

CLIMBS Life & General Insurance Cooperative

"The Grassroot Insurance"



risk mitigation under the new normal

42nd Annual
General
Assembly

Casino Español de Cebu
April 25-26, 2014
107-109 V. Ranudo St. Cebu City

Annual Report

2013

"More than just Protection"

BOARD OF DIRECTORS 2013-2014



Chairperson
Judge Esperanza F. Garcia (Ret.)
Cebu CFI Community Cooperative



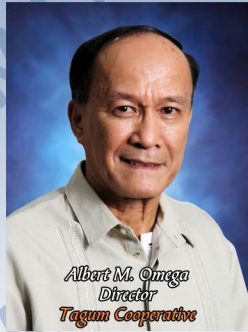
Vice Chairperson
Isagani B. Daba
First Community Cooperative



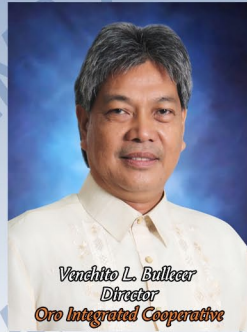
Rene A. Lim
Director
Agdas MPC



Profetiza S. Lim
Director
PHCCI Dumaguete



Albert M. Omega
Director
Tagum Cooperative



Venchito L. Bulcke
Director
Oro Integrated Cooperative



Wilma P. Salas
Director
Maripi MPC



Gloria S. Gaviola
Director
OCCI



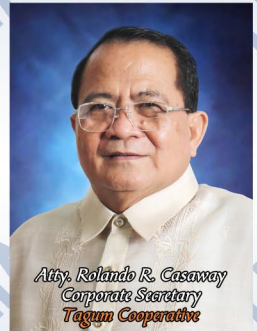
Elvira S. Dandan
Director
San Dionisio Credit Cooperative



Lilian Silubrico
Independent Director
Holy Cross Savings & Credit Cooperative



BGen. Juanito J. Malto (Ret.)
Independent Director
ACDI MPC



Atty. Rolando R. Casaway
Corporate Secretary
Tagum Cooperative

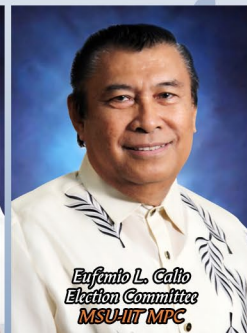
COMMITTEES



Romulo G. Amarado
Election Committee
PHCCI Dumaguete



Visterita T. Pre
Election Committee
Sta. Ana MPC



Eusebio L. Celto
Election Committee
MSU-IT MPC



Nicholas H. Veronilla
Audit Committee
First Community Cooperative

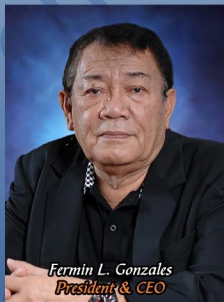


Davan P. Gambo
Audit Committee
Oro Integrated Cooperative



Alma Jaranilla
Conciliation Committee
Cebu CFI Community Cooperative

MANAGEMENT TEAM



Fermin L. Gonzales
President & CEO



Jorge C. Lamasag, Jr.
VP / Chief Finance Officer



Admarie Marcelo
VP / Chief Operation Officer



Noel D. Raboy
VP / Chief Marketing Officer



Raul M. Pregon
Life Division Manager



Jesus Antonio R. Dosados
NonLife Division Manager



Henry Lopez
GLIFSA, General Manager



OUR NEW VISION-MISSION STATEMENT

Core Purpose

- CLIMBS Pursue the economic upliftment of its members nationwide, through insurance
- We were born to provide affordable insurance for the many small people in the grassroots countryside, the marginalized poor and the not-so-poor, through their cooperatives. We are outreaching to areas which big insurance firms are not inclined to visit.
- The insurance protection we provide was meant to be multifold in aspects: life, non-life, pre-need, etc.
- Through grassroots insurance, we were also envisioned to make the financial investments suited to our members' needs and the cooperative movement.

Core Values

We subscribe to the cooperative values and principles espoused by Raiffeisen & Rochdale
But we have certain values we pay careful attention to:

- service excellence, while reserving for growth
- risk management, especially on members' monies
- environmental protection, amidst climate change
- fairness, transparency, accountability in our governance.

We are particularly sensitive to the fact that our member-investors are also our member- markets.
And we adjudge accordingly.

Goals

- As the leading cooperative insurance firm in the country, we are going international, into emerging markets of Asia.
- As the grassroots insurance leader, we seek not only a broader servicing of cooperative members, but also coverage of NGOs, MFIs, and other people-based development groups.
- As a financial institution, we shall become a group of companies, in partnership with cooperatives, into diverse investments, financial packaging, and community-impact projects.
- As a federation, we are advocating the further development of cooperative thought and the upgrading of management across the entire cooperative movement.
- We will show the country that cooperativism is the best way to generate people-based economic upliftment.

These goals are what make CLIMBS different.



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About the Cover

In this cover shows that the eagle represents as CLIMBS serving the entire country thru cooperatives. securing its members and properties through insurance. the eagle "CLIMBS" oversees the entire country as we experience nowadays extreme weather events due to climate change. CLIMBS as a responsible insurer of the cooperatives is now demonstrating its promise to deliver the insurance benefits in times when its most needed by its insured members and the community.

Message from the Chairperson



Dear Fellow Cooperators,

Our success as a Composite Insurance Cooperative is much strengthened with your continued support in doing and investing business with us, it is always CLIMBS primary consideration in keeping this trust in handling our ventures specially when it affects our financial and business operations.

It is always my desire to initiate this big change that is geared towards the cooperative sector's stronger impact to the national economy. I always believe the power of unity especially when it's geared towards the same direction, COOPS should not missed it's respective mandate towards its members.

I can't stop expressing my thanks to all of you my fellow COOP members of CLIMBS Life and General Insurance Cooperative your unwavering support really mean so much to me and to our institution as well.

Our message and values: despite the many forms, names and nature of businesses we may have in our respective cooperatives, despite different contexts we live in, we are still all part of ONE surname.. **COOPERATIVE**; we are still together on this journey of Cooperativism. Let's make our cooperative sector be in harmony with cooperative principles! Let's embrace our Cooperative Values! Lets cooperate and make this journey be full of beauty, love, joy and unity!

Amidst all the calamities that strikes our country. CLIMBS never fails to fulfill its promise in delivering assistance... CLIMBS indeed exceeds expectations. With this, I am proud to express my thanks to all CLIMBS Officers, Executive Management Team for the dedicated and untiring service you delivered not only to the cooperative community but to all those that need most of their assistance at times when they are most needed.

And to all my fellow cooperative-owners of CLIMBS..

THANK YOU AND CONGRATULATIONS!!!

A handwritten signature in black ink, appearing to read 'E. Garcia'.

**JUDGE ESPERANZA F. GARCIA (RET.)
CHAIRPERSON**

Message from the President/CEO



Dear Fellow Cooperators,

It is my pleasure and that of the management and staff to welcome you all members and guests to CLIMBS 42nd Annual General Assembly.

The Philippines is among the most vulnerable countries in the world that suffers the consequences and risks of Climate Change. 2013 was relatively a bad year for the insurance industry worldwide. Floods and Tornadoes in Europe and the U.S. caused global economic losses at about \$130 Billion in 2013. The Philippines was never lucky enough to get exempted. In fact we were struck by five Natural Disasters:

1. Typhoon Pablo which struck Mindanao
2. Habagat Phenomenon which wrought havoc to Luzon particularly Metro Manila
3. The 7.2 magnitude earthquake which struck Central Visayas particularly Bohol
4. Super Typhoon "Haiyan" Yolanda considered as the deadliest in the world which devastated the Central Visayas particularly Leyte, Samar, Northern Cebu, parts of Panay; and
5. Typhoon Agaton which again wreck havoc to Mindanao, and the man-made disaster, The Zamboanga Siege.

All these catastrophic disaster caused almost a billion pesos worth of losses; Yolanda alone was \$720 million and CLIMBS share is \$2.2 million or more that Php100 million as of December 2013 and we already have paid almost Php35 million. We also distributed Php 2.2 Million for relief assistance to our affected cooperative members.

CLIMBS action and response to this disaster.., I would say was the **"SHINING MOMENT OF CLIMBS"**. We were already in the ground 2 days after, paying Calamity Assistance Claims in Ormoc and Tacloban, and we have put up our **CLAIM ASSISTANCE CENTER** in the affected areas.

This experience prompted CLIMBS to innovate systems to mitigate risks of these magnitudes. There is now need to provide disaster insurance to all coop members. We are in a period of an increasingly fragile world where climate change, urbanization, population growth and environmental degradation where frequency and intensity has risen steadily over recent decades. Getting risk management has become more urgent. CLIMBS shall undertake mitigating measures like:

1. Risk based pricing;
2. Strengthen our balance sheet;
3. Good underwriting, public information, and financial literacy to increase insurance awareness;
4. Better research data; and
5. Comprehensive disaster preparedness.

Lastly, without doubt on our 42 years of experience and achievement, directly reflects the expertise and dedication of our management staff, our committed Board of Directors, its Officers and the Committee Members who has set the right direction for CLIMBS and the Member Cooperatives who supported us all the way, but foremost to our God almighty for his many blessings.

Mabuhay ang CLIMBS ug MABUHAY ANG KOOPERATIBA!!!

FERMIN L. GONZALES
PRESIDENT / CEO

Board of Directors & Management Report

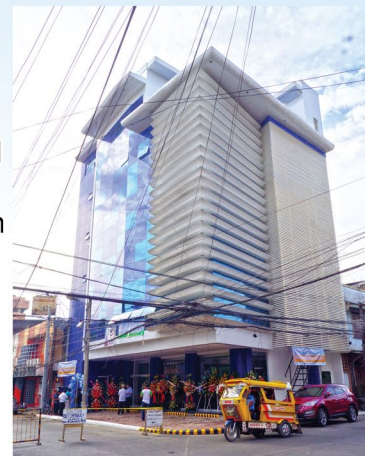
Dear CO-OWNER of CLIMBS,

The past 42 years of CLIMBS have been more than merely eventful – they were the prime years for CLIMBS that spurt milestone after milestone that make CLIMBS the institution that it is today. We were able to achieve and establish key events that position CLIMBS to where it will be heading in the years to come.

MORE THAN A BILLION IN LIQUID FUNDS

Year 2012 was the period where CLIMBS became a billionaire cooperative when the assets reached more than one billion. This year, CLIMBS, register its second billion mark when the managed liquid funds reach more than 1 billion.

In the addition to a 3-storey building on a 5,056 square-meter lot in Barangay Bulua, Cagayan de Oro City, where it houses its own Financial Literacy Training Program. On October 12, 2013, CLIMBS together with the co-owners cooperatives inaugurated its newly constructed 6-storey commercial building standing within the heart of Cagayan de Oro City.



PLACING MANAGEMENT FUNDAMENTAL

Recently, CLIMBS conducted its organizational development plan and operation review to prepare the management team for the final year of our strategic plan in 2014. In addition to the Office of the Chief Operating Officer in the present structure, Chief Marketing Officer and Chief Financial Officer are the new management fundamentals in the CLIMBS organizational structure to support the Office of the President.

SERVICE CLOSER TO OWNER

CLIMBS is the only insurance company in the country where the heart of operation is outside of Metro Manila. Since the inception, CLIMBS services are centralized in its home office in Cagayan de Oro. Year 2013 marks another highlights of CLIMBS history when the Manila Area Office is finally converted into a full branch operation office. The Branch now can bring the service of CLIMBS in fulfilling its promise in paying the benefit without the necessary delay closer to Luzon co-owner cooperative.

ANENT ALL CALAMITIES

Last year was never that good for the Insurance industry. Philippines happened to be the favorite destination of Natural and Man-made calamities and disasters:

1. The Zamboanga City siege.
2. Bohol earthquake which struck Central Visayas
3. Yolanda Super Typhoon - the strongest in the world which devastated Leyte, Samar, Panay, Northern Cebu and parts of Negros Oriental; and

Claims for CLIMBS was estimated at about 100 million and as of December 2013, paid claims totaled to 35 million. CLIMBS (Life and Non-Life) started the payout two days after Yolanda through our Coop Assurance Center in Ormoc where Insurance Commission named it as Claims Action Center.

With the joint efforts of all industry stakeholders, the following main components of the *Agarang Proseso* program were implemented:

1) On-Site CLAIMS ACTION CENTERS (CAC) were established, namely:

CLIMBS General Life and Insurance Cooperative CAC in Tacloban City
CLIMBS CAC in Ormoc City
CLIMBS CAC in Cebu City

Another CAC will be set up by CLIMBS in Tacloban City which will be operational on 08 December 2013. The IC was invited to participate and observe how Microinsurance providers process payments after catastrophic events.



