



CLIMBS Life and General Insurance Cooperative

Complete Financial Solution for Inclusive Growth



46th

Annual General Assembly

SMX Convention Center, Bacolod City

20 - 21 April 2018

2017
ANNUAL REPORT

Who we are?

CLIMBS Life and General Insurance Cooperative is a life and non-life insurance cooperative duly licensed by both the Cooperative Development Authority and the Insurance Commission born in Cagayan de Oro City.

Founded in 1971 by the late Atty. Mordino Cua and Atty. Aquilino Pimentel Sr., CLIMBS started by offering mutual protection to its members as an alternative to insurance products offered by big traditional insurance companies especially in the Visayas and Mindanao.

From humble beginnings, to date, CLIMBS grew into a cooperative with assets worth 2.5 billion pesos, life confirmation of coverage of 3.6 million individuals and non-life insurance of 39,609 policies.

Even with its success, CLIMBS stays firmly rooted where it began and its head office in Cagayan de Oro still remains as the center of operations for servicing its members nationwide.

Today, CLIMBS is now a group of companies with insurance as its major business complementing each other and creating a holistic range of products and services for its members.

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 reaching out to areas which big insurance firms are not inclined to visit.
- The insurance protection we provide is meant to be multi-fold 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.

Audacious 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 the 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.

Schedule of Activities

Day 1 April 20, 2018 (Friday)
SMX Convention Center, Bacolod City
Dress Code: Business Casual

12:00NN **Registration**
2:00PM **Welcome Refreshment**
2:15PM **Opening Remarks**
Atty. Pablo Paras Garcia, Chairperson
Educational Forum
Host: Admarie D. Marcelo, EVP and CFO
2:35PM **Cosmopolitan CLIMBS Life Plan, Inc. (CCLPI) Update**
Noel D. Raboy, President and COO
2:50PM **CLIMBS Investment & Management Advisory Corporation (CIMAC) Update**
Jorge G. Lumasag, Jr., President and COO
3:05PM **CLIMBS Institute of Financial Literacy (CIFL) Update**
Donna Marie Michelle C. Dizon, Executive Director
3:20PM **Cooperative Solidarity Message**
Orlando R. Ravanera, Chairman
Cooperative Development Authority
3:35PM **Raffles**
4:00PM **CLIMBS Institute of Financial Literacy (CIFL) General Assembly**
Host: Donna Marie Michelle C. Dizon, Executive Director
5:00PM **Buffet Dinner**
6:00PM **CLIMBS Excellence Awards Night**
Host: Felyn Lovely Pao, Regional Sales Manager

Day 2 April 21, 2018 (Saturday)
SMX Convention Center, Bacolod City
Dress Code: CLIMBS Jacket and Shirt

6:00AM **Registration**
8:00AM **Holy Mass**
Reverend Fr. Gregorio Baguio, Jr., OCD
Rector, Our Lady's Hill Center of Spirituality, Dulao, Bago City
9:00AM **Welcome Remarks**
Evelio Leonardia, Mayor of Bacolod City
9:05AM **Chairperson's Message**
Atty. Pablo Paras Garcia, Chairperson
9:20AM **CLIMBS Yesterday, Today and Tomorrow**
Fermin L. Gonzales, President and CEO
9:45PM **Refreshment Break**
Raffles
10:00AM **General Assembly Proper**
Host: June Blanche P. Jalalon, Program Director
Invocation, National Anthem
Cooperative Pledge and CLIMBS Hymn (AVP)
Opening Number
10:15AM **Introduction of Keynote Speaker**
MGen. Gilbert S. Llanto (Ret.), Vice Chairperson
10:20AM **Keynote Speech**
Atty. Dennis B. Funa, Commissioner
Insurance Commission
10:45AM **General Assembly**
11:30AM **Buffet Lunch**
3:00PM **Refreshment Break**
3:30PM **Election Proper**
Raffles
Closing Presentation
4:00PM End of 2018 General Assembly

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About the Cover

The eagle has been a significant icon with CLIMBS for many years. Propped on top of the Monument Marker, enshrining the birth of CLIMBS and CLASP in 2004 making it a full pledged insurance company, an eagle served as a welcome figure at its Head Office in Cagayan de Oro City.

The eagle, in the Annual Cover, is pictured soaring high over the City of Smiles, depicting strength, courage and protection as what CLIMBS is providing to all its cooperative members nationwide.



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



MESSAGE



My warmest greetings to CLIMBS Life and General Insurance as it holds its 46th Annual General Assembly.

The insurance industry closed off 2017 with a remarkable Total Premium Income of Php260 Billion and Assets of Php1.55 Billion.

CLIMBS had a lot to do with those remarkable figures, and it's something we are all grateful for.

Armed with lessons from the struggles and successes of the previous years, I am confident that CLIMBS will continue to make a difference in the lives of Filipinos. Your composite accreditation places you in that unique and advantageous position where you can provide a much wider array of insurance products and services that will give Filipino families better financial risk protection, and in a broader but very realistic perspective, build-up strong and financially independent communities.

Giving credence to the Insurance Commission's vision of having strong, sustainable and globally competitive regulated entities serving every Filipino, I hope that CLIMBS will continue to work with us towards the growth of inclusive insurance in the years to come.

DENNIS B. FUNA
Insurance Commissioner





Central Office

827 Aurora Blvd., Service Road, Brgy. Immaculate Conception, 1111 Cubao, Quezon City, Philippines

MESSAGE



Greetings to CLIMBS Life and General Insurance Cooperative on the occasion of your 46th Annual General Assembly.

The Cooperative Development Authority (CDA) together with eleven offices, have been put under the Office of the Cabinet Secretary and have exemplified to the highest degree an amazing pro-people leadership with a strong national mindset that gives adherence to empowering the poor and the marginalize sectors so they can be drawn into the mainstream of development process.

We, at the CDA, have been vigilant in our commitment to give voice to the cooperative sector and for the "wheel" of cooperative development to be put into motion. There are now some 26,600 cooperatives in the Philippines with some 14 million members coming from all walks of life who have good stories to tell, of how they have been liberated from the quagmire of poverty be they farmers, fisherfolks, workers, women, persons with disabilities and even former combatants who have left armed struggle to now peacefully working for social justice and equity through cooperativism.

Cooperatives have been successful in drawing the marginalized sectors into the mainstream of development process, bonding together productive members of our citizenry who contribute significantly to our economy. We have realized that cooperativism has come to age, not only as a vehicle of development but as a tool of empowerment. It is the pathway to make people more productive, becoming revenue-makers for our government.

Today, there is a need for paradigm shift: from unsustainability to sustainability! Money should not be used to make money but to improve the quality of life of the people. In this context, the essence of cooperativism has become the answer because its DNA is that of being members-owned, value-based and sustainable.

That is why advancing cooperativism means working for social transformation based on justice, equity and sustainability. It is a kind of revolution that is peaceful, yet, forceful, that relies on the collective strength of the people.

Orlando R. Ravanera
ORLANDO R. RAVANERA
Chairman

Office of the Chairman : (02) 721-5325
(02) 721-5324

Office of the Executive Director : (02) 725-6450
Office of the Day : (02) 725-3764

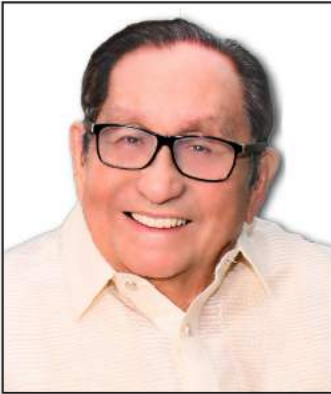


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CHAIRPERSON'S MESSAGE



One special event of CLIMBS Life and General Insurance Cooperative, or CLIMBS for short, is the celebration of its 46th Annual General Assembly on April 20-21, 2018 in Bacolod City. The theme of the General Assembly is "CLIMBS Complete Financial Solution for Inclusive Growth".

For the Members and Officers of CLIMBS, there is a good reason to celebrate. From its humble beginnings in Mindanao some 46 years ago, through the vision and dedication of its Founders and succeeding Leaders and with the loyalty and support of its Members, CLIMBS has grown and expanded nationwide- in Luzon, Visayas and Mindanao, to become one of the leading players in the insurance industry of the country.

On this happy occasion, it is our hope that through our collective efforts, commitment and with the blessings of Almighty God, CLIMBS will continue to rise to greater heights of triumphs and glory.

May God bless us all!


ATTY. PABLO PARAS GARCIA
CHAIRMAN OF THE BOARD

PRESIDENT & CEO's MESSAGE



In 1971, Coop Life Mutual Benefit Services was organized to provide protection services to cooperative members and their families. It started with nothing—no capital but only with sheer determination to grow and make a difference. Despite the insurmountable challenges, CLIMBS was undaunted. In fact, it became more determined to succeed.

It has been a pleasure and honor to work with CLIMBS for the past thirty (30) years. The pioneers notably, Atty. Mordino Cua and Atty. Aquilino Pimentel Sr. spearheaded the organization of CLIMBS whom I say that because of them, we are here today.

The past leadership in the time of our much loved Chairperson Ret. Judge Esperanza “Ma’am Inday” Fiel Garcia, in whose time CLIMBS became a full-pledge Insurance Cooperative, both Life and Non-Life, and to become a Cooperative Group of Companies with six (6) Subsidiaries.

And, to the present leadership, Chairman Atty. Pablo P. Garcia, who will continue to steer the future of CLIMBS to truly become fully integrated Cooperative Financial System. To all of them including the management and staff, my “salute” to a job well done.

From that humble beginning, CLIMBS sustained to a high level of growth and strength, allowing it to expand coverage and diversify its business. On hindsight, CLIMBS’ achievement became possible due to the tenacity of its leaders who doggedly molded a fledging organization into a viable service-oriented grassroots insurance system.

The support it received from cooperatives, the presence of open-minded, dynamic, aggressive and result-oriented leadership, and a management style that always seek common-ground are important factors that brought CLIMBS to its success.

Now, as I close my era with CLIMBS after serving for thirty (30) years, how I wish CLIMBS to continue to forge mutually beneficial arrangement with coops with the end in view of becoming the complete provider of financial services for inclusive growth.

I wish to extend my sincerest thanks to the members, the officers, the management and staff for a very dynamic partnership. To my family who has supported me all the way, and to our God Almighty who showered CLIMBS with all its Blessings.



Fermin L. Gonzales
President and CEO



CLIMBS Life and General Insurance Cooperative

BOARD OF DIRECTORS

2017 - 2018



1 Atty. Pablo P. Garcia
Chairperson
Cebu CFI Community Cooperative

2 MGen. Gilbert S. Llanto (Ret.)
Vice Chairperson
ACDI Multipurpose Cooperative

Directors

3 Fr. Elmo Manching
Metro Ormoc Community Multi-Purpose Cooperative

4 Ma. Theresa G. Drueco
Novaliches Development Cooperative

5 Elvira S. Dandan
San Dionisio Credit Cooperative

6 Atty. Daniel O. Evangelio, Jr.
Toril Community Cooperative

7 Sarah T. Agner
PHCCI Multi-Purpose Cooperative

8 Atty. Antonio Manuel A. Alcantara
Perpetual Help Community Cooperative

9 Edgardo G. Amoronio
Sta. Catalina Credit Cooperative

Independent Directors

10 Lillian D. Silubrico
Holy Cross Savings & Credit Cooperative

11 Napoleon E. Sentillas †
Guadalupe Community MPC

12 Doris B. Calapiz
Treasurer
Oro Integrated Cooperative

13 Atty. Isidro Lico
Corporate Secretary
Coop Bank of Misamis Oriental



14 Fermin L. Gonzales
President and CEO
CLIMBS Life and General Insurance Cooperative

"Our unwavering commitment to our values and principles fostered unity among us cooperators which is our greatest asset and constant contribution to the strengthened sustainability of our varied programs and services to our esteemed members."

Atty. Pablo P. Garcia, Chairperson

COMMITTEE OFFICERS 2017 - 2018



Election Committee

- 1 Atty. Jose Agerico R. De Guzman
Makilala Multipurpose Cooperative
- 2 Atty. Rolando C. Casaway
Davao Allied Development and Services Cooperative
- 3 Alexander B. Raquero
Sta. Cruz Savings & Development Cooperative

Audit Committee

- 4 Juanito P. Rosini, Ph.D.
ISU Multipurpose Cooperative
- 5 Maree Dee B. Belagan, CPA
Providers Multipurpose Cooperative
- 6 Miriam R. Baloyo, CPA
Tagum Cooperative

Ethics Committee

- 7 Romeo A. de Jesus
San Jose del Monte Savings & Credit Cooperative
- 8 Atty. Pedro B. Panis
PHCCI Multi-Purpose Cooperative
- 9 Eufemio L. Calio, PhD.
MSU-IIT National Multipurpose Cooperative

Mediation Committee

- 10 Danny T. Cabahug
Perpetual Help Community Cooperative
- 11 Eduardo Q. Guerin
Claveria Grassroots Multipurpose Cooperative
- 12 Eric Dizon
Manatal Multipurpose Cooperative

GAD Committee

- 13 Norma R. Pereyras
Tagum Cooperative
- 14 Marlene D. Sindayen
Novaliches Development Cooperative
- 15 Dr. Irma E. Cruz
St. Martin of Tours Credit & Development Cooperative

EXECUTIVE MANAGEMENT TEAM 2017 - 2018



- 16 Fermin L. Gonzales
President and CEO
- 17 Admarie D. Marcelo, CPA
Executive Vice-President and CFO
- 18 Raul M. Pregon
Vice-President and CMO
- 19 Danilo B. Dollera
Vice-President and COO
- 20 Antonio R. Dosdos
Vice-President for Luzon
- 21 Sylvia R. Quinesio
Vice-President for Visayas
- 22 Renan P. Diaz
Vice-President for Mindanao
- 23 Reynaldo G. San Andres
Vice-President and Compliance Officer
- 24 Engr. Deal Noel D. Benegrado
Vice-President for Corporate Planning
and Real Estate Development
- 25 Donna C. Dizon, CHRP, CMC
Executive Director, CIFL and
Project Director, CLIMBS
- 26 Henry M. Lopez
President and COO, CLIFSA
- 27 Jorge G. Lumasag, Jr.
President and COO, CIMAC
- 28 Noel D. Raboy, MBAEx
President and COO, CCLPI

GA Agenda

1. House Rules
2. Call to Order
3. Chairperson's Message
4. Proof of Due Notice of Assembly
5. Roll Call and Confirmation of Quorum
6. Presentation of Candidates
7. Approval of the Agenda
8. Reading of the Minutes of the 45th Annual General Assembly held in SMX Convention Center, Davao City on April 22-23, 2017
9. Matters Arising from the 45th Annual General Assembly
10. 2017 Annual Reports
 - 10.1 Board and Management Report
 - 10.2 Year 2018 Proposed Operating and Capital Expenditures Budget
 - 10.3 Audited Financial Statements
 - 10.4 Committee Reports
 - 10.5 Joint Board and Management Recommendation
11. Matters Arising from the Annual Reports of the Officers and Committees
12. Consideration of Resolutions, Recommendations and New Businesses
13. Other Matters
14. Declaration of Newly Elected Officers
15. Adjournment

House Rules

All voting delegates must be separated from the non-voting delegates / participants during the General Assembly.

Only voting delegates shall have the right to participate in the deliberation during the General Assembly.

A voting delegate who wants to raise a question or follow-up a question should be recognized first by the Moderator. He / She shall be called by the Moderator and will be requested to stand-up and give his / her name for record purposes.

The Moderator would then ask the voting delegate if his/ her question is related to the matter being discussed at hand.

Every voting delegate is allowed to raise only two (2) questions; the first and the other is, for the follow-up question. This is applicable to each issue or concern being discussed, subject however, to the direction of the Moderator to give chance to the other voting delegates. The Moderator has, also the discretion to further accept questions, as he / she deems fit and advisable, or elevate the matter to the Chairman / Presiding Officer for immediate consideration / dispositive action.

Every voting delegate is only allowed a maximum of three (3) minutes to discuss or clarify his / her point.

The Chairman / Presiding Officer using his inherent power, and if he sees fit and reasonable ask question/s or solicit motion/s direct from the Assembly, or even interrupt during deliberations without necessarily asking permission from the Moderator.

**MINUTES OF THE PROCEEDINGS OF THE
45TH CLIMBS ANNUAL GENERAL ASSEMBLY**

Date: April 23, 2017 (SUNDAY) • Time: 2:54 PM
Venue: SMX Convention Center, SM Lanang, Davao City

OPENING PROGRAM

The 45TH CLIMBS Annual General Assembly started with an Invocation, the singing of the National Anthem and the recitation of the Coop Pledge.

BUSINESS ASSEMBLY PROPER

I. Call to Order

Vice Chairperson Gilbert S. Llanto in presiding this proceeding called the Assembly to order at 2:54 pm.

II. Proof of Due Notice

Corporate Secretary Daniel O. Evangelio declared that there was a Proof of Due Notice sent to the members-cooperatives through mails.

III. Roll Call and Determination of Quorum

The Corporate Secretary attested that among the members that are entitled to vote, 70% or 210 cooperatives were present or more than two thirds. Hence, there was quorum.

