COVER SHEET

For

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

2 0 0 5 0 8 6 1 7

COMPANY NAME

TSPI MUTUAL BENEFIT ASSOCIATION, INC. (A Nonstock, Nonprofit Organization)

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

3rd Floor, TSPI Building 2363 Antipolo St., Guadalupe Nuevo, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS		

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
NA	632- 4038619	NA

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
NA		December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Nelia Nayve	nanayve@tspi.org	632- 4038619	NA

CONTACT PERSON's ADDRESS

3rd Floor, TSPI Building, 2363 Antipolo St. Guadalupe Nuevo, Makati City.

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

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

TSPI MUTUAL BENEFIT ASSOCIATION, INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **TSPI Mutual Benefit Association, Inc.** (the **Association**) is responsible for the preparation and fair presentation of the financial statements as at and for the years ended December 31, 2018 and 2017, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein, 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, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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 to do so.

The Board of Trustees is responsible for overseeing the Association's financial reporting process.

The Board of Trustees reviews and approves the financial statements including the schedules attached therein, and submits the same to the members.

R. G. Manabat & Co., the independent auditor appointed by the members, has audited the financial statements of the Association in accordance with Philippine Standards on Auditing, and in its report to the members, has expressed its opinion on the fairness of presentation upon completion of such audit.

Ma. Luz A. Planas-Chairman of the Board

Florencia G. Tarriela-Treasurer

Atty. Leonarda D. Banasen-Corporate Secretary
Officer in Charge

Nelia A. Nayve-Director, Finance & Admin
Officer in Charge

Signed this 8th day of April 2019

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TSPI MUTUAL BENEFIT ASSOCIATION, INC.
(A Nonstock, Nonprofit Organization)

FINANCIAL STATEMENTS
December 31, 2018 and 2017

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REPORT OF INDEPENDENT AUDITORS

The Board of Trustees and Members
TSPI Mutual Benefit Association, Inc.
3rd Floor, Tulay sa Pag-unlad, Inc. (TSPI) Bldg.
2363 Antipolo St., Guadalupe Nuevo
Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of TSPI Mutual Benefit Association, Inc. (the "Association") which comprise the statements of assets, liabilities and fund balance as at December 31, 2018 and 2017, and the statements of comprehensive income, statements of changes in fund balance and statements of cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended December 31, 2018 and December 31, 2017, in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' 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.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with PFRS, 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.

Auditors' 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 auditors' 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 PSA 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 PSA, 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 auditors' 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 auditors' 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 No. 15-2010 of the Bureau of Internal Revenue

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 26 to the basic 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 supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

Vanessa P. Macamos

VANESSA P. MACAMOS
Partner
CPA License No. 0102309
IC Accreditation No. F-2017-017-O, valid until November 26, 2020
SEC Accreditation No. 1619-A, Group A, valid until March 15, 2020
Tax Identification No. 920-961-311
BIR Accreditation No. 08-001987-38-2016
Issued December 16, 2016; valid until December 15, 2019
PTR No. MKT 7333621
Issued January 3, 2019 at Makati City

April 8, 2019
Makati City, Metro Manila

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TSPI MUTUAL BENEFIT ASSOCIATION, INC.
(A Nonstock, Nonprofit Organization)
STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE

		December 31	
	Note	2018	2017
ASSETS			
Cash and cash equivalents	*7*	**P13,877,194**	P45,314,459
Short-term investments	*8*	**3,218,401**	3,192,525
Receivables	*9*	**7,512,272**	6,732,349
Due from related party	*24*	**-**	8,197,755
Available-for-sale (AFS) financial assets	*10*	**796,723,700**	751,173,471
Held-to-maturity (HTM) investments	*11, 18*	**183,987,885**	184,515,887
Property, equipment and computer software - net	*12*	**4,157,244**	5,872,085
Investment property	*13*	**56,000,000**	-
Retirement asset	*20*	**3,080,023**	2,133,244
Other assets		**967,344**	1,135,417
		P1,069,524,063	P1,008,267,192

LIABILITIES AND FUND BALANCE			
Liabilities			
Accrued expenses and other liabilities	*14*	**P30,763,625**	P24,525,348
Claims payable	*15*	**134,912,396**	106,813,789
Aggregate reserves	*16*	**53,536,552**	54,794,197
Equity value reserves	*17*	**75,511,008**	89,918,184
Due to related party	*24*	**34,770,038**	-
Total Liabilities		**329,493,619**	276,051,518
Fund Balance			
Guaranty fund reserves	*18*	**117,575,296**	104,458,625
General fund balance	*19*	**139,667,553**	58,085,811
Funds assigned for members' benefits		**420,083,779**	421,204,142
Funds assigned for capacity building		**188,169,987**	188,169,987
Remeasurement gain (loss) on retirement asset	*20*	**190,851**	(1,401,590)
Fair value reserve on AFS financial assets	*10*	**(118,683,175)**	(31,005,816)
Fair value reserve on HTM investments to be amortized in profit or loss		**(6,973,847)**	(7,295,485)
Total Fund Balance		**740,030,444**	732,215,674
		P1,069,524,063	P1,008,267,192

See Notes to the Financial Statements.

BUREAU OF INTERNAL REVENUE
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TSPI MUTUAL BENEFIT ASSOCIATION, INC.
(A Nonstock, Nonprofit Organization)
STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31	
	Note	2018	2017
NET MEMBERS' CONTRIBUTIONS AND PREMIUMS			
Members' contributions and premiums	*24*	**P262,333,419**	P286,436,025
Members' contributions and premiums ceded to reinsurers		**(263,900)**	(291,449)
		262,069,519	286,144,576
CLAIMS, BENEFITS AND OTHER COSTS			
Claims and benefits	*15*	**68,304,718**	53,087,373
Increase in equity value reserve	*17*	**35,573,273**	43,498,336
Increase (decrease) in aggregate reserves	*16*	**(1,257,645)**	41,661,661
Other direct costs	*22, 25*	**61,702,123**	53,531,406
		164,322,469	191,778,776
GENERAL AND ADMINISTRATIVE EXPENSES			
Salaries and other employee benefits	*21, 25*	**39,936,840**	41,411,160
Planning, meetings and conferences		**4,562,091**	4,241,974
Depreciation and amortization	*12*	**3,699,046**	3,733,772
Repairs and maintenance		**3,345,769**	2,830,382
Office supplies		**2,279,908**	1,690,104
Professional fees		**1,338,773**	662,978
Communication, light and water		**1,179,844**	1,378,486
Transportation and travel		**454,325**	474,373
Dues and fees		**185,519**	186,511
Taxes and licenses		**112,878**	20,819
Representation and entertainment		**72,780**	87,861
Donation		**10,000**	39,283
Miscellaneous		**245,480**	669,449
		57,423,253	57,427,152
OPERATING INCOME		**40,323,797**	36,938,648
OTHER INCOME (EXPENSE)			
Interest income	*7, 8, 9, 10, 11*	**42,727,221**	35,768,598
Dividend income	*10*	**488,723**	480,601
Gain (loss) on sale of investments	*10*	**(437,397)**	86,997
Other expense - net		**(4,046)**	(12,918)
Interest expense	*17*	**(398,401)**	(762,473)
		42,376,100	35,560,805
NET INCOME		**82,699,897**	72,499,453

Forward

	Note	Years Ended December 31 2018	2017
OTHER COMPREHENSIVE INCOME			
Item that may be reclassified to profit or loss			
Net change in fair value of reserve on AFS financial assets	*10*	**(P87,677,359)**	(P30,381,819)
Item that will not be reclassified to profit or loss			
Remeasurement gain (loss) of retirement asset	*20*	**1,592,441**	(1,958,284)
		(86,084,918)	(32,340,103)
TOTAL COMPREHENSIVE (LOSS) INCOME		**(P3,385,021)**	P40,159,350

See Notes to the Financial Statements.

TSPI MUTUAL BENEFIT ASSOCIATION, INC.
(A Nonstock, Nonprofit Organization)
STATEMENTS OF CHANGES IN FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	Guaranty Fund Reserves (Note 18)	General Fund Balance (Note 19)	Funds Assigned for Members' Benefits	Funds Assigned for Capacity Building	Remeasurement of Retirement Asset (Note 20)	Fair Value Reserve on Available-for-Sale Financial Assets (Note 10)	Fair Value Reserve on Held-to-Maturity Investments to be Amortized in Profit or Loss	Total
Balance as at December 31, 2017	P104,458,625	P58,085,811	P421,204,142	P188,169,987	(P1,401,590)	(P31,005,816)	(P7,295,485)	P732,215,674
Net income for the year	-	82,699,897	-	-	-	-	-	82,699,897
Other comprehensive income:								
Net change in fair value reserve of available-for-sale financial assets	-	-	-	-	-	(87,677,359)	-	(87,677,359)
Remeasurement of retirement asset	-	-	-	-	1,592,441	-	-	1,592,441
Total comprehensive income (loss) for the year	-	82,699,897	-	-	1,592,441	(87,677,359)	-	(3,385,021)
Transfer to guaranty fund	13,116,671	(13,116,671)	-	-	-	-	-	-
Utilization of members' benefits fund	-	-	(1,120,363)	-	-	-	-	(1,120,363)
Amortization of fair value reserve to be amortized to profit or loss	-	-	-	-	-	-	321,638	321,638
Transfer of forfeited equity value and interest	-	11,998,516	-	-	-	-	-	11,998,516
	13,116,671	(1,118,155)	(1,120,363)	-	-	-	321,638	11,199,791
Balance as at December 31, 2018	P117,575,296	P139,667,553	P420,083,779	P188,169,987	P190,851	(P118,683,175)	(P6,973,847)	P740,030,444

Forward

	Guaranty Fund Reserves (Note 18)	General Fund Balance (Note 19)	Funds Assigned for Members' Benefits	Funds Assigned for Capacity Building	Remeasurement of Retirement Asset (Note 20)	Fair Value Reserve on Available-for-Sale Financial Assets (Note 10)	Fair Value Reserve on Held-to-Maturity Investments to be Amortized in Profit or Loss	Total
Balance as at December 31, 2016	P90,136,823	P74,122,967	P237,459,898	P104,320,428	P556,694	(P623,997)	P43,308	P506,016,121
Net income for the year	-	72,499,453	-	-	-	-	-	72,499,453
Other comprehensive income:								
Net change in fair value reserve of available-for-sale financial assets	-	-	-	-	-	(30,381,819)	-	(30,381,819)
Remeasurement of retirement asset	-	-	-	-	(1,958,284)	-	-	(1,958,284)
Total comprehensive income for the year	-	72,499,453	-	-	(1,958,284)	(30,381,819)	-	40,159,350
Transfer to guaranty fund	14,321,802	(14,321,802)	-	-	-	-	-	-
Appropriation of equity value and interest	-	-	123,219,556	52,808,381	-	-	-	176,027,937
Transfer to funds assigned for members benefits and for capacity building	-	(103,470,594)	72,429,416	31,041,178	-	-	-	-
Transfer of forfeited equity value and interest	-	29,255,787	-	-	-	-	-	29,255,787
Utilization of members' benefits fund	-	-	(11,904,728)	-	-	-	-	(11,904,728)
Amortization of fair value reserve to be amortized to profit or loss	-	-	-	-	-	-	(7,338,793)	(7,338,793)
	14,321,802	(88,536,609)	183,744,244	83,849,559	-	-	(7,338,793)	186,040,203
Balance as at December 31, 2017	P104,458,625	P58,085,811	P421,204,142	P188,169,987	(P1,401,590)	(P31,005,816)	(P7,295,485)	P732,215,674

See Notes to the Financial Statements.