Republic of the Philippines
Department of Finance
INSURANCE COMMISSION
1071 United Nations Avenue
Manila

Head Office:
P.O. Box 3589 Manila
FAX No. 522-14-34
Tel. Nos. 523-84-61 to 70
Website : www.insurance.gov.ph

PRESS RELEASE

"IC pushes for immediate and swift release of insurance claims; Agarang Proseso Program launched"


CHRIS A. RAFAL
Media Relations Officer and Chief
Public Assistance and Mediation Division
Insurance Commission
(632) 404-1758
(63) 917 5649046

The expected magnitude claim of calamity may somewhat affect our bottom line. But what is important however is that CLIMBS was there when it was needed. We were right on the ground paying claims two days after Yolanda. In this way, CLIMBS lived up to the fulfillment of its promise, that we can never be late in fulfilling our promise for assistance in times when it is most needed. It was indeed **THE SHINING MOMENTS** for CLIMBS, your reliable partner.

CLIMBS on its Social Responsibilities

In addition to fulfilling our promised in paying the benefits, CLIMBS, provided assistance to the victims of Bohol Earthquake of Php 200,000 and Php 800,000 to the victims of the Super Typhoon Yolanda through its Cooperative Social Responsibility (CSR) funds in coordination with the affected affiliate cooperatives through their officers and members two days after the typhoon devastated the islands of Samar, Leyte, Biliran, Panay, Northern Cebu, and other parts of Negros.



Key Financial Highlights

	2013		2012		2011		2010		2009	
Assets	1,439.09	100%	1,134.77	100%	739.30	100%	484.85	100%	331.24	100.0%
Cash	339.16	23.6%	357.24	31.5%	205.05	27.7%	185.06	38.2%	122.16	36.9%
Investments	909.82	63.2%	649.39	57.2%	444.48	60.1%	237.18	48.9%	180.51	54.5%
Insurance Receivables	51.68	3.6%	18.37	1.6%	19.79	2.7%	5.43	1.1%	2.12	0.6%
Property & Equipment	70.82	4.9%	86.72	7.6%	47.98	6.5%	38.12	7.9%	21.20	6.4%
Legal Reserves	331.75	23.1%	416.17	36.7%	279.05	37.7%	160.92	33.2%	100.72	29.5%
Equity	749.79	52.1%	309.04	27.2%	244.27	33%	205.53	42.4%	171.34	51.7%
Net Premium	860.03	100%	831.80	100%	568.16	100%	353.57	100.0%	247.47	100.0%
Investment / Other Inc	36.68	4.3%	47.95	5.8%	27.57	4.8%	39.00	11.0%	18.39	7.4%
Gross Revenue	896.72	104.3%	879.75	105.8%	595.73	104.8%	392.57	111.0%	265.86	107.4%
Claims	401.57	46.7%	415.23	49.9%	252.66	44.5%	150.85	42.7%	85.22	34.4%
Policy Reserves	113.90	13.2%	116.61	14%	106.03	18.7%	65.16	18.4%	40.83	16.5%
Commission	223.22	26.0%	208.08	25%	134.88	23.7%	97.33	27.5%	73.08	29.5%
Salaries / Benefits	30.44	3.5%	25.22	3%	23.82	4.2%	15.42	4.4%	12.53	5.1%
Other Expenses	55.57	6.5%	55.85	6.7%	37.76	6.6%	30.07	8.5%	29.04	11.7%
Total Expenses	824.68	95.9%	820.99	98.7%	555.16	97.7%	358.84	101.5%	240.36	97.3%
Net Income	72.03	8.4%	58.76	7.1%	40.58	7.1%	33.72	9.5%	25.16	10.2%

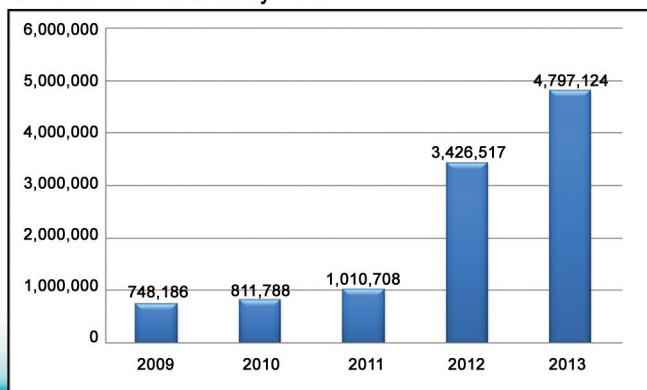
Book Value	2009	2010	2011	2012	2013
Number of Common Shares (with par value of P1,000/share)	99,428	119,718	140,149	178,899	248,568
Total Equity - net of Preferred Shares	117,976,362	144,374,340	178,890,040	235,973,852	688,880,951
Book Value per shares (BVPS)	1,187	1,206	1,276	1,319	2,691
Year on Year Growth (YOY)		1.64%	5.84%	3.34%	104%

DIVIDEND	2009	2010	2011	2012	2013
DIVIDEND PER SHARE (DPS)	78.72	82.87	89.20	91.30	100
DIVIDEND RATE	7.87%	8.29%	8.92%	9.13%	10.00%
Year of Year Growth (YOY)		5.27%	7.64%	2.35%	9.53%

BUSINESS PERFORMANCE

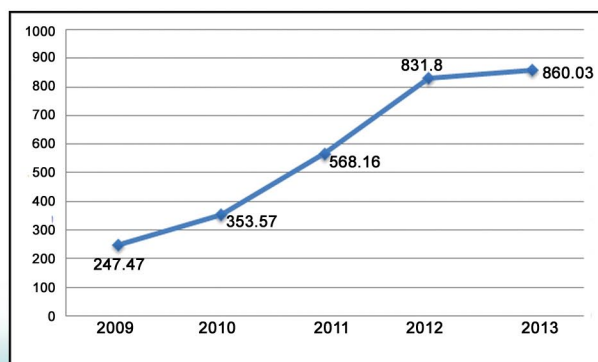
Policy holder

As major player in the Micro insurance industry, CLIMBS has total policy holder of 4,797,124. The Non-Life division has 20,498 policies issued in 2013, a substantial increase of 9,726 from 10,672 in year 2012 with a remarkable percentage growth of 192%. Policy issued for year 2013 has increase by 40%.



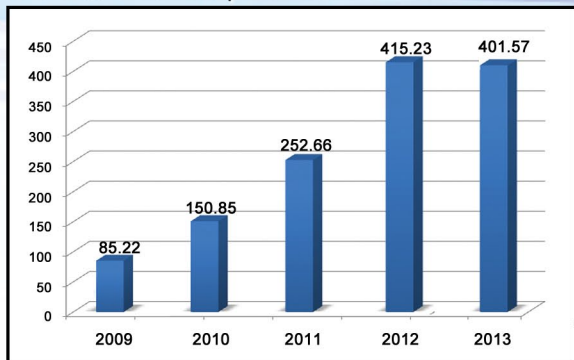
Net Premium (in millions)

The total net premium posted an increase of Php28.23 million with minimal growth of 3.39% compare to year 2012. The NON-LIFE division contributed Php114.85 million with a percentage growth of 42.25% compare to year 2012.



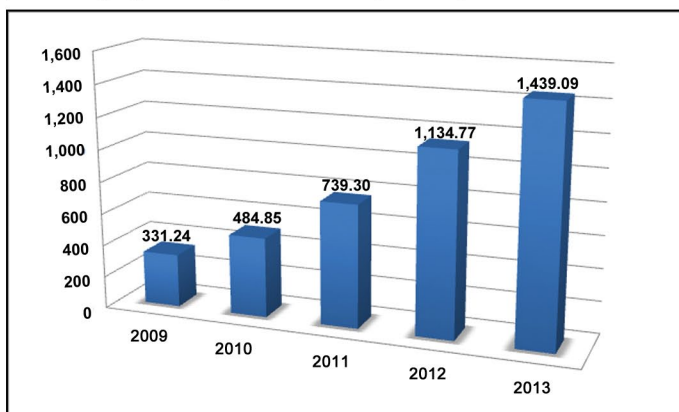
Benefits & Claims Paid (in millions)

The total benefits and claims paid for year 2013 amounted to Php401.57 million, a minimal decrease of Php13.66 million or -3.3% versus the year 2012. The NON-LIFE division claims amounted to Php56.39 million a substantial increase of Php35.36 million with a percentage growth of 171%. The LIFE division claims amounted to Php345.18 million a decrease of Php49.02 million compare to 2012. The total claims represent 47% of the net premium.

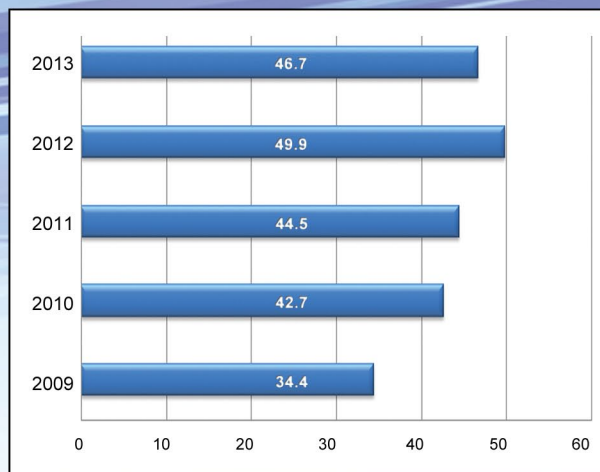


Total Assets (in millions)

The total asset increase by Php304.32 million with a substantial percentage growth by 26.82% compare to year 2012.

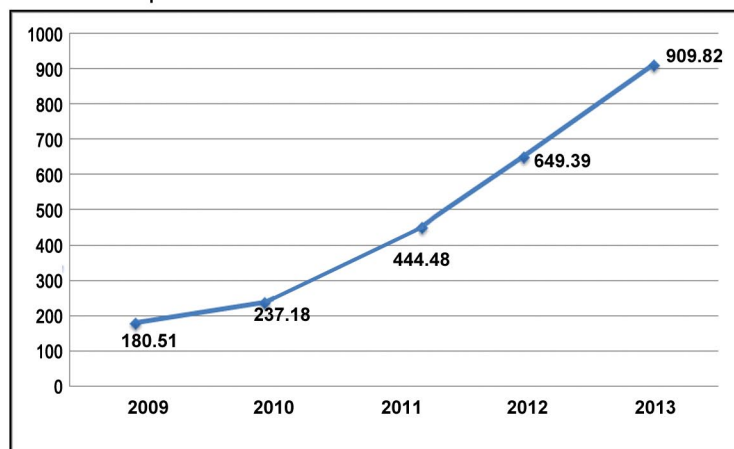


% of Claims to Premium



Managed Fund

The total managed fund for investment has increase by Php260.43 million with a growth of 27.95% compare to year 2012. Investment include placement at the Registry of Scripless Security (RoSS) to fully fund both the mandatory and legal policy reserves in compliance with the requirement of the Insurance Commission.



CLIMBS PROJECTS AND MORE

CLIMBS Institute for Financial Literacy

Since 2011 the (CIFL) CLIMBS Institute for Financial Literacy together with the 40 Primary Cooperative Partners total CETF of Php 22.5 million has gone a long way. CIFL is fully cognizant of the important role it can play in believing the continuing need for education and training. To this end, CIFL conducts numerous trainings and workshops each year for COOPS and other partner organizations in the same business aimed for better competencies for COOP leaders and COOP Financial Management Executives. The training and workshops of CIFL are in high demand. We encourage those who are not yet a part of this endeavor to join us and enjoy the added benefits of free trainings, and new customized consultancy and consultancy patronage rewards.

DATES	COURSES	DATES	COURSES
January 9-10	- Information Technology: Managing IT Properly	August 14-15	- Cooperative Insurance in Asia: Learning for Coops
February 12-14	- Mergers and Acquisitions: What Coops Should Understand	September 10-12	- Managing a Billionaire Coop: What It Really Takes
March 12-14	- Building A Management Culture	October 9-10	- Dividend Policy: Doing It Right
May 26-28	- The Board and The Management: Working Together Smoothly	December 4-5	- The Economic Outlook for 2015
June 25-27	- General Manager Training 2014		

Total CETF Contribution as of December 31, 2013 - Php 22.5 Million

Audacious Venture

On February 9-10, 2014 the Chairman of Nepal Government's Regulatory Authority, Prof. Fatta Bahadur, K.C., Ph D. and Atty. Raj Kumar Aryal, Deputy Director (legal) Nepal Government's Regulatory Authority for Insurance Sector visited CLIMBS Head Office and some Cooperatives in Cagayan de Oro City.

Because CLIMBS believes the potential business in Joint Venture with Nepal, it was followed by the Business Planning Meeting in Nepal on February 19-26, 2014 by the CLIMBS Vice President for Marketing Mr. Noel Raboy and by the CLIFSA General Manager Mr. Henry M. Lopez, Consultants - Prof. Vicente Valdellon, Jr. and Mr. John Wipf together with the Nepal Insurance Board, representatives from the Department of Cooperatives, Finance Ministry, Nepal Rastra Bank and the Board of Director and Management Team of (NACCFL) Nepal Agriculture Cooperative Central Federation Limited & (SKBBL) Sana KisanBikash Bank Limited.




CLIMBS dedication and organizational excellence is vital to its growth. CLIMBS efforts met the growing needs in our community and to continue to do so with our joint resources that are banked together. With your continued support and trusting with us we will surely go a long way of touching more peoples' live and assisting them in rebuilding their future.

