close observation to ensure that the Association is satisfactorily managing its affairs for the benefit of members. 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 risks are at acceptable levels.

#### Capital Management

The Association's objective in managing fund balance is to maintain high growth by applying free cash flow to selective investments that would preclude the Association's need of additional financing. The Association sets strategies with the objective of establishing a versatile and resourceful financial management and fund balance structure. The management has overall responsibility for monitoring of fund balance in proportion to risk. Profiles for ratios are set in the light of changes in the Association's external environment and the risks underlying the Association's business operations and industry.

The Association's capital includes guaranty fund reserves, general fund balance, funds assigned for members' benefits and capacity building.

The Association monitors fund balance on the basis of the debt-to-equity ratio which is calculated as total debt divided by total fund balance. Total debt is equivalent to claims payable, accrued expenses and other liabilities, aggregate reserves and equity value reserves. Total equity comprises the fund balance.

Debt-to-equity ratio is 76.95% and 71.79% in 2015 and 2014, respectively. There were no changes in the Association's approach to fund balance management during the year.

The Association is subject to imposed capital requirements set by the IC. Compliance with these requirements is discussed below.

#### Networth Requirement

Under the Insurance Code, mutual benefit associations must have available total member's equity in an amount to be determined by the IC above all liabilities for losses reported as networth requirement.

The final amount of the networth requirement 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 in the Insurance Code.

The estimated amounts of non-admitted assets as defined in the Insurance Code included in the Association's statements of assets, liabilities and fund balance, which are subject to final determination by the IC are as follows:

	2015	2014
Receivables	P1,733,650	P3,715,132
Property, equipment and computer software - net	1,821,445	2,639,908
Other assets	944,550	740,169
	<b>P4,499,645</b>	<b>P7,095,209</b>

As at December 31, 2015 and 2014, the Association is compliant with the required networth requirement based on its internal computations.

#### Risk-Based Capital (RBC) Requirements

As per IC's Memorandum Circular (MC) No. 6-2006, every mutual benefit entity is annually required to maintain an RBC ratio of at least one hundred percent (100%) and not to fail the trend test. RBC ratio is computed using the formula prescribed by the IC. The RBC requirement is determined after considering the admitted value of certain financial statement accounts whose final amounts can be determined only after the examination by the IC.

Failure to meet the minimum RBC ratio shall subject the Association to regulatory intervention which could be at various levels depending on the degree of the violation.

The following table shows how the RBC ratio at December 31, 2015 and 2014 were determined by the Association based on its internal calculations:

	2015	2014
Members' equity	P474,345,458	P462,368,460
Risk-based capital requirement	11,444,049	12,579,376
Risk-based capital ratio	4,145%	3,676%

As at December 31, 2015 and 2014, the Association is compliant with the required RBC ratio.

#### Insurance Risk

The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. The principal risk that the Association faces under its insurance contracts are that the actual claims and benefit payments exceed the carrying value of the insurance liabilities, which was the estimates, established using certain assumptions.

The table below sets out the concentration of life insurance contract by type of contract as at December 31, 2015 and 2014.

	2015		2014	
	Gross of Reinsurance	Net of Reinsurance	Gross of Reinsurance	Net of Reinsurance
Loan availment benefits	P97,556,828	P97,463,670	P103,361,207	P103,303,780
Mandatory benefits	66,702,365	66,635,745	75,817,534	75,777,627
	P164,259,193	P164,099,415	P179,178,741	P179,081,407

The Association's exposure to insurance risk as at December 31, 2015 and 2014 are as follows:

	Note	2015	2014
Aggregate reserves	17	P12,412,582	P12,328,295
Equity value reserves	18	316,436,514	295,023,168
		P328,849,096	P307,351,463

#### Key Assumptions

The principal assumption underlying the estimates is the Association's past claims development experience. This includes assumptions in respect of average claim costs and claim numbers for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example, one off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

#### *Sensitivity Analysis for Insurance Risk*

As at December 31, 2015 and 2014, it is estimated that a general increase of one percent (1%) in aggregate and equity value reserves, with all other variables held constant, would decrease the Association's net income and equity by approximately P3.29 million and P3.07 million, respectively. An equal change in the opposite direction would have decreased net income and equity by an equal but opposite amount.

#### Financial Risks

The Association has significant exposure to the following financial risks and from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

There has been no change to the Association's exposure to financial risks (i.e. credit risk, liquidity risk and market risk) or the manner in which it manages and measures the risks since prior financial year.

#### *(a) Credit Risk*

Credit risk is the risk of financial loss to the Association if the counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from the Association's financial assets.

Except for HTM investments which mature on various dates, all of the Association's financial assets are current. Thus, the credit risk relating to these financial assets are considered small due to the short settlement period involved. The Association's HTM investments consist primarily of government securities. Since these are backed by the full faith and credit of the Philippine Government, these are generally considered to be free of credit risk.

The carrying amounts of financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting dates are as follows:

	<i>Note</i>	<b>2015</b>	<b>2014</b>
Cash in bank and cash equivalents	7	<b>P12,877,967</b>	P19,057,328
Short-term investments	8	<b>3,141,395</b>	3,116,138
AFS financial assets	9	<b>691,951,622</b>	649,122,410
HTM investments	10	<b>97,551,958</b>	84,490,843
Receivables	11	<b>14,032,715</b>	17,448,885
Other assets (excluding prepaid expenses and fidelity bond deposit)	14	<b>80,215</b>	73,204
		<b>P819,635,872</b>	<b>P773,308,808</b>

The Association's concentration of credit risk arises from its investments in government securities since the said investments amounted to P396.25 million and P413.18 million of its total assets as at December 31, 2015 and 2014, respectively.



The table below provides information regarding the credit risk exposure of the Association as at December 31, 2015 and 2014 by classifying assets according to the Association's credit grading of counterparties.