TSPI MUTUAL BENEFIT ASSOCIATION, INC.
(A Nonstock, Nonprofit Organization)
STATEMENTS OF CASH FLOWS

		Years Ended December 31	
	Note	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income		**P82,699,897**	P72,499,453
Adjustments for:			
Interest income	*7, 8, 9, 10, 11*	**(42,727,221)**	(35,768,598)
Increase in equity value reserve	*17*	**35,573,273**	43,498,336
Depreciation and amortization	*12*	**3,699,046**	3,733,772
Decrease in aggregate reserves	*16*	**(1,257,645)**	41,661,661
Provision for claims incurred but not yet reported	*15*	**(1,022,059)**	1,135,951
Retirement expense	*20*	**645,662**	457,082
Dividend income	*10*	**(488,723)**	(480,601)
Loss (gain) on sale of investments		**437,397**	(86,997)
Interest expense	*17*	**398,401**	762,473
Gain on sale of assets		**3,945**	13,046
Operating income before working capital changes		**77,961,973**	127,425,578
Decrease (increase) in:			
Due from related party	*24*	**8,197,755**	(8,197,755)
Other assets		**168,073**	999,668
Receivables		**37,287**	(6,034,896)
Short-term investments	*8*	**(25,876)**	(25,668)
Increase (decrease) in:			
Due to related party	*24*	**34,770,038**	(1,068,209)
Claims payable		**(8,861,269)**	17,620,076
Accrued expenses and other liabilities		**8,511,328**	(4,507,174)
Refund of equity value reserve		**-**	(1,061,444)
Cash generated from operations		**120,759,309**	125,150,176
Interest paid		**(2,671,452)**	(4,816,471)
Contribution to retirement plan	*20*	**-**	(925,000)
Net cash provided by operating activities		**118,087,857**	119,408,705
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Available-for-sale financial assets	*10*	**(142,165,625)**	(129,013,885)
Investment property	*13*	**(56,000,000)**	-
Property, equipment and computer software	*12*	**(1,988,150)**	(5,337,051)
Proceeds from:			
Disposal of available-for-sale financial assets	*10*	**8,514,978**	21,357,928
Interest income received		**42,745,315**	35,296,284
Dividend received	*10*	**488,723**	480,601
Net cash used in investing activities		**(148,404,759)**	(77,216,123)

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	Note	2018	2017
		Years Ended December 31	
CASH FLOWS FROM A FINANCING ACTIVITY			
Utilization of members' benefit fund		**(P1,120,363)**	(P11,904,728)
Net cash used in financing activity		**(1,120,363)**	(11,904,728)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(31,437,265)**	30,287,854
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7	**45,314,459**	15,026,605
CASH AND CASH EQUIVALENTS AT END OF YEAR	7	**P13,877,194**	P45,314,459

See Notes to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity

TSPI Mutual Benefit Association, Inc. (the Association) was registered with the Philippine Securities and Exchange Commission and was given license to operate as a mutual benefit association by the Insurance Commission (IC) on May 12, 2006 and December 22, 2006, respectively. The Association was organized primarily to extend financial assistance to the members and immediate members of their families in the form of death benefits, medical reimbursement, pension, loan redemption assistance, disability benefit and other services for the benefit of the members.

On January 1, 2019, the IC renewed the Association's license as a mutual benefit association until December 31, 2021.

As provided in Section 30 (e) of the National Internal Revenue Code, the Association is exempt from the payment of income tax with respect to income it receives as a nonstock, nonprofit organization.

The Association's registered address is at 3rd Floor, Tulay sa Pag-unlad Inc. (TSPI) Building, 2363 Antipolo St. Guadalupe Nuevo, Makati City.

2. Basis of Preparation

Statement of Compliance

These financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards issued by the International Accounting Standards Board (IASB). PFRS which are issued by the Philippine Financial Reporting Standards Council, consist of PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations.

Basis of Measurement

These financial statements have been prepared on the historical cost basis except for the following items, which are measured on another basis at each reporting date.

Items	Measurement Bases
Available-for-sale (AFS) financial assets	Fair value
Retirement asset	Fair value of plan assets (FVPA) less the present value of the defined benefit obligation (DBO)

Functional and Presentation Currency

The financial statements of the Association are presented in Philippine Peso, which is also the Association's functional currency. All financial information presented in Philippine peso has been rounded off to the nearest peso, except when otherwise indicated.

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Approval for Issuance of Financial Statements
The financial statements as at and for the year ended December 31, 2018 were approved by the Executive Committee as authorized by the Board of Trustees (BOT) on April 8, 2019.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all the years presented in the financial statements, except for the changes in accounting policies as explained below.

Certain comparative accounts in the statements of comprehensive income have been reclassified or re-presented as a result of changes in the presentation and classification of certain items (see Note 25).

Adoption of New or Revised Standards, Amendments to Standards
The Association has adopted the following new standards and amendments to standards starting January 1, 2018 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption did not have any significant impact on the Association's financial statements.

- Applying PFRS 9, *Financial Instruments with* PFRS 4, *Insurance Contracts (Amendments to PFRS 4)*. The amendments provide a temporary exemption from PFRS 9, where an entity is permitted to defer application of PFRS 9 in 2018 and continue to apply PAS 39, *Financial Instruments: Recognition and Measurement* if it has not applied PFRS 9 before and its activities are predominantly connected with insurance. A qualified entity is permitted to apply the temporary exemption for annual reporting periods beginning before January 1, 2022.

  The amendments also provide an overlay approach to presentation when applying PFRS 9 where an entity is permitted to reclassify between profit or loss and other comprehensive income the difference between the amounts recognized in profit or loss under PFRS 9 and those that would have been reported under PAS 39, for designated financial assets. A financial asset is eligible for designation if it is not held for an activity that is unconnected with contracts in the scope of PFRS 4, and if it is measured at fair value through profit or loss under PFRS 9, but would not have been under PAS 39. An entity is generally permitted to start applying the overlay approach only when it first applies PFRS 9, including after previously applying the temporary exemption.

  As permitted by the standard, the Association availed of the temporary exemption and deferred application of PFRS 9.

- PFRS 15, *Revenue from Contracts with Customers* replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue*, International Financial Reporting Interpretations Committee (IFRIC) 13, *Customer Loyalty Programmes*, IFRIC 18, *Transfer of Assets from Customers* and Standard Interpretations Committee-31, *Revenue - Barter Transactions Involving Advertising Services*. The new standard introduces a new and more comprehensive revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled.

PFRS 15 requires a contract with a customer to be legally enforceable and to meet certain criteria to be within the scope of the standard and for the general model to apply. It introduces detailed guidance on identifying performance obligations which requires entities to determine whether promised goods or services are distinct. It also introduces detailed guidance on determining transaction price, including guidance on variable consideration and consideration payable to customers. The transaction price will then be generally allocated to each performance obligation in proportion to its stand-alone selling price. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the entity's performance, or at a point in time, when control of the goods or services is transferred to the customer.

The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRS. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another PFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

The adoption of PFRS 15 did not result to any changes in the performance obligation and the timing of revenue recognition of the Association's non-revenue streams. Thus, the impact of the adoption to the financial statements of the Association is immaterial.

- *Transfers of Investment Property* (*Amendments to* PAS 40, *Investment Property*) amends the requirements on when an entity should transfer a property asset to, or from, investment property. A transfer is made when and only when there is an actual change in use - i.e. an asset meets or ceases to meet the definition of investment property and there is evidence of the change in use. A change in management intention alone does not support a transfer.

<u>Classification of Insurance and Investment Contracts</u>
Insurance contracts are defined as those contracts under which the Association (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholder. Such risk includes the possibility of having to pay benefits on the occurrence of an insured event such as death, accident or disability.

The Association may also transfer insurance risk in insurance contracts through its reinsurance arrangement to hedge a greater possibility of claims occurring than expected. 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 is more than the benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Investment contracts are those contracts that transfer significant financial risk, but not significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Once a contract has been classified as an insurance contract, it remains as an insurance contract for the remainder of its life, even if the insurance risk reduces significantly during the period, unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as insurance contracts after inception if the insurance risk becomes significant.

In 2018 and 2017, the Association did not enter into any investment contracts.

Insurance Contracts
The Association issues membership certificates, governing rules and regulations, and application forms that transfer insurance risk.

Conventional Annual Insurance Contracts
These contracts insure events associated with human life (death or survival) over an annual duration. Members' contributions and premiums are recognized as revenue when paid by the certificate holder. Benefits are recognized as an expense when they are incurred.

A liability for contractual benefits that is expected to be incurred in the future is recognized for policies that are in-force as at the reporting dates. The proportion of written members' contribution and premium attributable to subsequent periods or to risks that have not yet expired is deferred as "Aggregate reserves" in the statements of assets, liabilities and fund balance. The change in the provision for unearned members' contribution and premium is taken to profit or loss in the order that revenue is recognized over the period of risk. When the anticipated losses, loss adjustment expenses, incentives and other acquisition costs, and maintenance costs exceed the recorded aggregate reserves, and any future installment members' contributions and premiums on existing policies, a deficiency reserve shall be recognized by recording an additional liability for the deficiency, with a corresponding charge to profit or loss.

Reinsurance Contracts Held
Contracts entered into by the Association with reinsurer which compensates the Association for losses on one or more contracts issued by the Association and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets.

The benefits recoverable to which the Association is entitled under its reinsurance contracts held are recognized as reinsurance assets. These assets consist of amounts due from reinsurers classified within insurance receivables. Reinsurance liabilities are primarily members' contributions and premiums payable for reinsurance contracts and are recognized as expense when due. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with terms of each reinsurance contract.

The Association assesses its reinsurance assets for impairment at least annually. If there is objective evidence that the reinsurance asset is impaired, the Association reduces the carrying amount of the reinsurance assets to its recoverable amount and recognizes that impairment loss in profit or loss. The Association gathers the objective evidence that a reinsurance asset is impaired using the same process for financial assets.

Financial Instruments

Date of Recognition

Financial instruments are recognized in the statements 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 timeframe established by regulation or convention in the marketplace are recognized on the settlement date. Settlement date accounting refers to: (a) the recognition of an asset on the day it is received by the Association, and (b) the derecognition of an asset and recognition of any gain or loss on disposal on the day that it is delivered by the Association.

Initial Recognition

Financial instruments are recognized initially 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 instruments includes transaction costs. The Association classifies its financial assets into the following categories: financial assets at FVPL, available-for - sale (AFS) financial assets, held-to-maturity (HTM) investments, and loans and receivables. The Association classifies its financial liabilities either as financial liabilities at FVPL or other financial liabilities.

The classification depends on the purpose for which the instruments were acquired or incurred and whether these are quoted in an active market. Management determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As at December 31, 2018 and 2017, the Association has no financial assets and liabilities at FVPL.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not held for trading.

After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest method, less any impairment loss. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). The amortization, if any, is included as part of "Interest income" in profit or loss.

As at December 31, 2018 and 2017, the Association's cash and cash equivalents, short-term investments, receivables, due from related party and cash held by investment manager/custodian under "Other assets" are classified under this category.

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 and are subject to an insignificant risk of change in value.

Held-to-Maturity (HTM) Investments
HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which management has the positive intention and ability to hold to maturity. Where the Association sells or reclassifies other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified at fair value as AFS financial assets. After initial measurement, these investments are subsequently measured at amortized cost using the effective interest method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization, if any, is included as part of "Interest income" in profit or loss.

As at December 31, 2018 and 2017, the Association's HTM investments amounted to P183.99 million and P184.52 million, respectively (see Notes 11 and 18).

Available-for-Sale (AFS) Financial Assets
AFS financial assets are financial assets which are designated as such, or do not qualify to be classified or have not been classified under any other financial asset category. They are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions.

After initial recognition, AFS financial assets are subsequently measured at fair value, with unrealized gains or losses recognized in other comprehensive income in the "Fair value reserve on AFS financial assets" in fund balance until the investment is derecognized, at which time the cumulative gain or loss is recognized in profit or loss, or until the investment is determined to be impaired, where the cumulative loss is reclassified to profit or loss.

When the fair value of AFS financial assets cannot be measured reliably because of lack of reliable estimates of unobservable inputs such as in the case of unquoted equity instruments, these financial assets are allowed to be carried at cost less impairment, if any.

As at December 31, 2018 and 2017, the Association's AFS financial assets amounted to P796.72 million and P751.17 million, respectively (see Note 10).

Reclassification of AFS Financial Assets to HTM Investments
For a financial asset reclassified out of the AFS financial assets category to HTM investments, it shall reclassify the financial asset at its fair value on the date of reclassification which becomes its new amortized cost. Any previous gain or loss on that asset that has been recognized in other comprehensive income and any difference between the new amortized cost and maturity amount is amortized in profit or loss over the remaining life of the investments using the effective interest method similar to the amortization of a premium and a discount. If the financial asset is subsequently impaired, any gain or loss that has been recognized in other comprehensive income is reclassified from fund balance to profit or loss.

<u>Financial Liabilities</u>
Other Financial Liabilities
Issued financial instruments or their component, which are not classified as 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 lender.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest 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. The amortization is included as part of "Interest expense" in profit or loss.

As at December 31, 2018 and 2017, this category includes the Association's claims payable, equity value reserves, accrued expenses and other liabilities (excluding amounts payable to government agencies) and due to related party.