IV. Approval and Adoption of Agenda.

Vice Chairperson Gilbert S. Llanto directed the participating delegates to go over the items of the Agenda as indicated in the Annual Report, as follows:

- I. Call To Order
- II. Proof of Due Notice
- III. Roll Call and Declaration of Quorum
- IV. Approval of the Agenda
- V. Reading and Approval of the Minutes of the 44th AGA held in Radisson Blu, on April 27, 2016
- VI. 2016 Annual Reports
 - a) Board and Management Report
 - b) Year 2017 Operating and Development Plan
 - c) Audited Financial Statements
 - d) Audit Committee Report
 - e) Election Committee Report
 - f) Gender and Development Report
 - g) Joint Board and Management Recommendation
- VII. Matters arising from the Annual Reports of the Officers and Committees
- VIII. Consideration of Resolutions, Recommendations and New Businesses
- IX. Matters Arising from the Board and Management Report
- X. Other Matters
- XI. Elections
- XII. Declaration of Newly Elected Officers
- XIII. Adjournment

GA Resolution No. 1, series of 2017

On motion made by Ms. Fe Adlawan of Tagum Cooperative, seconded by Mr. Edwin P. Quisido of Iligan Cement MPC and unanimously carried, the Assembly hereby approved the Agenda of the 2017 Annual General Assembly. Motion carried.

V. Reading and Approval of Minutes of the 44th CLIMBS Annual General Assembly

GA Resolution No. 2, series of 2017

On motion made by Mr. Rodolfo Dalangin of NOVADECI, severally seconded and unanimously carried, the Assembly hereby approved to dispense with the reading of the minutes as it is already printed in the Annual Report. Motion carried.

Ms. Fe Adlawan of Tagum Cooperative suggested a modification of the previous motion as approved to allow the delegates in the plenary to review and go over the minutes page by page. There being no corrections noted, hence, this resolution;

GA Resolution No. 3, series of 2017

On motion made by Ms. Fe Adlawan of Tagum Cooperative and severally seconded, the Assembly hereby adopted and approved the minutes of the previous General Assembly and shall form as integral part of the Annual Report of CLIMBS. Motion carried.

Matters arising from the Minutes of the previous CLIMBS General Assembly:

Line 78-83, Mr. Dave of Basud Development Cooperative manifested his clarification on the 500 thousand pesos of CDF that was sent to Nepal and why was it not extended locally just within our neighboring regions as charity should begin at home.

CEO Fermin L. Gonzales qualified the matter in saying that, Nepal then was badly stricken by earthquake and this happened during the negotiation of our Micro-insurance business venture in Nepal. This is done as our symbolic sympathy and an act of generosity extended to Nepal as our brothers in the Cooperative industry.

VI. 2016 ANNUAL REPORTS

a) Board and Management Report

GA Resolution No. 4, series of 2017

On motion made by Mr. Alberto Verola of Hijo Employees Agrarian Reform Beneficiaries Coop, and seconded by Ms. Zenaida Bernales of Holy Cross Savings and Credit Cooperative, the Assembly hereby approved to dispense with the reading of the Board and Management Report and hereby adopted the same report as it is already printed in the Annual Report. Motion carried.

There has been no discussion noted in the Board and Management Report. Hence, this resolution;

GA Resolution No. 5, series of 2017

On motion made by Ms. Nora Clar of MSU-IIT NMPC, and seconded by Ms. Zenaida Bernales of Holy Cross Savings and Credit Cooperative, the Assembly hereby approved the Board and Management Report. Motion carried.

b) Year 2017 Operating and Development Plan

Vice Chairperson Llanto directed the plenary to page 19 of the Annual Report for the 2017 Operating and Development Plan. The same report as already included in the distributed copies of the Annual Report. Hence, this resolution;

GA Resolution No. 6, series of 2017

On motion made by Ms. Zenaida Bernales of Holy Cross and Credit Cooperative, and seconded by Mr. Alberto Verola of Hijo Employees of Agrarian Reform Beneficiaries Coop, the Assembly hereby approved to dispense with the reading of the Year 2017 Operating and Development Plan as included in the Annual Report. Motion carried.

There was no discussion nor any comment on the Year 2017 Operating and Development Plan. Thus, this resolution;

GA Resolution No. 7, series of 2017

On motion made by Mr. Alberto Verola of Hijo Employees of Agrarian Reform Beneficiaries Coop, and seconded by Ms. Ma. Theresa G. Drueco of NOVADECI, the Assembly hereby approved the Year 2017 Operating and Development Plan as it was included in the Annual Report and the same shall be converted to as official document of CLIMBS. Motion carried.

c) Audited Financial Statements

GA Resolution No. 8, series of 2017

On motion made by Ms. Fe Cuenca of Oro Integrated Cooperative, and seconded by Ms. Ma. Theresa G. Drueco of NOVADECI, the Assembly hereby approved to dispense with the reading of the Audited Financial Statements and hereby adopted this report for discussion. Motion carried.

d) Audit Committee Report

GA Resolution No. 9, series of 2017

On motion made by Mr. Daven Gamolo of Oro Integrated Cooperative, and seconded by Ms. Milagros Roxas Nuevo of Tanay Market Vendors, the Assembly hereby approved to dispense with the reading of the Audited Committee Report and hereby adopted this report for discussion. Motion carried.

e) Election Committee Report

GA Resolution No. 10, series of 2017

On motion made by Ms. Editha Dahilan of Oro Integrated Cooperative, and seconded by Mr. Ricardo Enguito of MSU-IIT NMPC, the Assembly hereby dispensed with the reading of the Election Committee Report and hereby adopted the same report as it is already printed in the Annual Report. Motion carried.

f) Gender and Development Report

GA Resolution No. 11, series of 2017

On motion made by Mr. Necitacion Marquez of Sta. Catalina Credit Cooperative, and seconded by Mr. Procienciano Tomarong of AIM Cooperative, the Assembly hereby approved and dispense with the reading of the Gender and Development Report and hereby approved the same report as it is already printed in the Annual Report. Motion carried.

VII. Matters arising from the Annual Reports of the Officers and Committees

On "Other Income Comprehensive Income"

On the matter of "Other Comprehensive Income" particularly on Actuarial gain (loss) on retirement fund payable (7,617,414), Ms. Rose Argent of Tagum Cooperative inquired on why is this considered loss?

With this point of inquiry, the External Auditor directed his answer on Note 16 on Retirement Plan (Asset) Liability indicating therein the Discount Rate, Future Salary Increase, and the average remaining working lives of employees, along this note the External Auditor mentioned that such actuarial loss is computed by an Actuary and such balances are based on actuarial assumptions.

The balance indicated in the report is derived from the actuarial services as obtained by CLIMBS which is considered a part of the comprehensive income which is not a part of the operation and is not distributable nor deductible to the distribution. He further added that it shall remain as it is, if the result of the actuary is gain then that may form part of the other income but not a part of the total surplus distributable of the cooperative.

On Note 14 Treasury Stock:

Again, Ms. Argent made another point of inquiry on Treasury Stocks, asking: "Why is it that the 40,469,097 is again in open-close parenthesis?"

The External Auditor answered that this pertains to the shares of FICCO which was withdrawn and with which CLIMBS acquired back. Ms. Argent asked further if this is considered as "Loss"?

The External Auditor responded negating Ms. Argent's presumption saying that it is considered as deduction of the outstanding share capital and not necessarily considered as loss although enclosed in parenthesis.

With the foregoing, EVP Admarie Marcelo explained further that Treasury Stocks in this case, are stocks that were previously sold to investors and re-purchased by CLIMBS. The negative amount of Php 40,469,097 were from FICCO, when it withdrew their investments. Treasury stocks are normally recorded on the balance sheet as a contra stockholders' equity account. Equity accounts normally have a credit balance. Treasury stock as a contra equity account carry a balance opposite to the normal equity account that is why it is presented as a negative amount.

On the Audited Financial Statement, Ms. Nenita Malbas of Davao Accounting and Bookkeeping Services Cooperative manifested her inquiry on Note 11- Other Assets and particularly on the matter of Unidentified charges which temporarily presented as deferred debits that has to be reconciled, involving a significant amount of 4,750,751 million on 2016 and 2,034,643 in 2015.

The External Auditor incisively explained that during the audit of 2016 there are still pending inter-company transactions which are still to be reconciled. In this note, Ms. Malbas inquired further if these deferred debits of 2015 were already reconciled as there is another new on 2016.

The External Auditor answered in affirmative, stating further, that all the deferred debits of 2015 are already reconciled in 2016 and consequently all deferred debits as of Dec 31, 2016 shall be reconciled in 2017.

On ELECOM Report

A written question of Sol Bautista of Tanay MPC was raised pertaining to the election guidelines for Independent Director whose cooperative at any given time, must only own a one-unit minimum common share capital or equivalent in his/her primary or secondary cooperative, which is likewise a member of CLIMBS of whether this qualification is being followed in appointing the two (2) Independent Directors.

ELECOM Chairperson Alexander Raquepo responded that in as far as the Election Committee is concern, be it noted that the Independent Directors are actually appointed by the Board of Directors therefore it is at their wisdom that is being followed in the selection of the Independent Directors.

As to the question if this being followed, ELECOM Chairperson Raquepo opined that our Board of Directors are more than intelligent enough to put this matter into consideration.

Lauriano Mesias, Jr. of St. Vincent de Paul Multi-Purpose Cooperative of Mandaue City inquired on the strict implementation of the "one officer, one coop" policy in the election guidelines if the same applies to appointed officers.

ELECOM Chairperson Raquepo is keen in his answer that when it comes to election matters it is the turf of the Election Committee, as per RA 9520 all other officers that is going to be appointed by the Board of Directors. He further underscored that at the moment there is no prohibition yet, as to the no two-rule policy excludes the appointed officers.

On the same account, Mr. Mesias asked the Board of Directors that in the selection of the appointed committee officers whether this same policy is being observed. He asked further for a resolution to include the appointed committee officer in this "one officer, one coop" policy rule.

ELECOM Chairperson Raquepo responded, emphasizing that the ELECOM main function is to facilitate, supervise and manage the election and this does not include stepping into the wisdom and authority of the Board of Directors. He further reiterated that at the moment the contested "one officer, one coop" policy only applies to elected officers.

With this, Mr. Mesias counter-argued the RA 9520 interpretation of ELECOM Chairperson Raquepo that the ELECOM's power is only to determine if elected officers has completed the mandated Coop Trainings and Seminars as likewise mandated by the same Coop Law. Mr. Mesias further added he intended to ask the General Assembly to make a resolution or that he shall make a motion in the effect of including the appointed officers to the "one officer, one coop rule".

Consistent with his contention that Election guidelines must include appointed officers. Mr. Mesias fielded a motion.

GA Resolution No. 12, series of 2017

On motion made by Mr. Laurino Mesias Jr. of St. Vincent de Paul Multi-Purpose Cooperative of Mandaue City, and seconded by Ms. Nenita Malbas of Davao Accounting and Bookkeeping Services Cooperative, the Assembly hereby resolved to include the Appointed Officers in the Election Guidelines particularly on the one officer, one coop rule. Motion carried.

With the preceding resolution, Atty. Pedro Panis made a comment that the above resolution calls for a substantive amendment of the Election Guidelines to incorporate a provision of disqualification as to appointive officers. He also reiterated the role of the ELECOM is on the manner and the conduct of the Election, as it has nothing to do with substantive matters which involves qualification and disqualification as this matter is exclusively to addressed to the By-Laws of CLIMBS. It would be legally impossible for the election guidelines to incorporate such rule of disqualification in the guidelines.

Atty. Panis further advised the movant of the previous resolution to rather include in his motion the amendment of the by laws to incorporate the said disqualification.

1 Ms. Marilyn Sindayen also made a brief comment that the power to appoint
2 belongs to the Board of Directors, should this Assembly does not like the one
3 appointed then this Assembly may change so. She emphasized that each level of
4 this organization has its own power and function and it has to be in proper
5 perspective.

6
7 Atty. Rolando Casaway also commented considering that this shall involve a
8 substantive amendment, he likewise advised the movant, Mr. Laurino to amend
9 the previous resolution to include the amendment of the by-laws and shall be
10 referred to the Amendment Committee. Hence, this resolution;

11
12 **GA Resolution No. 13, series of 2017**

13
14 On motion made by Mr. Laurino Mesias Jr. of St. Vincent de Paul Multi-Purpose
15 Cooperative of Mandaue City, and seconded by Ms. Nenita Malbas of Davao
16 Accounting and Bookkeeping Services Cooperative, the Assembly hereby
17 approved to amend the By-Laws to incorporate the substantive amendment of
18 the rules of election to include the Appointed Officers in the Election Guidelines
19 particularly on the one officer, one coop rule. Motion carried.

20
21 **GA Resolution No. 14, series of 2017**

22
23 On motion made by M. Arlene Bartolome of San Juan Dela Cruz Parish Savings
24 and Credit Cooperative, and seconded by Ms. Evelyn Dimacale of NOVADECI, the
25 Assembly hereby approved the Election Committee Report and hereby approved
26 the same report as printed in the Annual Report. Motion carried.

27 **AUDIT COMMITTEE REPORT**

28
29 Mr. Mark Mahinay of Tagum Cooperative interposed his inquiry on the Audit
30 Committee Report, if the committee was able to monitor or evaluate the decrease
31 of the surplus reserves of CLIMBS from 270 million to 34 million and what is the
32 cause of the decrease?

33
34 Audit Committee Chairperson Miriam R. Baloyo directed her response to the
35 Statement of Opinion of the Consulting Actuary, Panfilo P. Dela Paz.

36
37 Mr. Mahinay made another follow up question as he was seeking a further
38 clarification on the reason for the decrease and referring to the movement of the
39 surplus reserve, was there understatement of 2015 and only recognized in 2016?

40
41 In this note, the External Auditor responded that among the reasons of the
42 decrease are the charges on surplus reserves and the reclassification of the
43 surplus reserves to the general reserve fund and all other reserves.

44
45 EVP Admarie Marcelo also added that in the past years CLIMBS has paid backlog
46 claims since 2012 to 2014 which included the claims of the Yolanda casualties as
47 we have just started our area operations in the past two years. This resulted to the
48 decrease because this compels us to reclassify a bulk of the portion pertaining to
49 the prior years' claim that CLIMBS has paid in 2016.

50
51 However, at present EVP Marcelo gladly announced that CLIMBS is very current as
52 far as claims is concerned.

53
54
55 **GA Resolution No. 15, series of 2017**

56
57 On motion made by Ms. Zenaida Bernales of Holy Cross Credit Cooperative, and
58 seconded by Mr. Necitacion Marquez of Sta. Catalina Credit Cooperative, the
59 Assembly hereby approved the Audit Committee Report. Motion carried.

60
61 Anent all these, a note of commendation from Ms. Susan Positos of MSU-IIT NMPC
62 to all the Board of Directors, Committee Officers and Management Executives and
63 all the staff of CLIMBS for the job well done resulting to the 136,821,464 net
64 surplus and the increase of 11% from 2015.

65
66 **VIII. Consideration of Resolutions, Recommendations and New
67 Businesses**

68
69 Vice Chairperson Llanto presented to the Plenary the Joint Board and Officers
70 recommendations for GA Resolutions.

71
72 **Proposed Establishment of CLIMBS Investment Corporation as Holding
73 Company**

74
75 The holding company will be mobilized to generate funds for CLIMBS expansion
76 projects (subsidiaries).

79
80
81
82

GA Resolution No. 16, series of 2017

83
84 On motion made by Ms. Zenaida Bernales of Holy Cross Credit Cooperative, and
85 seconded by Ms. Editha Dahilan of OIC, the Board Resolution No. 5, series of
86 2017 the Establishment of CLIMBS Capital Investment Corporation as a holding
87 company is adopted and approved. Motion carried.

88
89 **Proposed 4-Storey CLIMBS Market Market at Pabayo-Borja St., Cagayan de
90 Oro City**

91
92 The property is located in a prime location in the city proper of Cagayan de Oro
93 which is a feasible investment for CLIMBS to generate added revenues.

94
95 **GA Resolution No. 17, series of 2017**

96
97 On motion made by Ms. Nenita M. Vienes of Tanay Market Vendors and
98 Community MPC, and seconded by Mr. Necitacion Marquez of Sta. Catalina
99 Credit Cooperative, the Board Resolution No. 6, series of 2017 this General
100 Assembly hereby approved the Proposed 4-Storey CLIMBS Market Market at
101 Pabayo-Borja St. Cagayan de Oro City . Motion carried.

102
103 Ms. Nenita Malbas noted the subsequent paragraph of the joint board and officers
104 recommendation and pointed out that one resolution shall only contain one
105 subject. Thus, this resolution;

106
107 **GA Resolution No. 18, series of 2017**

108
109 On motion made by Ms. Nenita Malbas of Davao Accounting and Bookkeeping
110 Services Cooperative, and seconded by Mr. Necitacion Marquez of Sta. Catalina
111 Credit Cooperative, the subsequent paragraph of Board Resolution No. 6, series
112 of 2017 this General Assembly hereby approved the retention of 2016 dividends,
113 patronage refunds and experience refunds to finance CLIMBS Market Market
114 project. Motion carried.

115
116 Noted by Mr. Ricardo F. Yap of FOCONO inquired if the approved retention of the
117 2016 dividend be added to the share of the respective member cooperative. Vice
118 Chairperson Llanto confirmed that it shall form part of the common share capital
119 of each member cooperative.

120
121 **CLIMBS New Logo**

122
123 After two decades and with CLIMBS performance proving that innovation and
124 hard work paid off. The Management proposed for the rebranding of CLIMBS old
125 logo as part of its journey into becoming a complete financial solution enterprise.