	2015				
	Neither Past Due nor Impaired			Past Due and Impaired	Total
	Investment High-grade	Non-investment Grade - Satisfactory	Total Financial Assets Neither Past Due nor Impaired		
Cash in bank and cash equivalents	P12,877,967	P -	P12,877,967	P -	P12,877,967
Short-term investments	3,141,395	-	3,141,395	-	3,141,395
AFS financial assets	691,951,622	-	691,951,622	-	691,951,622
HTM investments	97,551,958	-	97,551,958	-	97,551,958
Receivables	-	14,032,715	14,032,715	-	14,032,715
Other assets (excluding prepaid expenses and fidelity bond deposit)	-	80,215	80,215	-	80,215
	P805,522,942	P14,112,930	P819,635,872	P -	P819,635,872

	2014				
	Neither Past Due nor Impaired			Past Due and Impaired	Total
	Investment High-grade	Non-investment Grade - Satisfactory	Total Financial Assets Neither Past Due nor Impaired		
Cash in bank and cash equivalents	P19,057,328	P -	P19,057,328	P -	P19,057,328
Short-term investments	3,116,138	-	3,116,138	-	3,116,138
AFS financial assets	649,122,410	-	649,122,410	-	649,122,410
HTM investments	84,490,843	-	84,490,843	-	84,490,843
Receivables	-	17,448,885	17,448,885	-	17,448,885
Other assets (excluding prepaid expenses and fidelity bond deposit)	-	73,204	73,204	-	73,204
	P755,786,719	P17,522,089	P773,308,808	P -	P773,308,808

The Association has no past due but not impaired financial assets as at December 31, 2015 and 2014.

The Association uses a credit grading system based on the borrowers and counterparties overall credit worthiness, as described below:

*Investment High - grade* - This pertains to accounts with a very low probability of default as demonstrated by the borrower's strong financial position and reputation. The borrower has the ability to raise substantial amounts of funds through credit facilities with financial institutions. The borrower has a strong debt service record and a moderate use of leverage.

*Non-investment Grade - Satisfactory* - This pertains to current accounts with no history of default or which may have defaulted in the past, but the conditions and circumstances directly affecting the borrower's ability to pay has abated already. The borrower is expected to be able to adjust to the cyclical downturns in its operations. Any prolonged adverse economic conditions would however ostensibly create profitability and liquidity issues. The use of leverage may be above industry or credit standards but remains stable.

*Past Due and Impaired* - This pertains to the allowance for impairment loss that the Association recognizes due to the uncertainty of the collectability of the Association's receivables.

*(b) Liquidity Risk*

Liquidity risk is the risk that the Association will not be able to meet its financial obligations as they fall due. The Association's approach in managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Association's reputation.

The Association prepares weekly cash position report and weekly check disbursement forecast, which assists in monitoring cash flow requirements. Typically, the Association ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot be predicted.

The maturity profile of the Association's financial liabilities as at December 31, 2015 and 2014 are as follows:

	<i>Note</i>	2015	
		Carrying Amount	Contractual Cash Flow
Claims payable	15	P5,010,457	P5,010,457
Equity value reserves	18	316,436,514	316,436,514
Accrued expenses and other liabilities*	16	34,633,706	34,633,706
		<b>P356,080,677</b>	<b>P356,080,677</b>

\*Accrued expenses and other liabilities shown above exclude payables to regulatory agencies amounting to P2.12 million.

	<i>Note</i>	2014	
		Carrying Amount	Contractual Cash Flow
Claims payable	15	P3,631,544	P3,631,544
Equity value reserves	18	295,023,168	295,023,168
Accrued expenses and other liabilities*	16	26,673,381	26,673,381
		<b>P325,328,093</b>	<b>P325,328,093</b>

\*Accrued expenses and other liabilities shown above exclude payables to regulatory agencies amounting to P2.27 million.

*(c) Market Risk*

Market risk is the risk that causes changes in market prices, such as interest rate and equity price risks. This will affect the Association's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market exposures within acceptable parameters, while optimizing the return. The Association's exposure to currency risk was assessed by management to be insignificant.

*Interest Rate Risk*

There are two types of interest rate risk:

- *Fair Value Interest Rate Risk* - the risk that the value of a financial instrument will fluctuate because of changes in market interest rates; and
- *Cash Flow Interest Rate Risk* - the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Significant portion of the Association's investments is composed of interest-bearing debt instruments carried at fair value. As a result, the Association is exposed to fair value interest rate risk. The Association's interest-bearing financial instruments as at December 31, 2015 and 2014 are as follows:

	<i>Note</i>	<b>2015</b>	<b>2014</b>
Cash in banks	7	<b>P12,877,967</b>	P19,057,328
Short-term investments	8	<b>3,141,395</b>	3,116,138
AFS financial assets	9	<b>691,951,622</b>	649,122,410
HTM investments	10	<b>97,551,958</b>	84,490,843
		<b>P805,522,942</b>	P755,786,719

The following table demonstrates Association's best estimate of the sensitivity to reasonable possible change in interest rates, with all other variables held constant, to the Association's net income and equity as at December 31:

	<b>Change in Basis Points (bps)</b>	<b>Effect on Net Income/Equity</b>
<b>2015</b>	<b>Increase by 27 bps</b>	<b>P2,174,912</b>
	<b>Decrease by 27 bps</b>	<b>(2,174,912)</b>
<b>2014</b>	<b>Increase by 100 bps</b>	<b>7,557,867</b>
	<b>Decrease by 100 bps</b>	<b>(7,557,867)</b>

The Association does not carry debt instrument with variable interest rate and, thus, is not exposed to cash flow interest rate risk.

Interest rate risk is mitigated by the Association's Board of Trustees by constructing a portfolio of debenture instruments with diversified maturities. Any excess cash of the Association are temporarily invested in time deposits with the term to maturity of 35 days up to 3 months and later placed in instruments with longer tenors.

The Association believes that the analysis above is considered to be representative of the interest rate risk.

#### *Equity Price Risk*

Equity price risk is the risk that value of the instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

The Association's equity price risk exposure relates to investments designated as AFS financial assets with carrying balances of P21.75 million and P25.59 million as at December 31, 2015 and 2014, respectively (see Note 9). The value of these equity securities will fluctuate with changes in market conditions.

A 7% (2014: 7%) increase in stock prices would have increased net income and equity by P1.52 million (2014: P1.79 million) as at December 31, 2015, with all variables remaining constant. An equal change in the opposite direction would have decreased net income and equity by an equal but opposite amount.

In 2015 and 2014, the Association determined the reasonably possible change in Philippine Stock Exchange (PSE) Index based on the historical fluctuation of equity securities the Association holds as of the reporting date.