We are again aggressive to continue our growth and repay your initial and ongoing confidence.

CLIMBS is grateful to You, our Member Cooperatives, The Board of Directors, The Executive Management and Staff, for the support and guidance and leadership in enabling CLIMBS to continue to uphold integrity in the insurance cooperative, building its capabilities and the skills for the opportunities that lie ahead.

In short, we are on the go to rekindle your excitement!

**MABUHAY ANG CLIMBS!
MABUHAY ANG KOOPERATIBA!
MAY GOD BLESS US ALL!!!**


FERMIN L. GONZALES
President & CEO


JUDGE ESPERANZA F. GARCIA (RET).
Chairperson



STATEMENT OF OPINION

I, **Panfilo P de la Paz**, consulting actuary of **CLIMBS Life and General Insurance Cooperative**, express the opinion that, based on the data supplied to me by CLIMBS, the legal policy reserves and claim reserves of CLIMBS as of 31 December 2013 broken down as follows:

Policy reserves (including unearned premium)	:	264,931,145.22
Equity reserves (Mutual Aid System)	:	7,641,425.10
Claims Payable (Net Liability)	:	115,281,322.90

are adequate and accurate. The calculations of the legal policy reserves are based on reasonable actuarial assumptions and are in accordance with generally accepted actuarial principles.

PANFILO P DE LA PAZ, FASP, FSA
Consulting Actuary
PTR No 3941
January 10, 2014

March 24, 2014

Consolidated Financial Statements of

**CLIMBS Life and General
Insurance Cooperative and Subsidiary**

December 31, 2013 and 2012

And

Report of Independent Auditors



CLIMBS LIFE AND GENERAL INSURANCE COOPERATIVE

Home Office: CoopLife Bldg., Zone 5, National Highway, Bulua, 9000 Cagayan de Oro City, Phils
Telefax Nos.: (08822) 738738; (088) 8561355 Tel. Nos. (08822) 738722; 738886 *** email: head_office@climbs.coop

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of the CLIMBS Life and General Insurance Cooperative is responsible for the preparation and fair presentation of the consolidated financial statements of the Cooperative for the years ended December 31, 2013 and 2012, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation 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.

The Board of Directors reviews and approves the financial statements and submits the same to the members of the Cooperative.

Quilab, Cabilin, Bato & Co., CPAs, the independent auditors appointed by the Board of Directors for the periods December 31, 2013 and 2012, have examined the financial statements of the Cooperative in accordance with Philippine Standards on Auditing, and in its report to the Board of Directors and Members, have expressed its opinion on the fairness of presentation upon completion of such examination.

April 8, 2014, Bulua, Cagayan de Oro City.


FERMIN L. GONZALES
President and CEO


JORGE G. LUMASAG, JR.
Executive Vice President /COO


REYNALDO G. SAN ANDRES
Compliance Officer

◆ **QUILAB CABILIN BATO & Co**
2F Executive Centrum Building
J.R. Borja St., Cagayan de Oro City
9000 Philippines

63 (08822) 72-7515, (088) 856-4401
qcb_co@yahoo.com

◆ **Accreditations**
SEC No. 0182-FR-1 (Mar. 25, 2016)
BOA/PRC Reg. No. 0250 (Dec. 31, 2014)
CDA CEA No 0015-AF (Mar. 2, 2017)
NEA No. 2013-07-00011 (Jul. 20, 2016)
IC No. F-0042-R (Oct. 14, 2014)
BSP (Jul. 18, 2014)

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Shareholders of
CLIMBS Life and General Insurance Cooperative

We have audited the accompanying consolidated financial statements of CLIMBS Life and General Insurance Cooperative and Subsidiary, which comprise the consolidated statements of financial position as at December 31, 2013 and 2012, and the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to consolidated financial statements comprising of a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of CLIMBS Life and General Insurance Cooperative and Subsidiary as of December 31, 2013 and 2012 and of its financial performance and its cash flows for the years then ended, in accordance with Philippine Financial Reporting Standards.



PTR No. CDO 3611588 B

January 2, 2014

Cagayan de Oro City

April 8, 2014
Cagayan de Oro City, Philippines

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

CLIMBS Life and General Insurance Cooperative and Subsidiary

December 31	2013	2012
ASSETS		
Cash and Cash Equivalents (Note 4)	₱339,157,482	₱357,245,246
Insurance Receivables (Note 5)	51,677,245	18,372,533
Financial Assets		
Held-to-maturity investments (Note 6)	715,490,378	548,392,586
Available-for-sale securities (Note 7)	194,333,747	100,998,863
Loans and receivables (Note 8)	16,234,756	6,333,587
Property and Equipment (Note 9)	70,825,215	86,720,323
Investment Property (Note 10)	41,275,259	4,446,000
Other Assets (Note 11)	10,092,524	12,265,242
	₱1,439,086,606	₱1,134,774,380
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Insurance contract liabilities (Note 12)	₱331,748,686	₱416,169,930
Insurance payables (Note 12)	243,590,288	293,122,248
Trade and other payables (Note 13)	70,739,840	78,303,913
Interest on capital, patronage and experience refund payable (Note 20)	43,220,841	38,135,437
Total Liabilities	689,299,655	825,731,528
Shareholders' Equity		
Share capital (Note 14)	329,475,008	251,968,909
Statutory reserves (Note 16)	68,503,907	51,197,912
Surplus reserves (Note 15)	351,808,036	5,876,031
Total Shareholders' Equity	749,786,951	309,042,852
	₱1,439,086,606	₱1,134,774,380

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPEHENSIVE INCOME

CLIMBS Life and General Insurance Cooperative and Subsidiary

<i>Years Ended December 31</i>	2013	2012
REVENUE		
Gross premiums on insurance contracts	₱881,686,792	₱844,422,335
Less reinsurers' share of gross premiums on insurance contracts	21,655,842	12,622,540
Net insurance premiums	860,030,950	831,799,795
Investment and interest income	30,956,849	42,511,506
Commissions earned and other underwriting income	1,785,794	1,381,773
Other income	3,946,475	4,054,018
	896,720,068	879,747,092
BENEFITS AND OPERATING EXPENSES		
Gross benefits and claims paid on insurance contracts	410,565,263	417,401,186
Increase in legal policy reserves	113,895,790	116,611,425
Reinsurers' share of gross benefits and claims paid	(8,994,075)	(2,173,479)
Net insurance benefits and claims	515,466,978	531,839,132
Collection costs	223,217,141	208,080,509
General and administrative <i>(Note 18)</i>	48,066,258	50,112,653
Salaries, wages, officers' and employees' benefits <i>(Note 19)</i>	30,435,841	25,218,167
Depreciation <i>(Notes 9 and 10)</i>	7,499,114	5,736,326
	824,685,332	820,986,787
PROFIT FOR THE YEAR <i>(Note 17)</i>	72,034,736	58,760,305
OTHER COMPREHENSIVE INCOME		
Items that maybe subsequently reclassified to profit or loss:		
Change in value of available-for-sale financial assets <i>(Note 7)</i>	(1,441,649)	-
COMPREHENSIVE INCOME FOR THE YEAR	₱70,593,087	₱58,760,305
Earnings Per Common Share <i>(Note 21)</i>	₱100.00	₱100.01

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

CLIMBS Life and General Insurance Cooperative and Subsidiary

December 31	2013	2012
SHARE CAPITAL (Note 14)		
Preferred Shares – ₱1,000 Par Value		
Opening balances	₱73,069,000	₱65,378,000
Additional investments received during the year	7,837,000	7,691,000
Closing balances	80,906,000	73,069,000
Common Shares – ₱1,000 Par Value		
Opening balances	178,899,000	140,149,000
Additional investments received during the year, net of withdrawals	69,669,000	38,750,000
Closing balances	248,568,000	178,899,000
Deposit for future subscriptions	1,008	909
Total Share Capital	329,475,008	251,968,909
SURPLUS RESERVES (Note 15)		
Opening balances	5,876,031	–
Share in net income during the year	7,203,474	5,876,031
Net transactions during the year (Note 12)	340,170,180	–
	353,249,685	5,876,031
STATUTORY RESERVES (Note 16)		
Opening balances	51,197,912	38,739,612
Share in net income during the year	21,610,421	14,748,837
Net transactions during the year	(4,304,426)	(2,290,537)
Closing balances	68,503,907	51,197,912
REVALUATION RESERVE ON AFS FINANCIAL ASSETS		
Losses from investment securities (Note 7)	(1,441,649)	–
	₱749,786,951	₱309,042,852

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

CLIMBS Life and General Insurance Cooperative and Subsidiary

Years Ended December 31

2013

2012

CASH FLOWS FROM OPERATING ACTIVITIES

Profit for the year	₱72,034,736	₱58,760,305
Add (deduct) adjustments for:		
Depreciation during the year (Note 9)	7,499,114	5,736,326
Provision for retirement benefits (Note 11)	2,245,910	1,038,837
Investment and interest income earned	(30,956,849)	(42,511,506)
Operating income before changes in working capital	51,822,911	23,023,962
Decrease (increase) in:		
Insurance receivable (Note 5)	(33,304,712)	1,418,431
Loans and receivable (Note 8)	(9,901,169)	(2,233,414)
Other assets (Note 11)	1,401,528	(2,596,365)
Increase (decrease) in:		
Insurance contract liabilities (Note 12)	(84,421,244)	137,123,813
Insurance payables (Note 12)	(49,531,960)	123,307,492
Trade and other payables (Note 13)	(7,564,073)	61,335,244
Interest on share capital and patronage refund payable (Note 20)	5,085,404	8,927,125
Net Cash (Used for) Provided from Operating Activities	(127,413,315)	350,306,288

CASH FLOWS FROM FINANCING ACTIVITIES

Additional capital subscriptions received, net of withdrawals (Note 14)	77,506,099	46,440,481
Increase in surplus reserves (Note 15)	345,932,005	5,876,031
Increase in statutory reserves (Note 16)	17,305,995	12,458,300
Decrease in retirement benefit obligation – net of plan assets (Note 11)	(1,474,720)	–
Distribution of profit for the year (Note 20)	(72,034,736)	(58,760,305)
Net Cash Provided from Financing Activities	367,234,643	6,014,507

CASH FLOWS FOR INVESTING ACTIVITIES

Investments income earned	30,956,849	42,511,506
Disposals (acquisition) of:		
Held-to-maturity investments (Note 6)	(167,097,792)	(245,209,928)
Available-for-sale financial assets (Note 7)	(93,334,884)	40,301,114
Additions to property and equipment and investment property (Note 9)	(28,433,265)	(41,728,157)
Net Cash Used for Investing Activities	(257,909,092)	(204,125,465)

NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS (18,087,764) 152,195,330

OPENING CASH AND CASH EQUIVALENTS 357,245,246 205,049,916

CLOSING CASH AND CASH EQUIVALENTS (Note 4) ₱339,157,482 ₱357,245,246

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CLIMBS Life and General Insurance Cooperative and Subsidiary
As of and for the Years Ended December 31, 2013 and 2012

Note 1

Cooperative Information

The Parent Cooperative

The CLIMBS Life and General Insurance Cooperative (henceforth referred to as the "Parent Cooperative") is a national federation of cooperatives incorporated as a stock cooperative. It was registered with the Cooperative Development Authority (CDA) on March 17, 2004, and obtained license to operate as an insurance company from the Insurance Commission (IC) on April 28, 2004. Pursuant to CDA Memorandum Circular No. 2010-05, Series of 2010, the Parent Cooperative complied with the mandatory filing for the registration of amendment in accordance with the provisions of Republic Act (R.A.) No. 9520, An Act Amending the Cooperative Code of the Philippines to be Known as the "Philippine Cooperative Code of 2008", obtaining therein its new Registration No. 9520-10008741 on March 1, 2010.

The Parent Cooperative is a holder of a Composite Insurance License (Life and Non-Life) from the Insurance Commission (IC) obtained on April 21, 2010, effectively granting the Parent Cooperative the authority to operate as a life and general insurance company. The secondary license is renewed yearly and its current license would expire by June 30, 2014.

The Parent Cooperative is engaged in the business of life insurances, mutual benefit services and non-life insurances offering its members and beneficiaries the following products: (1) Coop Life Savings Plan, (2) Coop Loan Protection Plan, (3) Group Renewable Term Life, (4) Group Family Plan, (5) Group Accident, Death, Dismemberment, Disablement Insurance, (6) Group Life and Accident with Fire Insurance, (7) Group Accidental Death, Disablement & Dismemberment Indemnity and Funeral Service Assistance, (8) Member Year Renewable Accident and Life, and (9) Permanent Plan (5 Pay Life, 5 Pay life – 15yrs endowment, 10 Pay Life – 15 yrs endowment).

The Parent Cooperative also offers individual life insurances as well as underwrites non-life insurance contracts for all risks, hazards and contingencies to which marine, fire, motor car and other casualty insurances and suretyship as are applicable.

The Subsidiary Cooperative

The Coop Life General Insurance and Financial Services Agency (CLIFSA) (referred to in the succeeding sections as the "Subsidiary Cooperative") is a secondary cooperative that is licensed by the Insurance Commission (IC) as a General Agency. It is a wholly-owned subsidiary of the Parent Cooperative.