126
127 **GA Resolution No. 19, series of 2017**

128
129 On motion made by Ms. Fe Adlawan of Tagum Cooperative, and seconded by Mr.
130 Necitacion Marquez of Sta. Catalina Credit Cooperative, the Board Resolution
131 No. 7, series of 2017 this General Assembly hereby approved the proposed
132 CLIMBS New Logo as presented and shall become the official new logo of
133 CLIMBS. Motion carried.

134
135 **Proposed Capitalization Increase**
136 Board Resolution #8, series of 2017

137
138 **GA Resolution No. 20, series of 2017**

139
140 On motion made by Mr. Michael Hojas of Perpetual Help Community
141 Cooperative PHCCI Dumaguete, and seconded by Ms. Editha Dahilan from OIC,
142 the Board Resolution No. 8, series of 2017 this General Assembly hereby
143 approved the increase CLIMBS Capitalization as follows:

	FROM	TO
Common Shares	P800M	P2.5B
Preferred Shares	P300M	P500M

144
145
146
147 Motion carried.

148
149 Considering that the approved resolution involves an increase of the
150 capitalization, Mr. Rodolfo Dalangin of NOVADECI commented that this shall
151 require an amendment of the CLIMBS By-Laws.

152
153 There was a long and lively discourse as to the two-thirds vote as required in the
154 Coop Code to validly amend the By-Laws.

1 into how the capital shall be treated whether it shall be a joint stock or a separate
2 stock for the two regulating bodies.

3
4 CEO Fermin L. Gonzales gave light to this inquiry, that CLIMBS being under the two
5 regulatory agency, ie. CDA and the Insurance Commission. That as far as
6 cooperative affair is concerned it shall be under the supervision of CDA.

7
8 However, if it concerns approval of insurance products and pricing and all other
9 related to insurance operations it shall be under the regulation of the Insurance
10 Commission that CLIMBS has to comply with.

11
12 On the matter on how the stocks shall be treated it shall be as preferred and
13 common shares and both must be compliant of the regulation of the two
14 regulating agencies. CEO Gonzales further added that CLIMBS is at the moment
15 100% compliant in all the capital requirements of the Insurance Commission.

16
17 Another clarification from Mr. Rodolfo Dalangin of NOVADECI, that should this
18 assembly approves the increase of capitalization, this requires amendment of the
19 Articles of Cooperation and By-Laws of CLIMBS and two-third vote of all the
20 members that are entitled to vote and not based on the two-thirds of the one
21 constituting this quorum.

22
23 With this, Corporate Secretary Atty. Daniel Evangelio, Jr. answered that with the
24 present members of 210 coops, this in fact more than the two-thirds of the total
25 number of the coop members of CLIMBS that are entitled to vote. Should you
26 want to have an actual count then that is too laborious not unless this body would
27 opt to do that.

28
29 A point of legal advice from Atty. Pedro Panis on the pending motion which has
30 been approved that is to increase the capitalization, there must be a colatilia in
31 which this requires another expressed motion that such increase shall be subject
32 to the amendment of the articles of cooperation and by laws. Thus, this
33 resolution;

GA Resolution No. 21, series of 2017

On motion made by Mr. Jasper Lacio of Income Credit Coop, and seconded by
Mr. Necitacion Marquez of Sta. Catalina Credit Cooperative, this General
Assembly hereby approved amendment of the Articles of Cooperation and By
Laws to increase the Capitalization. Motion carried.

41
42 Another note of commendation and gratefulness coming from Maasin MPC and
43 addressed to the Board of Directors, Officers and Management for the increase of
44 dividend and patronage refund.

Reduction of Interest for Preferred Shares

GA Resolution No. 22, series of 2017

On motion made by Ms. Fe Adlawan of Tagum Cooperative, and seconded by
Ms. Maria Theresa Drucco of NOVADECI, the Board Resolution No. 10, series of
2017 this General Assembly hereby approved the the reduction of the preferred
shares interest from six percent (6%) to four percent (4%).

Resolve further, that this reduction shall take effect only to those new entrance
of preferred shares and shall not include those maintained and covered by the
previous interest of six percent (6%).

Resolve finally, that this order shall take effect May 1, 2017. Motion carried.

I. Matters Arising from the Board and Management Report

61
62 Doc Garibaldi O. Leonardo of San Dionisio Cooperative manifested a clarification
63 on the matter of establishing a holding company, is this in effect dissolving CLIMBS
64 as a cooperative and or the Cooperative will be a part of the Holding Company. Is
65 the increase of capital will be for the Holding Company or for the Cooperative
66 being a part of the Holding Company.

67
68 CEO Gonzales responded that our capitalization is already fully subscribed and this
69 requires CLIMBS to increase its capital to meet the future increasing requirement

71 of the Insurance Commission. The Holding Company shall be the body that shall
72 generate funds of and all other investible capital from the cooperatives.

73
74 A written question was read by Atty. Panis as an inquiry as to what is the
75 percentage on interest of share capital of the present dividend for 2016
76 operation?

77
78 Vice Chairperson Llanto gladly responded in considering his announcement as the
79 best news for everyone. The dividend pay out CY 2016 is 11%; and a higher
80 patronage refund of 4% as this is to recognize that the more premium and more
81 products you have availed with CLIMBS the more patronage refund your coop will
82 get. He added the Experience Refund of 2% which deriving a total of 17% for 2016.

II. Other Matters

84
85 There was no other matters included in this General Assembly.

III. Elections

88
89 The Election was simultaneously done via electronic voting in the respective
90 computers set for voting while the General Assembly is still in session.

IV. Declaration of Newly Elected Officers

93
94 ELECOM Chairperson Alexander Raquepo expressed his commendation and so
95 much gratitude to the management staff who has spent overnight in making the
96 election process very facilitative. He likewise expressed his hopes that same
97 technology be also used by the primary coops in their election process.

98
99 Upon the determination by the Finance Department as to the Top Coop Investors
100 it was found out that Metro Ormoc Community Multi-Purpose Cooperative,
101 Inc.(OCCCI) has acquired the third in terms of the Share Capital and was duly voted
102 upon by and among the Top Five COOP Investors. Hence, ELECOM thereby
103 declared Father Elmo Manching as among the new members of Board of Directors
104 of 2017 who shall serve a two-years term. Therewith, Father Manching expressed
105 his acceptance as a new member of the CLIMBS Board of Directors.

106
107 With the forgoing election result as shown above, and by the power vested to the
108 ELECOM Chairperson Alexander Raquepo declared the result as official and
109 likewise promulgated the winners in their respected elected offices as elected.

V. Adjournment

111
112 Considering that there is no more business left on the table, Vice Chairperson
113 Llanto solicited a motion for adjournment. Hence, this privilege motion;

GA Resolution No. 23, series of 2017

On motion made by Ms. Fe Adlawan of Tagum Cooperative, and seconded by Mr.
Necitacion Marquez of Sta. Catalina Credit Cooperative, the General Assembly
may gracefully adjourn. Motion carried.

117
118
119 At 5:13PM the Presiding Officer, Vice Chairperson Gilbert S. Llanto expressed his
120 gratitude and congratulations to all the attending delegates of the CLIMBS 45th
121 Annual General Assembly.

122
123 IN WITNESS WHEREOF, I have hereunto set my hand and caused the
124 preparation of this Minutes of the Proceedings of this CLIMBS 45th General
125 Assembly, in the venue and date as stated above.

126
127
128
129
130
131
132 **NIÑA FLOR BARRO-BATARA**
133 Secretary

134
135 Attested by:

Approved by:

136
137
138 **ATTY. DANIEL EVANGELIO, JR.**
139 Corporate Secretary

MGEN. GILBERT S. LLANTO
Vice Chairman/Presiding Officer

VOTING RESULTS AS OF 4/23/2017 16:48:33	Cooperative Name	Represented by	No. of Votes	
Regular Board of Directors for Luzon	Novaliches Development Cooperative	DRUECO, MA. THERESA G.	196	Winner
Regular Board of Directors for Mindanao	Torii Community Cooperative	EVANGELIO JR., DANIEL O.	109	Winner
Regular Board of Directors for Mindanao	Sta. Ana Multi-Purpose Cooperative	SANTILLAN JOSELITO	92	
Regular Board of Directors for Mindanao	MSU-IIT National Multi-Purpose Cooperative	CLAR, NORA A.	51	
Audit Committee	Isabela State University Multi- Purpose Cooperative	ROSINI, JUANITO P.	322	Winner
Audit Committee	Providers Multi-Purpose Cooperative	BELAGAN, MARIE DEE B.	280	Winner
Audit Committee	Oro Integrated Cooperative	CUENCA, FE F.	264	
Audit Committee	Davao Bookkeeping & Accounting Services Cooperative	MALBAS, NENITA R.	257	
Election Committee	Makilala Multi-Purpose Cooperative	DE GUZMAN, JOSE AGERICO R.	411	Winner
Election Committee	Davao Allied Development and Services Coop	CASAWAY, ROLANDO C.	367	Winner
Election Committee	Barangka Credit Cooperative	MASCARIÑA, ROBERTO C.	337	

CLIMBS LIFE AND GENERAL INSURANCE COOPERATIVE

Board of Directors and Management Report
For the Financial Year Ended 31 December 2017

Dear **Shareholders**:

CLIMBS aims to achieve inclusive growth by delivering exemplary service and convenience at competitive prices. Our goal to be a complete financial solutions provider has now been established throughout our network.

CLIMBS is, and will continue to serve its customers by putting their interests first. This means strategically expanding its territorial presence, increasing management focus, improving channel supervision, and providing customer care to cooperatives and their members who are scattered across the islands of Luzon, Visayas and Mindanao.

I. GOVERNANCE

In governing its affairs, the board and officers observed transparency, fairness and accountability. Meetings conducted include regular board meeting, external audit, annual budget review, strategic review and planning, and the holding of the 45th annual general assembly at SMX Convention Center in Davao City dated April 22-23, 2017. Continuing professional education of its officers and employees were among the priorities to ensure that CLIMBS human capital are equipped with core competencies

and infused with deeper knowledge of the insurance business.

II. 2017 FINANCIAL HIGHLIGHTS

Positive financial outcomes were marked by the end of 2017 with improvements in key financial trends, which was achieved in a challenging environment, where pressures on profitability is prevailing in commercial markets.

This year's trends increased from last year as follows:

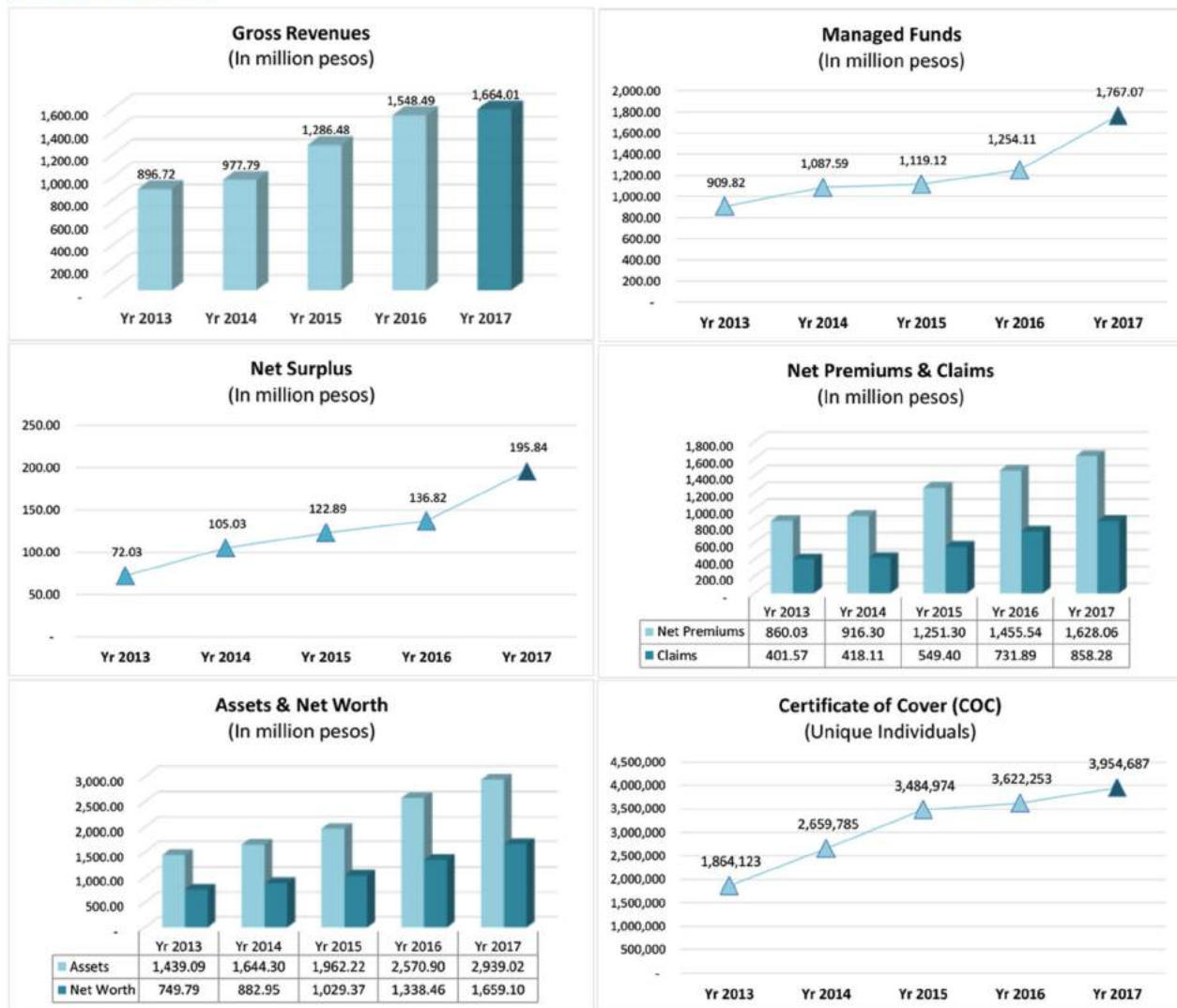
- Gross revenues grew by 7.46% to 1.664 billion pesos.
- Net premiums grew by 11.85% to 1.628 billion pesos, of which 52.72% constitutes payment of claims at P858.28 million pesos.
- Net surplus increased by 43.14% to 195.84 million pesos.
- Managed funds increased by 40.90% to 1.77 billion pesos.
- Assets increased by 14.31% to 2.939 billion pesos.
- Net worth increased by 23.96% to 1.659 billion pesos.

CLIMBS 5-YEAR KEY FINANCIAL SUMMARY

	Yr 2017		Yr 2016		Yr 2015		Yr 2014		Yr 2013	
Assets	2,939.02	100.00%	2,570.90	100.00%	1,962.22	100.00%	1,644.30	100.00%	1,439.09	100.00%
Cash	1,230.87	41.88%	907.12	35.28%	530.86	27.05%	380.54	23.14%	339.16	23.60%
Investments	1,255.79	42.73%	1,270.75	49.43%	1,119.12	57.03%	1,087.59	66.14%	909.82	63.20%
Insurance Receivables	147.10	5.01%	64.22	2.50%	62.93	3.21%	30.84	1.88%	51.68	3.60%
Property & Equipment	91.50	3.11%	88.59	3.45%	90.54	4.61%	84.20	5.12%	70.80	4.90%
Legal Reserves	672.97	22.90%	658.04	25.60%	465.32	23.71%	376.93	22.92%	331.75	23.10%
Net Worth	1,659.10	56.45%	1,338.46	52.06%	1,029.37	52.46%	882.95	53.70%	749.79	52.10%
Net Premium	1,628.06	100.00%	1,455.54	100.00%	1,251.30	100.00%	916.30	100.00%	860.03	100.00%
Investments/Other Income	113.94	7.00%	48.56	3.34%	35.18	2.81%	61.49	6.71%	36.68	4.30%
Gross Revenue	1,664.01	102.21%	1,548.49	106.39%	1,286.48	102.81%	977.79	106.71%	896.72	104.30%
Claims	858.28	52.72%	731.89	50.28%	549.40	43.91%	418.11	45.63%	401.57	46.70%
Policy Reserves	27.56	1.69%	133.51	9.17%	101.22	8.09%	94.99	10.37%	113.90	13.20%
Commission	512.32	31.47%	362.47	24.90%	374.13	29.90%	245.17	26.76%	223.22	26.00%
Salaries / Benefits	65.72	4.04%	63.39	4.34%	53.69	4.29%	40.84	4.46%	30.44	3.50%
Other Expenses	103.94	6.38%	93.70	6.45%	85.15	6.80%	73.65	8.04%	55.57	6.50%
Total Expenses	1,567.83	96.30%	1,384.96	95.15%	1,163.60	92.99%	872.76	95.25%	824.68	95.90%
Net Income	195.84	12.03%	136.82	9.40%	122.89	9.82%	105.03	11.46%	72.03	8.40%

Share Value Information	Yr 2017	Yr 2016	Yr 2015	Yr 2014	Yr 2013
Number of Common Shares with					
Par Value of P1,000 Per Share	1,069,835	710,290	500,976	339,149	245,568
Total Equity - Net of Preferred Shares	1,450,646,260	1,115,251,599	885,984,067	790,521,526	688,880,951
Book Value Per Share (BVPS)	1,356	1,570	1,769	2,331	2,691
Dividend Per Share	110	110	110	100	100
Dividend Rate	11.00%	11.00%	11.00%	10.00%	10.00%

CLIMBS KEY TRENDS



III. 2017 OPERATIONS HIGHLIGHTS

Delivering the Brand’s Promise

Our enhanced operating strategy is based on delivering competitive member-services. We focused on strengthening operations by leveraging technologies and personnel training and development that facilitates faster response times and better communications. These, have assisted us in enhancing our shareholders’ returns while delivering our brand’s promise to serve our customers in times of their needs.