## 6. Fair Value Measurements and Disclosures

The fair values of financial assets and liabilities approximate their carrying value due to the relatively short-term maturity of these financial instruments except for HTM investments.

The recurring fair value of AFS financial assets are determined by reference to quoted market prices, at the close of business on the reporting date.

### *Fair Value Hierarchy*

The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of AFS financial assets using Level 1 inputs is P713.70 million and P674.71 million as at December 31, 2015 and 2014, respectively (see Note 9).

The Association has no financial instruments categorized under Level 2 and 3. There has been no transfer between levels in 2015 and 2014.

## 7. Cash and Cash Equivalents

This account consists of:

	2015	2014
Cash on hand	P998,109	P1,024,134
Cash in banks	10,197,865	16,837,712
Cash equivalents	2,680,102	2,219,616
	<b>P13,876,076</b>	<b>P20,081,462</b>

Cash in banks earn annual interest ranging from 0.75% to 1.25% at respective bank deposit rates both in 2015 and 2014. Short-term placements represent a 90-day time deposit with an average annual interest rate of 1.00% in 2015 and 2014. In 2015, an 8-day placement in a local bank with an average annual interest rate of 0.50% was made by the Investment Manager of the Association. Both placements are pre-terminable and with a maturity of not more than 3 months from the date of issue.

Interest income net of final tax recognized in profit or loss which is presented under "Interest income", amounted to P0.08 million and P0.27 million for the years ended December 31, 2015 and 2014, respectively.



## 8. Short-term Investments

This account consists of a 180-day placement amounting to P3.14 million and P3.12 million as at December 31, 2015 and 2014, respectively, which earns interest of 1.00% per annum for both 2015 and 2014.

Interest income earned from this placement, net of final tax, amounted to P5,534 and P2,889 in 2015 and 2014, respectively.

## 9. Available-for-Sale Financial Assets

As at December 31, 2015 and 2014, the carrying value of the Association's AFS financial assets are as follows:

	2015	2014
Government securities	P396,250,550	P413,184,435
Corporate debt securities	295,701,072	235,937,975
Equity securities	21,748,792	25,586,521
	<b>P713,700,414</b>	<b>P674,708,931</b>

The reconciliation of the carrying amount of the investments at the beginning and end of the year is shown below:

	2015	2014
Balance at beginning of year	P674,708,931	P537,020,073
Purchases during the year	109,123,517	294,553,946
Reclassification	(14,622,975)	(25,483,346)
Disposal for the year	(32,856,345)	(144,327,802)
Amortization of premium during the year	(2,056,443)	(1,105,529)
Accretion of discount during the year	704,271	150,617
Movement in fair value reserve	(21,300,542)	13,900,972
Balance at end of year	<b>P713,700,414</b>	<b>P674,708,931</b>

This account represents investments in government securities and corporate bonds with interest ranging from 4.00% to 8.13% in 2015 and 4.63% to 9.13% in 2014.

Interest income on AFS financial assets, net of final tax, amounted to P30.44 million and P25.78 million in 2015 and 2014, respectively. Dividend income in 2015 and 2014 amounted to P0.48 million and P0.65 million, respectively.

The fair value reserve on AFS financial assets recognized in statements of assets, liabilities and fund balance amounted to P6.58 million and P27.88 million as at December 31, 2015 and 2014, respectively.

On August 23, 2013, the Association reclassified certain AFS financial assets to HTM investments amounting to P12.28 million with a fair value reserve of P1.31 million. As at date of reclassification, the EIR was 3.99% and estimated cash flows to be recovered upon maturity of the investment in March 2027 amounted to P18.94 million.

In subsequent year, certain AFS financial assets were reclassified to HTM investments on January 29, 2014 amounting to P11.17 million with a fair value reserve of P0.34 million and EIR of 5.39% and on September 3, 2014 amounting to P14.40 million with a fair value reserve of P0.43 million and EIR of 3.32%. The estimated cash flows to be recovered upon maturity of the investments on October 2037 and July 2016 amounted to P25.02 million and P15.38 million, respectively.

On October 7, 2015, an AFS financial asset amounting to P14.29 million with a fair value reserve of P0.38 million was reclassified to HTM investments. As at date of reclassification, the EIR was 4.63% and the estimated cash flows to be recovered upon maturity of the investment on February 2032 amounted to P23.82 million.

As at December 31, 2015, the fair value of the reclassified investments amounted to P49.58 million and the unamortized fair value gain that would have been recognized in other comprehensive income if the AFS financial assets had not been reclassified amounted to P1.55 million for the year ended December 31, 2015.

The carrying amount of the reclassified financial assets amounted to P50.95 million as at December 31, 2015.

The reclassification was triggered to comply with the requirement of the IC that the Association should maintain enough reserves in the form of government securities, which are to be held to maturity, to satisfy any valid benefit claim of its members. Management believes that the Association has the capability to hold the reclassified securities until maturity.

#### 10. Held-to-Maturity Investments

As at December 31, 2015 and 2014, the reconciliation of the carrying amount of the Association's held-to-maturity investments are as follows:

	2015	2014
Balance at beginning of year	P84,490,843	P69,261,548
Reclassification	13,888,454	25,570,486
Disposal for the year	-	(10,000,000)
Amortization of premium during the year	(827,339)	(341,191)
Balance at end of year	P97,551,958	P84,490,843

As at December 31, 2015 and 2014, this account represents the Association's investments in government securities with interest ranging from 4.15% to 7.00% per annum.

Interest income on HTM investments, net of final tax, amounted to P3.02 million and P3.53 million in 2015 and 2014, respectively.

This investment is in compliance with Section 405 of the Insurance Code and Insurance Memorandum Circular 9-2006 requiring all Microinsurance mutual benefit associations to establish a Guaranty Fund and to deposit cash or government securities equivalent to the Guaranty Fund with the Bureau of Treasury to answer for any valid benefit claim of any of its members. The HTM investments will be re-invested in similar instruments upon maturity.

## 11. Receivables

This account consists of:

	<i>Note</i>	2015	2014
Interest receivables		P7,337,163	P6,809,817
Due from related party	12	5,197,277	6,500,661
Advances to officers and employees		1,050,347	763,853
Others		447,928	3,374,554
		P14,032,715	P17,448,885

Interest receivables pertain to accrued interest of AFS financial assets and HTM investments.