Fair Value Measurements

Determination of Fair Values

The fair values of financial instruments traded in active markets at reporting date are based on their quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair values are determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flows method, price comparison to similar instruments for which market observable prices exist, options pricing models, and other relevant valuation models.

Fair Value Hierarchy

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 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., prices) or indirectly (i.e., derived from prices); and

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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 the categorization at the end of each reporting period.

For purposes of the fair value disclosure, the Association has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

"Day 1" Profit

Where the transaction price in a non-active market is different from 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 profit or loss, unless it qualifies for recognition as some other type of asset. In cases where data used as inputs in a valuation model are not observable, the difference between the transaction price and model value is only recognized in profit or loss 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.

Impairment of Financial Assets

The Association assesses at each reporting date whether a financial asset or a group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in economic conditions that correlate with defaults.

Loans and Receivables and HTM Investments

The Association first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Association determines that no objective evidence of impairment exists for individually assessed accounts, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses 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 the collective assessment for impairment. For the purpose of a collective evaluation of impairment, loans and receivables are grouped on the basis of credit risk characteristics such as type of borrower, payment status and term.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the excess of loan's carrying amount over its net realizable value, based on the present value of the estimated future cash flows from the asset. The present value of the estimated future cash flows is discounted at the loan's original EIR. Time value is generally not considered when the effect of discounting is not material. The carrying amount of an impaired loan is reduced to its net realizable value through the use of an allowance account and the accrual of interest is discontinued. If, in a subsequent period, the amount of the allowance for impairment loss decreases because of an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed to profit or loss to the extent that the resulting carrying amount of the asset does not exceed its amortized cost had no impairment loss been recognized.

The Association performs a regular review of the age and status of these accounts, designed to identify accounts with objective evidence of impairment and provide the appropriate allowance for impairment loss. The Association writes off its long outstanding receivable accounts from deceased, unlocated, or migrated debtors, where they have exhausted all efforts to collect.

AFS Financial Assets Carried at Fair Value
In case of quoted equity securities classified as AFS financial assets, impairment indicators would include a significant or prolonged decline in the fair value of the investments below cost. A decline in excess of twenty percent (20%) should generally be regarded as significant while a decline in a quoted market price that persists for nine (9) months should generally be considered to be prolonged.

Where there is objective evidence of impairment, the cumulative loss in equity, measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognized, is recorded in profit or loss. Subsequent increase in the fair value of an impaired AFS equity security is recognized in other comprehensive income.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statements of assets, liabilities and fund balance if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is generally not the case with master netting agreements, thus, the related assets and liabilities are presented on a gross basis in the statements of assets, liabilities and fund balance. Income and expenses are presented on a net basis only when permitted under PFRS, such as in the case of any realized gains or losses arising from the Association's trading activities.

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 have 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 rights to receive cash flows from an asset or has entered into a 'pass-through' arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor is transferred control of the asset, the asset 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 original carrying amount of the asset and the maximum amount of consideration that the Association could be required to pay.

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 profit or loss.

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation, and impairment loss, if any.

The initial cost of property and equipment comprises its purchase price, including import duties, taxes, any directly attributable costs in bringing the asset to its working condition and location for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of replacing part of an item of property and equipment is recognized in the carrying value of the item if it is probable that the future economic benefits embodied within the part will flow to the Association and its cost can be measured reliably.

The costs of the day-to-day servicing of property and equipment are recognized as expense in the period in which they are incurred. Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of the assets.

The estimated useful lives of property and equipment are as follows:

	Number of Years
Office furniture and fixtures	5
Transportation and equipment	5
Office equipment	3 - 5
Building and improvements	5

The estimated useful lives, depreciation method, and residual values are reviewed periodically and adjusted, if appropriate, to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment. Changes in the estimated useful lives, depreciation method, and residual values of property and equipment are accounted for by changing the depreciation method, as appropriate, and treated as changes in accounting estimates.

When an asset is disposed of, or is permanently withdrawn from use or no future economic benefits are expected from its disposal, the cost and the related accumulated depreciation and impairment loss, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is recognized in profit or loss.

Computer Software
Computer software is initially measured at cost which is comprised of costs incurred to acquire the computer software (not an integral part of its related hardware) and bring it to its intended use. All other costs of developing and maintaining computer software are recognized as expense when incurred.

Subsequently, computer software is measured at cost less amortization and impairment, if any. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful life of the computer software, from the date that they are available for use, not to exceed three (3) years.

Gains or losses arising from the derecognition of the computer software are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss.

Investment Properties

Investment properties are properties held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business or for administrative purposes.

Investment properties, except land, are measured at cost, less accumulated depreciation and any impairment in value. Land is stated at cost less any impairment in value. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

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

Depreciation is computed using the straight-line method over the EUL of ten (10) years. The estimated useful life and depreciated method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from items of investments property.

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

Investment property is derecognized when either this has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the ending of owner-occupation, commencement of an operating lease to another party or ending of the construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by the commencement of owner occupation or commencement of development with a view to sell.

Impairment of Non-financial Assets

At each reporting date, the Association assesses whether there is any indication that its non-financial assets such as investment property, property and equipment and computer software may be impaired. When an indicator of impairment exists, the Association estimates the recoverable amount of the impaired assets. The recoverable amount is the higher of the fair value less costs of disposal and value in use. Fair value less costs of disposal is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties less costs of disposal while value in use is the present value of future cash flows expected to be derived from an asset.

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 assessment of the time value of money and the risks specific to the asset.

Where the carrying amount of an asset exceeds its recoverable amount, the impaired asset is written down to its recoverable amount. An impairment loss is recognized in profit or loss in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment loss 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. The reversal can be made only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized. Such reversal is recognized in profit or loss. After such a reversal, the depreciation and amortization is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Insurance Contract Liabilities

Aggregate Reserves

Aggregate reserves represent the accumulated total liability for policies in-force as at the reporting date. Such reserves are established at amount adequate to meet the estimated future obligations to all members with in-force policy. The reserves are calculated using the actuarial methods and assumptions in accordance with statutory requirements and as approved by the IC.

The corresponding change in aggregate reserves is presented as "Increase (decrease) in aggregate reserves" in profit or loss.

Equity Value Reserves

Equity value reserves represent the accumulated reserve for remittance to members. In accordance with Section 409 of the Insurance Code, as Amended (the Insurance Code), equity value reserves are established at fifty percent (50%) of the total mandatory membership contributions collected from every outstanding membership certificates. The increase in equity value reserves as a result of the collection of membership contribution is presented as "Increase in equity value reserves" in profit or loss.

Effective December 1, 2014, the twenty percent (20%) surrender charge was no longer imposed on equity value for certificates paid for less than three (3) continuous years. Upon death or withdrawal of the member, equity value reserves contributed and interest thereon are refunded to its members. Effective February 1, 2016, interest rate on equity value reserve was reduced from 2.00% to 0.50% as approved by the BOT.

On October 10, 2016, the IC approved the transfer of equity value reserves in the fund balance based on its letter to the Microinsurance Mutual Benefit Association of the Philippines and accounted as follows:

- equity value reserves for delinquent members beyond the prescribed three (3) years reinstatement period should be transferred to assigned surplus for the benefit of the members provided that the Association initiate at least two (2) actions to locate and inform the delinquent members. However, the Association should maintain a schedule in case any of the members will make a claim in the future.

- unreturned equity value reserves of deceased members and equity value reserves of resigned members (forfeited equity value) before the effectivity of the amended Insurance Code with less than three (3) years of membership are transferred to general fund balance.

As required by the IC, this change in accounting policy will be applied prospectively. The Association adopted the accounting policy in 2017 since aforementioned actions required by the IC has to be performed including the validation of the delinquent and resigned members in 2016.

Fund Balance

Guaranty Fund Reserves

Guaranty fund reserves represent required fund amounting to P5.00 million, and every year thereafter increased by an amount equivalent to five percent (5%) of gross members' contribution and premium collections until its amount has reached twenty-five percent (25%) of the required net worth for existing domestic life insurance companies.

General Fund Balance

General fund balance account represents the free and unassigned surplus of the Association.

Funds Assigned for Members' Benefits

The account pertains to the amount appropriated for members' benefits such as community development, transformation and microenterprise projects.

Funds Assigned for Capacity Building

The account pertains to the amount appropriated for capacity building such as training of members and employees and investment in new systems.

Remeasurement Gain (Loss) on Retirement Asset

Remeasurement gain (loss) on retirement assets pertain to the accumulated actuarial gains and losses arising from experience and demographic assumptions of the defined benefit obligation and gain (loss) in the plan assets.

Fair Value Reserve on AFS Financial Assets

Fair value reserve on AFS financial assets pertain to the cumulative amount of gains and losses due to the revaluation of AFS financial assets.

Fair Value Reserve on HTM Investments to be Amortized in Profit or Loss

Fair value reserve on HTM investments pertain to the net unrealized gain (loss) of the investments reclassified from AFS financial assets to HTM investments at date of reclassification. This reserve is amortized to profit or loss with the unamortized premium or discount of the reclassified investments through the effective interest method.

Revenue Recognition

The Association recognizes revenue from contracts with customers when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Association expects to be entitled in exchange for those goods or services, excluding amounts collected on behalf of third parties.

The Association's revenue streams arising from insurance contracts falls under PFRS 4 while interest income falls under PFRS 9 and other income under PFRS 15.

Determining whether the Association is Acting as Principal or an Agent
The Association assesses its revenue arrangements against the following criteria to determine whether it is acting as a principal or an agent:

- whether the Association has primary responsibility for providing the services;
- whether the Association has discretion in establishing prices; and
- whether the Association bears the credit risk.

If the Association has determined it is acting as a principal, the Association recognizes revenue on gross basis with the amount remitted to the other party being accounted as part of cost and expenses. If the Association has determined it is acting as an agent, only the net amount retained is recognized as revenue.

The Association has determined that it is acting as principal in its revenue arrangements.

The following specific recognition criteria must be met before revenue is recognized:

Members' Contributions and Premiums
Members' contributions and premiums are recognized when due. The annual members' contribution of two hundred forty pesos is for mandatory life insurance cover while premiums include the following:

- One peso weekly for every thousand pesos of loan availed for credit life;
- Ten pesos annually for every thousand pesos loan availed for mortgage redemption insurance;
- Two hundred forty pesos annually for life plus insurance plan cover; and
- Six hundred fifty pesos annually for life maximum insurance cover.

Members' contributions and premiums ceded to reinsurers are recognized as expense when the policy becomes effective.

Interest Income
Interest income for all interest-bearing financial instruments is recognized in profit or loss using effective interest method.

Dividend Income
Dividend income is recognized when the shareholder's right to receive payment is established.

Gain on Sale of Investments
This pertains to the amount in excess of the selling price against the carrying amount of the AFS financial assets in a sale transaction.

Other Income
Other income arises mainly from surcharge fees due to the early termination of the policy and recovery of marketing and selling expenses for Microhealth products which are recognized at point in time.

Claims, Benefits, and Expenses Recognition

Claims and Benefits

Claims consist of benefits and claims paid and unpaid to members, denied and resisted claims and incurred but not reported (IBNR) claims. Provision for IBNR is made for the cost of claims incurred as of each reporting date but not reported until after the reporting date based on the Association's experience and historical data. Differences between the provision for outstanding claims at the reporting date and subsequent revisions and settlements are included in profit or loss of subsequent years. Death claims and surrenders are recorded on the basis of notifications received.

Other Direct Costs

Other direct costs pertain to all costs incurred by the Association that are directly related to the Association's insurance business such as marketing expenses and fees paid for collection services.

General and Administrative Expenses

Expenses are recognized when the decrease in future economic benefits related to a decrease in an asset or increase of a liability has arisen that can be measured reliably. Expenses are recognized when incurred.

Interest Expense

Interest expense on accumulated equity value reserves of active members are recognized in the profit or loss when it accrues.

Employee Benefits

Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Association has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Retirement Benefits

The Association's net obligation in respect of the defined benefit plan is calculated by estimating the amount of the future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligation is performed on a periodic basis by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Association, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Remeasurements of the retirement asset, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Association determines the net interest expense (income) on the retirement asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the retirement asset, taking into account any changes in the retirement asset during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plan are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss.

The Association recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Provisions and Contingencies

Provisions are recognized when the Association has a present legal or constructive obligation as a result of a past event when 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.