CLIMBS’ brand experience through the coop assurance business and servicing are aligned to reduce risks faced by our owner-coops as they do their normal business when we insure theirs and their members’ assets, loans and deposits.

Client Satisfaction Survey Conducted

CLIMBS committed to exceed the expectations of the cooperative and its members through superior performance recently conducted a Client

Satisfaction Survey through an independent party during the second quarter of this year.

It aims to assess what improvements it needs in terms of customer service, after sales services, products, and identifying the insurance protection needs of the cooperative and its members (excluding the coverage that they already posses).

The survey was conducted through a Computer Aided Telephone Interview with 175 respondents comprising 49% CAC Officers and 51% of which are Coop Executives.

As results were tabulated and analyzed, the overall mean average of the customers rated CLIMBS based from the attributes stated as “Very Satisfied”.

Both group of respondents rated CLIMBS highest of about 4.18 to 4.41 on the attributes of Courtesy of Officers/Staff, Helpfulness and Pro-activeness of Officers/Staff and Value for Money.

On the other hand, CLIMBS scored lowest at 3.80 to 3.95 on the attributes of Time, Commitment, and Clarity of Process.

When asked for suggestions on how to improve the Experience with CLIMBS and Needs and Expectations, the more prominent responses are that about 16.94% commented on “improve speed process”, 11.48% on “improve communication/coordination”, 9.78% on “expand or extend new service” and 7.07% on “conducting seminar and orientation”.

A more in-depth examination of the results showed that majority of the respondents are requesting for faster processing of claims, faster delivery of policy forms or feedback or documents.

In contrast, the request to expand or extend new service was made up of notably varying inputs which consisted of health care products, coverage for agriculture insurance, expand coverage beyond 70 years old, extend insurance coverage, international business, mutual fund implementation, expanded health programs, education and retirement programs.

Interestingly, there were significantly less suggestions for Non-life products which only mentioned comprehensive insurance, motorcycle insurance and calamity insurance.

CLIMBS management recognizes the result of the survey and are committed to fulfilling its member’s unfulfilled needs, expectations either directly or indirectly especially on corporate responsiveness and CAC training needs.

To this, CLIMBS looks for long term solutions which are not limited to enhancing functionality and interactive website, more so, in creating an easy access mobile application for cooperatives, members and CACs equipping it with practical features that will assist its users in investing in online training or orientation on demand that will satisfy members’ requests or conveniently enable the members to watch product orientations or listen to speakers discuss new products and services.

Client Satisfaction Survey Report

Table 2. Overall Satisfaction Scores for CEO (Ranked)

CEO Overall Satisfaction Scores - RANKED		
Attribute	Score	Level of Satisfaction
Courtesy of officers/staff of CLIMBS	4.41	Very Satisfied
Helpfulness and proactiveness of officers/staff	4.26	Very Satisfied
Value for money	4.25	Very Satisfied
Quality of services	4.22	Very Satisfied
Overall ease of doing business	4.18	Very Satisfied
Expertise of CLIMBS officers/staff	4.13	Very Satisfied
The problem solving skills of officers/staff	4.10	Very Satisfied
Responsiveness of CLIMBS officers/staff	4.06	Very Satisfied
Time commitment	3.95	Very Satisfied
Clarity of process	3.94	Very Satisfied
Weighted Score	4.15	Very Satisfied

Table 3. Overall Satisfaction Scores for CAC (Ranked)

CAC Overall Satisfaction Scores - RANKED		
Attribute	Score	Level of Satisfaction
Courtesy of officers/staff of CLIMBS	4.19	Very Satisfied
Quality of services	4.18	Very Satisfied
Expertise of CLIMBS officers/staff	4.11	Very Satisfied
Overall ease of doing business	4.10	Very Satisfied
Value for money	4.07	Very Satisfied
Responsiveness of CLIMBS officers/staff	3.99	Very Satisfied
Helpfulness and proactiveness of officers/staff	3.91	Very Satisfied
The problem solving skills of officers/staff	3.88	Very Satisfied
Time commitment	3.80	Very Satisfied
Clarity of process	3.80	Very Satisfied
Weighted Score	4.00	Very Satisfied

Mainstreaming Gender Empowerment

CLIMBS in its campaign for an inclusive financial growth, believes that women are partners in our advocacy on the protection of the life of family members through the variety of products and services that we offer.

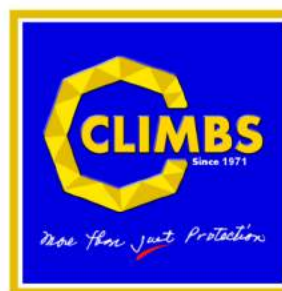
The Gender Sensitivity Training (GST) as an entry point for the Coop Assurance Centers will empower women who are enablers of economic growth, given the right opportunities coupled with financial literacy. Women’s access to education in the context of financial literacy is consistent with the International Cooperative Alliance and the International Labor Organization’s values.

On ILO’s paper released about Leveraging the Cooperative Advantage for Women’s Empowerment and Gender Equality, it was stated that, “Adequate training is necessary for ensuring that all members are able to fully participate in their cooperatives. It is particularly relevant for women, who may have to overcome social and cultural barriers and who may have previously been excluded from access to educational opportunities.” (Cooperatives and the World of Work No.1, p.2)

This joint undertaking of the CIFL and GAD Committee is also in support of SDG 8 and SDG 5 – empowering women and creating sustainable communities through the promotion of inclusive financial growth and access to financial services.

Strengthening the Coop Assurance Centers (CACs)

Highlights to our efforts in building a new total CLIMBS Coop Assurance Brand experience was the launching the new CLIMBS logo last year. A new brand manager Ms. Blesilda Lagang-Cumba was appointed under the turf of the VP/CMO Raul M. Pregon.



The CEO also tasked the VP/CMO to lead a core team from sales, marketing and operations who are tasked in re-engineering the CAC franchise in order to accelerate the coop assurance's overall business operations. The team will come up with enhanced training and capacity-building modules to support existing and new CAC franchise partners.



CLIMBS Channel Manager Ms. Marietta Magallones, while conducting a CAC Sales Training and Product Orientation.

Strategic Territory Management

The CEO designed the Strategic Territory Management in response to the constantly changing internal and external pressures which challenged the achievement of operational excellence by developing future leaders from its pool of executives and managers. The decentralized effort for the Operations and Sales became the prime mover and front line initiator in effecting change hitting the record-breaking net surplus growth of last year.

Fulfilling this strategic requirement, the CEO got the Board's confirmation to install effective July 1, 2017 territory chiefs who will direct sales and overall operations and lead in delivering the much improved and accelerated coop assurance franchise operations and new partners acquisition in the three major islands: Mr. Antonio Dosdos as VP/Chief of Luzon, Ms. Sylvia Quinesio as VP/Chief of Visayas, and, Mr. Renan Diaz as VP/Chief of Mindanao.

Fully Integrated Business Processes

Various processes at the Head Office and Areas will be fully automated soon with the development of CLIMBS Enterprise Resource Planning (ERP) Solutions, a management requirement that is headed by IT Manager Cyfred Odarve and sponsored by VP Operations Danny Dollera.

To fully meet the required ERP specifications, Mr. Odarve assigned a project team and appointed senior software developer Mr. Patrick Doldolea as ERP project manager. The ERP project is aimed at integrating Life and Nonlife's Sales, Marketing, Actuary, Underwriting and Claims with existing CLIMBS Financial Plus (automated accounting system.) Key personnel were assigned as ERP project's user analysts who will champion their respective section's business requirement documentation and automation.

Once this project is completed, CLIMBS' transactional processes will be seamlessly connected with periodic transactional cut-offs carried faster, report preparation shortened, and analytical dashboards available online to assist management and users.

The integration will also prepare the improvement and linking of pertinent data to CLIMBS website for access and information of the member cooperatives, partners, regulators and the international and local general public.

Real Estate Management

As of December 2017, CLIMBS total land, building and improvements for Bulua property stood at about Php53.7 million. Our Pabayo property has a total area of 3,736 sqm that was acquired with a book value of about Php117.3 million. A portion previously owned by Waga was also acquired with a total area of 1,697 sqm and has a book value of

CLIMBS REAL ESTATE SUMMARY	LAND AREA	LAND ACQUISITION/ BUILDING CONSTRUCTION COST	IMPROVEMENTS TO PROPERTY	NET BOOK VALUE LAND, BUILDING & IMPROVEMENTS
Cagayan de Oro	SQM	PHP	PHP	PHP
BULUA				
LAND	5,779	14,812,148	6,081,919	
BUILDING		42,467,007	13,290,879	
SUB TOTAL		57,279,155	19,372,798	53,764,243
TIANO				
LAND	247	4,446,000		
BUILDING		35,742,272	4,652,894	
SUB TOTAL		40,188,272	4,652,894	38,006,615
PABAYO				
LAND	3,736	115,402,090	2,524,181	
SUB TOTAL				117,318,030
CONSOLIDATED				
LAND		134,660,238	8,606,100	
BUILDING		78,209,279	17,943,773	
TOTAL	9,762	212,869,517	26,549,873	209,088,888

about Php52.1 million. This property is now ready for use as it has no legal impediments like the area acquired from Tan with 166 sqm has a book value of about Php4.9 million. The other portion of the lot previously owned by Mabalos with an area of 1,874 sqm is not ready yet for use as we still await court decision. CLIMBS Tiano-Pacana commercial building has an area of 140 sqm with a book value of about Php38 million. On it is a five-storey building leased to tenants and our subsidiary offices such as the CLIFSA, CIMAC and CCLPI. Overall total properties composed of commercial land, building and improvements from Pabayo, Tiano-Pacana and Bulua have a total net book value of about Php209.08 million.

CLIMBS Institute for Financial Literacy (CIFL)

CIFL has been serving as the institute of CLIMBS' partners and members for the past five years. At the close of 2017, its newly appointed Executive Director, Ms. Donna Marie Michelle Dizon conducted a review of its program and course offerings to aid in its move to becoming the preferred Cooperative Institute of Management. CIFL continues to serve its cooperative partners and members through its 2018 course offerings that support their respective management's capacity-building program.

CIFL conducted ten (10) training for its coop-partners in 2017 with 645 participants from Luzon, Visayas and Mindanao.

<p>January 18-20, 2017 / N Hotel Your Management Group: Making the Most Out of Them Prof. Vicente R. Valdellon, Jr.</p>
<p>February 22-24, 2017 / PHCCI Function Room, Dumaguete City Productivity Improvement Programs Which Coops Should Start Doing Prof. Vicente R. Valdellon, Jr.</p>
<p>May 24-26, 2017 / N Hotel, Cagayan de Oro City Activating Investible Funds of Profitable Ventures with Social Impact Prof. Vicente R. Valdellon, Jr. / Mr. Rex Ma. Mendoza</p>
<p>June 21-23, 2017 / Hive Hotel and Convention Place, Quezon City General Manager's Training 404: Working on the "Weak Spots" of GMs Prof. Vicente R. Valdellon, Jr. / Mr. Bienvenido S. Bautista / Dr. Atonio T. Molina</p>
<p>August 17-19, 2017 / Hive Hotel and Convention Place, Quezon City Global Billionaire Cooperatives: What We Can Learn From Them Prof. Vicente R. Valdellon, Jr.</p>
<p>September 21-23, 2017 / Hive Hotel and Convention Place, Quezon City Upgrading the Board of Directors Prof. Vicente R. Valdellon, Jr. / Maj. Gen. Romeo D. Poquiz (Ret.)</p>
<p>December 4-5, 2017 / Hive Hotel and Convention Place, Quezon City The Economic Outlook for 2018 Prof. Vicente R. Valdellon, Jr. / Ms. Solita C. Monsod Mr. Victor S. Limlingan / Mr. Augusto D. Camba</p>
<p>Re-runs June 1-3, 2017 / The Pinnacle Hotel and Suites, Davao City Succession Planning in Mindanao / Prof. Vicente R. Valdellon, Jr.</p>
<p>July 18-20, 2017 / MetroCentre Hotel & Convention Center, Tagbilaran City Succession Planning in Visayas / Prof. Vicente R. Valdellon, Jr.</p>
<p>November 9-11, 2017 / Hive Hotel and Convention Place, Quezon City Succession Planning in Luzon / Prof. Vicente R. Valdellon, Jr.</p>

It partnered with VRV Management & Property Consultancy and Industry experts in the conduct of the training:

Personnel Development

Strengthening the Management Corps, in its lined-up in-house training that were identified to provide continuing professional growth; CEO Fermin L. Gonzales and HRAD Manager Delia L. Martinez started the year with CLIMBS Internal Control System (ICS) Training Course to all employees.

The training enabled employees to gain awareness and understanding of its foremost obligation in safekeeping the assets of the cooperative.

The ICS training course was designed by CLIMBS EVP and CFO Admarie D. Marcelo, CPA. It aimed to build the employees capacity to safeguard company resources. It covered the following subject matters: Compliance Controls, Operating Controls, Financial Controls, Monitoring and Performance Reviews, and the Code of Discipline that sets the 'tone at the top.'

The pool of in-house trainers includes VP for Operations, Danny Dollera, Life Division Manager, Erlwin C. Mijares, Non-life Division Manager, Ulysses P. Zulueta, Chief Accountant, Aldren Masas, CPA, Chief Cashier, Bernadette Bernadas and Compensation and Benefit Specialist, Roxan F. Aliboyog,

The rest of the lined-up priority courses include Gender Sensitivity Training that were sponsored by the GAD Committee. The Insurance Institute of Asia and Pacific, Inc. was also tapped for the Life and Non-Life requisites training.

Sex-Disaggregated Data

Particular	Male	Female
Board of Directors	6	3
Independent Directors		1
Audit Committee	1	2
Election Committee	3	
Gender & Development		3
Ethics Committee	3	
Conciliation & Mediation	3	
Corporate Secretary	1	
Board-Recording Sec.		1
Governance Total	17	10
Executive Management	7	3
Department Heads/Managers	11	21
Rank & File	62	76
Employees Total	80	100



CLIMBS executives, management and key staff converged to bring cooperative leadership standards to the next level with the training and workshop theme "CLIMBS Accelerate: Retooling Leaders, Synergizing Teams", at N Hotel, Cagayan de Oro City on December 20-21, 2017. The training was facilitated by Arete Leadership Development Consultancy's principal, Atty. Marc B. Castrodos.

Continuing Professional Education

An array of opportunities for awareness, responsiveness, development and growth were attended by selected CLIMBS personnel and officers in the year 2017, to wit;

-The 9th China International Insurance Summit (June 14-16 at Crown Plaza, Beijing, China) headed by our Vice Chairperson MGen. Gilbert S. Llanto (Ret.) with Ms. Nina Flor Batara, Legal Officer, Ms. Sylvia Quinesio, VP/Chief of Visayas. They were also joined by Ms. Juris Perez, CEO of Tagum Cooperative.

-The Economic Times Sales Strategy Summit (September 26-27 at Dubai) attended by the CLIFS President/COO Mr. Henry Lopez and CLIMBS VP/Chief of Mindanao Mr. Renan Diaz.

-The International Cooperative and Mutual Insurance Federation (ICMIF) Biennial Conference (October 17-20 at the Hilton London Bankside Hotel, London, United Kingdom) attended by the CLIMBS Vice Chairperson MGEN. Gilbert S. Llanto (Ret.) and Director, Atty. Antonio Manuel A. Alcantara. The conference was attended by mutual and cooperative insurance leaders worldwide.

-The International Cooperative Alliance (ICA) Global Cooperative Conference (November 14-17 at Kuala Lumpur, Malaysia) attended by Directors BOD Ms. Lilian Silubrico and Ms. Ma. Teresa Drueco, EVP & CFO Ms. Admarie Marcelo and CIFL Executive Director & Project Director Ms. Donna Marie Michelle Dizon.

-The Pacific Insurance Conference (November 19-22 in Hongkong) attended by Vice Chairperson MGen. Gilbert Llanto, Ret., VP/Luzon Chief Mr. Antonio Dosdos, VP/Visayas Chief Ms. Sylvia Quinesio, and VP/Mindanao Chief Mr. Renan Diaz, Brand Manager Ms. Blesilda Cumba, and Executive Assistant Ms. Laurice Dee Inosa.

CLIMBS also partnered with the Insurance Institute of Asia and the Pacific (IIAP) in life and nonlife development courses. Recognized at 2017 IIAP

Awarding Ceremonies were IT Manager Mr. Cyfred Odarve (2nd Placer Advanced Motor Insurance Course) and Underwriting Supervisor Ms. Louie Jopson (1st Placer Advanced Fire Insurance Course.)



Insurance Commissioner Atty. Dennis B. Funa joined by CLIMBS Life Division Manager Ms. Erlwin Mijares, HR Officer Roxan Aliboyog cheered for CLIMBS IT Manager Mr. Cyfred Odarve and Underwriting Supervisor Ms. Louie Jopson and Agdao MPC CAC Coordinator Ms. Jenalyn Camat during the 2017 IIAP Awarding Ceremonies.