The Subsidiary Cooperative is the distribution channel of the Parent Cooperative offering a complete line of financial services through forged strategic business alliances with Alpha Insurance and Malayan Insurance, a non-life insurance companies operating nationwide. It is widening the market scope of the Parent Cooperative by bridging the gap between the cooperative members, other marginalized sectors and their families and the access to customized low-cost social service packages in life and non-life insurance, funeral/memorial services and hospitalization plans. The major product lines of the Parent Cooperative are being marketed and sold by the Subsidiary Cooperative to its clients.

The Subsidiary Cooperative was registered with Cooperative Development Authority (CDA) on April 27, 2010, and with the Insurance Commission on July 1, 2010 with Registration No. N312693-0. Pursuant to CDA Memorandum Circular No. 2010-05, Series of 2010, the Subsidiary Cooperative complied with the mandatory filing for the registration of amendment in accordance with the provisions of Republic Act (R.A.) No. 9520, known as the "Philippine Cooperative Code of 2008", obtaining therein its new Registration No. 9520-10017273 on September 30, 2010.

Area of Operation and Locations of Business Offices

The Parent Cooperative and the Subsidiary Cooperative's area of operation cover the whole of the Philippines. The principal place of business and Head Office of the Parent Cooperative is located at CLIMBS Building, Zone 5, Upper Bulua, National Highway, Bulua, Cagayan de Oro City, Philippines. It has area offices in Luzon, Visayas and Mindanao. The Subsidiary Cooperative holds office on the Fourth Floor, CLIMBS Building, Pacana-Tiano Streets, Cagayan de Oro City.

Together, the Parent Cooperative and the Subsidiary Cooperative is referred to in the following sections as the "Group".

Tax Exemptions

The Parent Cooperative is a holder of Certificate of Tax Exemption No. 00015-11-RR-16-RDO98 which entitles it with tax exemptions for five (5) years until March 29, 2015. Likewise, the Subsidiary Cooperative is a holder of Tax Exemption No. 00103-11-RR-16-RDO98 which entitles it with tax exemptions for five (5) years until December 15, 2016.

As cooperatives transacting business with members only, both Cooperative are entitled to the following tax exemptions and tax incentives provided for under Article 60 of R. R. No. 9520, as implemented by Section 7 of the Joint Rules and Regulations Implementing Articles 60, 61 and 144 of R.A. No. 9520:

- (a) Income tax on income from CDA-registered operations;
- (b) Value-Added Tax (VAT) under Section 109 pars. (r), (s), (t) and (u) of the Tax Code of 1997 on CDA-registered sales or transactions;
- (c) Three percent (3%) Percentage Tax under Section 116 of the Tax Code of 1997;
- (d) Donor's tax on donations to duly accredited charitable, research and educational institutions, and reinvestment to socio-economic projects within the area of operation of the cooperative;
- (e) Excise tax under Title VI of the Tax Code of 1997 of which it is directly liable;
- (f) Documentary Stamp Tax imposed under Title VII of the Tax Code of 1997, provided, however, that the other party of the taxable document/transaction who is not exempt shall be the one directly liable for the tax;
- (g) Annual Registration Fee of ₱500 under Section 236(B) of the Tax Code of 1997; and
- (h) Exemption from all taxes on transactions with insurance companies and banks, including but not limited to 20% final tax on interest deposits and 7.5% final income tax on interest income derived from a depository bank under the expanded foreign currency deposit system.

Note 2

Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Basis of Preparation

The consolidated financial statements have been prepared under historical cost conventions, except for available-for-sale (AFS) financial assets, which have been measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The consolidated financial statements are presented in Philippine peso, which is the Group's functional and presentation currency and all values are recorded to the nearest peso except when otherwise indicated.

The preparation of the consolidated financial statements made use of estimates, assumptions and judgments by management based on management's best knowledge of current and historical facts as at reporting date. These estimates and judgments affect the reported amounts of assets and liabilities and contingent liabilities as at reporting date, as well as affecting the reported income and expenses for the year. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

Basis of Consolidation

The consolidated financial statements include the accounts of CLIMBS Life and General Insurance Cooperative (Parent Cooperative) and of Coop Life General Insurance and Financial Services Agency (CLIFSA), its wholly-owned subsidiary.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant inter-company transactions and balances between and among the Group, including inter-company profits and unrealized profits, have been eliminated in the consolidation. The financial statements of the wholly-owned subsidiary are prepared for the same reporting year as the financial statements of the Parent Cooperative.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- (a) Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- (b) Recognizes the fair value of the consideration received, fair value of any investment retained and any surplus or deficit in profit or loss; and
- (c) Reclassifies the Parent Company's share of components previously recognized in the other comprehensive income to profit or loss or retained earnings, as appropriate.

Adoption of New and Amended Standards and Interpretations

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2013, and there have been no material impact on the adoption on the Group's financial statements.

- (1) Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The Group implemented this matter for the first time in its financial statements for 2013.
- (2) IAS 19, 'Employee benefits' was revised in June 2011. The changes on the Group's accounting policies has been as follows: to immediately recognize all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The Group has already recognized all past service costs in the previous years.

- (3) Amendment to PFRS 7, 'Financial instruments: Disclosures', on asset and liability offsetting. This amendment requires an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The amendments are to be applied retrospectively. The Group has no financial instruments with special arrangements.
- (4) PFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group has no investee companies.
- (5) PFRS 11, 'Joint arrangements' focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted. The Group has not entered into any joint arrangements.
- (6) PFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. The Group has no interest in other entities.
- (7) PFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across PFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within PFRSs.

New Standards and Interpretations Not Yet Adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2013, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Group, except the following set out in the following paragraph.

PFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the parts of PAS/IAS 39 that relate to the classification and measurement of financial instruments. PFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the PAS/IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess PFRS 9's full impact. It will consider its impact on its financial statements when it becomes effective in 2015. Initially, the Group estimates that its loans and receivables and AFS financial assets will be affected only as to classification but will have no effect on the measurements since the loans and receivables are carried at amortized cost.

There are no other PFRSs or Philippine Interpretation IFRIC that are not yet effective that would be expected to have a material impact on the financial statements of the Cooperative.

Financial Assets

Financial assets, which are recognized when the Group becomes a party to a contractual term of the financial instrument, include cash and other financial instruments.

The Group classifies its financial assets in the following categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

The Group has no financial assets 'at fair value through profit or loss' (FVTPL). The following are the available financial assets of the Group:

- Held-to-Maturity Investments
These are also non-derivative financial assets with fixed or determinable payments and fixed date of maturity. These are mostly investments in treasury bonds with fixed maturity for more than three (3) months to one (1) year or more, and which management has the express intentions of holding on to maturity or until these are sold to raise operating capital. These investments are measured at amortized cost using the effective interest method.

If there is objective evidence that the investment has been impaired, it is measured at present value of estimated cash flows. Any changes to the carrying amount of the investment are recognized in profit or loss.

- AFS Securities
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. This includes investment in stock of member cooperatives and organizations and is not more than 20% of the member cooperatives' total equity. The Group intends to hold on to the investment for a longer period of time. Also included are investments in bonds which the management has expressly classified as AFS financial assets at the time the investments were initially placed. These investments are recognized initially at fair value plus transaction costs and subsequently carried at fair value.

Available-for-sale financial assets are subsequently carried at fair value.

- Loans and Receivables
The Group's loans and receivables comprise 'cash and cash equivalents' and 'loans and receivables' in the statement of financial position.

Cash and cash equivalents, which are carried in the books at cost, substantially consist of cash on hand and other cash items, cash in banks and other short-term liquid investments with original maturities of three months or less, from dates of placements and that are known amounts of cash that are subject to insignificant risk of changes in value.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise with the Group provides money, goods and services directly to the debtor with no intention of trading the receivables. Included in this category are financial assets arising from direct loans to customers, premiums receivable, sales contract

receivables and all receivables from customers and other banks (due from other banks). They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognized in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement as 'Gains and losses from investment securities'. Interest on available-for-sale securities calculated using the effective interest method is recognized in the statement of profit or loss as part of other income. Dividends on available-for-sale equity instruments are recognized in the statement of profit or loss as part of other income when the Group's right to receive payments is established.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Impairment of Financial Assets

For assets carried at amortized cost, the Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors 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 a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the statement of profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Cooperative may measure impairment on the basis of an instrument's fair value using an observable market price.

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 (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the statement of profit or loss.

For assets classified as available for sale, the Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria used in assets carried at amortized cost. In the case of equity

investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in profit or loss. Impairment losses recognized in the statement of profit or loss on equity instruments are not reversed through the statement of profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the statement of profit or loss.

Financial Liabilities

Financial liabilities include insurance payables, trade and other payables and interest on capital, patronage and experience refund payable, which are recognized when the Group becomes a party to contractual agreements of the instrument. Insurance payables and accounts payable and accrued expenses are recognized initially at their nominal value and subsequently measured at amortized cost less settlement payments. Interest on capital, patronage and experience refund payable to shareholders are recognized as financial liabilities at the end of the year when the amounts are computed based on the pre-determined rates contained in the By-Laws of the Parent Cooperative.

Financial liabilities are derecognized in the statement of financial condition only when the obligations are extinguished either through discharge, cancellation or expiration.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred, if the recognition criteria are met. Interests incurred on borrowed funds used to finance the construction of properties during the construction period are capitalized. Other borrowing costs are expensed.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

Depreciation is computed on the straight-line method over the estimated useful lives of the assets as follows: a) buildings, 25 years; (b) furniture, fixtures and equipment, 3 to 5 years and (b) leasehold rights and improvement, over the estimated useful lives of the improvements or the term of the lease, whichever is shorter.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is credited or charged to income.

The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits arising from the renovations will flow to the organization. The carrying values of property and equipment are reviewed for impairment when changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The recoverable amount of property and equipment is the greater of net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's-length transaction.

Investment Property

Investment property is measured initially at acquisition cost. Subsequently, investment property is stated at cost less accumulated depreciation and any impairment in value. Depreciation is computed on the straight-line basis over the estimated useful life of the property, which is 25 years (for the building).

The cost of the investment property comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense when incurred.

Investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the statement of income in the year of retirement or disposal.

Impairment of Non-financial Assets

The Group's property and equipment, investment property and other assets are subject to impairment testing. Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. An impairment loss is recognized for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting the market conditions less cost to sell, and value in use, based on an internal evaluation of discounted cash flow. All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the previously recognized impairment loss.

Actuarial Policies

Actuarial liabilities and other policy liabilities, including policy benefits payable, are computed by the Consulting Actuary of the Group using actuarial practices generally accepted in the Philippines. Actuarial liabilities and other policy liabilities represent the estimated amounts which, together with estimated future premiums and net investment income, will provide for outstanding claims, estimated future benefits, and expenses on in-force policies.

In calculating actuarial liabilities and other policy liabilities, assumptions must be made about the timing and amount of many events, including death, accident or sickness, investment, inflation, policy termination, expenses, taxes, premiums and commissions. The Group uses best estimate assumptions for expected future experience. Uncertainty is inherent in the process, as no one can accurately predict the future. Some assumptions relate to events that are anticipated to occur many years in the future and are likely to require subsequent revision.

Additional provisions are included in the actuarial liabilities to provide for possible adverse deviations from the best estimates. If the assumption is more susceptible to change or if the actuary is less certain about the underlying best estimate assumption, a correspondingly larger provision is included in the actuarial liabilities. In determining these provisions, the Group ensures: (a) when taken one at a time, the provision is reasonable with respect to the underlying best estimate assumption, and the extent of uncertainty present in making that assumption, and (b) in total, the cumulative effect of all provisions is reasonable with respect to the total actuarial liabilities. With the passage of time and resulting reduction in estimation risk, the provisions are released into income. The best estimate assumptions and margins for adverse deviations are reviewed annually and revisions are made where deemed necessary and prudent.

Recording of Claims from Policyholders

Claims incurred comprise settlement and handling costs of paid and outstanding claims arising during the year and adjustments to prior year claim provisions. Outstanding claims comprise claims incurred up to, but not paid, at the end of the year, whether reported or not.

Share Capital

Share capital is determined using the nominal value of shares that have been issued.