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

Related Party Transactions

Related party relationships exist when a party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among the enterprise and its key management personnel, trustees, or its members.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Events After the Reporting Date

Post year-end events that provide additional information about the Association's assets, liabilities and fund balance at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

Standards Issued but Not Yet Adopted

A number of new standards, amendments to standards and interpretation are effective for annual periods beginning after January 1, 2019. However, the Association has not applied the following new or amended standards and interpretation in preparing these financial statements. The Association is assessing the potential impact on these on its financial statements, and has yet to reasonably estimate the impacts, unless otherwise stated.

Effective January 1, 2019

- PFRS 16, *Leases supersedes* PAS 17, *Leases and the related Philippine Interpretations*. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements.

  Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were also introduced.

PFRS 16 is effective for annual periods beginning on or after January 1, 2019 with several transition approaches and individual options and practical expedients that can be elected independently of each other. Earlier application is permitted for entities that apply PFRS 15 Revenue from Contracts with Customers at or before the date of initial application of PFRS 16.

- *Philippine Interpretation* IFRIC-23, *Uncertainty over Income Tax Treatments* clarifies how to apply the recognition and measurement requirements in PAS 12, *Income Taxes* when there is uncertainty over income tax treatments. Under the interpretation, whether the amounts recorded in the financial statements will differ to that in the tax return, and whether the uncertainty is disclosed or reflected in the measurement, depends on whether it is probable that the tax authority will accept the Association's chosen tax treatment. If it is not probable that the tax authority will accept the Association's chosen tax treatment, the uncertainty is reflected using the measure that provides the better prediction of the resolution of the uncertainty - either the most likely amount or the expected value.

  The interpretation also requires the reassessment of judgments and estimates estimates applied if facts and circumstances change - e.g. as a result of examination or action by tax authorities, following changes in tax rules or when a tax authority's right to challenge a treatment expires.

  The interpretation is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted. The interpretation can be initially applied retrospectively applying PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors,* if possible without the use of hindsight, or retrospectively with the cumulative effect recognized at the date of initial application without restating comparative information.

- *Plan Amendment, Curtailment or Settlement (Amendments to* PAS 19, *Employee Benefits*). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, an entity now uses updated actuarial assumptions to determine its current service cost and net interest for the period. The effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

  The amendments apply for plan amendments, curtailments or settlements that occur on or after the beginning of the first annual reporting period that begins on or after January 1, 2019. Earlier application is permitted.

- *Annual Improvements to PFRSs 2015 - 2017 Cycle*. This cycle of improvements contains amendments includes:

  - Income tax consequences of payments on financial instruments classified as equity (Amendments to PAS 12). The amendments clarify that all income tax consequences of dividends, including payments on financial instruments classified as equity, are recognized consistently with the transactions that generated the distributable profits, i.e. in profit or loss, other comprehensive income or equity.

  The amendments are effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted. When an entity first applies those amendments, it shall apply them to the income tax consequences of dividends recognized on or after the beginning of the earliest comparative period.

Effective January 1, 2020

- Amendments to References to Conceptual Framework in PFRS sets out amendments to PFRS, their accompanying documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes:

    - a new chapter on measurement;
    - guidance on reporting financial performance;
    - improved definitions of an asset and a liability, and guidance supporting these definitions; and
    - clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

    Some standards, their accompanying documents and PFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee (IASC)'s Framework for the Preparation and Presentation of Financial Statements adopted by the IASB in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework, and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

    These amendments are effective for annual reporting periods beginning on or after January 1, 2020.

- *Definition of Material (Amendments to* PAS 1, *Presentation of Financial Statements* and PAS 8). The amendments refine the definition of material. The amended definition of material states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify the definition of material and its application by:

    (a) raising the threshold at which information becomes material by replacing the term 'could influence' with 'could reasonably be expected to influence';

    (b) including the concept of 'obscuring information' alongside the concept of 'omitting' and 'misstating' information in the definition;

    (c) clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework;

    (d) clarifying the explanatory paragraphs accompanying the definition; and

    (e) aligning the wording of the definition of material across PFRS and other publications.

    The amendments are expected to help entities make better materiality judgments without substantively changing existing requirements.

    The amendments apply prospectively for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

Effective January 1, 2022

- *PFRS 9, Financial Instruments (2014).* PFRS 9 (2014) replaces PAS 39 and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

Effective January 1, 2023

- PFRS 17, *Insurance Contracts*. The replaces the interim standard, PFRS 4. Reflecting the view that an insurance contract combines features of both a financial instrument and a service contract, and considering the fact that many insurance contracts generate cash flows with substantial variability over a long period, PFRS 17 introduces a new approach that:

  (a) combines current measurement of the future cash flows with the recognition of profit over the period services are provided under the contract;

  (b) presents insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses; and

  (c) requires an entity to make an accounting policy choice portfolio-by-portfolio of whether to recognize all insurance finance income or expenses for the reporting period in profit or loss or to recognize some of that income or expenses in other comprehensive income.

  Under PFRS 17, groups of insurance contracts are measured based on fulfilment cash flows, which represent the risk-adjusted present value of the entity's rights and obligations to the policy holders, and a contractual service margin, which represents the unearned profit the entity will recognize as it provides services over the coverage period. Subsequent to initial recognition, the liability of a group of insurance contracts represents the liability for remaining coverage and the liability for incurred claims, with the fulfilment cash flows remeasured at each reporting date to reflect current estimates.

  Simplifications or modifications to the general measurement model apply to groups of insurance contracts measured using the 'premium allocation approach', investment contracts with discretionary participation features, and reinsurance contracts held.

  PFRS 17 brings greater comparability and transparency about the profitability of new and in-force business and gives users of financial statements more insight into an insurer's financial health. Separate presentation of underwriting and financial results will give added transparency about the sources of profits and quality of earnings.

PFRS 17 is effective for annual periods beginning on or after January 1, 2023. Full retrospective application is required, unless it is impracticable, in which case the entity chooses to apply the modified retrospective approach or the fair value approach. However, if the entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it applies the fair value approach. Early application is permitted for entities that apply PFRS 9 and PFRS 15 on or before the date of initial application of PFRS 17.

4. Significant Accounting Judgments and Estimates

The Association makes judgment and key estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are as follows:

Judgment

a) *Classification of Financial Instruments*
The Association exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as a financial asset, financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset or liability. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of assets, liabilities and fund balance. In addition, the Association classifies assets by evaluating among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether the quoted prices are readily and regularly available and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

As at December 31, 2018 and 2017, the Association's financial instruments are classified as loans and receivables, HTM investments, AFS financial assets and other financial liabilities.

b) *Determination of Fair Value of Financial Instruments*
The fair value of financial instruments traded in active markets is based on quoted market prices or quoted prices for similar assets or liabilities at the reporting date. If the financial instrument is not traded in an active market, the fair value is determined using valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by management. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair values of financial instruments.

As at December 31, 2018 and 2017, the Association's financial instruments carried at fair value are classified as Level 1 in the fair value hierarchy (see Note 6).

Estimates

Impairment of Financial Assets

(a) *Financial Assets at Amortized Cost*

The Association reviews its receivables to assess impairment at least on an annual basis, or as the need arises due to significant movements on certain accounts. Receivables that are individually significant are assessed to determine whether objective evidence of impairment exists on an individual basis, while those that are not individually significant are assessed for objective evidence of impairment either on an individual or on collective basis. In determining whether an impairment loss should be recorded in the profit or loss, the Association makes judgment as to whether there are any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of receivables before the decrease can be identified with an individual receivable in that portfolio.

If there is an objective evidence that an impairment loss on receivables has been incurred, the amount of 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) 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 either directly or through use of an allowance account. The amount of loss shall be recognized in profit or loss.

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 profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

There was no impairment loss on financial assets at amortized cost were recognized in 2018 and 2017.

(b) *AFS Financial Assets*

The Association considers that investments are impaired when there has been a significant or prolonged decline in the fair value below their cost. The Association evaluates among other factors, the normal volatility in share/market 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 at December 31, 2018 and 2017, the carrying amount of AFS financial assets amounted to P796.72 million and P751.17 million, respectively (see Note 10). There was no impairment loss recognized in 2018 and 2017 on the Association's AFS financial assets.

(c) *Determining Fair Value of Investment Property*

The fair value of the investment property is based on its selling price on the date of acquisition. The selling price was used as the basis for the fair value measurement after consideration of the market participants' 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.

As at December 31, 2018, the carrying amount of the investment property amounted to P56.00 million (see Note 13). No impairment losses have been recognized on the Association's investment property for the year ended December 31, 2018.

(d) *Liabilities Arising from Claims made under Insurance Contracts*
The ultimate liability arising from claims made under insurance contracts is the Association's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liability that the Association will ultimately pay for such claims. The major sources of uncertainties are the frequency of claims due to contingencies covered and the timing of benefit payments.

Claims estimation by the Association considers many factors such as industry average mortality or morbidity experience, with adjustments to reflect the Association's historical experience. These liabilities form part of the Association's IBNR which amounted to P3.50 million and P4.52 million as at December 31, 2018 and 2017, respectively (see Note 15).

(e) *Liability Adequacy Test*
At each reporting period, the Association ensures that the assumptions used are best estimates, taking into consideration the current experience to determine whether liabilities are adequate in accordance with the provisions of PFRS 4.

In 2017, the Association did not issue insurance policies with coverage period of more than one year. While in 2018, the Association issued Golden Life Insurance Plan (GLIP) which has a policy term of more than one year. As at December 31, 2018, the aggregate set up for GLIP is adequate using the best estimate assumptions.

(f) *Estimating Aggregate Reserves*
The Association estimates the aggregate reserves for future contractual obligations for contributions paid by determining the forty percent (40%) of the unexpired portion of the member contributions collected each month on per week, month, quarter, semi-annual and annual basis. For premium, credit life and other optional products eighty percent (80%) of the unexpired portion is set-up. The assumption is based on a number of factors determined by an actuary including the unearned premium factor.

As at December 31, 2018 and 2017, aggregate reserves amounted to P53.54 million and P54.79 million, respectively (see Note 16).

(g) *Estimating Retirement 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, 2018 and 2017, the Association has a retirement asset of P3.08 million and P2.13 million, respectively (see Note 20).

Retirement expense amounted to P0.65 million in 2018 and P0.46 million in 2017 while remeasurement gain (loss) on retirement asset amounted to P0.19 million and (P1.40) million as at December 31, 2018 and 2017, respectively (see Note 20).

(h) Provisions and Contingencies

The Association, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations, if any, in accordance with its policies on provisions and contingencies. In recognizing and measuring provisions, management takes risk and uncertainties into account.

The Association is under an ongoing tax review for taxable year 2016. However, management believes that as of date it is not probable that an outflow of resources will be required given that there is no result of the tax review yet.

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 BOT of the Association has overall responsibility for the establishment and oversight of the Association's risk management framework. The BOT 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.

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.

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. net worth requirements and risk-based capital (RBC) requirements].

Such restrictive provisions minimize the risk of default and insolvency on the part of the insurance companies to meet the unforeseen liabilities as these arise.

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. 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 for 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, due to related party, aggregate reserves and equity value reserves. Total equity comprises the fund balance.

Debt-to-equity ratio as at December 31 is as follows:

	2018	2017
Total debt	**P329,493,619**	P276,051,518
Total equity	**740,030,444**	732,215,674
Debt-to-equity ratio	**44.52%**	37.70%

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 IC. Compliance with these requirements is discussed below.

Net Worth 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 net worth requirement.

As at December 31, 2018 and 2017, the Association is compliant with the required net worth requirement based on the Association's calculations. However, the final amount of the net worth 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:

	2018	2017
Property, equipment and computer software - net	**P1,391,615**	P2,245,350
Receivables	**190,641**	189,770
Other assets	**967,344**	1,135,417
	P2,549,600	P3,570,537

Risk-Based Capital (RBC) Requirements
As per IC's Memorandum Circular (IMC) 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, 2018 and 2017 were determined by the Association based on the Association's internal calculations:

	2018	2017
Networth	**P634,626,570**	P715,699,940
Risk-based capital requirement	**14,344,215**	15,526,708
Risk-based capital ratio	**4,424%**	4,609%

On December 28, 2016, the IC released Circular Letter No. 2016-69, *Implementation Requirements for Financial Reporting, Valuation Standards for Insurance Policy Reserves, and Amended Risk-based Capital (RBC2) Framework,* which provides, among other things, that the level of sufficiency for the amended RBC 2 shall be at 95th percentile level of sufficiency for the year 2017, 97.5th percentile for the year 2018, and 99.5th percentile for the year 2019. RBC 2 Framework shall be made effective January 1, 2017.