## 12. Related Party Transactions

Parties are considered related party if one party has control, joint control, or significant influence over the other party in making financial and operating decisions. The key management personnel of the Association are also considered to be related parties. The Association's key management personnel are composed of the senior management and directors.

Category/ Transaction	Year	Note	Amount of the Transaction	Outstanding Balance Due from Related Parties	Terms	Conditions
<b>Entity Under Common Key Management</b>						
• Membership fees collected	2015	12a	P164,259,193	P5,197,277	Payable on demand; non-interest bearing	Unsecured; no impairment
	2014		179,178,741	6,500,661	Payable on demand; non-interest bearing	Unsecured; no impairment
• Claims and benefits paid	2015	12b	42,098,426	-	Payable on demand; non-interest bearing	Unsecured
	2014		47,873,019	-	Payable on demand; non-interest bearing	Unsecured
• Share in reimbursable expense	2015	12c	17,752,657	-	Payable on demand; non-interest bearing	Unsecured
	2014		20,420,320	-	Payable on demand; non-interest bearing	Unsecured
<b>TOTAL</b>	<b>2015</b>		<b>P224,110,276</b>	<b>P5,197,277</b>		
<b>TOTAL</b>	<b>2014</b>		<b>P247,472,080</b>	<b>P6,500,661</b>		

Notes:

12a Tulay Sa Pag-unlad, Inc. (TSPI), an entity with the same key management, is a nonstock, nonprofit organization, whose mission is to provide individuals and communities the opportunity to experience fullness of life through small and micro-enterprise development. Effective January 1, 2007, TSPI collects membership fees from the Association's members.

12b TSPI also settles claims to the beneficiaries of members on behalf of the Association using the membership fees collected. In instances where the claims to be settled exceeds the amount of membership fees collected, TSPI advances the payment of claims to the beneficiaries. As at December 31, 2015 and 2014, no outstanding balance represents the settlement claims advanced by TSPI.

12c TSPI provides the promotion and marketing of the Association's products to the TSPI's microfinance clients including collection of membership fees for the said products of the Association. The Association reimburses the marketing and sales expenses incurred by TSPI in behalf of the Association. In 2015 and 2014, marketing and sales expenses amounting to P17.75 million and P20.42 million, respectively, were recognized as part of "Marketing and sales" in profit or loss.

#### Compensation of Key Management Personnel

Total short-term remuneration of the Association's key management personnel amounted to P3.32 million and P3.40 million for the years ended December 31, 2015 and 2014, respectively. Post-employment benefits amounted to P0.86 million and P1.19 million for the years ended December 31, 2015 and 2014, respectively.

### **13. Property, Equipment and Computer Software**

Movements in this account are as follows:

	Office Furniture and Fixtures	Transportation and Equipment	Office Equipment	Building and Improvement	Computer Software	Total
<b>Cost</b>						
January 1, 2014	P4,506,347	P2,734,500	P9,388,724	P -	P2,823,366	P19,452,937
Additions	175,938	1,000,000	5,305,895	325,979	1,813,864	8,621,676
December 31, 2014	4,682,285	3,734,500	14,694,619	325,979	4,637,230	28,074,613
Additions	428,380	-	995,435	-	1,110,014	2,533,829
Disposals	(774,115)	-	(3,704,628)	-	(893,786)	(5,372,529)
December 31, 2015	4,336,550	3,734,500	11,985,426	325,979	4,853,458	25,235,913
<b>Accumulated Depreciation and Amortization</b>						
January 1, 2014	3,801,451	1,344,499	8,321,088	-	2,025,366	15,492,404
Depreciation and amortization for the year	423,972	493,333	1,844,483	39,602	979,158	3,780,548
December 31, 2014	4,225,423	1,837,832	10,165,571	39,602	3,004,524	19,272,952
Depreciation and amortization for the year	631,511	549,999	2,456,327	65,195	1,418,896	5,121,928
Disposals	(773,977)	-	(3,704,237)	-	(893,592)	(5,371,806)
December 31, 2015	4,082,957	2,387,831	8,917,661	104,797	3,529,828	19,023,074
<b>Net Carrying Amounts</b>						
December 31, 2014	P456,862	P1,896,668	P4,529,048	P286,377	P1,632,706	P8,801,661
December 31, 2015	P253,593	P1,346,669	P3,067,765	P221,182	P1,323,630	P6,212,839



#### 14. Other Assets

This account consists of:

	2015	2014
Prepaid expenses	P614,332	P416,966
Fidelity bond deposits	250,000	252,255
Cash held by investment manager/custodian	80,215	73,204
	<b>P944,547</b>	<b>P742,425</b>

Prepaid expenses include unused supplies, medicard premium and prepaid reinsurance premium.

The fidelity bond deposits in 2015 and 2014 as required by the IC have a term of one (1) year expiring on June 25, 2016 and 2015, respectively.

Cash held by investment manager/custodian pertains to cash advanced to the investment manager/custodian for the acquisition of equity securities.

#### 15. Claims Payable

This account consists of:

	2015	2014
IBNR claims	P4,020,189	P2,500,000
Claims due and unpaid	990,268	1,131,544
	<b>P5,010,457</b>	<b>P3,631,544</b>

Movements in IBNR claims are as follows:

	2015	2014
Balance at beginning of year	P2,500,000	P3,944,757
Increase (decrease) in IBNR	1,520,189	(1,444,757)
Balance at end of year	<b>P4,020,189</b>	<b>P2,500,000</b>

Movements in claims due and unpaid are as follows:

	2015	2014
Balance at beginning of year	P1,131,544	P1,091,976
Claims and benefits incurred	41,957,150	47,912,587
Claims and benefits paid	(42,098,426)	(47,873,019)
Balance at end of year	<b>P990,268</b>	<b>P1,131,544</b>

---

**16. Accrued Expenses and Other Liabilities**

This account consists of:

	<i>Note</i>	<b>2015</b>	<b>2014</b>
Accrued interest	<i>18</i>	<b>P27,234,431</b>	P21,423,212
Accrued expenses		<b>7,399,275</b>	5,250,169
Payables to regulatory agencies		<b>2,121,585</b>	2,270,280
		<b>P36,755,291</b>	P28,943,661

The Association accrued 2.00% interest on equity value received from the members as required by the IC in 2015 and 2014 (see Note 18).