Statutory and Other Reserves

The Group establishes the statutory reserves in accordance with the provisions of Republic Act No. 9520, An Act Amending the Cooperative Code of the Philippines to be Known as the "Philippine Cooperative Code of 2008". The following are the nature of these reserves:

- General Reserve Fund (GRF)
GRF is intended for the stability of the Group and to meet net losses in its operations and normally receives 10% allocation every year from the net profit of the Group. The General Assembly may decrease the amount allocated to GRF when the Fund already exceeds the share capital. Such excess may be used at anytime, upon the resolution of the General Assembly, for any project that would expand the operations of the Group. The Fund shall not be utilized for investments other than those allowed by the Cooperative Code. Any sums recovered on items previously charged to the Fund shall be credited back to the Fund. Upon the dissolution of the Group, the General Reserve Fund shall not be distributed to members. The General Assembly may resolve to establish a usufructuary fund for the benefit of any federation or union to which the Group is affiliated, and to donate, contribute, or otherwise dispose of the amount for the benefit of the community where the Group operates. If the General Assembly cannot decide upon the disposal of the Fund, the same shall go to the federation or union to which the Group is affiliated.
- Optional Fund
Optional Fund is intended either for land and building, community development or any other necessary fund. The fund receives 10% of allocation from the annual profit of the Cooperative.
- Cooperative Education and Training Fund (CETF)
CETF is intended for the education and training and other purposes of the Cooperative and receives 10% allocation from the net profit of the Cooperative every year. Half of the allocation to the Fund is remitted to the CETF of the federation or union to which the Cooperative is affiliated. Upon the dissolution of the Cooperative, the unspent balance of the Fund shall be credited to the CETF of the federation or union to which the Cooperative is affiliated.
- Cooperative Development Fund (CDF)
CDF is set aside for projects or activities that will benefit the community where the Cooperative operates and receives annual allocation of 3% of net profit.

Reinsurance

The Group cedes insurance risk in the normal course of business. Reinsurance assets include balances recoverable from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract. An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Group may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Group will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the statement of income. Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

Revenue and Cost Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and that the revenue can be measured reliably. The following specific recognition criteria must be met before revenue is recognized:

(1) Premiums – Life

Insurance premiums are recorded as income as these are collected, usually at the policy anniversary date. Accrual of uncollected premiums is made at the end of the year if the grace period is still in effect. Single premiums, however, are amortized over the term of the policy – these are recorded as income each policy anniversary date. Premium income is also deducted by the amount of premiums on insurance business ceded;

(2) Premiums – Non-Life

Gross insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognized on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior periods.

Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method except for the marine cargo where premiums for the last two months are considered earned the following year. The portion of the premiums written that relate to the unexpired periods of the policies at the reporting dates are accounted for as Provision for unearned premiums as part of Insurance contract liabilities and presented in the liabilities section of the consolidated statement of financial position. The related reinsurance premiums ceded that pertains to the unexpired periods at reporting dates are accounted for as deferred reinsurance premiums and shown as part of reinsurance assets in the consolidated statement of financial position. The net changes in these accounts between the end of reporting periods are recognized in the consolidated statement of income.

(3) Commissions

Commissions earned from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method except for marine cargo where the deferred reinsurance commissions for the last two months of the year are considered earned the following year. The portion of the commissions that relate to the unexpired periods of the policies at the end of reporting period are accounted for as Deferred reinsurance commissions and presented in the liabilities section of the consolidated statement of financial position.

(4) Interest Income

For all financial instruments measured at amortized cost and interest-bearing financial instruments, interest income is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The adjusted carrying amount is calculated based on the original effective interest rate. The change in carrying amount is recorded as interest income.

(5) Dividend income

Dividend income is recognized when the right to receive payment is established.

(6) Rental income

Rental income from investment property is recognized on a straight-line basis over the term of the lease.

(7) Benefits and Claims

Gross benefits and claims consists of benefits and claims paid to policyholders and changes in the gross valuation of insurance contract liabilities, except for gross changes in the provision for unearned premiums which are included in net premiums earned. It further includes internal and external claims handling cost that are directly related to the processing and settlement of claims. Amounts receivable in respect of salvage and subrogation are also considered. General insurance claims are recorded on the basis of notifications received.

Share in liabilities for claim costs and claim adjustment expenses relating to insurance contracts are accrued when insured events occur. The share in liabilities for claims (including those for incurred but not reported) are based on the estimated ultimate cost of settling the claims. The method of determining such estimates and establishing reserves are continually reviewed and updated. Changes in estimates of claim costs resulting from the continuous review process and differences between estimates and payments for claims are recognized as income or expense of the period in which the estimates are changed or payments are made.

(8) Expenses

General and administrative expense, other investment expense and other underwriting expense are recognized as they are incurred.

(9) Interest Expense

Interest expense is charged to operations and is calculated using the effective interest method.

Employee Benefits

The Group employees are provided with the following benefits:

◦ Retirement Benefit Obligation

Pension benefits are provided to employees through a defined benefit plan. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for the benefits of the pension plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's defined benefit pension plan covers all regular full-time employees. The pension plan is tax-qualified, noncontributory and administered by a trustee.

◦ Termination Benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: (a) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or (b) providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting date are discounted to present value.

◦ Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the reporting date. The amounts recognized are included in Trade and Other Payables account in the statement of financial condition at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

Leases

The Group determines whether an arrangement is, or contains a lease based on the substance of the arrangements. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys the right to use the asset.

The Group accounts for its leases as follows:

◦ Group as Lessee

Leases which transfer to the Group substantially all risks and benefits incidental to ownership of the leased item are classified as finance leases and are recognized as assets and liabilities in the statements of financial condition at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, at the present value of minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the leased liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are directly charged against income. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the statement of income on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

◦ Group as Lessor

Leases wherein the Group substantially transfers to the lessee all risks and benefits incidental to ownership of the leased item are classified as finance leases and are presented as receivable at an amount equal to the Group's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Group's net investment outstanding in respect of the finance lease.

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized as income in the statement of income on a straight-line basis over the lease term.

Earnings per Common Share, or EPS

Basic EPS is calculated by dividing net income or loss for the period attributable to common shareholders (net income or loss adjusted for dividends on preferred shares) by the weighted average number of common shares outstanding during the period, after giving retroactive effect to any stock dividend declarations.

Distribution of Net Income

In accordance with the provisions of the Philippine Group Code of 2008, the Group distributes its net savings in the following manner:

- (a) At least ten percent (10%) of the net surplus is set-aside for a reserve fund intended for the stability of the Group to meet net losses from operations;
- (b) Not more than ten percent (10%) of the yearly net surplus is set-aside for an education and training fund to be utilized by the Group for the education and training of its officers and members, with half of the amount to be presented as a "Reserves" account, while the other half, to be remitted to certain cooperative apex organizations;
- (c) Not more than ten percent (10%) of the yearly net surplus is set-aside as an Optional Fund for Land and Building Fund (LBF) and Community Development, and
- (d) Of the remaining net surplus, an equivalent of ten (10%) is set-aside by the Cooperative under Unimpaired Surplus and the rest shall be made available to members in the form of interest on share capital and patronage refund.

Provisions and Contingent Liabilities

Provisions, if any, are recognized when the Group has legal or constructive obligations as a result of a past event: it is probable that an outflow of resources will be required to settle the obligation and estimate can be made of the amount obligation. Provisions are recognized when present obligation will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the statement of financial condition date, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognized, if virtually certain as a separate asset, not exceeding the amount of related provision.

Provisions are reviewed at each statement of financial condition date and adjusted to reflect the current best estimate. In those cases where the possible outflow of the economic resources as a result of present obligation is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Probable inflows of economic benefits that do not yet meet the recognition criteria of the asset are considered contingent assets, hence, are not recognized in the financial statements. No contingent liabilities have been incurred during the year.

Subsequent Events

Post year-end events that provide additional information about the Group's position 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 financial statements when material.

Note 3

Significant Accounting Judgment and Estimates

The preparation of the consolidated financial statements in accordance with PFRS requires the Group to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the consolidated financial statements as they become reasonably determinable. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following critical accounting estimates and judgments may be applicable, among many other possible areas not presented in the Group's consolidated financial statements:

Impairment of AFS Financial Assets

The Group determines that AFS financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, and its operational and financing cash flows.

Allowance for Impairment of Insurance Receivable and Loans and Receivables

Allowance is made for specific accounts, where objective evidence of impairment exists. The Group evaluates these accounts based on available facts and circumstances, including, but not limited to, the length of the Group's relationship with the customers, the customers' current credit status based on known market forces, average age of accounts, collection experience, and historical loss experience. The recorded losses for any period would therefore differ based on the judgments and estimates made.

Estimating Useful Lives of Property and Equipment

The Group reviews annually the estimated useful lives of its property and equipment based on expected asset utilization. It is possible that future results of operations could be materially affected by changes in these estimates. A reduction in the estimated useful lives of these properties would increase recorded depreciation and amortization expense and decrease the related asset accounts.

Impairment of Non-financial Assets

The Group assesses the impairment of its non-financial assets whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and the value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

For impairment loss on specific asset, the recoverable amount represents the net selling price. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Bank is required to make estimates and assumptions that can materially affect the Group's financial statements.

Pension and Other Employee Benefits

The determination of the Group's obligation and cost for pension and other employee benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates, expected return on plan assets and salary increases. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in assumptions may materially affect retirement obligations.

Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and disclosure of contingencies are discussed in Note 2.

Note 4

Cash and Cash Equivalents

This consists of the following:

<i>December 31</i>	2013	2012
Cash with commercial banks and trust companies	₱115,048,046	₱87,468,363
Short-term deposits with commercial banks and trust companies	110,404,420	130,380,441
Cash with thrift banks, rural banks and cooperatives	67,874,639	79,897,167
Petty cash, claims and revolving funds	45,830,377	59,499,275
	₱339,157,482	₱357,245,246

Cash in banks generally earn interest at rates based on daily bank deposit rates. Short-term deposits were made for varying periods of between one day and one month depending on the liquidity requirements of the Cooperative. Time deposits (in pesos) earn interest rates ranging from 1.25% to 8.00%.

Interest income earned from cash and cash equivalents, treated as part of investment and interest income in the statement of profit or loss, amounted ₱5,125,963 and ₱6,038,486 in 2013 and 2012, respectively.

Note 5
Insurance Receivable

This account consists of the following:

<i>December 31</i>	2013	2012
Premiums receivable, net of allowance for impairment losses (see below)	₱37,091,237	₱14,113,596
Amounts recoverable from accepting companies	13,916,699	3,676,866
Automatic contribution loans of MAS members	520,806	422,830
Policy loans	148,503	159,241
	₱51,677,245	₱18,372,533

In 2013, the Group provided impairment losses on its non-life premiums receivable amounting ₱6,387,275. During 2012, the Group has determined that a portion of its non-life premiums receivable has already been impaired permanently; consequently, about ₱3,565,734 have been written-off in the books.

The amount of automatic contribution loans of MAS members is chargeable against the equity value of the defaulting members' certificate, free of interest and other charges.

At the end of the year, management considers the accounts active and unimpaired.

Note 6
Held-to-Maturity Investments

These consist of the following:

<i>December 31</i>	2013	2012
Government bonds	₱397,676,946	₱179,800,068
Commercial papers	317,813,432	295,026,329
Trust accounts	-	73,566,189
	₱715,490,378	₱548,392,586

Government bonds consist of 5- to 25-year peso-denominated bonds issued by the Philippine Government bearing interest ranging from 3.25% to 9.13% per annum maturing on various dates from 2014 to 2037. The following are the fair values of investments in bonds by contractual maturity dates:

<i>December 31</i>	2013	2012
Due within one year	₱ -	₱4,037,784
Due after one year through five years	80,845,265	425,761,343
Due after five years through ten years	316,831,681	118,593,459
	₱397,676,946	₱548,392,586

Commercial papers include time deposits with commercial and cooperative rural banks earning interest from 1.35 % to 8.00% per annum. Total investment income earned amounted ₱30,564,674 and ₱25,042,130 during 2013 and 2012, respectively.

The carrying amounts of the investments are determined to approximate their fair values as at December 31, 2013 and 2012.

Note 7
Available-for-Sale Securities

These consist of the following:

<i>December 31</i>	2013	2012
Equity in managed funds	₱157,213,689	₱60,891,241
Equity securities (common shares)	37,120,058	40,107,622
	₱194,333,747	₱100,998,863

The equity in managed funds represents the fair values of investments administered by a bank. This consists substantially of investments in bonds and other debt instruments, short-term equity investments and special savings deposits, net of accrued trust fees payable. The investment in equity securities represents equity investments in member cooperatives and organizations, accounted in the books at cost, being less than 20% of the investees' total equity. Total investment income earned from AFS securities amounted ₱11,430,890 in 2012 and net losses from investments in 2013 of ₱4,733,788.

During the year, certain AFS securities have been determined to have changed in value, and losses amounting ₱1,441,649 was recognized in the books. The carrying amounts of the remaining equity securities have been determined to approximate their fair values as at December 31, 2013 and 2012.

Note 8
Loans and Receivables

The loans and receivables consist of the following:

<i>December 31</i>	2013	2012
Accounts receivable – others	₱16,128,451	₱1,852,921
Advances to officers and employees	5,982,916	1,758,952
Accrued investment income	1,631,180	2,721,714
	₱23,742,547	₱6,333,587

Management believes that the foregoing accounts are not impaired as at December 31, 2013.