As at December 31, 2018 and 2017, the Association is compliant with the required RBC ratio based on the Association's internal calculation.

<u>Insurance Risk</u>
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, 2018 and 2017.

	2018		2017	
Contract Type	**Gross of Reinsurance**	**Net of Reinsurance**	Gross of Reinsurance	Net of Reinsurance
Credit life	**P108,834,166**	**P108,748,396**	P108,259,678	P108,107,554
GLIP basic	**956,175**	**956,175**	-	-
Basic life	**70,190,371**	**70,129,911**	86,996,671	86,902,690
Life maximum benefit	**58,716,428**	**58,657,059**	65,466,874	65,445,501
Life plus benefit	**21,811,389**	**21,760,760**	24,477,016	24,464,450
GLIP optional	**910,952**	**910,952**	-	-
Mortgage redemption benefit	**913,938**	**906,266**	1,235,786	1,224,381
	P262,333,419	**P262,069,519**	P286,436,025	P286,144,576

The Association's exposure to insurance risk as at December 31, 2018 and 2017 are as follows:

	Note	**2018**	2017
Aggregate reserves	*16*	**P53,536,552**	P54,794,197
Equity value reserves	*17*	**75,511,008**	89,918,184
		P129,047,560	P144,712,381

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 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, 2018 and 2017, 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 P1.29 million and P1.44 million, respectively. An equal change in the opposite direction would have increased 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:

	Note	2018	2017
Cash and cash equivalents*	7	**P13,847,036**	P45,284,309
Short-term investments	8	**3,218,401**	3,192,525
AFS financial assets**	10	**771,059,475**	720,692,921
HTM investments	11	**183,987,885**	184,515,887
Receivables	9	**7,512,272**	6,732,349
Due from related party	24	**-**	8,197,755
Other assets***		**330,778**	88,318
		P979,955,847	P968,704,064

*Excluding cash on hand.
**Excluding equity securities.
***Excluding prepaid expenses and fidelity bond deposits.

The Association's concentration of credit risk arises from its investments in government securities since the said investments amounted to P650.06 million and P557.53 million which represent 66.36% and 57.55% of its total financial assets as at December 31, 2018 and 2017, respectively (see Notes 10 and 11).

The table below provides information regarding the credit risk exposure of the Association as at December 31, 2018 and 2017 by classifying assets according to the Association's credit grading of counterparties.

	2018				
	Neither Past Due nor Impaired				
	Investment High-grade	Non-investment Grade - Satisfactory	Total Financial Assets Neither Past Due nor Impaired	Past Due and Impaired	Total
Cash and cash equivalents*	P13,847,036	P -	P13,847,036	P -	P13,847,036
Short-term investments	3,218,401	-	3,218,401	-	3,218,401
Receivables	-	7,512,272	7,512,272	-	7,512,272
AFS financial assets**	771,059,475	-	771,059,475	-	771,059,475
HTM investments	183,987,885	-	183,987,885	-	183,987,885
Other assets***	-	330,778	330,778	-	330,778
	P972,112,797	P7,843,050	P979,955,847	P -	P979,955,847

*Excluding cash on hand.
**Excluding equity securities.
***Excluding prepaid expenses and fidelity bond deposits.

	2017				
	Neither Past Due nor Impaired				
	Investment High-grade	Non-investment Grade - Satisfactory	Total Financial Assets Neither Past Due nor Impaired	Past Due and Impaired	Total
Cash and cash equivalents*	P45,284,309	P -	P45,284,309	P -	P45,284,309
Short-term investments	3,192,525	-	3,192,525	-	3,192,525
Receivables	-	6,732,349	6,732,349	-	6,732,349
Due from related party	-	8,197,755	8,197,755	-	8,197,755
AFS financial assets**	720,692,921	-	720,692,921	-	720,692,921
HTM investments	184,515,887	-	184,515,887	-	184,515,887
Other assets***	-	88,318	88,318	-	88,318
	P953,685,642	P15,018,422	P968,704,064	P -	P968,704,064

*Excluding cash on hand.
**Excluding equity securities.
***Excluding prepaid expenses and fidelity bond deposits.

The Association has no past due and impaired financial assets as at December 31, 2018 and 2017.

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 has contractual maturities of one year or less as at December 31, 2018 and 2017 are as follows:

		2018	
	Note	Carrying Amount	Contractual Cash Flow
Accrued expenses and other liabilities*	*14*	P27,535,228	P27,535,228
Claims payable	*15*	134,912,396	134,912,396
Equity value reserves	*17*	75,511,008	75,511,008
Due to related party	*24*	34,770,038	34,770,038
		P272,728,670	P272,728,670

**Accrued expenses and other liabilities shown above exclude payables to regulatory agencies amounting to P3.23 million.*

	Note	2017 Carrying Amount	2017 Contractual Cash Flow
Accrued expenses and other liabilities*	14	P20,292,756	P20,292,756
Claims payable	15	106,813,789	106,813,789
Equity value reserves	17	89,918,184	89,918,184
		P217,024,729	P217,024,729

Accrued expenses and other liabilities shown above exclude payables to regulatory agencies amounting to P4.23 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, 2018 and 2017 are as follows:

	Note	2018	2017
Cash and cash equivalents*	7	**P13,847,036**	P45,284,309
Short-term investments	8	**3,218,401**	3,192,525
AFS financial assets**	10	**771,059,475**	720,692,921
HTM investments	11	**183,987,885**	184,515,887
		P972,112,797	P953,685,642

Excluding cash on hand.
***Excluding equity securities.*

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:

	Change in Basis Points (bps)	Effect on Net Income/Equity
2018	Increase by 13 bps	**P5,454,410**
	Decrease by 13 bps	**(5,454,410)**
2017	Increase by 13 bps	4,502,001
	Decrease by 13 bps	(4,502,001)

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 BOT 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.

(d) *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 equity securities designated as AFS financial assets with carrying amount of P25.66 million and P30.48 million as at December 31, 2018 and 2017, respectively (see Note 10). The value of these equity securities will fluctuate with changes in market conditions.

A 2.84% (2017: 2.18%) decrease in stock prices would have decreased equity by P0.73 million as at December 31, 2018 (2017: P0.66 million), with all variables remaining constant. An equal change in the opposite direction would have increased equity by an equal but opposite amount.

In 2018 and 2017, 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

A number of the Association's accounting policies and disclosures require the determination of fair values, for both financial assets and financial liabilities.

Fair values have been determined for measurement and/or disclosure purposes based on the methods as described below. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes to the financial statements specific to the assets or liability.

The carrying amount of the Association's financial instruments such as cash and cash equivalents (excluding cash on hand), short-term investments, receivables, due from related party, other assets (excluding prepaid expenses and fidelity bond deposit), accrued expenses and other liabilities (excluding government payables to agencies), claims payable, equity value reserves and due to related party approximate fair value at year-end due to the relatively short-term maturities of these financial assets and liabilities.

AFS financial assets is measured at fair value. The fair values of quoted equity securities were determined by reference to quoted market prices published by PSE. While for debt securities, the market price reference in determining the market value is derived from PHP Bloomberg Valuation Services (BVAL) and Philippine Dealings and Exchange (PDEX) as at December 28, 2018 and December 29, 2017, respectively.

If the market prices are not readily available, fair values are estimated using either values obtained from independent parties offering pricing services or adjusted quoted market prices of comparable investments or using the discounted cash flow methodology.

Investments in unquoted equity instruments for which no reliable basis for fair value measurement is available are carried at cost, net of any allowance for impairment losses.

The carrying amount of the Association's HTM investments approximate its fair value at year end. Management believes that the effect of discounting and future cash flows for these instruments using the prevailing market is not significant.

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.

The fair value of AFS financial assets using Level 1 inputs is P796.72 million and P751.17 million as at December 31, 2018 and 2017, respectively (see Note 10).

The Association has no financial instruments measured at fair value that are categorized under Level 2 and 3. There has been no transfer between levels in 2018 and 2017.

7. Cash and Cash Equivalents

As at December 31, this account consists of:

	2018	2017
Cash on hand	**P30,158**	P30,150
Cash in banks	**13,611,753**	45,050,926
Cash equivalents	**235,283**	233,383
	P13,877,194	P45,314,459

The Company's cash in bank earns annual interest at 0.75% to 1.25% in 2018 and 2017. Short-term placements represents a 90-day time deposit with an average annual interest rate of one percent (1%) in 2018 and 2017.

Interest income net of final tax recognized in profit or loss which is presented under "Interest income", amounted to P0.06 million and P0.09 million for the years ended December 31, 2018 and 2017.

8. Short-term Investments

Short-term investments amounting to P3.22 million and P3.19 million as at December 31, 2018 and 2017, respectively, represents certificate of deposit with local bank with 180-day maturity and earns interest of one percent (1%) per annum in 2018 and 2017.

Interest income on short-term investments amounted to P0.02 million for the years ended December 31, 2018 and 2017.

9. Receivables

As at December 31, this account consists of:

	2018	2017
Interest receivables	**P7,201,664**	P6,384,453
Advances to officers and employees	**-**	301,355
Others	**310,608**	46,541
	P7,512,272	P6,732,349

Interest receivables pertains to accrued interest of debt instrument classified as AFS financial assets and HTM investments. Advances to officers and employees refers to receivables from loans and advances granted to the Association's officers and employees.

Interest income earned on advances to officers and employees amounted to P0.03 million and P0.02 million for the years ended December 31, 2018 and 2017, respectively.

10. Available-for-Sale Financial Assets

As at December 31, this account consists of:

	2018	2017
Government debt securities	**P466,075,487**	P373,014,112
Corporate debt securities	**304,983,988**	347,678,809
Equity securities	**25,664,225**	30,480,550
	P796,723,700	P751,173,471

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

	2018	2017
Balance at beginning of year	**P751,173,471**	P761,178,427
Additions during the year	**142,165,625**	129,013,885
Disposals during the year	**(8,952,375)**	(21,270,931)
Accretion of discount during the year	**745,453**	457,303
Amortization of premium during the year	**(731,115)**	(802,598)
Reclassification	**-**	(87,020,796)
Net change in fair value reserve on AFS financial assets	**(87,677,359)**	(30,381,819)
Balance at end of year	**P796,723,700**	P751,173,471

In 2018 and 2017, the Company recognized interest income on AFS financial assets (net of final tax) amounting to P35.72 million and P31.50 million, respectively, with annual interest rate ranging from 4.00% to 6.80%.

Dividend income earned from equity securities amounted to P0.49 million and P0.48 million for the years ended December 31, 2018 and 2017, respectively. Loss on sale of AFS financial assets amounted to P0.44 million in 2018 and gain on sale amounted to P0.09 million in 2017.

As at December 31, 2018 and 2017, the fair value reserve on AFS financial assets recognized in statements of assets, liabilities and fund balance amounted to losses of P118.68 million and P31.01 million, respectively.

11. Held-to-Maturity Investments

As at December 31, 2018 and 2017, the reconciliation of the carrying amount of the Association's HTM investments are as follows:

	2018	2017
Balance at beginning of year	**P184,515,887**	P97,676,722
Reclassification	**-**	87,020,796
Accretion of discount	**54,640**	-
Amortization of premium during the year	**(582,642)**	(181,631)
Balance at end of year	**P183,987,885**	P184,515,887

In 2018 and 2017, the Company recognized interest income on HTM investments (net of final tax) amounting to P6.90 million and P4.14 million, respectively, with annual interest rate ranging from 4.15% to 5.38%.

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 cover for any valid benefit claim of any of its members. The HTM investments will be re-invested in similar instruments upon maturity.

The contractual maturities of the Association's HTM investments as at December 31, 2018 and 2017 is more than five (5) years.