Payables to regulatory agencies include payables to Bureau of Internal Revenue, Philhealth, Pag-ibig Fund and Social Security System.

---

**17. Aggregate Reserves**

In compliance with Section 410 of the Insurance Code, the Association accumulates and maintains, out of the periodic dues collected from its members, sufficient reserves for future contractual obligations for which it holds funds in securities satisfactory to the Commissioner consisting of bonds of the Government of the Philippines, or any of its political subdivisions and instrumentalities, or other good securities as may be approved by the Commissioner. Moreover, the said reserve liability established in accordance with actuarial procedures is approved by the Commissioner.

As at December 31, 2015 and 2014, the aggregate reserves amounted to P12.41 million and P12.33 million, respectively.

On October 30, 2014, the IC released Circular Letter No. 2014-42-A, *Valuation standards for life insurance policy reserves*, requiring all life insurance companies to calculate the reserves for traditional life insurance policies with a term of one year or less using unearned premium method.

The application of the new valuation standards for life insurance policy reserves have no significant impact on the Association.

---

**18. Equity Value Reserves**

In compliance with Section 409 of the Insurance Code, the Association maintains an equity value reserves of 50% of the total mandatory membership fees collected thereon.

As at December 31, 2015 and 2014, the equity value reserves amounted to P316.44 million and P295.02 million, respectively.

Interest expense on equity value reserves amounted to P6.60 million and P5.92 million for the years ended December 31, 2015 and 2014, respectively.

Accrued interest of 2.00% on equity value reserves as at December 31, 2015 and 2014 amounted to P27.23 million and P21.42 million, respectively (see Note 16).

---

## **19. Guaranty Fund Reserves**

As a Microinsurance Mutual Benefit Association, the Association is required to maintain Guaranty Fund amounting to P5.00 million, and every year thereafter, increase its Guaranty Fund by an amount equivalent to 5.00% of gross premium collections until the amount of the Guaranty Fund shall reach 25% of the required networth for existing domestic life insurance companies.

As at December 31, 2015 and 2014, the Association holds P97.55 million and P84.49 million, respectively, with the Bureau of Treasury to cover for any valid benefit claim of any of its members (see Note 10).

The amount transferred from general fund to guaranty fund reserves amounted to P8.21 million and P8.96 million in 2015 and 2014, respectively.

As at December 31, 2015 and 2014, the guaranty fund reserves amounted to P82.57 million and P74.36 million, respectively.

---

## **20. General Fund Balance**

Section 408 of the Insurance Code requires a mutual benefit association to only maintain free and unassigned surplus of not more than twenty percent (20%) of its total liabilities as verified by the Commissioner. Any amount in excess shall be returned to the members by way of dividends, enhancing the equity value or providing benefits in kind and other relevant services.

On December 5, 2014, the Board of Trustees unanimously approved the recommendation of the management to appropriate the excess free and unassigned surplus based on the 2013 audited financial statements allocated as follows: 70% for members' benefits amounting to P214.94 million and 30% for capacity building amounting to P92.12 million.

On March 12, 2015, the Association submitted its application to appropriate 30% of its excess free and unassigned surplus for capacity building and research and development and on July 10, 2015, the Commissioner approved the application.

The balance of funds assigned for members' benefits amounted to P225.63 million and P214.94 million in 2015 and 2014, respectively while assigned for capacity building amounted to P98.39 million in 2015 and P92.12 million in 2014.

As at December 31, 2015 and 2014, the general fund balance amounted to P67.99 million and P60.79 million, respectively.

---

## **21. Retirement Benefit Cost**

The Association has a funded, non-contributory defined benefit retirement plan covering all regular employees. Contributions and costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using the projected unit credit method. The actuarial valuation is made on an annual basis and the latest actuarial valuation was made as at December 31, 2015.

The following table shows reconciliation from the opening balances to the closing balances for net defined benefit asset and its components.

	Defined Benefit Obligation		Fair Value of Plan Assets		Net Defined Benefit Liability (Asset)	
	2015	2014	2015	2014	2015	2014
Balance at January 1	P3,351,539	P4,708,660	P7,368,542	P7,445,031	(P4,017,003)	(P2,736,371)
Included in Profit or Loss						
Current service cost	425,622	1,008,823	-	-	425,622	1,008,823
Interest cost	150,485	250,501	349,481	396,076	(198,996)	(145,575)
	576,107	1,259,324	349,481	396,076	226,626	863,248
Included in OCI						
Remeasurement loss (gain):						
Actuarial loss (gain) arising from:						
Demographic assumptions	-	(3,118,873)	-	-	-	(3,118,873)
Financial assumptions	(217,962)	430,663	-	65,189	(217,962)	365,474
Experience adjustments	(1,245,358)	71,765	-	-	(1,245,358)	71,765
Return on plan assets excluding interest income	-	-	(606,855)	-	606,855	-
Change in the effect of asset ceiling (movement in asset ceiling - interest expense on effect of asset ceiling)	-	-	(2,670,451)	(537,754)	2,670,451	537,754
	(1,463,320)	(2,616,445)	(3,276,306)	(472,565)	1,813,186	(2,143,380)
Others						
Contributions paid by the employer	-	-	830,900	-	(830,900)	-
	-	-	830,900	-	(830,900)	-
Balance at December 31	P2,464,326	P3,351,539	P5,271,517	P7,368,542	(P2,807,191)	(P4,017,003)

The changes in the effect of asset ceiling are as follows:

	2015	2014
Balance at beginning of period	P847,208	P293,823
Remeasurement gain on the change in the effect of asset ceiling	2,670,451	537,754
Interest expense on effect of asset ceiling	38,040	15,631
Balance at end of period	P3,555,699	P847,208

The Association's plan assets consist of the following:

	2015	2014
Cash	P212	P167
Unit investment trust funds	8,844,525	7,250,784
Mutual funds	-	981,377
Trust fee payable	(17,521)	(16,578)
	P8,827,216	P8,215,750

The Association is not required to contribute to the defined benefit retirement plan for 2016. The following were the principal actuarial assumptions at the reporting date:

	2015	2014
Discount rate	5.17%	4.49%
Future salary growth	5.00%	5.00%

Assumptions regarding future mortality have been based on the 2001 CSO Table - Generational mortality table. The current members' longevity is at age 30.50.