Note 9
Property and Equipment – At Cost

This consists of the following:

<i>December 31</i>	2013	2012
Land and improvements	₱14,854,607	₱12,394,089
Buildings and improvements	47,901,371	45,975,200
Furniture, fixtures and office equipment	19,966,940	15,840,638
Service vehicles	14,253,597	12,807,327
Construction in progress	–	20,867,489
	96,976,515	107,884,743
Less accumulated depreciation	26,151,300	21,164,420
	₱70,825,215	₱86,720,323

The reconciliation of the movements of the accounts follows:

<i>December 31, 2013</i>	<i>Opening Balances</i>	<i>Additions</i>	<i>Disposals/Adjstmnts</i>	<i>Closing Balances</i>
Cost				
Land and improvements	₱12,394,089	₱2,460,518		₱14,854,607
Buildings and improvements	45,975,200	1,926,171		47,901,371
Furniture, fixtures and equipment	15,840,638	4,454,432	(₱328,130)	19,966,940
Service vehicles	12,807,327	3,630,374	(2,184,104)	14,253,597
Construction in progress	20,867,489	15,961,770	(36,829,259)	–
	107,884,743	28,433,265	(39,341,493)	96,976,515
Accumulated Depreciation				
Buildings and improvements	7,472,616	1,896,323		9,368,939
Furniture, fixtures and equipment	8,637,747	2,954,490	(328,130)	11,264,107
Service vehicles	5,054,057	2,648,301	(2,184,104)	5,518,254
	21,164,420	7,499,114	(2,512,234)	26,151,300
	₱86,720,323	₱18,421,917	(₱36,829,259)	₱70,825,215

December 31, 2012

Cost				
Land and improvements	₱6,469,030	₱5,925,059		₱12,394,089
Buildings and improvements	30,218,229	13,891,262	₱1,865,709	45,975,200
Furniture, fixtures and equipment	12,947,368	2,912,506	(19,236)	15,840,638
Service vehicles	8,789,085	4,018,242		12,807,327
Construction in progress	5,886,401	14,981,088		20,867,489
	64,310,113	41,728,157	1,846,473	107,884,743
Accumulated Depreciation				
Land				
Buildings and improvements	3,880,497	4,471,357	(879,238)	7,472,616
Furniture, fixtures and equipment	8,187,033	469,950	(19,236)	8,637,747
Service vehicles	4,259,038	795,019		5,054,057
	16,326,568	5,736,326	(898,474)	21,164,420
	₱47,983,545	₱35,991,831	₱2,744,947	₱86,720,323

The construction in progress represents the costs of the building constructed on a lot owned by the Group located in Tiano-Pacana Streets, Cagayan de Oro City, which was derecognized in 2013 and classified under investment property.

Note 10 **Investment Property**

The investment property includes a piece of land and a new six-storey building located along Tiano and Pacana Streets in Cagayan de Oro City, which are being leased out to business establishments. The new building stands on the location of the old one which was derecognized in 2012. The residual book value of the buildings and improvements, amounting ₱2,496,824, has been recognized as a loss on retirement in 2012. The Group reclassified its construction in progress in 2012 to investment property at the end of 2013.

Rental incomes of ₱617,376 and ₱883,421 were recognized in the books in 2013 and 2012, respectively, representing the combined incomes of the investment property and the portion of the ground floor of the new CLIMBS Building in Barangay Bulua although this portion has not yet been derecognized from Buildings and Improvements under Property and Equipment to Investment Property.

The details of the investment property account are follows:

<i>December 31</i>	2013	2012
Land	₱4,446,000	₱4,446,000
Buildings and improvement in Tiano-Pacana Streets	36,829,259	–
	₱41,275,259	₱4,446,000

Note 11
Other Assets

This consists of the following assets which are stated at the lower of cost or net realizable value:

<i>December 31</i>	2013	2012
Net pension assets (<i>See paragraphs below.</i>)	₱3,702,512	₱5,177,232
Deposits and placements with banks under receivership	3,221,351	3,471,315
Refundable deposits	2,652,098	749,944
Others	516,563	2,866,751
	₱10,092,524	₱12,265,242

The deposits and placements with banks under receivership have been processed for insurance claims from the PDIC. In 2013, the Group recovered a portion of the deposits amounting ₱249,964. Management started to amortize to expense in 2011 some of the losses that it anticipates to incur. A total of ₱645,390 were charged to expense during 2012. It did not recognize further losses in 2013 because many of the closed banks have shown potentials for reopening. The accounts would be further evaluated in 2014 in light of the recent developments.

The other items substantially include the computerization costs amortized by the Group over three (3) years. Amortization costs incurred during 2013 and 2012 amounted ₱191,548 and ₱111,736, respectively.

The Group has a qualified, noncontributory retirement plan covering substantially all of its employees. The Plan requires contributions to be made to administered funds. The plan is administered by a local bank as trustee.

The net pension asset is computed as follows:

<i>December 31</i>	2013	2012
Fair value of plan asset	₱13,134,194	₱12,363,004
Present value of defined benefit obligation	(9,431,682)	(7,185,772)
Net Pension Asset	₱3,702,512	₱5,177,232

The principal actuarial assumptions used in determining plan assets and obligations include salary rate increase of 5%, discount rate of 7.135% and expected return on plan assets of 5%.

The movement in the pension plan assets was accounted as follows:

<i>December 31</i>	2013	2012
Opening balance	₱12,363,004	₱10,619,532
Actuarial return	771,190	1,743,472
	₱13,134,194	₱12,363,004

No contributions were made during the year as the plan assets exceed the anticipated retirement obligation; no withdrawals for retirement benefits were made during 2013 and 2012.

The reconciliation of the fair value of plan assets follows:

<i>December 31</i>	2013	2012
Balance at beginning of year	₱12,363,004	₱10,619,532
Actuarial gain	771,190	1,743,472
	₱13,134,194	₱12,363,004

The pension plan assets were distributed as follows:

<i>December 31</i>	2013	2012
Cash and cash equivalents	₱1,351,744	₱463,190
AFS financial assets	11,704,169	11,819,895
Accounts receivable	88,575	88,982
Accrued trust fees payable	(10,294)	(9,063)
	₱13,134,194	₱12,363,004

The accounting of the movements of the present value of pension benefit obligation follows:

<i>December 31</i>	2013	2012
Opening balance	₱7,185,772	₱6,527,403
Current service cost (See Note 19)	2,245,910	1,038,837
Benefits paid during the year	–	(380,468)
Present Value of Pension Benefit Obligation	₱9,431,682	₱7,185,772

The net benefit expense included in salaries, wages and employees' benefits represents only the current service costs of ₱2,245,910 in 2013 and ₱1,038,837 in 2012.

Note 12

Actuarial Liabilities and Other Policy Liabilities

The actuarial liabilities and other policy liabilities consist of the following:

<i>December 31</i>	2013	2012
Aggregate reserves for life policies	₱282,867,603	₱383,753,306
Reserved for unearned premiums	48,881,083	32,416,624
Total	331,748,686	416,169,930
Insurance payables	243,590,288	293,122,248
	₱575,338,974	₱709,292,178

Aggregate Reserves for Life Policies

The amount of insurance contract liabilities (legal policy reserves) and other actuarial items in the financial statements for the years ended December 31, 2013 and 2012, have been computed and certified by the Consulting Actuary of the Cooperative to be in accordance with commonly accepted actuarial standards consistently applied and that the legal policy reserves and other actuarial items are fairly stated in accordance with sound actuarial principles.

During the examination conducted by the Actuary Department of the Insurance Commission in May 2013, the Group's recorded aggregate reserves have been found by the IC Examiners to be overstated compared with the amount certified by the Consulting Actuary. The overstatement was determined to have started in 2011 and had been part of the Group's conservative strategies of recognizing more reserve liabilities than what was legally determined through actuarial computations. As a response to the findings of IC examiners, the Group obtained approval from the Insurance Commission to reclassify the overstatement to Surplus Reserves (unencumbered reserves) in the equity portion of the Group. In 2013, a total of ₱340,170,180 were reclassified from aggregate reserves for life policies to surplus reserves.

Reserve for Unearned Premiums

Reserve for unearned premiums represent the reserve established at the end of the year to represent premiums paid in advance for which protection is to be given in the future.

Insurance Payables

Insurance payables include policy contract claims, claims in the course of settlement and incurred by not reported claims.

- The policy contract claims include claims due and unpaid benefits amounting ₱102,913,351 in 2013 and ₱230,823,171 in 2012, representing claim benefits that have been processed and that the Group recognizes liability on the claims by the member or its beneficiaries. The aggregate liability includes checks payments that are still outstanding at the accounting office for various reasons like returned/staled checks, undelivered checks to addressees either because the addressees changed addresses or refused to accept payment, etc.
- The claims in the course of settlement amounted ₱94,183,783 in 2013 and ₱23,098,474 in 2012 representing claims reported and unpaid at the end of the year pending submission of documentary requirements. No decision has yet been made whether to deny or to pay the claim.
- The incurred but not reported claims amounted ₱46,493,154 in 2013 and ₱39,200,603 in 2012. These are claims reported beyond the reporting date whose date of claim happened three months before the reporting date. For 2013, claims reported in the months of November 2013, December 2013 and January 2014 whose date of death/claim is before November 1, 2013 are included in this category.

Note 13

Trade and Other Payables

This account consists of the following breakdowns:

<i>December 31</i>	2013	2012
Accounts payable and accrued expenses	₱62,414,619	₱64,606,488
Endowment trust fund	15,331,131	13,354,393
Rental deposits	362,850	204,000
CETF payable	139,032	139,032
	₱78,247,632	₱78,303,913

Accounts payable and accrued expenses include various payables amounting ₱29,951,319, payable to collection agents amounting ₱12,224,559, premium deposits and accrued expenses aggregating ₱20,238,741.

The Endowment Trust Fund represents the contributions of 23 member-cooperatives intended to finance the operations of CLIMBS Institute of Financial Literacy, an institute established by CLIMBS in 2012 dedicated to respond to the training needs of members.

Note 14
Share Capital

This consists of the following breakdowns:

<i>December 31</i>	2013	2012
Preferred Shares – ₱1,000 Par Value		
Authorized – 200,000 shares		
Issued – 80,906 shares in 2013 and 73,069 shares in 2012	₱80,906,000	₱73,069,000
Common Shares – ₱1,000 Par Value		
Authorized – 500,000 shares		
Issued – 248,568 shares in 2013 and 178,899 shares in 2012	248,568,000	178,899,000
Deposits for future subscriptions	1,008	909
	₱329,475,008	₱251,968,909

At the end of 2013, there are 627 holders of preferred shares and 2,075 holders of common shares. In 2012, there were 626 holders of preferred shares and 2,179 holders of common shares.

The weighted average number of common shares is computed at 210,172 in 2013 and 163,325 in 2012.

The Group is in compliance with the fixed capitalization requirements of the Insurance Commission in 2013 and 2012. (See Note 24).

Note 15
Surplus Reserves

In order to respond to the requirements of the Insurance Commission for minimum statutory net worth, the Group established, beginning 2012, the Surplus Reserves (unencumbered reserves) funded from 10% share in the profit for the year.

In 2013, besides its share of the profit for the year, the Surplus Reserve was increased by ₱340,170,180, representing the reclassification of the excess amount of aggregate reserve for life policies. (See Note 12.)

Note 16
Statutory Reserves

The statutory reserves of the Cooperative consist of the following:

<i>December 31</i>	2013	2012
General reserve fund	₱30,410,313	₱25,356,457
Cooperative education and training fund	11,143,877	9,283,504
Optional (land and building fund)	22,551,207	13,676,153
Social development fund	4,398,510	2,881,798
	₱68,503,907	₱51,197,912

The movements of the accounts during 2013 and 2012 are as follows:

	<i>Beg. Bal.</i>	<i>Distribution of income</i>	<i>Collections</i>	<i>Disbursements</i>	<i>End Bal.</i>
<u>December 31, 2013</u>					
General Reserve Fund	₱25,356,457	₱7,203,474		(₱2,149,618)	₱30,410,313
Coop. Education & Training Fund	9,283,504	7,203,474		(5,343,101)	11,143,877
Optional fund (Land and Bldg.)	13,676,153	5,042,431	₱3,832,623	–	22,551,207
Social Development Fund	2,881,798	2,161,042	–	(644,330)	4,398,510
	₱51,197,912	₱21,610,421	₱3,832,623	(₱8,137,049)	₱68,503,907
<u>December 31, 2012</u>					
General Reserve Fund	₱17,460,387	₱5,876,031	₱2,020,039		₱25,356,457
Coop. Education & Training Fund	8,816,575	5,876,031		(₱5,409,102)	9,283,504
Optional fund (Land and Bldg.)	10,855,256	1,233,966	1,586,931		13,676,153
Social Development Fund	1,607,394	1,762,809		(488,405)	2,881,798
	₱38,739,612	₱14,748,837	₱3,606,970	(₱5,897,507)	₱51,197,912

Note 17

Segmental Results of Operations

The Group's segmental income and expenses in 2013 are as follows:

<i>Year Ended December 31, 2013</i>	<i>Life</i>	<i>Non-Life</i>	<i>Agency</i>	<i>Total</i>
Revenue				
Premiums on insurance contracts – net	₱745,175,514	₱114,855,436		₱860,030,950
Investment income	27,252,644	2,801,646		30,054,290
Commissions/ underwriting income	–	1,785,794	₱26,999,664	28,785,458
Other income	3,859,811	320,984	668,239	4,849,034
	776,287,969	119,763,860	27,667,903	923,719,732
Expenses				
Net benefits paid	442,970,674	72,496,304		515,466,978
Collection costs	210,908,470	32,694,651	6,613,684	250,216,805
General and administrative expenses	32,514,230	9,513,626	6,038,402	48,066,258
Salaries, wages and employees benefits	21,916,429	3,789,543	4,729,869	30,435,841
Depreciation	6,462,527	463,729	572,858	7,499,114
	714,772,330	118,957,853	17,954,813	851,684,996
Profit for the Year	₱61,515,639	₱806,007	₱9,713,090	₱72,034,736

The Group's segmental income and expenses in 2012 are as follows:

<i>Year Ended December 31, 2012</i>	<i>Life</i>	<i>Non-Life</i>	<i>Agency</i>	<i>Total</i>
Revenue				
Premiums on insurance contracts – net	₱751,055,774	₱80,744,021		₱831,799,795
Investment income	41,140,955	1,370,551		42,511,506
Commissions/ underwriting income	–	1,381,773	₱22,689,631	24,071,404
Other income	3,235,088	263,492	555,438	4,054,018
	795,431,817	83,759,837	23,245,069	902,436,723

(Carried Forward.)