Corporate Social Responsibility

A number of events challenged us this year as influx of natural and man-made catastrophes tested us and our members, hence; we heeded to address such. The Marawi Crisis and Typhoon Vinta, respectively, displaced individuals who were directly affected by them. CLIMBS earmarked three hundred thousand pesos (Php300,000.00) for relief operation in coordination with the Department of Social Welfare and Development (DSWD), REACT Cagayan de Oro Chapter and BUKLOD MPC, a coop based at Mindanao State University in Marawi City. CLIMBS also extended relief in the form of Php7,500.00 cash assistance and Php2,500.00 worth of groceries to its twenty (20) employees based in Cagayan de Oro City, whose houses were covered with flood and mud due to Typhoon Vinta.



CLIMBS employees, the officers and Board of Directors of Buklod MPC headed by GM Mrs. Raquel Macarambon were present during the relief operation on June 9, 2017 at the Maria Cristina Evacuation Center in Sta. Elena, Iligan City.

CLIMBS Stepping-Up to UN's Sustainable Development Goals

As a sustainable model, CIFL was also presented in the International Cooperative Alliance's Coop Global Conference on the Session, "Cooperatives and the Future of Work" in Kuala Lumpur, Malaysia last November 2017. CLIMBS Institute was chosen particularly on how it addresses the challenges regarding human resources management in cooperatives and its sustainability measures in response to the United Nation's Sustainable Development Goals (SDGs). The Institute's paper

outlining its experience and ways forward was reviewed by the ICA and ILO Program team and an interview was conducted by the ILO Policy Director months prior to the event. CIFL was presented alongside representatives from the ILO, CICOPA, Japan Workers Cooperative Union and the Cooperative University of Kenya.

The delegates were delighted with topical learning sessions, workshops and study tours; among which are the workshop on Campus Cooperatives for the Coops4Dev campaign that included a campus visit to the Universiti Putra Malaysia, home of a student-cooperative business hub; and the session/workshop on “Education that has career impact and relevance” - addressing the ways to approach education in cooperative management that supports creative thinking and collective leadership. Their participation to this event also opened doors for strategic partnerships in the ASEAN and global communities.

IV. MANAGEMENT SUCCESSION PLAN

CLIMBS top executive and the board’s ex-officio is the President/CEO, who leans for advise on making corporate decisions with the senior executive members comprised of the following:

Executive Vice-President/CFO,
Vice-President/CMO,
Vice- President/Operations,
Vice- President/Territory Chief,
Vice President/Compliance Officer,
Vice President/Corporate Planning & Real Estate Development, and the
Executive Director-CLIMBS Institute

The senior management team is composed of Life Division Manager, Non-life Division Manager, Non-life Assistant Division Manager, Comptroller, Investment Manager, HRAD Manager, IT Manager, Brand Manager, Actuary, Channel Manager, Area Operations Manager and Area Sales Manager.

All together, the executives and management is tasked to support the CEO in driving revenues and optimizing operations to increase the shareholders’ investments and returns.

Welcoming the New President

Mr. Fermin L. Gonzales has been preparing for his retirement as President/CEO of CLIMBS Life and General Insurance Cooperative (CLAGIC) come April 30, 2017 by welcoming a new President/Chief Operations Officer, in the person of Mr. Noel D. Raboy, who will be officially on board on May 2, 2018.

Mr. Raboy is the President/COO of Cosmopolitan-CLIMBS Life Plan, Inc. (CCLPI). He started his insurance career in 1995 but only joined CLIMBS in 2001 as HR Officer then later as General Agency Manager for Visayas. He rose to become the General Manager of CLIFSA from 2006 to 2011 and promoted as VP/CMO of CLIMBS Life and General Insurance Cooperative (CLAGIC) until 2016.

Going forward, we will focus on creating an optimal base by accelerating CLIMBS’ total CoopAssurance brand experience, which will be our vehicle in attaining inclusive growth.

Truly your profound support to all the innovations and achievements undertaken in 2017 made possible all that has been achieved.

In behalf of CLIMBS LIFE AND GENERAL INSURANCE COOPERATIVE, we are grateful.



FERMIN L. GONZALES
President and CEO



MGEN GILBERT S. LLANTO (Ret)
Vice-Chairperson, Board of Directors



ATTY. PABLO PARAS GARCIA
Chairperson, Board of Directors

Honoring FLG
President and CEO
1993-2018

The General Assembly
CLIMBS Life and General Insurance Cooperative

I am retiring as President and CEO of CLIMBS effective April 30, 2018.

My thirty (30) years of continuous service for CLIMBS has been very inspiring. It was indeed an honor and privilege to be working with the pioneers, past and present leadership, management and staff, and with the general membership whose all-out support, achieved the vision and mission of CLIMBS, as well as meeting its goals and objectives.

When we established CLIMBS 47 years ago, we were told that we are embarking with an idea of service that was very difficult. There was the fear of the unknown... Now, we realized that the unknown is no longer there. We have met success.

And as I leave CLIMBS, it is indeed very stable and sustainable, and we were able to train highly motivated people to succeed me with their growth excelling mine.

I cherish the very wonderful memories that we have been together.

Cooperatively yours,

Fermin L. Gonzales

I don't go by the book, I want the **new way** of **doing things**.

I am more **entrepreneurial** in approach and **practical**
in finding management **solutions**.

1993

My **dream** is to have an **integrated financial service** that is **affordable**
for every **Filipino**, and we can **do** this, just like we did before,
through your **dedication** and the **support** of the **cooperatives**.

2018

CLIMBS LIFE AND GENERAL INSURANCE COOPERATIVE

Proposed Operating Budget 2018

Figures in Php millions

	YR 2018 BUDGET		YR 2017 ACTUAL		YR 2017 BUDGET	
Gross Premiums	2,500.00		1,664.01		2,100.00	
Re-insurance/Refund	(100.00)	-4%	(35.96)	-2%	(200.00)	-10%
Net Premiums	2,400.00		1,628.05		1,900.00	100%
Less: Direct Costs						
Paid Claims and Benefits	1,020.00	43%	858.28	53%	954.50	50%
Policy Reserves (+/-)	360.00	15%	27.56	2%	150.50	8%
Commission & Collection costs	600.00	25%	453.42	28%	484.50	26%
Agent's awards and Incentives	82.50	3%	58.90	4%	42.20	2%
Total Direct Costs	2,062.50	86%	1,398.16	86%	1,631.70	86%
Underwriting Income	337.50	14%	229.89	14%	268.30	14%
Add: Other Income						
Investment Income	70.00	3%	107.22	7%	75.40	4%
Other Underwriting & Commission	3.50	0%	2.62	0%	2.50	0%
Interest & Other Income	30.00	1%	25.77	2%	29.00	2%
Total Other Income	120.00	5%	135.61	8%	106.90	6%
Total Revenues	441.00	18%	365.50	22%	375.20	20%
Less: Operating Expenses	181.00	8%	169.66	10%	165.2	9%
Net Surplus	260.00	11%	195.84	12%	210.00	11%

CLIMBS LIFE AND GENERAL INSURANCE COOPERATIVE

Capital Expenditures Budget Figures in million pesos	HO	Proposed Budget YR 2018			Total	Approved YR 2017 BUDGET	CHANGE
		Area Office	Marketing	Sales			
System Development	4.25				4.25	-	4.25
IT Hardware, Software & Licenses	14.70	2.00			16.70	12.54	4.17
Computers & Accessories	2.45	1.58	0.20	0.60	4.83	5.17	(0.35)
Furniture & Fixture	2.13	1.01	0.02		3.15	10.93	(7.78)
Transportation Equipment	2.50	0.15		1.70	4.35	3.25	1.10
Renovation	2.20	4.00			6.20	7.50	(1.30)
TOTAL	28.23	8.73	0.22	2.30	39.48	39.39	0.09

CLIMBS LIFE AND GENERAL INSURANCE COOPERATIVE

Joint Board & Management Recommendation

Board Resolution No.12, series of 2018

The Board of Directors hereby approved the amendment in the By-Laws increasing two seats from eleven (11) to thirteen (13) Board of Directors.

RESOLVE FURTHER, that the aggregate share capital should no longer be the basis for the numbers of seats representing the three major islands of Luzon, Visayas and Mindanao. Resolve furthermore, that there shall be two (2) permanent seats allocated for every major island.

RESOLVED FINALLY as it is hereby resolved that the two seats for Independent Directors shall be appointed by the majority vote of the Board of Directors.

Motion carried.

Proposed Renewal of Registration to the Cooperative Development Authority

Board Resolution No. 13, series of 2018

The Board of Directors hereby approved for CLIMBS to apply for renewal of registration to the Cooperative Development Authority for another 50 years. Motion carried.

Proposed CLIMBS Real Estate Projects

Board Resolution No. 14, series of 2018

The Board of Directors hereby approved CLIMBS real estate projects as follows; Putting up of "Parking Fee" at Pabayo property while Market-Market project is for further study and additional office premises at Bulua property for commercial purposes. Motion carried.



CLIMBS Life and General Insurance Cooperative


Zone 5, National Highway, Bulua, 9000 Cagayan de Oro City, Philippines
Telefax Nos.: (08822) 738738; (088) 8561355 Tel. Nos. (08822) 738722; 738886
Email: head_office@climbs.coop Website: www.climbs.coop

STATEMENT OF MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **CLIMBS LIFE AND GENERAL INSURANCE COOPERATIVE (the Insurance Cooperative)** is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2017 and 2016, including the additional components attached therein in accordance with the Philippine Financial Reporting Framework for Cooperatives (PFRFC). This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the 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 (BOD) reviews and approves the financial statements and submits the same to the members.


BDO Roxas Cruz Tagle and Co. (formerly Alba Romeo & Co.), the independent auditor appointed by the BOD, has examined the financial statements of the Insurance Cooperative as at and for the years ended December 31, 2017 and 2016, respectively, in accordance with Philippine Standards on Auditing (PSA) and in its report to the members, has expressed its opinion on the fairness of presentation upon completion of such examination.



ATTY. PABLO P. GARCIA
Chairman of the Board



FERMIN L. GONZALES
Chief Executive Officer / President



ADMARIE D. MARCELO
Chief Financial Officer

Signed this 22nd day of March 2018

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Members

CLIMBS LIFE AND GENERAL INSURANCE COOPERATIVE AND ITS SUBSIDIARY (THE GROUP)

CLIMBS Building, Zone 5, Upper Bulua, National Highway, Cagayan de Oro City

Report on the Financial Statements

Opinion

We have audited the financial statements of **CLIMBS LIFE AND GENERAL INSURANCE COOPERATIVE AND ITS SUBSIDIARY (the Group)** which comprise the consolidated statement of financial condition as at December 31, 2017, and the consolidated statement of operations, consolidated statement of changes in members' equity and consolidated statement of cash flows for the year then ended, and notes to financial statements including a summary of significant accounting policies and other explanatory information.

In our opinion, the Group's financial statements present fairly, in all material respects, the consolidated financial condition of the Group as at the year ended December 31, 2017 and its consolidated statement of operations and its cash flows for the year then ended in accordance with Philippine Financial Reporting Framework for Cooperatives (**PFRFC**).

Basis for Opinion

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

Other matter

The consolidated financial statements are prepared for the Group and all of its members/stakeholders. As a result, these may not be suitable for another purpose and should not be distributed to any governmental regulatory agencies or to be used by parties other than the Group and its members/stakeholders. In this regard, another financial statements for the Parent and Subsidiary Cooperatives will be prepared/issued for distribution to any governmental regulatory agencies and use by other parties.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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


ROXAS CRUZ TAGLE & CO.

March 22, 2018
Makati City, Metro Manila

CLIMBS LIFE AND GENERAL INSURANCE COOPERATIVE AND ITS SUBSIDIARY
(THE GROUP)

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
December 31, 2017 and 2016
(In Philippine Peso)

	Notes	2017	2016 (As restated) Note 28
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	1,230,868,632	907,118,446
Insurance receivables	5	147,104,521	64,224,253
Loans and receivables - net	6	44,048,410	26,633,207
Financial assets at fair value through profit or loss (FVTPL)	7	401,656,194	494,500,335
Other current assets	8	2,112,561	21,276,773
Total current assets		1,825,790,318	1,513,753,014
NON-CURRENT ASSETS			
Financial assets at cost	9	49,702,961	56,106,810
Financial assets at amortized cost	10	804,428,179	720,138,746
Investment property - net	11	155,324,645	148,202,018
Property, plant and equipment (PPE) - net	12	91,500,462	88,590,446
Other non-current assets	13	12,270,752	44,112,007
Total non-current assets		1,113,226,999	1,057,150,027
TOTAL ASSETS		2,939,017,317	2,570,903,041
LIABILITIES AND EQUITY			
LIABILITIES			
CURRENT LIABILITIES			
Insurance contract liabilities	15	672,968,680	658,038,088
Insurance payables	15	332,315,411	291,944,332
Trade and other payables	16	86,959,515	145,018,656
Interest on capital, patronage and experience refund payable	1	150,795,997	108,855,464
Total current liabilities		1,243,039,603	1,203,856,540
NON-CURRENT LIABILITIES			
Retirement benefit liability	14	5,032,292	5,551,615
Other non-current liabilities	17	31,850,044	23,036,151
Total non-current liabilities		36,882,336	28,587,766
TOTAL LIABILITIES		1,279,921,939	1,232,444,306
EQUITY		1,659,095,378	1,338,458,735
TOTAL LIABILITIES AND EQUITY		2,939,017,317	2,570,903,041

(The notes are an integral part of these financial statements.)

CLIMBS LIFE AND GENERAL INSURANCE COOPERATIVE AND ITS SUBSIDIARY
(THE GROUP)

CONSOLIDATED STATEMENTS OF OPERATIONS
For the Years Ended December 31, 2017 and 2016
(In Philippine Peso)

	Notes	2017	2016 (As restated) Note 28
REVENUE			
Gross premiums on insurance contracts		1,664,014,238	1,548,492,134
Less reinsurers' share of gross premiums on insurance contracts		35,957,412	92,948,550
Net insurance premiums		<u>1,628,056,826</u>	<u>1,455,543,584</u>
OTHER INCOME			
Investment and interest income	4,6,7,9,10	113,943,908	48,555,463
Commission earned and other underwriting income		2,621,511	10,734,576
Miscellaneous	14	19,045,328	6,950,117
		<u>135,610,747</u>	<u>66,240,156</u>
Total revenue		<u>1,763,667,573</u>	<u>1,521,783,740</u>
BENEFITS AND OPERATING EXPENSES			
Gross benefits and claims paid on insurance contracts		858,282,622	731,891,114
Increase in legal policy reserves		27,564,484	133,513,178
Net insurance benefits and claims		<u>885,847,106</u>	<u>865,404,292</u>
Collection costs		512,316,966	362,474,671
General and administrative	22	83,784,171	72,640,583
Salaries, wages, officers' and employees' benefits	23	65,721,596	63,388,105
Depreciation	11,12	20,158,776	16,465,682
Provision for probable losses	6	-	4,588,943
		<u>681,981,509</u>	<u>519,557,984</u>
Total benefits and operating expenses		<u>1,567,828,615</u>	<u>1,384,962,276</u>
NET SURPLUS BEFORE OTHER ITEMS		<u>195,838,958</u>	<u>136,821,464</u>
OTHER ITEMS			
Project subsidy			
General Reserve Fund		2,689,587	11,405,100
Cooperative Education and Training Fund		13,010,630	1,114,600
Land and Building		-	12,147,552
Community Development Fund		1,136,438	1,378,410
		<u>16,836,655</u>	<u>26,045,662</u>
Subsidized expenses			
General Reserve Fund		(2,689,587)	(11,405,100)
Cooperative Education and Training Fund		(13,010,630)	(1,114,600)
Land and Building		-	(12,147,552)
Community Development Fund		(1,136,438)	(1,378,410)
		<u>(16,836,655)</u>	<u>(26,045,662)</u>
NET SURPLUS FOR DISTRIBUTION		<u>195,838,958</u>	<u>136,821,464</u>
NET SURPLUS DISTRIBUTION			
	1		
General reserve fund		19,583,895	13,682,146
Cooperative education and training fund		5,875,169	10,945,718
Community development fund		5,875,169	4,104,643
Optional fund		13,708,727	6,841,073
Interest on share capital, experience and patronage refund		150,795,998	101,247,884
Total distribution		<u>195,838,958</u>	<u>136,821,464</u>

(The notes are an integral part of these financial statements.)