12. Property, Equipment and Computer Software - net

Movements in this account are as follows:

	Office Furniture and Fixtures	Transportation and Equipment	Office Equipment	Building and Improvements	Computer Software	Total
Cost						
January 1, 2017	P4,420,627	P2,800,000	P10,698,097	P325,979	P5,993,670	P24,238,373
Additions	197,280	1,600,000	2,755,030	-	784,741	5,337,051
Disposals/retirements	(25,640)	(600,000)	(717,135)	-	(81,610)	(1,424,385)
December 31, 2017	4,592,267	3,800,000	12,735,992	325,979	6,696,801	28,151,039
Additions	129,100	-	1,116,967	-	742,083	1,988,150
Disposals/retirements	(38,960)	(1,200,000)	(548,598)	-	(84,332)	(1,871,890)
December 31, 2018	**4,682,407**	**2,600,000**	**13,304,361**	**325,979**	**7,354,552**	**28,267,299**
Accumulated Depreciation and Amortization						
January 1, 2017	4,130,244	1,893,331	9,271,568	169,993	4,491,385	19,956,521
Depreciation and amortization for the year	159,762	679,999	1,851,105	65,195	977,711	3,733,772
Disposals/retirements	(25,630)	(599,999)	(704,128)	-	(81,582)	(1,411,339)
December 31, 2017	4,264,376	1,973,331	10,418,545	235,188	5,387,514	22,278,954
Depreciation and amortization for the year	197,621	719,999	1,614,636	65,195	1,101,595	3,699,046
Disposals/retirements	(38,942)	(1,199,999)	(544,703)	-	(84,301)	(1,867,945)
December 31, 2018	4,423,055	1,493,331	11,488,478	300,383	6,404,808	24,110,055
Net Carrying Amounts						
December 31, 2017	P327,891	P1,826,669	P2,317,447	P90,791	P1,309,287	P5,872,085
December 31, 2018	**P259,352**	**P1,106,669**	**P1,815,883**	**P25,596**	**P949,744**	**P4,157,244**

As of December 31, 2018, the Association's property, equipment and computer software were not pledged as security for liabilities.

13. Investment Property

On November 14, 2018, the Association acquired land and building from Tulay Sa Pag-unlad, Inc. (A Microdinance NGO) (TSPI) amounting to P56.00 million, inclusive of input VAT. No other acquisitions or disposals were made for the year. The Company's intention to the property is to earn rental income in the future.

As at December 31, 2018, the fair value of investment property amounted to P50.00 million based on the latest appraisal report determined by an independent qualified appraisers dated June 13, 2018.

The value of the property was arrived at using the market approach. In this approach, the value of the properties was based on sales and listings of comparable property registered within the vicinity. The technique of this approach requires the adjustments of comparable property by reducing reasonable comparative sales and listings to a common denominator. This was done by establishing the differences between the subject property and those actual sales and listings regarded as comparable.

The properties used as bases of comparison are situated within the immediate vicinity of the subject properties. The comparison was premised on the factors of time, unit area or size, building age, unit improvements, building location, building features or amenities, bargaining allowance and others.

14. Accrued Expenses and Other Liabilities

As at December 31, this account consists of:

	Note	**2018**	2017
Accrued expenses		**P25,919,803**	P19,278,650
Payables to regulatory agencies		**3,228,397**	4,232,592
Accrued interest	*17*	**1,258,945**	1,014,106
Advances from officers and employees		**356,480**	-
		P30,763,625	P24,525,348

Accrued expenses pertains to liabilities on utilities and services incurred.

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

The Association accrued interest on equity value received from the members as required by IC, however, effective February 1, 2016, interest rate on equity value reserve was reduced from 2.00% to 0.50% as approved by the BOT. Accrued interest of inactive members amounting to P0.38 million as at December 31, 2018 were transferred to claims payable -equity value and interest under "Claims payable" in 2018.

Advances from officers and employees refers to amount collected from the Association's officers and employees as advance payment for premiums.

15. Claims Payable

As at December 31, this account consists of:

	2018	2017
Claims payable - equity value and interest	**P130,424,288**	P100,498,336
IBNR claims	**3,500,000**	4,522,059
Claims due and unpaid/resisted	**988,108**	1,793,394
	P134,912,396	P106,813,789

As discussed in Note 3, the Association transferred equity value and interest of inactive members amounted to P49.98 million and P93.72 million (see Note 17) in 2018 and 2017, respectively. The entire amount is presented in claims payable - equity value and interest. Moreover, the equity value reserves transferred to the general fund balance amounted to P11.62 million.

Claims due and unpaid/resisted consists of claims payable for:

	2018	2017
Credit life	**P335,925**	P758,033
Basic life	**264,083**	369,167
Life maximum	**208,100**	456,000
Life plus	**180,000**	185,000
Mortgage redemption	**-**	25,194
	P988,108	P1,793,394

Movements in IBNR claims are as follows:

	2018	2017
Balance at beginning of year	**P4,522,059**	P3,386,108
Increase (decrease) in IBNR	**(1,022,059)**	1,135,951
Balance at end of year	**P3,500,000**	P4,522,059

Movements in claims due and unpaid/resisted are as follows:

	2018	2017
Balance at beginning of year	**P1,793,394**	P768,250
Claims and benefits incurred	**69,326,777**	51,951,422
Claims and benefits paid	**(70,132,063)**	(50,926,278)
Balance at end of year	**P988,108**	P1,793,394

Claims and benefits expense recognized in profit or loss for the years ended December 31, 2018 and 2017 is as follows:

	2018	2017
Claims and benefits incurred	**P69,326,777**	P51,951,422
Increase (decrease) in IBNR	**(1,022,059)**	1,135,951
	P68,304,718	P53,087,373

16. Aggregate Reserves

In compliance with Section 410 of the Insurance Code, the Association accumulates and maintains, out of the periodic members' contributions and premiums collected, sufficient reserves for future contractual obligations for which it holds funds in securities satisfactory to the Insurance 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 Insurance Commissioner. Moreover, the said reserve liability established in accordance with actuarial procedures is approved by the Insurance Commissioner.

The movement of the account is as follow:

	2018	2017
Balance at beginning of the year	**P54,794,197**	P13,132,536
Increase during the year	**(1,257,645)**	41,661,661
	P53,536,552	P54,794,197

Starting January 1, 2017, Circular Letter No. 2016-66, *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 the unearned premium method is implemented. The application of the new valuation standards for life insurance policy reserves have no significant impact since the Association's methodology of calculating aggregate reserves is consistent with the new regulatory requirement.

17. 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 members' contributions collected thereon.

The mandatory member's contributions collected amounting to P71.15 million and P87.00 million has a corresponding additional equity value reserve of P35.56 million and P43.50 million in 2018 and 2017, respectively.

The table below shows the rollforward analysis of the account as at December 31, 2018 and 2017.

	Note	2018	2017
Balance at beginning of the year		**P89,918,184**	P329,894,308
Increase in equity value		**35,573,273**	43,498,336
Refund of equity value		-	(1,061,444)
Reclassification to claims payable	*15*	**(49,980,449)**	(93,724,224)
Appropriation to fund assigned for members' benefit		-	(112,235,787)
Appropriation to fund assigned for capacity building		-	(48,101,052)
Transfer of forfeited equity value		-	(28,351,953)
		P75,511,008	P89,918,184

Interest expense on equity value reserves amounted to P0.40 million and P0.76 million for the years ended December 31, 2018 and 2017, respectively.

Accrued interest on equity value reserves presented as accrued interest under "Accrued expenses and other liabilities" in the statements of assets, liabilities and fund balance as at December 31, 2018 and 2017 amounted to P1.26 million and P1.01 million, respectively (see Note 14).

18. 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 25.00% of the required networth for existing domestic life insurance companies.

As at December 31, 2018 and 2017, the guaranty fund reserves amounted to P117.58 million and P104.46 million, respectively.

The Guaranty fund shall be deposited with IC in cash, or in government securities with a total value equal to such amount. As at December 31, 2018 and 2017, the Association had restricted investments of P183.99 million and P184.52 million, respectively, with the Bureau of Treasury to cover for any valid benefit claim of any of its members (see Note 11).

The amount transferred from general fund to guaranty fund reserves amounted to P13.12 million and P14.32 million in 2018 and 2017, respectively (see Note 19).

19. 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. As at December 31, 2018, the Association has an excess general fund balance amounting to P73.84 million which will be appropriated by the Association in the subsequent periods.

The rollforward analysis of the account as at December 31, 2018 and 2017 are as follows:

	Note	**2018**	2017
Beginning balance		**P58,085,811**	P74,122,967
Net income for the year		**82,699,897**	72,499,453
Transfer to guaranty fund	*18*	**(13,116,671)**	(14,321,802)
Transfer to funds assigned for members benefits		**-**	(72,429,416)
Transfer to funds assigned for capacity building		**-**	(31,041,178)
Transfer of forfeited equity value		**-**	29,255,787
Transfer of equity value and interest from claims payable	*14, 15*	**11,998,516**	-
		P139,667,553	P58,085,811

20. Retirement Benefit Cost

The Association has a funded, noncontributory 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 by an independent actuary 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, 2018.

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)	
	2018	2017	2018	2017	2018	2017
Balance at January 1	P5,974,705	P3,087,224	P8,107,949	P6,710,834	(P2,133,244)	(P3,623,610)
Included in Profit or Loss						
Current service cost	695,495	664,779	-	-	695,495	664,779
Interest cost	310,713	156,923	360,546	364,620	(49,833)	(207,697)
	1,006,208	821,702	360,546	364,620	645,662	457,082
Included in OCI						
Remeasurement loss (gain):						
Actuarial loss (gain) arising from:						
Demographic assumptions	-	-	-	-	-	-
Financial assumptions	(929,708)	(48,870)	-	-	(929,708)	(48,870)
Experience adjustment	1,157	2,114,649	-	-	1,157	2,114,649
Return on plan assets excluding interest income	-	-	(1,228,907)	(15,655)	1,228,907	15,655
Change in the effect of asset ceiling (movement in asset ceiling - interest expense on effect of asset ceiling)	-	-	1,892,797	123,150	(1,892,797)	(123,150)
	(928,551)	2,065,779	663,890	107,495	(1,592,441)	1,958,284
Others						
Contributions paid by the employer	-	-	-	925,000	-	(925,000)
Benefits paid	(2,350,000)	-	(2,350,000)	-	-	-
	(2,350,000)	-	(2,350,000)	925,000	-	(925,000)
Balance at December 31	P3,702,362	P5,974,705	P6,782,385	P8,107,949	(P3,080,023)	(P2,133,244)

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

	2018	2017
Balance at beginning of year	P3,061,392	P3,030,502
Remeasurement gain on the change in the effect of asset ceiling	(1,892,797)	(123,150)
Interest expense on effect of asset ceiling	159,207	154,040
Balance at end of year	P1,327,802	P3,061,392

The Association's plan assets consist of the following:

	2018	2017
Unit investment trust funds	P6,737,761	P9,471,235
Mutual funds	1,371,460	1,697,821
Cash	966	285
	P8,110,187	P11,169,341

The table below shows the rollforward analysis of remeasurement gain (loss) on retirement asset account presented under statements of assets, liabilities and fund balance as at December 31, 2018 and 2017.

	2018	2017
Beginning balance	(P1,401,590)	P556,694
Remeasurement gain (loss) of retirement asset	1,592,441	(1,958,284)
	P190,851	(P1,401,590)

The Association is not required to contribute to the defined benefit retirement plan for 2018. The following were the principal actuarial assumptions at the reporting date:

	2018	2017
Discount rate	7.63%	5.20%
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 30.26 in 2018.

The weighted-average duration of the defined benefit obligation is 19.70 years and 11.96 years as at December 31, 2018 and 2017, respectively.

Maturity analysis of the benefit payments:

	2018				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1-5 Years	More than 5 Years
Defined benefit obligation	P3,702,362	P4,197,080	P1,420,677	P600,514	P2,175,889

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)	(P288,768)	P338,469
Future salary growth (1% movement)	305,930	(265,320)

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 plan assets are at the Association's discretion. However, in the event a benefit claim arises and the plan assets is insufficient to pay the claim, the shortfall will then be due and payable from the Association to the plan assets.

21. Salaries and Other Employee Benefits

The account consists of:

	Note	2018	2017
Salaries		**P25,049,095**	P25,399,609
Bonuses		**7,901,219**	8,463,337
Contributions to SSS, Philhealth, and Pag-ibig		**2,240,220**	2,133,060
Employees' leave conversion		**1,183,048**	1,162,612
Retirement expense	*20*	**645,662**	457,082
Staff training expenses		**341,072**	292,475
Others		**2,576,524**	3,502,985
	25	**P39,936,840**	P41,411,160

Salaries pertains to the basic salaries of employees not directly related to underwriting of policies and claims handling activities (support employees) of the Association.

Bonuses consists of the 13th month pay and other bonuses paid to the support employees.

Others includes other benefits granted to support employees.