The weighted-average duration of the defined benefit obligation is 6.17 years and 26.80 years as at December 31, 2015 and 2014, respectively.



Maturity analysis of the benefit payments:

	2015				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1-5 Years	More than 5 Years
Defined benefit obligation	P2,464,326	P2,984,273	P2,025,823	P139,552	P818,898

#### Sensitivity Analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	Defined Benefit Obligation	
	Increase	Decrease
Discount rate (1% movement)	(P272,961)	P331,367
Future salary growth (1% movement)	302,160	(254,701)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

These defined benefit plans expose the Association to actuarial risks, such as longevity risk, interest rate risk, and market (investment) risk.

The Association is not required to pre-fund the future defined benefits payable under the Retirement Plan before they become due. For this reason, the amount and timing of contributions to the Retirement Fund are at the Association's discretion. However, in the event a benefit claim arises and the Retirement Fund is insufficient to pay the claim, the shortfall will then be due and payable from the Association to the Retirement Fund.

## **22. Supplementary Information Required by the Bureau of Internal Revenue (BIR) Based on Revenue Regulations (RR) No. 15-2010**

In addition to the disclosures mandated under PFRSs, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the financial statements, certain supplementary information for the taxable year. The amounts relating to such supplementary information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRSs.

The following is the tax information required for the taxable year ended December 31, 2015:

### **Based on RR No. 15-2010**

#### **A. Withholding Taxes**

Tax on compensation and benefits	P2,026,735
Expanded withholding taxes	112,776
	<b>P2,139,511</b>

**B. All Other Taxes (Local and National)**

---

*Other taxes paid during the year recognized under  
"Taxes and licenses" account under General and  
Administrative Expenses*  
License and permit fees

**P101,055**

---

**C. Tax Contingencies**

The Association has no deficiency tax assessment or any tax case, litigation, and/or prosecution in courts or bodies outside the BIR as at December 31, 2015.



**R.G. Manabat & Co.**  
The KPMG Center, 9/F  
6787 Ayala Avenue  
Makati City 1226, Metro Manila, Philippines

Telephone +63 (2) 885 7000  
Fax +63 (2) 884 1985  
Internet [www.kpmg.com.ph](http://www.kpmg.com.ph)  
E-Mail [ph-inquiry@kpmg.com](mailto:ph-inquiry@kpmg.com)

Branches: Subic - Cebu - Bacolod - Iloilo

## REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

The Board of Trustees and Members  
TSPI Mutual Benefit Association, Inc.  
3<sup>rd</sup> Floor, TSPI Building, 2363 Antipolo St.  
Guadalupe Nuevo, Makati City

We have audited the accompanying financial statements of TSPI Mutual Benefit Association, Inc. (the "Association"), a nonstock, nonprofit organization, as at and for the year ended December 31, 2015, on which we have rendered our report dated April 1, 2016.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the Association taken as a whole. The supplementary information included in the schedule of Philippine Financial Reporting Standards is the responsibility of the Association's management.

This supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

### R.G. MANABAT & CO.

DENNIS I. ILAN

Partner

CPA License No. 089564

IC Accreditation No. SP-2014/023-R, Group A, valid until August 26, 2017

SEC Accreditation No. 1182-AR-1, Group A, valid until April 30, 2018

Tax Identification No. 161-313-405

BIR Accreditation No. 08-001987-28-2014

Issued September 26, 2014; valid until September 25, 2017

PTR No. 5320748MD

Issued January 4, 2016 at Makati City

April 1, 2016  
Makati City, Metro Manila

**TSPI Mutual Benefit Association, Inc.**

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>Framework for the Preparation and Presentation of Financial Statements</b>				
Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
<b>PFRSs Practice Statement Management Commentary</b>				✓
<b>Philippine Financial Reporting Standards</b>				
<b>PFRS 1 (Revised)</b>	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: First-time Adoption of Philippine Financial Reporting Standards - Repeated Application of PFRS 1			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Borrowing Cost Exemption			✓
	Annual Improvements to PFRSs 2011 - 2013 Cycle: PFRS version that a first-time adopter can apply			✓
<b>PFRS 2</b>	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Meaning of 'vesting condition'			✓
<b>PFRS 3 (Revised)</b>	Business Combinations			✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Classification and measurement of contingent consideration			✓
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Scope exclusion for the formation of joint arrangements			✓
<b>PFRS 4</b>	Insurance Contracts	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
<b>PFRS 5</b>	Non-current Assets Held for Sale and Discontinued Operations			✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Changes in method for disposal			✓
<b>PFRS 6</b>	Exploration for and Evaluation of Mineral Resources			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: 'Continuing involvement' for servicing contracts			✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Offsetting disclosures in condensed interim financial statements			✓
PFRS 8	Operating Segments			✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Disclosures on the aggregation of operating segments			✓
PFRS 9	Financial Instruments		✓	
	Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39			✓
PFRS 9 (2014)	Financial Instruments		✓	
PFRS 10	Consolidated Financial Statements			✓
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			✓
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
<b>PFRS 12</b>	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			✓
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
<b>PFRS 13</b>	Fair Value Measurement	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Measurement of short-term receivables and payables	✓		
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Scope of portfolio exception			✓
<b>PFRS 14</b>	Regulatory Deferral Accounts			✓
<b>Philippine Accounting Standards</b>				
<b>PAS 1 (Revised)</b>	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures			✓
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of Financial Statements - Comparative Information beyond Minimum Requirements			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of the Opening Statement of Financial Position and Related Notes			✓
	Amendments to PAS 1: Disclosure Initiative		✓*	
<b>PAS 2</b>	Inventories			✓
<b>PAS 7</b>	Statement of Cash Flows	✓		
<b>PAS 8</b>	Accounting Policies, Changes in Accounting Estimates and Errors			✓
<b>PAS 10</b>	Events after the Reporting Period	✓		
<b>PAS 11</b>	Construction Contracts			✓
<b>PAS 12</b>	Income Taxes			✓
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓

\*These standards will be effective subsequent to January 1, 2015 and were not adopted early by the Company.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
<b>PAS 16</b>	Property, Plant and Equipment	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Property, Plant and Equipment - Classification of Servicing Equipment			✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
<b>PAS 17</b>	Leases			✓
<b>PAS 18</b>	Revenue	✓		
<b>PAS 19 (Amended)</b>	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans; Employee Contributions			✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Discount rate in a regional market sharing the same currency - e.g. the Eurozone			✓
<b>PAS 20</b>	Accounting for Government Grants and Disclosure of Government Assistance			✓
<b>PAS 21</b>	The Effects of Changes in Foreign Exchange Rates			✓
	Amendment: Net Investment in a Foreign Operation			✓
<b>PAS 23 (Revised)</b>	Borrowing Costs			✓
<b>PAS 24 (Revised)</b>	Related Party Disclosures	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Definition of 'related party'	✓		
<b>PAS 26</b>	Accounting and Reporting by Retirement Benefit Plans			✓
<b>PAS 27 (Amended)</b>	Separate Financial Statements			✓
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
<b>PAS 28 (Amended)</b>	Investments in Associates and Joint Ventures			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
<b>PAS 29</b>	Financial Reporting in Hyperinflationary Economies			✓

\*These standards will be effective subsequent to January 1, 2015 and were not adopted early by the Company.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
<b>PAS 32</b>	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Financial Instruments Presentation - Income Tax Consequences of Distributions			✓
<b>PAS 33</b>	Earnings per Share			✓
<b>PAS 34</b>	Interim Financial Reporting			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Interim Financial Reporting - Segment Assets and Liabilities			✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Disclosure of Information "elsewhere in the interim financial report"			✓
<b>PAS 36</b>	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
<b>PAS 37</b>	Provisions, Contingent Liabilities and Contingent Assets	✓		
<b>PAS 38</b>	Intangible Assets	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
<b>PAS 39</b>	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓

\*These standards will be effective subsequent to January 1, 2015 and were not adopted early by the Company.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
PAS 40	Investment Property			✓
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Inter-relationship of PFRS 3 and PAS 40 (Amendment to PAS 40)			✓
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease*			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures			✓

\*These standards will be effective subsequent to January 1, 2015 and were not adopted early by the Company.



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓
<b>Philippine Interpretations Committee Questions and Answers</b>				
PIC Q&A 2006-01	PAS 18, Appendix, paragraph 9 - Revenue recognition for sales of property units under pre-completion contracts			✓
PIC Q&A 2006-02	PAS 27.10(d) - Clarification of criteria for exemption from presenting consolidated financial statements			✓
PIC Q&A 2007-01- Revised	PAS 1.103(a) - Basis of preparation of financial statements if an entity has not applied PFRSs in full			✓
PIC Q&A 2007-02	PAS 20.24.37 and PAS 39.43 - Accounting for government loans with low interest rates [see PIC Q&A No. 2008-02]			✓
PIC Q&A 2007-03	PAS 40.27 - Valuation of bank real and other properties acquired (ROPA)			✓
PIC Q&A 2007-04	PAS 101.7 - Application of criteria for a qualifying NPAE			✓
PIC Q&A 2008-01- Revised	PAS 19.78 - Rate used in discounting post-employment benefit obligations	✓		
PIC Q&A 2008-02	PAS 20.43 - Accounting for government loans with low interest rates under the amendments to PAS 20			✓
PIC Q&A 2009-01	Framework.23 and PAS 1.23 - Financial statements prepared on a basis other than going concern			✓
PIC Q&A 2009-02	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines	✓		
PIC Q&A 2010-01	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines	✓		
PIC Q&A 2010-02	PAS 1R.16 - Basis of preparation of financial statements	✓		
PIC Q&A 2010-03	PAS 1 Presentation of Financial Statements - Current/non-current classification of a callable term loan			✓
PIC Q&A 2011-01	PAS 1.10(f) - Requirements for a Third Statement of Financial Position			✓
PIC Q&A 2011-02	PFRS 3.2 - Common Control Business Combinations			✓
PIC Q&A 2011-03	Accounting for Inter-company Loans			✓
PIC Q&A 2011-04	PAS 32.37-38 - Costs of Public Offering of Shares			✓
PIC Q&A 2011-05	PFRS 1.D1-D8 - Fair Value or Revaluation as Deemed Cost			✓
PIC Q&A 2011-06	PFRS 3, Business Combinations (2008), and PAS 40, Investment Property - Acquisition of investment properties - asset acquisition or business combination?			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
<b>PIC Q&amp;A 2012-01</b>	PPRS 3.2 - Application of the Pooling of Interests Method for Business Combinations of Entities Under Common Control in Consolidated Financial Statements			✓
<b>PIC Q&amp;A 2012-02</b>	Cost of a New Building Constructed on the Site of a Previous Building			✓
<b>PIC Q&amp;A 2013-01</b>	Applicability of SMBG Final Q&As on the Application of IFRS for SMEs to Philippine SMEs			✓
<b>PIC Q&amp;A 2013-02</b>	Conforming Changes to PIC Q&As - Cycle 2013	✓		
<b>PIC Q&amp;A 2013-03 (Revised)</b>	PAS 19 - Accounting for Employee Benefits under a Defined Contribution Plan subject to Requirements of Republic Act (RA) 7641, The Philippine Retirement Law			✓



## AFFIDAVIT

We, **MA. LUZ A. PLANAS**, and **FLORENCIA G. TARRIELA**, both of legal age, Filipinos, with the same office address at 3<sup>rd</sup> Floor, Tulay sa Pag-unlad Inc. (TSPI) Bldg., 2363 Antipolo St., Guadalupe Nuevo, Makati City, after having been sworn according to law, hereby depose and state:

1. We are both Trustees being the Chairman and Treasurer, respectively of TSPI Mutual Benefit Association Inc., a non-stock, non-profit organization duly organized and existing under and by virtue of the laws of the Republic of the Philippines with principal office address at the 3<sup>rd</sup> Floor, Tulay sa Pag-unlad Inc. (TSPI) Bldg., 2363 Antipolo St., Guadalupe Nuevo, Makati City;
2. Based on the records of the Organization, the specific receipts and disbursements of its funds for the year ended December 31, 2015, are shown in the schedule of receipts and disbursements;
3. We hereby attest that the foregoing statements are correct and in accordance with the records of the Organization.