CLIMBS LIFE AND GENERAL INSURANCE COOPERATIVE AND ITS SUBSIDIARY
(THE GROUP)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2017 and 2016
(In Philippine Peso)

	Notes	2017	2016 (As restated) Note 28
SHARE CAPITAL			
	18		
Preferred shares - P1,000 par value per share			
Balance, January 1		200,000,000	143,384,000
Issuances		-	56,616,000
Balance, December 31		<u>200,000,000</u>	<u>200,000,000</u>
Common shares - P1,000 par value per share			
Balance, January 1		800,000,000	506,294,000
Issuances		-	293,706,000
Balance, December 31		<u>800,000,000</u>	<u>800,000,000</u>
Deposit for future subscriptions		483,741,901	168,523,757
Treasury stocks		<u>(40,469,097)</u>	<u>(40,469,097)</u>
Total share capital		<u>1,443,272,804</u>	<u>1,128,054,660</u>
STATUTORY RESERVES			
	19		
General reserve fund			
Balance, January 1		77,638,318	52,551,072
Distributions during the year	1	19,583,895	13,682,146
Net transactions during the year		<u>2,689,587</u>	<u>11,405,100</u>
Balance, December 31		<u>99,911,800</u>	<u>77,638,318</u>
Cooperative education and training fund			
Balance, January 1		24,435,531	14,604,413
Distributions during the year	1	5,875,169	10,945,718
Net transactions during the year		<u>(13,010,630)</u>	<u>(1,114,600)</u>
Balance, December 31		<u>17,300,070</u>	<u>24,435,531</u>
Optional fund			
Balance, January 1		57,494,158	38,505,533
Distributions during the year	1	13,708,727	6,841,073
Net transactions during the year		-	12,147,552
Balance, December 31		<u>71,202,885</u>	<u>57,494,158</u>
Community development fund			
Balance, January 1		16,235,091	10,752,038
Distributions during the year	1	5,875,169	4,104,643
Net transactions during the year		<u>(1,136,438)</u>	<u>1,378,410</u>
Balance, December 31		<u>20,973,822</u>	<u>16,235,091</u>
Total statutory reserves		<u>209,388,577</u>	<u>175,803,098</u>
SURPLUS RESERVES			
Balance, January 1		34,600,977	253,486,274
Net transactions during the year	20	<u>(28,166,980)</u>	<u>(218,885,297)</u>
Balance, December 31		<u>6,433,997</u>	<u>34,600,977</u>
TOTAL EQUITY		<u>1,659,095,378</u>	<u>1,338,458,735</u>

(The notes are an integral part of these financial statements.)

**CLIMBS LIFE AND GENERAL INSURANCE COOPERATIVE AND ITS SUBSIDIARY
(THE GROUP)**

**CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2017 and 2016
(In Philippine Peso)**

	Notes	2017	2016 (As restated) Note 28
CASH FLOWS FROM OPERATING ACTIVITIES			
Net surplus for distribution		195,838,958	136,821,464
Adjustments for:			
Net unrealized gains from changes in fair value			
from financial assets at FVTPL	7	(36,981,816)	(8,918,807)
Provision for probable losses on loans and receivables	6	-	4,588,943
Amortization of discount from financial assets at amortized cost	10	(406,158)	(470,528)
Amortization of premium from financial assets at amortized cost	10	1,096,375	1,548,333
Depreciation	11,12	20,158,776	16,465,682
Retirement expense (income)	14	(519,323)	1,643,686
Increase in legal policy reserves		27,564,484	133,513,178
Operating surplus before working capital changes		206,751,296	285,191,951
Decrease (increase) in current assets:			
Insurance receivables		(82,880,268)	(1,294,257)
Loans and receivables		(17,415,203)	12,362,852
Other current assets		56,044,650	(59,534,931)
Increase (decrease) in current liabilities:			
Insurance contract liabilities		(19,823,508)	59,208,233
Insurance payables		40,371,079	71,875,065
Trade and other payables		(58,059,141)	(42,077,177)
Interest on capital, patronage and experience refund payable		(108,855,465)	(66,123,854)
Net cash provided by operating activities		16,133,440	259,607,882
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Financial assets at fair value through profit or loss (FVTPL)	7	(3,638,323,329)	(2,906,866,905)
Financial assets at amortized cost	10	(92,521,650)	(204,073,445)
Investment property	11	(14,082,743)	(40,284,393)
Property, plant and equipment	12	(19,754,728)	(19,087,938)
Proceeds from:			
Disposals of financial assets at FVTPL	7	3,768,149,286	2,790,477,855
Matured financial assets at amortized cost	10	7,500,000	66,527,000
Net cash provided by (used in) investing activities		10,966,836	(313,307,826)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share subscriptions		-	350,322,000
Cash received as deposit for future stock subscriptions	18	315,218,144	168,522,973
Purchase of shares as treasury stock		-	(35,151,131)
Net transactions to the general reserve fund		2,689,587	11,405,100
Net transactions to the cooperative education and training fund		(13,010,630)	(1,114,600)
Net transactions to the optional fund		-	12,147,552
Net transactions to the community development fund		(1,136,438)	1,378,410
Net transactions to the surplus reserves		(7,110,753)	(218,885,297)
Net cash provided by financing activities		296,649,910	288,625,007
NET INCREASE IN CASH AND CASH EQUIVALENTS		323,750,186	234,925,063
CASH AND CASH EQUIVALENTS, JANUARY 1	4	907,118,446	672,193,383
CASH AND CASH EQUIVALENTS, DECEMBER 31	4	1,230,868,632	907,118,446

(The notes are an integral part of these financial statements.)

**CLIMBS LIFE AND GENERAL INSURANCE COOPERATIVE AND ITS SUBSIDIARY
(THE GROUP)**

**NOTES TO FINANCIAL STATEMENTS
As at and for the Years Ended December 31, 2017 and 2016**

NOTE 1 - COOPERATIVE INFORMATION

1.1 Parent overview

CLIMBS Life and General Insurance Cooperative (the Parent) 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 Group complied with the mandatory filing for the registration of amendment in accordance with provisions of Republic Act (RA) 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.

One of the Parent’s divisions is engaged in the business of underwriting life insurance offering its members and beneficiaries the following products: (1) Coop Life Savings Plan, (2) Coop Loan Protection Plan (CLPP), (3) Group Renewal Term Life (GRTL), (4) Coop Family Plan (CFP), (5) Group Accident, Death, Dismemberment, Disablement Insurance (GADDDI), (6) Group Life and Accident with Fire Insurance (GLAFI), (7) Group Accidental Death, Disablement & Dismemberment Insurance and Funeral Service Assistance (GADDDI-FUSA), (8) Permanent Plan (5 Pay Life, 5 Pay Life - 15 years endowment, 10 Pay Life - 15 years endowment) and (9) Family Insurance Plan (FIP). Other than individual and group life insurances, the Parent offers non-life standard and micro insurance contracts for all risks, hazards and contingencies to which marine, fire, motor care and other casualty insurances and suretyship as are applicable.

The Parent maintains its Head Office and official address at CLIMBS Building, Zone 5, Upper Bulua, National Highway, Cagayan de Oro City. It maintains area and satellite offices all over the Philippines.

1.2 Granting of Composite Insurance License

On October 23, 2007, the CDA approved the amendments to the primary purposes of the Parent, paving the way for its engagement in non-life assurance business as a Composite Insurance Company. The amendment effectively authorized the Parent to underwrite non-life insurance contracts for all risks, hazards, and contingencies to which marine, fire, motor vehicle, personal accident, fidelity guarantee and other casualty insurances and suretyship as are applicable, subject to the granting of secondary license from the IC.

On April 21, 2010, the IC granted the Parent’s Composite Insurance License authorizing the Parent to operate as a life and general insurance company. In the same year, the Parent commenced its non-life division. The secondary license is renewable every 3 years and its current license will expire on December 31, 2018.

1.3 Subsidiary overview

Coop Life General Insurance and Financial Services Agency (CLIFSA) (the Subsidiary) is a distribution channel of the Parent offering a complete line of financial services through strategic business alliance with other major insurance companies operating nationwide. A marketing tool widening the market scope of the Parent by bridging the gap between 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 Subsidiary was registered with the CDA, under Registration Certificate No. CGY 3979 dated April 27, 2010. Pursuant to CDA Memorandum Circular (MC) No. 2010-05, Series of 2010, the Subsidiary complied with the mandatory filing for the registration of amendment in accordance with the provisions of RA 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. 9520-10017273 on September 30, 2010 in Quezon City, Philippines.

The Subsidiary’s registered office and its principal place of business is in the 5th Floor, CLIMBS Building, Tiano-Pacana Streets, Cagayan de Oro City.

1.4 Distribution of net surplus

As provided for in its By-Laws, the Group’s net surplus is defined and distributed in the following manner:

- An amount of the general reserve fund, which shall be at least ten per centum (10%) of the net surplus;
- An amount for the cooperative education and training fund, which shall not be more than ten per centum (10%) of net surplus;
- An optional fund, a land and building, community development, and any other necessary fund the total of which may not exceed seven per centum (7%);
- Community development fund at least three per centum (3%) of the net surplus; and
- The remaining net surplus shall be made available to the members in the form of interest on share capital and patronage refund computed in accordance with RA No. 9520.

Accordingly, the net surplus in 2017 and 2016 were distributed as follows:

	2017	%	2016	%
Interest on share capital and patronage refund payable	150,795,998	77%	101,247,884	74%
General reserve fund	19,583,895	10%	13,682,146	10%
Optional fund	13,708,727	7%	6,841,073	5%
Cooperative education and training fund	5,875,169	3%	10,945,718	8%
Community development fund	5,875,169	3%	4,104,643	3%
	195,838,958	100%	136,821,464	100%

1.5 Tax exemption

As a Group transacting with members only, the Group is entitled to the following tax exemptions and incentives provided for under Article 60 of RA No. 9520, as implemented by Section 7 of the Joint Rules and Regulations Implementing Articles 60, 61 and 144 of RA No. 9520:

- Income tax on income from CDA-registered operations;
- Value-Added Tax (VAT) on CDA-registered sales or transactions;
- Other percentage tax (OPT);
- 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;
- Excise tax for which it is directly liable;
- Documentary stamp tax: Provided, however, that the other party of the taxable document/transaction who is not exempt shall be the one directly liable for the tax;
- Payment of Annual registration fee of P500; and
- All taxes on transactions with insurance companies and banks, including but not limited to 20% final tax on interest deposits and 7.5% final tax on interest income derived from a depository bank under the expanded foreign currency deposit system.

1.6 Admissibility/non-admissibility of the Group's assets and/or liabilities

Section 202 and 203 of the RA No. 10607 entitled: An act strengthening the Insurance Industry, further amending Presidential Decree (PD) No. 612, otherwise known as "The Insurance Code", as amended by PD Nos. 1141, 1280, 1455, 1460, 1814 and 1981, and Batas Pambansa Blg. 874, and for other purposes which was signed and approved by the president of the Philippines on August 15, 2013 enumerated the items that are considered to be admissible and non-admissible.

Admissible

- a. Cash in the possession of the insurance company or in transit under its control, and the true and duly verified balance of any deposit of such company in a financially sound bank or trust company duly authorized by the Bangko Sentral ng Pilipinas (BSP).
- b. Investments in securities, including money market instruments, and in real property acquired or held in accordance with and subject to the applicable provisions of this Code and the income realized therefrom or accrued thereon.
- c. Loans granted by the insurance company concerned to the extent of that portion thereof adequately secured by non-speculative assets with readily realizable values in accordance with and subject to the limitations imposed by applicable provisions of this Code.
- d. Policy loans and other policy assets and liens on policies, contracts or certificates of a life insurance company, in an amount not exceeding legal reserves and other policy liabilities carried on each individual life insurance policy, contract or certificate.
- e. The net amount of uncollected and deferred premiums and annuity considerations in the case of a life insurance company which carries the full mean tabular reserve liability.
- f. Reinsurance recoverable by the ceding insurer:
 - i. From an insurer authorized to transact business in this country, the full amount thereof or
 - ii. From an insurer not authorized in this country, in an amount not exceeding the liabilities carried by the ceding insurer for amounts withheld under a reinsurance treaty with such unauthorized insurer as security for the payment of obligations thereunder if such funds are held subject to withdrawal by, and under the control of, the ceding insurer. The Commissioner may prescribe the conditions under which a ceding insurer may be allowed credit, as an asset or as a deduction from loss and unearned premium reserves, for reinsurance recoverable from an insurer not authorized in this country but which presents satisfactory evidence that it meets the applicable standards of solvency required in this country.
- g. Funds withheld by a ceding insurer under a reinsurance treaty, provided reserves for unpaid losses and unearned premiums are adequately provided.
- h. Deposits or amounts recoverable from underwriting associations, syndicates and reinsurance funds, or from any suspended banking institution, to the extent deemed by the Commissioner to be available for the payment of losses and claims and values to be determined by him.
- i. Electronic data processing machines, as may be authorized by the Commissioner to be acquired by the insurance company concerned, the acquisition cost of which to be amortized in equal annual amounts within a period of five (5) years from the date of acquisition thereof.
- j. Investments in mutual funds, real estate investment trusts, salary loans, unit investment trust funds and special deposit accounts, subject to the conditions as may be provided for by the Commissioner.
- k. Other assets, not inconsistent with the provisions of paragraphs (a) to (j) hereof, which are deemed by the Commissioner to be readily realizable and available for the payment of losses and claims at values to be determined by him in a circular, rule or regulation.

Non-admissible

- a. Goodwill, trade names, and other like intangible assets.
- b. Prepaid or deferred charges for expenses and commissions paid by such insurance company.
- c. Advances to officers (other than policy loans), which are not adequately secured and which are not previously authorized by the Commissioner, as well as advances to employees, agents, and other persons on mere personal security.
- d. Shares of stock of such insurance company, owned by it, or any equity therein as well as loans secured thereby, or any proportionate interest in such shares of stock through the ownership by such insurance company of an interest in another corporation or business unit.
- e. Furniture, furnishing, fixtures, safes, equipment, library, stationery, literature, and supplies.

- f. Items of bank credits representing checks, drafts or notes returned unpaid after the date of statement.
- g. The amount, if any, by which the aggregate value of investments as carried in the ledger assets of such insurance company exceeds the aggregate value thereof as determined in accordance with the provisions of this Code and/or the rules of the Commissioner.

Admitted assets designated by the Group pertain to its cash and cash equivalents, insurance receivables, policy, mortgage and other loans, financial assets at FVTPL, financial assets at amortized cost, land and buildings-net as property, plant and equipment and investment properties, electronic data processing (EDP) equipment-net and portion of the accounts receivable which aggregated to P2,391,740,232 and P2,038,903,125 in 2017 as estimated and 2016 as approved by IC, respectively.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

Statement of compliance

The financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Framework for Cooperatives (PFRFC).

The CDA adopted and prescribed the use of PFRFC through the issuance of MC No. 2015-06 on September 16, 2015. PFRFC was developed from the Philippine Financial Reporting Standard for Small and Medium-sized Entities (PFRS for SMEs). Modifications were made on several provisions of the standards taking into considerations cooperative laws, rules, regulations and principles. In conformity with PFRFC, a revised Standard Chart of Accounts (SCA) for cooperatives was prescribed by the CDA upon its issuance of MC No. 2016-06 on October 18, 2016, pursuant to Section 3 of the RA No. 6939, to be used by cooperatives in the preparation of their financial statements.

Basis of measurement and presentation

The financial statements have been prepared on a historical cost basis. All values are rounded to the nearest Philippine Peso (P), except when otherwise indicated.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial condition only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense are not offset in the statement of operations unless required or permitted the aforementioned framework.

Use of judgments and estimates

The preparation of financial statements in compliance with the PFRFC requires the use of certain critical accounting estimates. It also requires the Group's management to exercise judgment in applying the Group's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effects are disclosed in Note 3 to the financial statements.

2.2 Financial instruments

Initial recognition

Financial assets and financial liabilities are recognized in the statement of financial condition when the Group becomes a party to the contractual provisions of the instrument.

Initial measurement

Financial assets and financial liabilities are initially measured at the transaction price unless the arrangement constitutes, in effect, a financing transaction. A financing transaction may take place in connection with the sale of goods or services, for example, if payment is deferred beyond normal business terms or is financed at a rate of interest that is not a market rate. If the arrangement constitutes a financing transaction, the Group shall measure the financial asset or financial liability at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Determination of fair value

The fair value for financial instruments traded in active markets at the end of the financial reporting period is based on their quoted market price or dealer price quotation (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

Categories of financial instruments

The Group classifies its financial assets and liabilities in the following categories:

- a. Financial assets measured at fair value through profit or loss (FVTPL)
- b. Financial assets that are debt instruments measured at amortized cost
- c. Financial assets that are equity instruments measured at cost less impairment
- d. Financial liabilities measured at amortized cost
- e. Loan commitments measured at cost less impairment

The classification depends on the purpose for which the investments are acquired, taking into consideration cooperative laws, rules, regulations, and principles, and whether they are quoted in an active market. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every financial reporting date.

The Group's accounting policy for each category of financial instruments is as follows:

Financial assets measured at FVTPL

Financial assets at FVTPL include financial assets held for trading and financial assets designated upon initial recognition as at FVTPL which shall comprise both debt and equity securities. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Investments in publicly traded securities with brokers and under external fund managers shall be measured at fair value with changes in fair value recognized in profit or loss.

As at December 31, 2017 and 2016, the Groups investments in listed equity securities and externally managed investment funds accounted for under 'financial assets at FVTPL' (Note 7) were included in this category.

Financial assets and financial liabilities that are debt instruments measured at amortized cost

Debt instruments shall be measured at amortized cost using the effective interest amortization method.

Debt instruments that are classified as current assets or current liabilities shall be measured at the undiscounted amount of the cash or other consideration expected to be paid or received (i.e. net of impairment unless the arrangement constitutes, in effect a financing transaction. If the arrangement constitutes a financing transaction, the Group shall measure the debt instrument at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

As at December 31, 2017 and 2016, the Group's insurance receivables, loans and receivables, financial assets at amortized cost, insurance contract liabilities and insurance payables, trade and other payables and interest on share capital, patronage and experience refund payable, endowment trust fund under 'other non-current liabilities' account (Note 1.4, 5, 6, 10, 15, 16 and 17) were included in this category.

Financial assets that are equity instruments measured at cost less impairment

Equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

As at December 31, 2017 and 2016, the Group's financial assets at cost (Note 9) was included in this category.