(Brought Forward.)

Year Ended December 31, 2012	Life	Non-Life	Agency	Total
Expenses				
Net benefits paid	498,425,352	33,413,780	–	531,839,132
Collection costs	192,276,907	32,198,158	6,295,075	230,770,140
General and administrative expenses	37,539,774	6,915,796	5,657,083	50,112,653
Salaries, wages and employees benefits	18,107,442	3,241,698	3,869,027	25,218,167
Depreciation	4,857,088	370,194	509,044	5,736,326
	751,206,563	76,139,626	16,330,229	843,676,418
Profit for the Year	₱44,225,254	₱7,620,211	₱6,914,840	₱58,760,305

The difference between total revenue and expenses as presented in the segmented results of 2013 and 2012 operations against the total revenue presented in the consolidated statements of profit or loss represents the inter-unit transactions that were eliminated in the consolidation process.

Note 18

Details of General and Administrative Expenses

Years Ended December 31	2013	2012
General support services	₱13,711,933	₱18,239,620
Provision for probable losses on premiums receivable (Note 5)	6,387,275	–
Travel and transportation	6,044,196	4,877,229
Meetings, conferences and general assembly	6,000,794	6,729,524
Promotions and networking	5,339,962	3,532,917
Materials and supplies	3,002,087	2,880,192
Communications	1,913,245	1,807,432
Rent	1,604,325	1,624,746
Light and power	1,334,608	1,404,490
Repairs and maintenance	1,046,527	1,217,987
Insurance	385,888	260,677
License fees and membership dues	255,819	343,462
Amortization of computerization costs (Note 11)	191,548	111,736
Interest and financial charges	55,712	23,468
Premiums receivable written-off (Note 5)	–	3,565,734
Loss on retirement of investment property (Note 10)	–	2,496,824
Amortization of losses on deposits (Note 11)	–	645,390
Miscellaneous	792,339	351,225
	₱48,066,258	₱50,112,653

Note 19

Details of Salaries, Wages and Officers' and Employees' Benefits

Years Ended December 31	2013	2012
Salaries and wages	₱23,181,610	₱21,156,108
Uniforms and other employees' benefits	3,557,683	1,731,703
Retirement contributions (Note 11)	2,245,910	1,038,837
SSS, PHIC and HDMF counterpart contributions	1,450,638	1,291,519
	₱30,435,841	₱25,218,167

Note 20
Distribution of Net Income

Accounting of Distributable Profit:

<i>Years Ended December 31</i>	2013	2012
Profit for the year of Parent Cooperative	₱62,321,646	₱51,845,465
Profit for the year of Subsidiary Cooperative	9,713,090	6,914,840
Distributable Profit	₱72,034,736	₱58,760,305

Distribution of Distributable Profit

In accordance with its By-laws, the Cooperative's net incomes have been distributed as follows:

<i>Years Ended December 31</i>	2013	2012
General reserve fund (10%)	₱7,203,474	₱5,876,031
Coop. Education and training fund (10%)	7,203,474	5,876,031
Land & building fund (7% in 2013 and 2.10% in 2012)	5,042,431	1,233,966
Community development fund (3%)	2,161,042	1,762,809
Surplus Reserves (10%)	7,203,474	5,876,031
Interest on capital, experience and patronage refund (64.9%)	43,220,841	38,135,437
	₱72,034,736	₱58,760,305

The Executive Committee of the Board of Directors of the Cooperative approved to distribute the 2013 and 2012 net income after providing for statutory reserves, as follows:

<i>Years Ended December 31</i>	2013	%	2012	%
Dividends for common shares	₱21,017,167	48.63	₱16,333,770	42.83
Dividends for preferred shares	4,646,240	10.75	4,559,667	11.96
Patronage refund	8,913,266	20.62	8,450,000	22.16
Experience refund	8,644,168	20.00	8,792,000	23.05
	₱43,220,841	100.00	₱38,135,437	100.00

The experience refund is to be distributed to members as additional incentives distributed as follows: 80% based on net premiums contributed by the members and 20% based on common shareholdings.

Note 21
Earnings per Common Share

<i>Years Ended December 31</i>	2013	2012
Net income allotted for interest on capital	₱21,017,167	₱16,333,771
Weighted Average Number of Common Shares (Note 14)	210,172	163,325
Earnings Per Common Share	₱100.00	₱100.01

Note 22
Related Party Transactions

In the ordinary course of trade or business, the Group has transactions with related parties. Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or

exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

The significant related party transactions are summarized below:

- a. In the ordinary course of business, the Group accepts insurance business from various cooperatives that are also shareholders of the Group. The bulk of the insurance revenue of the Group comes from these shareholders and their members. These cooperatives earn commissions from the insurance accepted and also share in the net income of the Group at the end of the year. The volume of transactions from the top five (5) member-cooperatives amounted to ₱342,075,559 in 2013 and ₱397,143,781 in 2012.
- b. The Group also extends advances subject to liquidation to its officers and employees. Total advances to officers and employees amounted to ₱1,466,619 in 2013 and ₱1,758,952 in 2012.
- c. The key management compensation consists of the following:

<i>Years Ended December 31</i>	2013	2012
Salaries and allowances	₱3,987,748	₱3,782,560
Other benefits	2,145,013	2,140,574
	₱6,132,761	₱5,923,134

None of the transactions with related parties incorporate special terms and conditions and no guarantee is given or received. Outstanding balances are usually settled in cash.

Note 23

Risk Management Objectives and Policies

The Group is exposed to a variety of risks in performing its activities. Its risk management is coordinated by its Board of Directors. The Group is principally exposed to the following risks:

- Insurance Risk
Insurance risk is the risk that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. Management addresses this issue by ceding portion of the risks to a reinsurer. Although the Cooperative has reinsurance agreements with Philippine Prudential Life Insurance, Inc. Alpha Insurance & Surety Company, Charter Ping An Insurance Company, PNB General Insurers Co., Inc. and Stronghold insurance Company, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that the reinsurer is unable to meet its obligations assumed under such reinsurance agreements.
- Underwriting risk
Underwriting risk represents the exposure to loss resulting from actual policy experience adversely deviating from assumptions made in the product pricing. The Group's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geographical locations, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims handling procedures. Underwriting limits are in place to enforce appropriate risk selection criteria.

◦ Investment Risk

The investment risk represents the exposure to loss resulting from cash flows from invested assets, primarily long-term fixed rate investments, being less than the cash flows required to meet the obligations of the expected policy and contract liabilities and the necessary return on investments. Additionally, there exists a future investment risk associated with certain policies currently in force which will have premium receipts in the future. That is, the investment of those future premium receipts may be at a yield below that required to meet future policy liabilities. To maintain an adequate yield to match the interest necessary to support future policy liabilities, management focus is required to reinvest the proceeds of the maturing securities and to invest the future premium receipts while continuing to maintain satisfactory investment quality. The Group uses asset-liability matching as a management tool to determine the composition of the invested assets and appropriate investment and marketing strategies. As part of these strategies, the Group may determine that it is economically advantageous to be temporarily in an unmatched position due to anticipated interest rate or other economic changes.

◦ Financial Risk

The Group is also exposed to financial risk through its financial assets, financial liabilities, insurance assets and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are credit risk, liquidity risk and market risk. These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. To mitigate the effects of financial risks, the Cooperative does not actively engage in the trading of financial assets. It does not also write options. It has no significant exposure to foreign currency risks as most transactions are denominated in Philippine peso, its functional currency. It has invested most of its cash in investments and deposits with fixed interest rates. Its exposure to credit risk is limited to the carrying amount of financial assets recognized at the reporting date.

As at December 31, 2013, the Group's financial assets are composed of the following:

<i>December 31, 2013</i>	<i>Neither Past Due Nor Impaired</i>	<i>Past Due But Not Impaired</i>	<i>Total</i>
Cash and cash equivalents	₱339,157,482		₱339,157,482
Insurance receivables	51,677,245		51,677,245
Held-to-maturity investments	715,490,378		715,490,378
Available-for-sale financial assets	194,333,747		194,333,747
Loans and receivable	23,742,547		23,742,547
	₱1,324,401,399	₱-	₱1,324,401,399
	100.00%	-	100.00%

The maturity profile of the Group's financial liabilities is as follows:

<i>December 31, 2013</i>	<i>Due in One Year</i>	<i>Due Over One Year</i>	<i>Total</i>
Legal policy reserves	₱332,376,963		₱332,376,963
Insurance payables	242,962,011		242,962,011
Trade and other payables	70,739,840		70,739,840
Interest on share capital and refunds payable	50,728,632		50,728,632
	₱696,807,446		₱696,807,446
	100.00%		100.00%

◦ Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The following policies and procedures are in place to mitigate the Cooperative's exposure to credit risk: (a) Net exposure limits are set for each counterparty or group of counterparties and industry segment (i.e. limits are set for investments and cash deposits, foreign exchange trade exposures and minimum credit ratings for investments that may be held). (b) Guidelines are provided to determine when to obtain collateral and guarantees. (c) The maximum amounts and limits that may be advanced to corporate counterparties by reference to their long term credit ratings are also set.

Note 24

Capital Management

The Group maintains a certain level of capital to ensure sufficient solvency margins and to adequately protect its members. The Group's Board of Directors reviews regularly its capital structure and considers the cost of capital and the risks associated with each class of capital. The level of capital maintained is usually higher than the minimum capital requirements set by the Insurance Commission (IC) and the amount computed under the Risk-Based Capital (RBC) Model. The Group fully complied with the externally imposed capital requirements during the reported financial periods. These are the margin of solvency (MOS), fixed capitalization requirement and RBC requirements.

Margin of Solvency

Under the Insurance Code, an insurance company doing business in the Philippines shall maintain at all times a margin of solvency (MOS) equal to ₱500,000 or 10% of the total amount of its net premiums written during the preceding year, whichever is higher. The MOS shall be the excess of the value of the admitted assets (as defined under the Insurance Code), exclusive of its paid-up capital over the amounts of its liabilities, unearned premiums and reinsurance reserves. The final amount of the MOS can be determined only after the accounts of the Group have been examined by the IC especially as to admitted or non-admitted assets as defined in the Insurance Code.

Fixed Capitalization Requirements

In September 2006, the Department of Finance issued Order 27-06, increasing the capitalization requirements for life, non-life and reinsurance companies on a staggered basis for the years ended December 31, 2006 up to 2011. Depending on the level of foreign ownership in the insurance company, the minimum statutory net worth and minimum paid-up capital requirements vary. The statutory net worth shall include the company's paid-up capital, capital in excess of par value, contingency surplus, retained earnings and revaluation increments as may be approved by the Insurance Commission. The minimum paid-up capital is pegged at 50% of the minimum statutory net worth.

The Insurance Commission (IC) issued its Circular Letter No. 26-2008 deferring the 2007 requirements of IMC No. 10-2006 for a year that effectively made the 2007 requirements the basis for 2008, and therefore, making 2010 as the basis for 2011 and 2011 as the basis for 2012. The Advisory of the Insurance Commission dated November 22, 2012, reiterated this matter. As of December 31, 2012, the required minimum statutory net worth and minimum paid-up capital required of the Group, being a wholly Filipino-owned domestic insurance company, is ₱500 million and ₱250 million, respectively. This level of capital is also applicable for 2013.