22. Other Direct Costs

This account consists of:

	Note	2018	2017
Collection fees	*24, 25*	**P39,509,035**	P29,886,992
Membership enrollment and marketing fees	*25*	**11,593,015**	14,092,525
Direct salaries and benefits expenses	*25*	**10,600,073**	9,551,889
		P61,702,123	P53,531,406

Collection fees represents the amount paid to TSPI for collection services as stated in the Memorandum of Agreement between the two (2) parties (see Note 24).

Membership enrollment and marketing fees pertains to the amount paid to insurance officers in marketing the product, including member mobilization, and production of policy forms and promotional materials of the Association.

Direct salaries and benefits expenses represents the salaries of officers and employees directly related to the underwriting of policies and claims handling activities of the Association.

23. Maturity Analysis of Financial and Non-financial Assets and Liabilities

The following table presents the assets and liabilities as at December 31, 2018 and 2017 analyzed according to when they are expected to be recovered or settled within one year and beyond one year from the reporting date:

		2018		
	Note	Due Within One Year	Due Beyond One Year	Total
Financial Assets				
Cash and cash equivalents	*7*	P13,877,194	P -	P13,877,194
Short-term investments	*8*	3,218,401	-	3,218,401
AFS financial assets	*10*	-	796,723,700	796,723,700
HTM investments	*11, 18*	-	183,987,885	183,987,885
Receivables	*9*	7,512,272	-	7,512,272
Other assets		330,778	-	330,778
		24,938,645	980,711,585	1,005,650,230
Non-financial Assets				
Property, equipment and computer software - net	*12*	4,157,244	-	4,157,244
Investment property	*13*	-	56,000,000	56,000,000
Retirement asset	*20*	3,080,023	-	3,080,023
Other assets		636,566	-	636,566
		P32,812,478	P1,036,711,585	P1,069,524,063
Financial Liabilities				
Accrued expenses and other liabilities	*14*	P27,535,228	P -	P27,535,228
Claims payable	*15*	134,912,396	-	134,912,396
Due to related party	*24*	34,770,038	-	34,770,038
Equity value reserves	*17*	75,511,008	-	75,511,008
		272,728,670	-	272,728,670
Non-financial Liabilities				
Accrued expenses and other liabilities	*14*	3,228,397	-	3,228,397
Aggregate reserves	*16*	53,536,552	-	53,536,552
		P329,493,619	P -	P329,493,619

	Note	2017 Due Within One Year	Due Beyond One Year	Total
Financial Assets				
Cash and cash equivalents	7	P45,314,459	P -	P45,314,459
Short-term investments	8	3,192,525	-	3,192,525
AFS financial assets	10	-	751,173,471	751,173,471
HTM investments	11, 18	-	184,515,887	184,515,887
Receivables	9	6,732,349	-	6,732,349
Due from related party		8,197,755	-	8,197,755
Other assets		88,318	-	88,318
		63,525,406	935,689,358	999,214,764
Non-financial Assets				
Property, equipment and computer software - net	12	5,872,085	-	5,872,085
Retirement asset	20	2,133,244	-	2,133,244
Other assets		1,047,099	-	1,047,099
		P72,577,834	P935,689,358	P1,008,267,192
Financial Liabilities				
Accrued expenses and other liabilities	14	P20,292,756	P -	P20,292,756
Claims payable	15	106,813,789	-	106,813,789
Equity value reserves	17	89,918,184	-	89,918,184
		217,024,729	-	217,024,729
Non-financial Liabilities				
Accrued expenses and other liabilities	14	4,232,592	-	4,232,592
Aggregate reserves	16	54,794,197	-	54,794,197
		P276,051,518	P -	P276,051,518

24. 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 (to) Related Parties	Terms	Conditions
Entity under Common Key Management						
▪ Members' contributions and premiums collected	**2018**	24a	**P262,333,419**	**P14,598,767**	Payable on demand; non-interest bearing	Unsecured; no impairment
	2017	24a	286,436,025	19,008,710		
▪ Claims and benefits paid	**2018**	24b	**70,132,063**	**(14,368,805)**	Payable on demand; non-interest bearing	Unsecured
	2017	24b	50,926,278	(10,811,955)		
▪ Collection fees	**2018**	24c, 22	**39,509,035**	-		
	2017	24c, 22	29,886,992	-		
▪ Acquisition of investment property	**2018**	13	**56,000,000**	**(35,000,000)**	Payable on demand; non-interest bearing	Unsecured
	2017		-	-		
TOTAL	**2018**			**(P34,770,038)**		
TOTAL	2017			P8,197,755		

Outstanding receivables from and payables to related parties are expected to be settled in cash.

24a. Tulay Sa Pag-unlad, Inc. (TSPI), an entity with the same key management as the Association, 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 members' contributions and premiums from the Association's members.

24b. TSPI also settles claims to the beneficiaries of members on behalf of the Association using the members' contributions and premiums collected. In instances where the claims to be settled exceeds the amount of members' contributions and premiums collected, TSPI advances the payment of claims to the beneficiaries. As at December 31, 2018 and 2017, the outstanding balance of P14.37 million and P10.81 million, respectively, represents the settlement claims advanced by TSPI.

24c. TSPI provides the promotion and marketing of the Association's products to the TSPI's microfinance clients including collection of members' contributions and premiums for the said products of the Association. The Association reimburses the marketing and sales expenses incurred by TSPI on behalf of the Association. Effective July 1, 2016, TSPI charges the Association seven percent (7%) service fee based on members' contributions and premiums collected for the services rendered for the Association.

However, based on the Amendment to the Memorandum of Agreement dated September 27, 2017, the Association agreed to pay a collection fee of 15% of premiums collected.

In 2018 and 2017, marketing and sales expenses amounting to P39.51 million and P29.89 million, respectively, were recognized as part of "Collection fees" in Other direct costs account in the Statement of Comprehensive Income (see Notes 22 and 25).

Compensation of Key Management Personnel

Total short-term remuneration of the Association's key management personnel amounted to P5.80 million and P7.64 million for the years ended December 31, 2018 and 2017, respectively and are recorded under "Salaries and other employee benefits" in profit or loss. Post-employment benefits amounted to P3.87 million and P1.84 million for the years ended December 31, 2018 and 2017, respectively.

25. Reclassifications

The Association reclassified certain accounts in the statement of comprehensive income for the period ended December 31, 2017 to be consistent with the nature of the accounts.

	Note	Before Reclassifications	Reclassifications	After Reclassifications
General and administrative expenses:				
Marketing and sales		P43,979,517	(P43,979,517)	P -
Salaries and other employee benefits	21	50,963,049	(9,551,889)	41,411,160
Claims benefits and other costs:				
Collection fees	22	-	29,886,992	29,886,992
Membership enrollment and marketing fees	22	-	14,092,525	14,092,525
Direct salaries and benefits expenses	22	-	9,551,889	9,551,889
		P94,942,566	P -	P94,942,566

The above reclassifications had no material effect on the information in the statements of assets, liabilities and fund balance, and statements of comprehensive income as at and for the year ended December 31, 2017. Accordingly, management did not present the statements of assets, liabilities and fund balance at the beginning of the current comparative period.

26. 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 PFRS, 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 PFRS.

The following is the tax information required for the taxable year ended December 31, 2018:

A. Withholding Taxes

Expanded withholding taxes	**P3,133,260**
Tax on compensation and benefits	**1,172,193**
	P4,305,453

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	**P112,878**

C. Tax Contingencies

On October 25, 2017, the Association received a Letter of Authority from BIR RDO No. 050-South Makati regarding the examination of the Association's books of accounts for the period from January 1, 2016 to December 31, 2016. The Notice of Informal Conference was received on November 29, 2018. As of date, there is no Preliminary Assessment Notice yet.

KPMG

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REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Board of Trustees and Members
TSPI Mutual Benefit Association, Inc.
3rd Floor, Tulay sa Pag-unlad, Inc. (TSPI) Bldg.
2363 Antipolo St., Guadalupe Nuevo
Makati City

We have audited the financial statements of TSPI Mutual Benefit Association, Inc. (the Association) as at and for the year ended December 31, 2018, on which we have rendered our report April 8, 2019.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the Association taken as a whole. The following schedules of supplementary information are the responsibility of the Association's management:

(a) Schedule of Philippine Financial Reporting Standards; and
(b) Schedule of Receipts and Disbursements According to their Sources and Activities.

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

R.G. MANABAT & CO.

Vanessa P. Macamos

VANESSA P. MACAMOS
Partner
CPA License No. 0102309
IC Accreditation No. F-2017-017-O, valid until November 26, 2020
SEC Accreditation No. 1619-A, Group A, valid until March 15, 2020
Tax Identification No. 920-961-311
BIR Accreditation No. 08-001987-38-2016
Issued December 16, 2016; valid until December 15, 2019
PTR No. MKT 7333621
Issued January 3, 2019 at Makati City

April 8, 2019
Makati City, Metro Manila

TSPI MUTUAL BENEFIT ASSOCIATION, INC.
LIST OF EFFECTIVE STANDARDS AND INTERPRETATIONS SCHEDULE OF ALL PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRS) [WHICH CONSISTS OF PFRS, PHILIPPINE ACCOUNTING STANDARDS (PAS) AND PHILIPPINE INTERPRETATIONS} EFFECTIVE AND NOT EFFECTIVE AS AT DECEMBER 31, 2018

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	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			✓
	Annual Improvements to PFRSs 2014 -2016 Cycle: Deletion of short-term exemptions for first-time adopters			✓
PFRS 2	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'			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3 (Revised)	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			✓
	Annual Improvements to PFRSs 2015-2017 Cycle: Amendments to PFRS 3 and PFRS 11 - Previously held interest in a joint operation			✓
	Amendments to PFRS 3: Definition of a Business			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PFRS 4	Insurance Contracts	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts	✓		
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Annual Improvements to PFRSs 2012 -2014 Cycle: Changes in method for disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
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 (2014)		✓[2]	
	Amendments to PFRS 9: Prepayment Features with Negative Compensation			✓

[1]The Association will adopt these new and/or amendment standards on January 1, 2019.

[2]The Association availed the temporary exemption.

[3]The Interpretations are approved by PIC and FRSC but pending approval of BOA.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
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			✓
	Annual Improvements to PFRSs 2015-2017 Cycle: Amendments to PFRS 3 and PFRS 11 - Previously held interest in a joint operation			✓
PFRS 12	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			✓
	Annual Improvements to PFRSs 2014 -2016 Cycle: Clarification of the scope of the standard			✓
PFRS 13	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			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
PFRS 16	Leases		✓[1]	
PFRS 17	Insurance Contracts		✓[4]	

[1] The Association will adopt these new and/or amendment standards on January 1, 2019.
[2] The Association availed the temporary exemption.
[3] The Interpretations are approved by PIC and FRSC but pending approval of BOA.
[4] The Association will adopt this new standard on January 1, 2013.
[5] The Association will adopt this new standard on January 1, 2020.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	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	✓		
	Amendments to PAS 1 and PAS 8: Definition of Material		✓[5]	

[1] The Association will adopt these new and/or amendment standards on January 1, 2019.
[2] The Association availed the temporary exemption.
[3] The Interpretations are approved by PIC and FRSC but pending approval of BOA.
[4] The Association will adopt this new standard on January 1, 2013.
[5] The Association will adopt this new standard on January 1, 2020.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
	Amendments to PAS 1 and PAS 8: Definition of Material		✓[5]	
PAS 10	Events after the Reporting Period	✓		
PAS 12	Income Taxes			✓
	Amendment to PAS 12: Deferred Tax: Recovery of Underlying Assets			✓
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses			✓
	Annual Improvements to PFRSs 2015-2017 Cycle: Amendments to PAS 12 - Income tax consequences of payments on financial instruments classified as equity			✓
PAS 16	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			✓
PAS 17	Leases			✓
PAS 19 (Amended)	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			✓
	Amendments to PAS 19: Plan Amendment, Curtailment or Settlement		✓[1]	
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓

[1]The Association will adopt these new and/or amendment standards on January 1, 2019.