IN WITNESS WHEREOF, we have hereunto set our hands this  
APR 27 2016

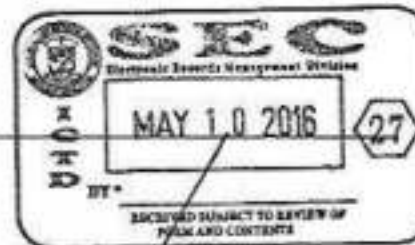
  
**MA. LUZ A. PLANAS**  
Chairman

  
**FLORENCIA G. TARRIELA**  
Treasurer

SUBSCRIBED AND SWORN TO BEFORE ME in MAKATI CITY, this  
APR 27 2016, Affiants exhibiting to me SSS ID No. 03-1349190-8 and Passport ID No. EB6620757 issued on October 23, 2012 at DFA Manila, respectively as competent evidence of their identities.

  
**ATTY. JUAN LO DAVID R. TABLANG**  
Notary Public, Makati City  
Commission No. M-70 until December 31, 2016  
PTR No. 5413445: 03/07/2016 / Makati City  
IBP No. 0981941: 1/05/2015 / Makati City  
Roll of Attorney No. 42002  
MCLE Compliance No. JV-0023768  
2016 Magsaysay St.,  
Brgy. Guadalupe Nuevo, Makati City

Doc. No. 219;  
Page No. 44;  
Book No. CXXXIV;  
Series of 2016.




### SWORN STATEMENT

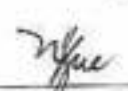
This is to certify that the following schedules for the year ended 31 December 2015 are, to the best of our knowledge, complete and accurate:

1. Schedule of Receipts or Income Other Than Contributions and Donations
2. Schedule of Contributions and Donations
3. Schedule of Disbursements and
4. Details of Material Disbursements

Signature \_\_\_\_\_

  
**EDUARDO A. MENDOZA** – President & CEO

Signature \_\_\_\_\_

  
**NELIA A. NAYVE** – Deputy Director – Finance & Admin.

Signed this \_\_\_th day of April 2016

SUBSCRIBED AND SWORN TO BEFORE ME this APR 12 2016, at  
MAKATI CITY, affiants exhibiting the following:

EDUARDO A. MENDOZA

- Passport #EC5036718  
DFA NCR East  
15 Aug 2015 to 14 Aug 2020

NELIA A. NAYVE

- Passport #EC0997445  
Manila  
05 May 2014 to 04 May 2019

Notary Public

  
**ATTY. JUANCHO DAVID R. TABLANG**

Notary Public for Makati City

Commission No. M-70 until December 31, 2016

PTR No. 5413445: 03/07/2016 / Makati City

IBP No. 0981941 : 1/05/2015 / Makati City

Roll of Attorney No. 42002

MCLE Compliance No. IV-0023768

2016 Magsaysay St.,

Brgy. Guadalupe Nuevo, Makati City

Doc. No. 79 ;  
Page No. 16 ;  
Book No. 02211 ;  
Series of 2016.



**TSPI MUTUAL BENEFIT ASSOCIATION, INC.**  
**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**  
For the year ended December 31, 2015

RECEIPTS	AMOUNT
Members' Fees/Dues	164,259,193
Investment and Other Income	
Interest on Deposits	101,345
Interest on Treasury Bills	27,762,272
Interest on Bonds	14,562,397
Interest on Short-Term Investments	6,865
Interest on Other Loans	50,814
Dividends Income	475,451
Collection of Receivables	
Housing/ Car Loan	115,831
Maturity Placements - Treasury Bills	34,261,961
Other Receipts - Surcharge Fees	41
Accounts Receivable/Payable	4,364,204
<b>TOTAL RECEIPTS</b>	<b>245,960,373</b>

DISBURSEMENTS	AMOUNT
Benefits Paid - Death Benefits	42,098,426
Operating Expense	77,330,019
Placement - Treasury Bills	109,123,517
Loan Releases - Housing Loan	35,073
Purchase of :	
Fixed Assets	428,381
Electronic Data Processing	2,105,448
Other Disbursements	
Tax on Investment Income	8,879,680
Prepaid Taxes	202,122
Refund of Equity Value	11,937,836
<b>TOTAL DISBURSEMENTS</b>	<b>252,140,502</b>

Net Receipts	(6,180,129)
Add: Cash Balance Previous Year	23,197,600
<b>TOTAL CASH FUND CURRENT YEAR</b>	<b>17,017,471</b>

  
NELIA A. NAYVE  
Deputy Director- Finance & Admin.

## SCHEDULE OF CONTRIBUTIONS/DONATIONS

Name of Foundation/Organization <b>TSPI MUTUAL BENEFIT ASSOCIATION, INC.</b>	SEC Registration No. <b>200508617</b>
For the year ended	<b>December 31, 2015</b>

<b>Part I</b>	<b>Contributors/Donors</b>
---------------	----------------------------

(a) No.	(b) Name and Address	(c) Nationality	(d) Total Contributions	(e) Type of Contribution
1	NIL		NIL	Cash <input checked="" type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution)
2	NIL		NIL	Cash <input checked="" type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution)
3	NIL		NIL	Cash <input checked="" type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution)
4	NIL		NIL	Cash <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution)

A contributor or donor includes individuals, partnerships, corporations, associations, trusts and organizations.  
If supranational organization, indicate place of principal office or domicile.

Contributions or donations reportable on the schedule are contributions, donations, grants, bequests, devises, and gifts of money or property,  
amounting to P100,000.00 or more from each contributor or donor.

## SCHEDULE OF CONTRIBUTIONS/DONATIONS


Name of Foundation/Organization <b>TSPI MUTUAL BENEFIT ASSOCIATION, INC.</b>	SEC Registration No. <b>200508617</b>
For the year ended	<b>December 31, 2015</b>

Part II	Noncash Property
---------	------------------

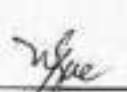
(a) No. from Part I	(b) Description of noncash property given	(c) Fair Market Value (or estimate)	(d) Date received
1	NIL	NIL	NIL
2	NIL	NIL	NIL
3	NIL	NIL	NIL
4	NIL	NIL	NIL

Signed under oath by the following:

Signature

  
**EDUARDO A. MENDOZA**  
 President & CEO

Signature

  
**NELIA A. NAYVE**  
 Deputy Director – Finance & Admin.

Signed this \_\_\_\_th day April 2016