Dividends

The Group recognizes dividends and other distributions received from the equity investment as income without regard to whether the distributions are from accumulated profits of the investee arising before or after the date of acquisition. Stock dividends do not involve transfer of resources from investee. Accordingly, stock dividends received shall not be recognized as income.

Derecognition of financial assets and financial liabilities

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when: (a) the contractual rights to the cash flows from the financial asset expire or are settled, (b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, (c) the Group, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

In such case, the Group shall:

- a. Derecognize the asset; and
- b. Recognize separately any rights and obligations retained or created in the transfer.

The carrying amount of the transferred assets shall be allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations shall be measured at their fair values at that date. Any difference between the consideration received and the amounts recognized and de-recognized in accordance with this paragraph shall be recognized in profit or loss in the period of the transfer.

If a transfer does not result in derecognition because the Group has retained significant risks and rewards of ownership of the transferred asset, the Group shall continue to recognize the transferred asset in its entirety and shall recognize a financial liability for the consideration received. The asset and liability shall not be offset. In subsequent periods, the Group shall recognize any income on the transferred asset and any expense incurred on the financial liability.

If a transferor provides non-cash collateral (such as debt or equity instruments) to the transferee, the accounting for the collateral by the transferor and the transferee depends on whether the transferee has the right to sell or re-pledge the collateral and on whether the transferor has defaulted. The transferor and transferee shall account for the collateral as follows:

- a. If the transferee has the right by contract or custom to sell or re-pledge the collateral, the transferor shall reclassify that asset in its statement of financial condition (e.g. as a loaned asset, pledged equity instruments or repurchase receivable) separately from other assets.
- b. If the transferee sells collateral pledged to it, it shall recognize the proceeds from the sale and a liability measured at fair value for its obligation to return the collateral.

- c. If the transferor defaults under the terms of the contract and is no longer entitled to redeem the collateral, it shall de-recognize the collateral, and the transferee shall recognize the collateral as its asset initially measured at fair value or, if it has already sold the collateral, de-recognize its obligation to return the collateral.
- d. Except as provided in (c), the transferor shall continue to carry the collateral as its asset, and the transferee shall not recognize the collateral as an asset.

The Group shall derecognize a financial liability (or part of a financial liability) only when it is extinguished (i.e. when the obligation specified in the contract is discharged, is cancelled or expires).

If an existing borrower and lender exchange financial instruments with substantially different terms, the Group shall account for the transaction as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group shall account for a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) as an extinguishment of the original financial liability and the recognition of a new financial liability.

The Group shall recognize in profit or loss any difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed.

Impairment of financial assets

Impairment on assets carried at amortized cost

The allowance for probable losses on accounts receivable is the estimated amount of losses in the Group's loans and receivables. Allowance for probable losses is based on the past due amount using the portfolio at risk for purposes of prudence in financial reporting as follows:

	<u>Allowance required as a percent to past due loans</u>
Past due for 31 to 365 days	35%
Past due for more than 365 days	100%

Impairment of assets carried at cost

If there is objective evidence of an impairment loss on an unquoted equity/debt instrument that is not carried at fair value, the impairment loss is recognized immediately in profit or loss.

Reversal of impairment loss

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed either directly or by adjusting an allowance account. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its cost at the reversal date.

2.3 Other current assets

The Group measures other current assets at its cost at initial recognition. Payments made in the current year that will be used in the future periods are carried as prepayments and to be amortized over the period which will be benefited.

2.4 Investment property

Investment properties consist of properties that are held to earn rentals or for capital appreciation or both, and that are not yet occupied/used by the Group. Investment properties are carried at cost less accumulated depreciation and any impairment in value. Subsequent to initial recognition, investment properties, except for land, are stated at cost less accumulated depreciation and any impairment in value. Depreciation is computed on the straight-line method over the estimated useful life of 25 years. Land is stated at cost less any impairment in value.

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

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

2.5 Property, plant and equipment (PPE)

PPE are stated at cost less accumulated depreciation and any impairment in value.

The initial cost of PPE comprises its construction cost or purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance, are normally charged to expense as incurred. In situations where it can be clearly demonstrated that the expenditures have resulted to an increase in the future economic benefits expected beyond its original assessed standard of performance, the expenditures are capitalized as an additional cost of PPE.

Depreciation is computed on a straight-line method over the estimated useful lives of the assets as follows:

Category	Estimated useful life in years
Land improvements	5
Building and improvements	15 to 25
Office furniture, fixtures, and equipment	2 to 5
Transportation equipment	3 to 5

The useful life is reviewed periodically to ensure that the useful lives and depreciation method are consistent with the expected pattern of economic benefits from the use of PPE.

The carrying values of PPE are reviewed for impairment when events or changes in circumstances indicate that 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 the recoverable amount. The recoverable amount of PPE is the greater of net selling price or value in use. Impairment losses, if any, are recognized in profit or loss.

An item of PPE is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is recognized in profit and loss in the year the item is derecognized.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is charged to profit or loss.

2.6 Intangible assets

Intangible assets are identifiable non-monetary asset without physical substance. The Group recognizes an item as an intangible asset if it can demonstrate that the item meets the definition of an intangible asset.

Computerization cost

Computerization costs include the costs of acquisition or development of computer programs and other software which is accounted for under the cost model. The costs of the asset comprise of the purchase price and any directly attributable costs of bringing the asset to its working condition and/or its intended use.

Capitalized costs are amortized on a straight-line basis over the estimated useful lives ranging from 2 to 3 years as the lives of these intangible assets are considered limited. Costs associated in the maintaining of computer software are expensed as incurred.

2.7 Impairment of non-financial assets

At each financial reporting date, the carrying amounts of the Group's non-financial assets (such as PPE and intangible assets) are reviewed to determine whether there is any indication of impairment or when impairment loss previously recognized no longer exists or may have decreased. When an indicator of impairment exists, the Group makes formal estimate of recoverable amount. An impairment loss is recognized in profit or loss whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount.

The recoverable amount of a non-financial asset is the greater of the asset's fair value less cost to sell or value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's-length transaction. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash flows largely independent of those assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss had been recognized. Reversals of impairment loss are recognized in profit or loss.

2.8 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 are 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 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 (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.

2.9 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 incurred up to, but not paid at the end of the year, whether reported or not.

2.10 Reinsurance

The Group cedes insurance risk in the normal course of business. Reinsurance assets (Note 5) 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 exist 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 operations. Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

2.11 Provisions

Provisions if any, are recognized when the Group has a present obligation (legal or constructive) as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate can be made of the amount of the obligation. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events. The amount recognized is the best estimate of the expenditure required to settle the present obligation at financial reporting date, that is, the amount the Group would rationally pay to settle the obligation to a third party.

2.12 Contingent assets and liabilities

Contingent assets are not recognized in the financial statement but disclosed in the notes when an inflow of economic benefits is probable.

Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

2.13 Equity

Share capital

Share capital is determined using the nominal value of shares that have been issued. Share capital is presented as equity under PFRFC.

- *Common shares* - these refer to those shares with voting rights issued by the Group to its regular members.
- *Preferred shares* - these refer to those shares without voting rights issued by the Group to its associate and regular members.
- *Treasury shares* - these represent shares which were bought back by the Group and held in treasury. Treasury shares are recorded based on the amount paid by the Group in acquiring those shares. These are presented as a contra-equity account in the statement of changes in equity.
- *Subscription receivable* - this refers to the total amount of unpaid subscribed share capital of regular members. This is presented as a contra-equity account in the statement of changes in equity.

Statutory funds

Statutory funds are mandatory funds established/set up in accordance with Articles 86 and 87 of the Cooperative Code. These include all prior years' allocation of net surplus, net of interest on share capital, patronage and experience refunds, as presented in the statement of operations. The composition of reserve funds follows:

- *General reserve fund* - amounts set aside annually for the stability of the Group and to meet net losses in its operations. It is equivalent to at least 10% of the net surplus.
- *Cooperative education and training fund (CETF)* - an amount retained by the Group out of the mandatory allocation as stipulated in the Group's by-laws.
- *Optional fund* - fund set aside from the net surplus (should not exceed 7%) for future use such as land and building, community developments, etc.
- *Community development fund (CDF)* - This is, at the minimum, 3% of the net surplus. This is used for projects or activities that will benefit the community where the Group operates. It is equivalent to at least 3% of the net surplus.

2.14 Income recognition

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transactions will flow to the Group and the revenue can be reliably measured.

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

Insurance 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.

Insurance 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 the insurance contract liabilities and presented in the liabilities section of the statement of financial condition. 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 statement of financial condition.

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 that relate to the unexpired periods of the policies at the end of the reporting period are accounted for as deferred reinsurance commissions and presented in the liabilities section.

Interest income on deposits and investments

Income is recognized as the interest accrues taking into account the effective yield on the assets.

Other income

All other income items are recognized when earned and collected.

2.15 Interest expense

Interest incurred on borrowings is recognized in the statement of operations when incurred.

2.16 Cost and expense recognition

Costs and expenses are recognized in the statement of operations: (a) when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably; (b) on the basis of a direct association between the costs incurred and the earning of specific items of income; (c) on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or (d) immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial condition as an asset. Operating expenses are costs attributable to the general and administrative activities of the Group.

2.17 Benefits and claims

Gross benefits and claims consist 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 shares in liabilities for claims 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 are recognized as income or expense of the period in which the estimates are changed or payments are made.

2.18 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of the specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease only if one of the following applies:

- a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
- b. A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
- c. There is a change in the determination of whether fulfillment is dependent on a specified asset;
- d. There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d); and at the date or renewal or extension period for scenario (b).

Group as lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as expense in the profit or loss on a straight line basis over the lease term.

Group as lessor

Leases where the members of the Group do not transfer all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to carrying amount of the leased asset and are recognized over the lease term on the same

basis as the rental income. Contingent rents are recognized as revenue in the year in which they are earned.

2.19 Employee benefits

The Group recognizes the cost of all employee benefits to which its employees have become entitled as a result of service rendered to the Group during the reporting period:

- a. as a liability, after deducting amounts that have been paid either directly to the employees or as a contribution to an employee benefit fund. If the amount paid exceeds the obligation arising from service before the reporting date, a cooperative shall recognize that excess as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.
- b. as an expense, unless another section of this framework requires the cost to be recognized as part of the cost of an asset such as inventories or property, plant and equipment.

Short-term employee benefits

Short-term employee benefits are recognized as expense in the period when the economic benefits are given. Unpaid benefits at the end of the accounting period are recognized as accrued expense while benefits paid in advance are recognized as prepayment to the extent that it will lead to a reduction in future payments. Short-term benefits given by the Group to its employees include salaries and wages, social security contributions, short-term compensated absences and bonuses.

Termination benefits

The Group may be committed, by legislation, by contractual or other agreements with employees or their representatives or by a constructive obligation based on business practice, custom or a desire to act equitably, to make payments (or provide other benefits) to employees when it terminates their employment. Such payments are termination benefits.

Because termination benefits do not provide the Group with future economic benefits, the Group recognizes them as an expense in profit or loss immediately.

When the Group recognizes termination benefits, the Group may also have to account for a curtailment of retirement benefits or other employee benefits.

The Group recognizes termination benefits as a liability and an expense only when the Group is demonstrably committed either:

- a. to terminate the employment of an employee or group of employees before the normal retirement date, or
- b. to provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The Group is demonstrably committed to a termination only when the Group has a detailed formal plan for the termination and is without realistic possibility of withdrawal from the plan.

The Group measures termination benefits at the best estimate of the expenditure that would be required to settle the obligation at the reporting date. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

When termination benefits are due more than twelve months after the end of the reporting period, they shall be measured at their discounted present value.

Compensated absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. These are included in accounts payable and accrued expenses.

Retirement benefits

The Group has a funded defined benefit pension plan provided based on specific level of benefit for every year of service, which comply with the minimum requirement of RA No. 7641.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits payable in the future with respect to services rendered in the current year.

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

Defined benefit costs comprise the following: (a) service cost; (b) net interest on the net defined benefit liability or asset; and (c) remeasurements of net defined benefit liability or asset.

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

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

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized in the period in which they occur. The Group shall recognized all actuarial gains and losses in profit or loss.

2.20 Borrowing costs

Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds. These are recognized as expense when incurred except when such costs relate to a qualifying asset, in which case, borrowing costs incurred will be capitalized. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

2.21 Related parties

A related party transaction is a transfer of resources, services or obligations between a reporting cooperative and a related party, regardless of whether a price is charged. Examples of related party transactions include:

- a. transactions between a cooperative and its key management personnel.
- b. transactions in which a cooperative or person that controls the reporting cooperative incurs expenses directly that otherwise would have been borne by the reporting cooperative.

2.22 Events after the reporting period

Post year-end events up to the date the auditors' report that provide additional information about the Group's condition at the end of the reporting period (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statement when material.

NOTE 3 - CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements in compliance with PFRFC requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The judgments, estimates and assumptions are based on management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from these estimates and assumptions used. The effect of any change in estimates will be reflected in the financial statements when they become reasonably determinable.

Judgments, estimates and assumptions are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following is a summary of the significant estimates, judgments and assumptions used by the Group in the preparation of the financial statements is presented in the subsequent pages:

3.1 Judgments

Going concern

PFRFC requires the management to make an assessment of the Group's ability to continue as a going concern. The Group is a going concern unless the management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the reporting date. Management has made an assessment on the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue its business operations for the foreseeable future. Moreover, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Functional and presentation currency

These financial statements are presented in Philippine pesos (P), the Group's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Group are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

Classification of financial instruments

The Group classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement and the definitions of a financial asset, a financial liability or an equity instrument and with due consideration of the provisions of the SCA for cooperatives.

The categories of financial assets and financial liabilities is presented in Note 26.

Financial assets not quoted in an active market

The Group classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

As at December 31, 2017 and 2016, the carrying amounts of the Group's financial asset at cost amounted to P49,702,961 and P56,106,810, respectively.

Group as lessee under operating lease

Leases where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as expense in profit or loss over the lease term on a straight-line basis.

Group as lessor under operating lease

Leases where the Cooperative does not transfer substantially all the risk and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and are recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the year in which they are earned.

3.2 Estimates and assumptions

Estimating allowance for probable losses on loans and receivables

Provisions are made for accounts identified to be doubtful of collection based on the Group's judgment. The level of allowance is evaluated based on historical loss experience, current economic conditions, subsequent and possible collections and other risk factors obtained during the review of the status of existing receivables taking into consideration cooperative laws, rules, regulations and principles. Total allowance for probable losses on loans and receivables as at December 31, 2017 and 2016 amounted to P11,134,528 and P19,976,218, respectively (Note 6).

As at December 31, 2017 and 2016, the carrying amounts of the Group's loans and receivables amounted to P44,048,410 and P26,633,207 respectively (Note 6).

Estimation of useful lives of PPE and depreciable investment properties

The Group estimates the useful lives of PPE and depreciable investment properties based on the period over which the assets are expected to be available for use. The estimated useful lives of PPE and depreciable investment properties are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of PPE and depreciable investment properties are based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of PPE and depreciable investment properties would increase recorded operating expenses and decrease non-current assets. The estimated useful lives of PPE and depreciable investment properties are discussed in Notes 2.4 and 2.5, respectively, which showed no changes in the years 2017 and 2016.

The carrying values of depreciable investment properties, net of accumulated depreciation, amounted to P35,476,554 and P40,280,391 as at December 31, 2017 and 2016, respectively (Note 11).

The carrying values PPE, net of accumulated depreciation, amounted to P91,500,462 and P88,590,446 as at December 31, 2017 and 2016, respectively (Note 12).

Impairment of non-financial assets

The Group assesses at each reporting period whether there is an indication that its depreciable investment properties and PPE may be impaired. If any such indications exist, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. At the financial reporting date, the Group assesses whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

The preparation of the estimated future cash flows involves significant judgments and estimates. While the Group believes that the assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future impairment charges.

Based on management's assessment, the carrying amount of its non-financial assets are recoverable as at the financial reporting date. The carrying values of depreciable investment properties and PPE amounted to P155,324,645 and P91,500,462 and P148,202,018 and P88,590,446 as at December 31, 2017 and 2016, respectively (Notes 11 and 12).

Present value of retirement liability

The Group availed the services of a licensed actuary which valued its defined benefit obligation using the projected unit credit method allowed under the PFRFC. Present value is computed using the applicable discount rate at the end of the period and on the assumption that employees will retire at 65 years of age.

Retirement expense (income) recognized in 2017 and 2016 are (P519,323) and P1,643,686, respectively. The carrying amounts of the retirement liability amounted to P5,032,292 and P5,551,615 as at December 31, 2017 and 2016, respectively (Note 14).

Contingencies

The estimate of the probable costs for the resolution of possible claims has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results. The Group is a party to certain lawsuits or claims involving recoveries of sum of money arising from the ordinary course of business. However, the Group's management and legal counsel believe that the eventual liabilities under these lawsuits or claims, if any, will not have a material impact on the Group's financial statements. These are recognized in the books only when the claims are finally settled or when judgment is rendered.

NOTE 4 - CASH AND CASH EQUIVALENTS

This consists of:

	<u>2017</u>	<u>2016</u>
	<i>(In Philippine Peso)</i>	
Cash in bank	1,088,649,015	759,238,287
Cash in other cooperatives	139,413,865	146,100,757
Working funds	<u>2,805,752</u>	<u>1,779,402</u>
	<u>1,230,868,632</u>	<u>907,118,446</u>

Cash in bank

This refers to money deposited with banks in the form of savings, demand and time deposits under the name of the Group.