On June 1, 2012, the Department of Finance issued Department Order No. 15-2012 establishing the minimum paid-up capital (PUC) requirements of all insurance and professional reinsurance companies doing business in the Philippines. In accordance with DO No. 15-2012, an existing or licensed life or nonlife insurance company must have a PUC in accordance with the amounts and schedule of compliance as follows:

<i>Net Worth</i>	<i>Compliance Date</i>
₱250 Million	On or before December 31, 2013 <i>(Per DO No.27-06 and IMC No. 10-2006)</i>
₱400 Million	On or before December 31, 2014
₱600 Million	On or before December 31, 2016
₱800 Million	On or before December 31, 2018
₱1.0 Billion	On or before December 31, 2020

On August 15, 2013, the Congress of the Philippines approved Republic Act No. 10607 “An Act Strengthening the Insurance Industry, Further Amending Presidential Decree No. 612, Otherwise Known as “The Insurance Code”, as Amended by Presidential Decrees Nos. 1141, 1280, 1455, 1460, 1814, and 1981, and Batas Pambansa Blg. 874, and for Other Purposes”, which superseded DO No. 15-2012, and which requires domestic life and non-life insurance companies engaged in business in the Philippines to possess paid-up capital of at least ₱1.0 billion. For domestic insurance companies already doing business in the Philippines, the law requires them to have a net worth ‘by June 30, 2013 of Two Hundred Fifty Million Pesos (₱250,000,000). Furthermore, said company must have by December 31, 2016, an additional Three Hundred Million Pesos (₱300,000,000) in net worth; by December 31, 2019, an additional Three Hundred Fifty Million Pesos (₱350,000,000) in net worth; and by December 31, 2022, an additional Four Hundred Million Pesos (₱400,000,000) in net worth.’

In accordance with Chapter XIII – Insurance Cooperative, Article 107, of Republic Act No. 9520, “An Act Amending the Cooperative Code of the Philippines to be Known as the “Philippine Cooperative Code of 2008”, “the requirements on capitalization, investments and reserves of insurance firms may be liberally modified upon consultation with the Cooperative Development Authority and the cooperative sector. But in no case may the requirements be reduced to less than half of those provided for under the Insurance Code and other related laws.” R.A. 10607 however has not addressed this matter.

At the end of 2013, the Group’s paid-up capital amounted ₱329,475,008, an amount more than the requirement of R.A. 10607 for paid-up capital as of June 30, 2013. If the requirement for additional paid-up capital by 2016 is allocated to the years after June 30, 2013, the required paid-up capital by December 31, 2013 of ₱310 million is within the actual paid-up capital of the Cooperative during the same period.

RBC Requirements

In October 2006, the Insurance Commission issued IMC No. 7-2006 adopting the risk-based capital framework for the life insurance industry to establish the required amounts of capital to be maintained by companies in relation to their investment and insurance risks. Every life insurance company is annually required to maintain a minimum Risk-Based Capital (RBC) ratio of 100% and not to fail the trend test. Failure to meet with the minimum RBC ratio shall subject the insurance company to the corresponding regulatory intervention which has been defined at various levels.

The Cooperative’s RBC ratio can be determined only after considering the admitted value of certain financial statement accounts and these are normally determined after the examination of the Insurance Commission.

Consolidated Compliance Framework

In November 2006, the Insurance Commission issued IMC 10-2006, integrating the compliance standards for the fixed capitalization and risk-based capital framework. Under this IMC, all insurers must possess the capitalization required for the year 2006. Likewise, all insurers shall annually comply with the RBC ratio requirements. Subsequent to 2006, the fixed capitalization requirement for a given year may be suspended for insurers that comply with the required RBC hurdle rate, provided the industry complies with the required Industry RBC Ratio Compliance Rate. The IMC provides the annual schedule of progressive rates for the Industry RBC Ratio Compliance Rates and the RBC Hurdle Rates from 2007 to 2011.

In view of the provisions of Circular Letter No. 26-2008, for the year 2011, the basis of the review shall be the 2010 synopsis, and the Industry RBC Ratio Compliance Rate is 90%, while the RBC Hurdle Rate is 250%. Failure to achieve one of the rates will result in the imposition of the fixed capitalization requirement of the year under review.

Note 25
Commitments and Contingencies

In the normal course of its operations, the Association makes various commitments and incurs certain contingent liabilities which are not reflected in the accompanying financial statements. Management anticipates no material losses, if any, that may arise from these commitments and contingencies.

Note 26
Events After Reporting Date

There were no events after reporting date that would require disclosures or adjustments on the financial statements of the Association.

Note 27
Approval of Financial Statements

The Group's financial statements as of and for the year ended December 31, 2013, were authorized for issue by management on April 8, 2014.

Note 28
Details of Taxes, Licenses and Fees

In accordance with the supplementary information required under Revenue Regulations No. 15-2010, the Group discloses the following:

<i>Years Ended December 31</i>	2013	2012
Withholding taxes on compensation	₱3,081,711	₱3,194,968
Expanded	2,806,983	2,790,412
	₱5,888,694	₱5,985,380



CLIMBS Life & General Insurance Cooperative *2013 Highlights*

In June 24 to 26, CLIMBS President & CEO Fermin L. Gonzales & VP for Marketing, Noel D. Raboy together with Consultants, John Wipf & Prof. Vicente Valdellon visited NEPAL and met with the Board of Directors of National Cooperative Federation of Nepal, Nepal Insurance Regulatory Board, Department of Cooperatives Regulatory Board and representatives of NACFF, SKBBL, NEFSCUN for the exploratory talks and possible joint venture with them. The 10 Board of Directors of Nepal Agriculture Central Cooperative Federation Ltd. together with the Chairman of Sana KisanBikas Bank Ltd. visited CLIMBS last July 29 to August 3 and in February 9 to 10, 2014 with the Director of the Insurance Board of Nepal, Dr. Fatta Bahadur, K.C., Ph.D. with his Deputy Director arrived at CLIMBS Head Office in Cagayan de Oro for an exploratory talks for a possible joint venture in Nepal on Cooperative Insurance.

CLIMBS and Homes Owner's Association of Villa Angela Subdivision(HAVAS) in partnership with ACDI-MPC launched a training on Water Search and Rescue(WASAR) last August 12 to 18 in response to the climate change and CLIMBS commitment to its corporate social responsibility. Attended by HAVAS volunteers, Officers of ACDI-MPC & Philippine Air Force Reservists together with the 40 participants from Barangay Balulang who completed the said training course. ACDI-MPC donated various rescue equipments for the trained volunteers to be used in times of disaster.

Last October 12, CLIMBS successfully inaugurated its Six-Storey Commercial Building located right at the heart of Cagayan de Oro City along Tiano-Pacana Streets. The event was attended by the CLIMBS Top Management with the affiliate cooperatives, banks and other financial institutions and In December 14, National Confederation of Cooperative Primaries in the Philippines(NaFeCoop) successfully inaugurated its Printing Press located at the basement of CLIMBS Head Office, its office is located at Tiano-Mabini St. Cagayan de Oro City. CLIMBS is one of the Shareholders of NaFeCoop.

CLIMBS released P1.5M from its Corporate Social Responsibility Fund(CSR) for affected affiliate cooperatives in the Visayas badly affected by 7.2 earthquake in Bohol and super typhoon "Yolanda", which devastated the Island of Samar, Leyte, Biliran, Panay, Northern Cebu and Other parts of Negros. On the other hand, CLIMBS immediately sent a team to evaluate and outright claims processing for its covered members of 700,000 enforced policy affected by typhoon. CLIMBS as a responsible insurer of the cooperatives is now demonstrating its promise to deliver the insurance benefits in times when its most needed by its insured members and the community.

CLIMBS release P1.5M CSR Fund for Disaster Victims

by Jesus Antonio Dosdos

CLIMBS Life and General Insurance Cooperative has released some P1.5M from its Corporate Social Responsibility (CSR) Fund for its affiliate cooperatives in the Visayas badly hit by the 7.2 magnitude earthquake in Bohol and super typhoon "Yolanda", which devastated the Islands of Samar, Leyte, Biliran, Panay, Northern Cebu and some parts of Negros.

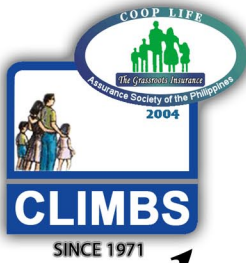
Initial assessment of the damaged areas indicated that cooperative affiliates of CLIMBS in Tacloban, Ormoc and surrounding municipalities numbering to 122, with an estimated 650,000 member families covered by CLIMBS, Life and Property insurance for cooperative members were heavily affected by the calamity.

The figure was the initial number provided by some affected cooperatives which will most likely swell the moment other affected CLIMBS member cooperatives will give their respective reports. Some CLIMBS affiliates in the affected areas, as of this writing, are difficult to reach because of communication difficulty.

Meanwhile, shortly after typhoon "Yolanda" blew its fury, CLIMBS immediately sent a team to areas affected to evaluate and do outright claims processing for its covered members of 700,000 enforced policy affected by calamity. Policy coverage includes Life insurance for creditor member of the cooperatives, mortuary benefits, personal accident insurance, residential and commercial calamity insurance, motor vehicle, act of nature insurance with an initial assessment of more than P100M.

Claims are processed in the cooperative office for outright payout of benefit cash call to initially assist members on their needs. CLIMBS moves was design to deliver the insurance benefits in time when it is most needed by its insured members and the community.





CLIMBS

Life and General Insurance Cooperative

42nd ANNUAL GENERAL ASSEMBLY

APRIL 25-26 CASINO ESPAÑOL DE CEBU, CEBU CITY

Educational & Business Forum

PROGRAMME

- 1:00 PM - INVOCATION
- 1:05 PM - NATIONAL ANTHEM
- 1:15 PM - CLIMBS-Nepal Joint Venture
Prof. Vicente R. Valdellon, Jr.,
CLIMBS Consultant
- 1:55 PM - Presentation on Mitigating Climate Change
Fermin L. Gonzales
President and CEO, CLIMBS
- 2:45 PM - Marketing Updates & Directions
Product Launching (PATXT15 & Homeseecure)
Noel D. Raboy
Vice-President/Chief Marketing Officer
- 3:05 PM - CAC Best Practices Presentation
St. Martin of Tours Credit & Development
Cooperative
Maria Cristina Naigan, General Manager
- Agusan Del Norte Teachers, Retirees
Employees & Community Development
Cooperative
Jon Albert Sebumpun, CAC Head

Cooperator's Night

PROGRAMME

- 5:00 PM - HOLY MASS
- 6:00 PM - DINNER
- 7:00 PM - COOPERATORS FELLOWSHIP NIGHT
- 7:15 PM - WELCOME ADDRESS
Admarie D. Marcelo
Vice-President/Chief Operating Officer
- 7:20 PM - OPENING REMARKS
Board of Directors (Luzon, Visayas, Mindanao)
Introduction to Participants
- 7:30 PM - Introduction to the Guest Speaker
by: Niña Flor Batara
Hon. Emmanuel M. Santiago, Ph.D
CDA Chairperson
- Presentation of Plaque of Appreciation
- Fermin L. Gonzales
President & CEO, CLIMBS
- Admarie D. Marcelo
Vice-President/Chief Operating Officer
- Awarding of Top Cooperatives
Life - Jorge G. Lumasag, Jr.
Executive Vice/President and
Chief Finance Officer
- Admarie D. Marcelo
Vice-President/ Chief Operating Officer
NonLife - Noel D. Raboy,
Vice-President/Chief Marketing Officer
- Jesus Antonio Dosdos
Nonlife Division Manager
- Closing Remarks
Raul M. Pregon
Life Division Manager

Assembly Proper

PROGRAMME

- 8:30 AM - INVOCATION
NATIONAL ANTHEM
CLIMBS HYMN
COOPERATIVE PLEDGE
- 8:45 AM - Welcome Remarks
Fermin L. Gonzales,
President and CEO, CLIMBS
- Solidarity Message
Judge. Esperanza F. Garcia (Ret.)
Chairperson
- 8:50 AM - Introduction to Keynote Speaker
Sylvia Quineson, Regional Marketing Manager
West Visayas Area
- 9:00 AM - Keynote Speaker
Ferdinand George A. Florendo
Dep. Insurance Commissioner
for Financial Examination
Insurance Commission
- Presentation of Plaque of Appreciation
Fermin L. Gonzales
President and CEO, CLIMBS
- 10:00 AM - ASSEMBLY PROPER
1. Roll Call
 2. Proof of Due Notice
 3. Determination of Quorum
 4. Consideration of the Previous Minutes
 5. Board of Director's Report
 6. Consideration of Resolution,
Recommendations & New Business
 7. Election of Board of Directors, AIC,
Election & Conciliation Committee
 8. Adjournment
- 12:30 PM - LUNCH



Directory of Offices and Branches

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LINKAGES

Munich RE - Website: www.munichre.com

GIZ(GTZ) - Website: www.giz.de

Asia Oceana Association - Website: www.aoa-icmif.org

International Cooperative Mutual Insurance Federation - Website: www.icmif.org

Cooperative Development Authority - Website: www.cda.gov.ph

Insurance Commission - Website: www.insurance.gov.ph

National Confederation of Cooperatives(NATCCO) - Website: www.natcco.coop

Philippine Prudential Life Insurance - Website: www.philprudentiallife.com

Malayan Insurance - Website: www.malayan.com

Alpha Insurance & Surety Company, Inc. - Website: www.alphainsurance.com.ph

A MEMBER OF

Philippine Life Insurance Association, Inc.
Website: http://www.plia.org.ph

Philippine Chamber of Commerce

Website: http://www.philippinechamber.com

Philippine Insurer & Reinsurers Association

Website: http://www.pirainc.org

People Management Association of the Philippines

Website: http://www.pmap.org.ph/



For more information
www.climbs.coop



www.clifsa.com.ph



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