[5]The Association will adopt this new standard on January 1, 2020.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 21	The Effects of Changes in Foreign Exchange Rates			✓
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
	Annual Improvements to PFRSs 2015-2017 Cycle: Amendments to PAS 23 -Borrowing costs eligible for capitalization			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Annual Improvements to PFRSs 2010 -2012 Cycle: Definition of 'related party'	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	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			✓
PAS 28 (Amended)	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			✓
	Annual Improvements to PFRSs 2014 -2016 Cycle: Measuring an associate or joint venture at fair value			✓
	Amendments to PAS 28: Long-term Interests in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	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			✓
PAS 33	Earnings per Share			✓
PAS 34	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'			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	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			✓
PAS 39	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			✓
PAS 40	Investment Property	✓		
	Annual Improvements to PFRSs 2011 -2013 Cycle: Inter- relationship of PFRS 3 and PAS 40 (Amendment to PAS 40)			✓
	Amendments to PAS 40: Transfers of Investment Property	✓		
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			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
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 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
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 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Advance Consideration			✓
IFRIC 23	Uncertainty over Income Tax Treatments		✓1	
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.			✓
SIC-32	Intangible Assets - Web Site Costs			✓
Philippine Interpretations Committee Questions and Answers				
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			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PIC Q&A 2007-02	PAS 20.24.37 and PAS 39.43 - Accounting for government loans with low interest rates			✓
PIC Q&A 2007-03	PAS 40.27 -Valuation of bank real and other properties acquired (ROPA)			✓
PIC Q&A 2008-01-Revised	PAS 19.78 -Rate used in discounting post-employment benefit obligations	✓		
PIC Q&A 2009-01	Framework.23 and PAS 1.23 -Financial statements prepared on a basis other than going concern			✓
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 2011-02	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?			✓
PIC Q&A 2012-01	PFRS 3.2 -Application of the Pooling of Interests Method for Business Combinations of Entities Under Common Control in Consolidated Financial Statements			✓
PIC Q&A 2012-02	Cost of a New Building Constructed on the Site of a Previous Building			✓
PIC Q&A 2013-02	Conforming Changes to PIC Q&As - Cycle 2013			✓
PIC Q&A	PAS 19 -Accounting for Employee Benefits under a			✓
2013-03 (Revised)	Defined Contribution Plan subject to Requirements of Republic Act (RA) 7641, The Philippine Retirement Law			
PIC Q&A 2015-01	Conforming Changes to PIC Q&As - Cycle 2015			✓
PIC Q&A 2016-01	Conforming Changes to PIC Q&As - Cycle 2016			✓
PIC Q&A 2016-02	PAS 32 and PAS 38 - Accounting Treatment of Club Shares Held by an Entity			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PIC Q&A 2016-03	Accounting for Common Areas and the Related Subsequent Costs by Condominium Corporations			✓
PIC Q&A 2016-04	Application of PFRS 15 "Revenue from Contracts with Customers" on Sale of Residential Properties under Pre- Completion Contracts			✓
PIC Q&A 2017-01	Conforming Changes to PIC Q&As - Cycle 2017			✓
PIC Q&A 2017-02	PAS 2 and PAS 16 - Capitalization of operating lease cost as part of construction costs of a building			✓
PIC Q&A 2017-03	PAS 28 - Elimination of profits and losses resulting from transactions between associates and/or joint ventures			✓
PIC Q&A 2017-04	PAS 24 - Related party relationships between parents, subsidiary, associate and non-controlling shareholder	✓		
PIC Q&A 2017-05	PFRS 7 -Frequently asked questions on the disclosure requirements of financial instruments under PFRS 7, Financial Instruments: Disclosures			✓
PIC Q&A 2017-06	PAS 2, 16 and 40 -Accounting for Collector's Items			✓
PIC Q&A 2017-07	PFRS 10 -Accounting for reciprocal holdings in associates and joint ventures			✓
PIC Q&A 2017-08	PFRS 10 -Requirement to prepare consolidated financial statements where an entity disposes of its single investment in a subsidiary, associate or joint venture			✓
PIC Q&A 2017-09	PAS 17 and Philippine Interpretation SIC-15 - Accounting for payments between and among lessors and lessees			✓
PIC Q&A 2017-10	PAS 40 - Separation of property and classification as investment property			✓
PIC Q&A 2017-11	PFRS 10 and PAS 32 - Transaction costs incurred to acquire outstanding non-controlling interest or to sell non-controlling interest without a loss of control			✓
PIC Q&A 2017-12	Subsequent Treatment of Equity Component Arising from Intercompany Loans			✓
PIC Q&A 2018-01	Voluntary changes in accounting policy			✓
PIC Q&A 2018-02	Non-controlling interests and goodwill impairment test			✓
PIC Q&A 2018-03	Fair value of PPE and depreciated replacement cost			✓
PIC Q&A 2018-04	Inability to measure fair value reliably for biological assets within the scope of PAS 41			✓
PIC Q&A 2018-05	Maintenance requirement of an asset held under lease			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PIC Q&A 2018-06	Cost of investment in subsidiaries in SFS when pooling is applied			✓
PIC Q&A 2018-07	Cost of an associate, joint venture, or subsidiary in separate financial statements			✓
PIC Q&A 2018-08	Accounting for the acquisition of non-wholly owned subsidiary that is not a business			✓
PIC Q&A 2018-09	Classification of deposits and progress payments as monetary or non-monetary items			✓
PIC Q&A 2018-10	Scope of disclosure of inventory write-down			✓
PIC Q&A 2018-11	Classification of land by real estate developer			✓
PIC Q&A 2018-12	PFRS 15 implementation issues affecting the real estate industry			✓
PIC Q&A 2018-13	Conforming Changes to PIC Q&As -Cycle 2018			✓
PIC Q&A 2018-14	PFRS 15 - Accounting for Cancellation of Real Estate Sales			✓
PIC Q&A 2018-15	PAS 1- Classification of Advances to Contractors in the Nature of Prepayments: Current vs. Non-current			✓
PIC Q&A 2018-16	PFRS 13 - Level of fair value hierarchy of government securities using Bloomberg's standard rule on fair value hierarchy	✓		
PIC Q&A 2019-01	Accounting for service charges under PFRS 15, Revenue from Contracts with Customers			✓
PIC Q&A 2019-02	Accounting for cryptographic assets			✓

Legend:

Adopted -means a particular standard or interpretation is relevant to the operations of the entity (even if it has no effect or no material effect on the financial statements), for which there may be a related particular accounting policy made in the financial statements and/or there are current transactions the amounts or balances of which are disclosed on the face or in the notes of the financial statements.

Not Adopted -means a particular standard or interpretation is effective but the entity did not adopt it due to either of these two reasons: 1) The entity has deviated or departed from the requirements of such standard or interpretation; or 2) The standard provides for an option to early adopt it but the entity decided otherwise.

Not Applicable -means the standard or interpretation is not relevant at all to the operations of the entity.

TSPI Mutual Benefit Association, INC.
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018
Receipts	
Members' contributions and premiums	P262,069,519
Decrease in:	
Receivables	37,287
Due from related party	8,197,755
Other assets	168,073
Increase in:	
Accrued expenses and other liabilities	8,511,328
Due to related party	34,770,038
Proceeds from:	
Disposal of available-for-sale financial assets	8,514,978
Interest income received	42,745,315
Dividend received	488,723
Total Receipts	365,503,016
Disbursements	
Benefits paid - death benefits	69,326,778
Other direct costs	61,702,123
Operating expense	53,078,643
Decrease in:	
Claims payable	8,861,269
Interest paid	2,671,452
Purchase of :	
Fixed assets	1,246,087
Electronic data processing	742,063
Investments	142,165,627
Investment property	56,000,000
Utilization of client benefits fund	1,120,363
Total Disbursements	396,914,405
Net Cash Receipts	(31,411,389)
Add: Cash fund at beginning of the year	48,506,984
Total Cash Fund Current Year	P17,095,595

SCHEDULE OF CONTRIBUTIONS/DONATIONS

Name of Foundation/Organization **TSPI MUTUAL BENEFIT ASSOCIATION, INC.**	SEC Registration No. **200508617**
For the year ended	**December 31, 2018**

Part I	Contributors/Donors

(a) No.	(b) Name and Address	(c) Nationality	(d) Total Contributions	(e) Type of Contribution
1	NIL		NIL	Cash ☑ Noncash ☐ (Complete Part II if there is a noncash contribution)
2	NIL		NIL	Cash ☑ Noncash ☐ (Complete Part II if there is a noncash contribution)
3	NIL		NIL	Cash ☑ Noncash ☐ (Complete Part II if there is a noncash contribution)
4	NIL		NIL	Cash ☑ Noncash ☐ (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 **TSPI MUTUAL BENEFIT ASSOCIATION, INC.**	SEC Registration No. **200508617**
For the year ended	**December 31, 2018**

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 ____________________
ATTY. LEONARDA D. BANASEN
Director-Legal/OIC

Signature ____________________
NELIA A. NAYVE
Director – Finance & Admin./OIC

Signed this ___th day April 2019

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY)S.S.

AFFIDAVIT

We, **MA. LUZ A. PLANAS**, and **FLORENCIA G. TARRIELA**, both of legal age, Filipinos, with the same office address at *3rd 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 3rd 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, 2018, 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 15 2019.

MA. LUZ A. PLANAS
Chairman

FLORENCIA G. TARRIELA
Treasurer

SUBSCRIBED AND SWORN TO BEFORE ME in MAKATI CITY, this APR 15 2019, Affiants exhibiting to me SSS ID No. 03-1349190-8 and Passport ID No. P3341932A issued on June 9, 2017 at DFA Manila, respectively as competent evidence of their identities.

ATTY. JUANCHO DAVID R. TABLANG
Notary Public for Makati City
NOTARY PUBLIC
Commission No. M-163 until December 31, 2020
PTR No. 7334217 : 01/03/2019 / Makati City
IBP No. 056773 : 12/12/2019 / Makati City
Roll of Attorney: 42002
MCLE Compliance No. VI-0015377
2016 Magsaysay St.,
Brgy. Guadalupe Nuevo, Makati City

Doc. No. 83;
Page No. 17;
Book No. CCXXVIII;
Series of 2019.

SWORN STATEMENT

This is to certify that the following schedules for the year ended 31 December 2018 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 ______________________
ATTY. LEONARDA D. BANASEN-Corporate Secretary
Officer in Charge

Signature ______________________
NELIA A. NAYVE – Director, Finance & Admin.
Officer in Charge

Signed this __th day of April 2019

SUBSCRIBED AND SWORN TO BEFORE ME this APR 11 2019, at MAKATI CITY, affiants exhibiting the following:

ATTY. LEONARDA D. BANASEN	-	Driver's License No. D16-94-101543
NELIA A. NAYVE	-	Passport #EC0997445 Manila 05 May 2014 to 04 May 2019

ATTY. JUANCHO DAVID R. TABLANG
Notary Public for Makati City
Commission No. M-103 until December 31, 2020
PTR No. 7334217 : 01/03/2019 / Makati City
IBP No. 056773 : 12/12/2019 / Makati City
Roll of Attorney: 42002
MCLE Compliance No. VI-0015377
2016 Magsaysay St.,
Brgy. Guadalupe Nuevo, Makati City

Doc. No. 370;
Page No. 74;
Book No. CCXXXIII
Series of 2019.

ANNEX A

CERTIFICATE ON THE COMPILATION SERVICES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

I hereby certify that I am the Certified Public Accountant (CPA) who performed the compilation services related to the preparation and presentation of financial information of the entity in accordance with an applicable financial reporting framework and reports as required by accounting and auditing standards for TSPI MUTUAL BENEFIT ASSOCIATION, INC. for the period ending 31 December 2018.

In discharging this responsibility, I hereby declare that I am the Director – Finance and Administration of TSPI Mutual Benefit Association, Inc.

Furthermore, in my compilation services for the preparation of the Financial Statements and Notes to the Financial Statements, I was not assisted by or did not avail of the services of R.G. Manabat & Co. who is the external auditor who rendered the audit opinion for the said Financial Statements and Notes to the Financial Statements.

I hereby declare, under penalties of perjury and violation of Republic Act No. 9298, that my statements are true and correct.

Signature Over Printed Name: **NELIA A. NAYVE**

Professional Identification Card No.: 2599539
Valid Until: May 25, 2019

Accreditation Number: 5015
Valid Until: May 25, 2020

SUBSCRIBED AND SWORN to before me, in the City of Makati this APR 11 2019 Affiant exhibiting to me his/her Passport with No. EC0997445 issued at Manila on May 5, 2014

ATTY. JUANCHO DAVID R. TABLANG
Notary Public for Makati City
NOTARY PUBLIC
Commission No. M-103 until December 31, 2020
PTR No. 7334217 : 01/03/2019 / Makati City
IBP No. 056773 : 12/12/2019 / Makati City
Roll of Attorney: 42002
MCLE Compliance No. VI-0015377
2016 Magsaysay St.,
Brgy. Guadalupe Nuevo, Makati City

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