Cash in other cooperatives

This refers to money with other cooperatives under the name of the Group for ease of remittance of premiums and withdrawal of claims from the life and non-life insurance products availed.

Working funds

This refers to the different types of funds such as petty cash and revolving funds with an assigned custodian at the Group's head, area and satellite offices maintained under an imprest and fluctuating fund system.

Interest rates from savings and demand deposits with banks and other cooperatives earn interest at rates which ranged from 0.025% to 6.00% in 2017 and 2016 while time deposits with banks earn interest at rates which ranged from 2.00% to 12.00 % and 1.25% to 12.00% for 2017 and 2016, respectively. Interest income earned from cash in bank and other cooperatives amounted to P13,084,291 and P10,697,306 for 2017 and 2016, respectively (Note 26).

NOTE 5 - INSURANCE RECEIVABLES

This consists of:

	<u>2017</u>	<u>2016</u>
	<i>(In Philippine Peso)</i>	
Premiums receivable	82,384,049	46,346,450
Amounts recoverable from reinsurers	63,819,035	16,967,082
Automatic contribution loans from Mutual Aid Services (MAS) members	664,867	664,867
Policy loans	<u>236,570</u>	<u>245,854</u>
	<u>147,104,521</u>	<u>64,224,253</u>

Premiums receivable

These pertains to receivables from member cooperatives for the insurance products they have availed.

Amounts recoverable from reinsurers

These represents the amount of reinsurance agreements with various reinsurance accepting partners of the Group.

Automatic contribution loans from MAS members

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

NOTE 6 - LOANS AND RECEIVABLES - NET

This consists of:

	<u>2017</u>	<u>2016</u>
	<i>(In Philippine Peso)</i>	
		<i>(As restated)</i>
		Note 28
Accounts receivable	50,614,882	44,418,502
Allowance for probable losses	<u>(11,134,528)</u>	<u>(19,976,218)</u>
	39,480,354	24,442,284
Advances to officers and employees	<u>4,568,056</u>	<u>2,190,923</u>
	<u>44,048,410</u>	<u>26,633,207</u>

Accounts receivable

This represents the receivables from various accounts, mortgage loans, and equity loans provided by the Group to its officers and employees. Interest rates for the loans ranged from 7.00% to 10.00% for both 2017 and 2016.

Interest income from accounts receivable amounted to P2,693,716 and P4,796,566 for the year ended December 31, 2017 and 2016, respectively (Note 26).

Accounts receivable from the Group's key management personnel classified as related parties are properly disclosed in Note 24.

Advances to officers and employees

This represents duly approved cash advances for official business of officers and employees subject to liquidation in accordance with the policy of the Group.

The Group provided allowance for probable losses on its accounts receivable amounting to nil and P4,588,943 in 2017 and 2016, respectively. The reconciliation of the allowance follows:

	<u>2017</u>	<u>2016</u>
	<i>(In Philippine Peso)</i>	
Balance, January 1	19,976,218	15,387,275
Provisions	-	4,588,943
Reversals	<u>(8,841,690)</u>	-
	<u>11,134,528</u>	<u>19,976,218</u>

NOTE 7 - FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

This consists of:

	<u>2017</u>	<u>2016</u> <i>(As restated)</i> Note 28
	<i>(In Philippine Peso)</i>	
Externally managed investment funds	326,523,454	430,867,017
Publicly listed equity securities	<u>75,132,740</u>	<u>63,633,318</u>
	<u>401,656,194</u>	<u>494,500,335</u>

Externally managed investment funds

This pertains to investment in mutual funds, unit investment trust funds (UITF) and investment management agreements (IMA).

Publicly listed equity securities

This pertains to investment in stocks listed under the Philippine Stock Exchange (PSE) with brokers.

The reconciliation of the financial assets at FVTPL follows:

Balance, January 1	494,500,335	369,192,478
Additions	3,638,323,329	2,906,866,905
Disposals	(3,768,149,286)	(2,790,477,855)
Net unrealized gains from changes in fair value	<u>36,981,816</u>	<u>8,918,807</u>
	<u>401,656,194</u>	<u>494,500,335</u>

Total recognized investment income which includes the net unrealized gains from changes in fair value, from financial assets at FVTPL amounted to P65,456,408 and P13,634,768 for the years ended December 31, 2017 and 2016, respectively (Note 26).

NOTE 8 - OTHER CURRENT ASSETS

This consists of:

	2017	2016 <i>(As restated)</i> Note 28
	<i>(In Philippine Peso)</i>	
Prepaid expenses	2,112,561	2,659,411
Accounts receivable - others	-	13,866,611
Deferred debits	-	4,750,751
	2,112,561	21,276,773

Prepaid expenses

This represents prepayments of utilities, supplies, insurance, rent and other assets.

Accounts receivable - others

These represent restatements / correction of prior year balances (Note 28) in relation to the adoption of the initial recognition and subsequent measurement of 'financial assets at amortized cost' (previously reported as HTM investments) as prescribed by the Insurance Commission through its Circular Letter No. 2016-05 dated December 28, 2016 effective January 1, 2017 and as allowed method under CDA.

This also includes the recognition of cumulative net actuarial gains/losses and cumulative net unrealized gains/losses on 'financial assets at amortized cost' (previously reported as HTM investments) to profit or loss which was previously reported under other comprehensive income (OCI).

These would have supposedly affected the statements of operations for the year ended December 31, 2016, however, this is not allowed under the PFRFC. Hence, this account has been properly closed to surplus reserves (Note 20) in 2017.

Deferred debits

This pertains to unidentified charges temporarily charged for reconciliation.

NOTE 9 - FINANCIAL ASSETS AT COST

This consists of various investments in equity securities with other cooperatives which are not quoted in an active market and are expected to be held for more than one (1) year. Income earned from financial assets at cost amounted to P428,832 and P340,692 for the years ended December 31, 2017 and 2016, respectively (Note 26).

NOTE 10 - FINANCIAL ASSETS AT AMORTIZED COST

This consists of:

	2017	2016 <i>(As restated)</i> Note 28
	<i>(In Philippine Peso)</i>	
Government debt securities	670,259,000	615,759,000
Corporate debt securities	119,000,000	89,000,000
	789,259,000	704,759,000
Unamortized discount	(6,100,741)	(6,441,243)
Unamortized premium	21,269,920	21,820,989
	804,428,179	720,138,746

Government debt securities

This pertains to investments in 3 to 25 year peso denominated government bonds with the Bureau of Treasury (**BTr**) with fixed annual interest at stated rates ranging from 3.25% to 8.13% and 3.25% to 9.13% for 2017 and 2016, respectively. Maturity dates range from 2020 to 2040 and 2017 to 2040 as at December 31, 2017 and 2016, respectively.

Corporate debt securities

This pertains to investments in corporate bonds, capital notes and negotiable certificates of deposit with various private entities with fixed annual interest at stated rates ranging from 4.00% to 6.15% and 4.71% to 6.15% for 2017 and 2016, respectively. Maturity dates range from 2019 to 2026 for both 2017 and 2016.

Total recognized investment income which includes the net of amortizations from financial assets at amortized cost amounted to P32,280,661 and P19,086,131 for the years ended December 31, 2017 and 2016, respectively (Note 26).

Total cash outflow from additions to financial assets as amortized cost amounted to P92,521,650 and P204,073,445 for 2017 and 2016, respectively.

Movement of the face value follows:

Balance, January 1	704,759,000	575,286,000
Additions	92,000,000	196,000,000
Matured	(7,500,000)	(66,527,000)
	789,259,000	704,759,000

Movement of the unamortized discount follows:

Balance, January 1	6,441,243	5,346,251
Additions	65,656	1,565,520
Amortizations	(406,158)	(470,528)
	6,100,741	6,441,243

Movement of the unamortized premium follows:

	2017	2016 (As restated) Note 28
	(In Philippine Peso)	
Balance, January 1	21,820,989	14,674,213
Additions	545,306	8,695,109
Amortizations	(1,096,375)	(1,548,333)
	<u>21,269,920</u>	<u>21,820,989</u>

NOTE 11 - INVESTMENT PROPERTY - NET

This consists of:

2017

	Land	Building and improvements	TOTAL
	(In Philippine Peso)		
Cost			
Balance, January 1	107,921,627	40,763,068	148,684,695
Additions	11,926,464	2,156,279	14,082,743
	<u>119,848,091</u>	<u>42,919,347</u>	<u>162,767,438</u>
Accumulated depreciation			
Balance, January 1	-	482,677	482,677
Depreciation	-	2,034,631	2,034,631
Reclassification	-	4,925,485	4,925,485
	-	<u>7,442,793</u>	<u>7,442,793</u>
Net book values	<u>119,848,091</u>	<u>35,476,554</u>	<u>155,324,645</u>

2016

Cost			
Balance, January 1	69,756,771	38,643,531	108,400,302
Additions	38,164,856	2,119,537	40,284,393
	<u>107,921,627</u>	<u>40,763,068</u>	<u>148,684,695</u>
Accumulated depreciation			
Balance, January 1	-	3,495,794	3,495,794
Depreciation	-	298,470	298,470
Reclassification	-	(3,311,587)	(3,311,587)
	-	<u>482,677</u>	<u>482,677</u>
Net book values	<u>107,921,627</u>	<u>40,280,391</u>	<u>148,202,018</u>

The investment property includes a piece of land with 2-storey building located along Tiano and Pacana Streets in Cagayan de Oro City which is being leased out to business establishments. Rental income earned on the Group's investment properties amounted to P3,375,631 and P4,045,060 in 2017 and 2016, respectively, and accounted for under 'Miscellaneous income' in the statements of operations.

Reclassifications pertains to adjustments and transfers of assets previously accounted for as investment property to property, plant and equipment and vice versa (Note 12).

Fair values of its investment properties amounted to P186,705,657 and P183,155,959 as at December 31, 2017 and 2016, respectively. The appraisal was performed by a licensed real estate appraiser using the market data approach and issued a report thereon on March 11, 2017.

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT (PPE) - NET

This consists of:

2017

	Land and improvements	Building and improvements	Office furniture, fixtures and equipment <i>(In Philippine Peso)</i>	Transportation equipment	Construction in progress	TOTAL
Cost						
Balance, January 1	21,600,777	58,880,494	50,514,725	26,605,200	-	157,601,196
Additions	15,000	3,855,060	5,141,414	9,483,212	1,260,042	19,754,728
Reclassification/Disposal	(721,711)	464,845	(3,843,561)	(4,011,504)	-	(8,111,931)
	20,894,066	63,200,399	51,812,578	32,076,908	1,260,042	169,243,993
Accumulated depreciation						
Balance, January 1	4,352,535	23,010,798	29,209,132	12,438,285	-	69,010,750
Depreciation	1,273,205	3,584,950	7,428,107	5,837,883	-	18,124,145
Reclassification/Disposal	(649,539)	(4,275,946)	(3,751,879)	(714,000)	-	(9,391,364)
	4,976,201	22,319,802	32,885,360	17,562,168	-	77,743,531
Net book values	15,917,865	40,880,597	18,927,218	14,514,740	1,260,042	91,500,462

2016

Cost						
Balance, January 1	21,048,521	54,246,577	44,219,781	20,250,433	-	139,765,312
Additions	284,975	4,498,941	8,239,953	6,064,069	-	19,087,938
Reclassification/Disposal	267,281	134,976	(1,945,009)	290,698	-	(1,252,054)
	21,600,777	58,880,494	50,514,725	26,605,200	-	157,601,196
Accumulated depreciation						
Balance, January 1	3,281,751	15,479,986	22,566,199	7,895,876	-	49,223,812
Depreciation	1,200,703	4,425,995	6,137,241	4,403,273	-	16,167,212
Reclassification/Disposal	(129,919)	3,104,817	505,692	139,136	-	3,619,726
	4,352,535	23,010,798	29,209,132	12,438,285	-	69,010,750
Net book values	17,248,242	35,869,696	21,305,593	14,166,915	-	88,590,446

The management believes that there is no indication of impairment on the Group's PPE and that its net carrying amount can be recovered through use in operations. Moreover, no item of PPE was pledged as security for any liability nor were there any contractual commitments for its acquisition.

Reclassifications pertains to adjustments and transfers of assets previously accounted for as PPE to investment property and vice versa (Note 11).

NOTE 13 - OTHER NON-CURRENT ASSETS

This consists of:

	2017	2016 <i>(As restated)</i> Note 28
	<i>(In Philippine Peso)</i>	
Deferred computerization cost	10,687,506	2,929,754
Refundable deposits	1,583,246	1,986,336
Net unreconciled intergroup receivables	-	39,195,917
	12,270,752	44,112,007

Deferred computerization cost

This pertains to accumulated software costs that are yet to be amortized.

Refundable deposits

This represents the security rent deposit on investment properties of the Group that are refundable at the end of the contract.

Net unreconciled intergroup receivables

This represents the net difference of due to/from accounts between the Parent and Subsidiary.

NOTE 14 - RETIREMENT BENEFIT LIABILITY

The Group Employees Retirement Plan is non-contributory and discount benefits provided by the plan using the Projected Unit Credit Method covering all regular and full-time employees entitled to all benefits provided for under the policies formulated by the Board of Directors with consideration to RA No. 7641. Contribution and cost are determined in accordance with actuarial studies made for the plan.

The actuarial valuation of plan assets and the present value of the defined benefit obligation as at December 31, 2017 and 2016 were computed by an independent licensed actuary as shown on its released report dated on March 1, 2018 and March 10, 2017, respectively.

The principal annual actuarial assumptions used in determining retirement benefit obligation of the Group for the year ended December 31, 2017 and 2016 follow:

	2017	2016
Discount rate	5.70%	5.18%
Future salary increase	5%	5%
Average remaining working lives of employees	17.37 years	17.42 years

The overall expected rate of return on plan assets is determined based on market prices prevailing on that date applicable to the year over which the obligation is to be settled.

The sensitivity analysis below had been determined based on the reasonably possible changes in the significant assumption on the retirement benefit obligation as at December 31, 2017, assuming if all other assumptions were held constant:

	<u>Change in assumption</u>	<u>Defined benefit obligation (DBO)</u>	<u>Increase (decrease) in DBO</u>
		<i>(In Philippine Peso)</i>	
Discount rate	<u>Decrease by 1%</u>	<u>21,685,430</u>	<u>3,064,801</u>
Salary increase rate	<u>Increase by 1%</u>	<u>21,471,312</u>	<u>2,850,683</u>
Mortality rate	<u>Increase by 10%</u>	<u>18,450,004</u>	<u>(170,624)</u>

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
	<i>(In Philippine Peso)</i>	
Year 1	622,707	498,825
Year 2	677,808	658,566
Year 3	743,437	669,532
Year 4	1,960,803	1,114,969
Year 5	2,990,360	1,848,019
Year 6	2,156,734	2,567,279
Year 7	1,560,141	1,494,643
Year 8	3,062,334	1,537,112
Year 9	2,088,225	3,425,739
Year 10	4,265,136	1,087,779
Year 11 and up	240,841,233	220,051,904

Retirement benefit liability recognized in the statements of financial condition as at December 31, 2017 and 2016 follow:

Present value of defined benefit obligation	18,620,629	18,119,937
Fair value of plan assets	<u>(13,588,337)</u>	<u>(12,568,322)</u>
	<u>5,032,292</u>	<u>5,551,615</u>

Below is the allocation of plan assets (%):

	<u>2017</u>	<u>2016</u>
Investment in government securities	63.48%	44.99%
Investment in UITF	28.32%	25.30%
Investment in other securities and debt instruments	6.31%	6.94%
Deposits in banks	1.89%	22.77%

Changes in the present value of defined benefit obligation follows:

	2017	2016
	<i>(In Philippine Peso)</i>	
Balance, January 1	18,119,937	12,775,958
Current service cost	2,532,504	1,718,053
Interest cost	939,364	655,400
Actuarial loss (gain) on changes in financial assumptions and experience	<u>(2,971,176)</u>	<u>2,970,526</u>
	<u>18,620,629</u>	<u>18,119,937</u>

Changes in the fair value of plan assets follow:

Balance, January 1	12,568,322	14,225,631
Actual return	<u>1,020,015</u>	<u>(1,657,309)</u>
	<u>13,588,337</u>	<u>12,568,322</u>

Retirement expense (income) recognized in the statements of operations as of December 31, 2017 and 2016 follows:

Current service cost	2,532,504	1,718,053
Net interest expense (income) on net liability	287,804	(74,367)
Actuarial gain on changes in financial assumptions and experience	<u>(2,971,176)</u>	-
Actuarial gain on plan assets	<u>(368,455)</u>	-
	<u>(519,323)</u>	<u>1,643,686</u>

Retirement expense and income is accounted for under 'salaries, wages, officers' and employees' benefits' (Note 23) and 'Miscellaneous income' in the statements of operations, respectively.

NOTE 15 - INSURANCE CONTRACT LIABILITIES AND INSURANCE PAYABLES

This consists of:

Insurance contract liabilities		
Aggregate reserves for life policies	576,415,081	562,756,145
Unearned premium reserve	<u>96,553,599</u>	<u>95,281,943</u>
	672,968,680	658,038,088
Insurance payables	<u>332,315,411</u>	<u>291,944,332</u>
	<u>1,005,284,091</u>	<u>949,982,420</u>

Aggregate reserves for life policies

The amount of insurance contract liabilities (legal policy reserves) and other actuarial items in the financial statement for the years ended December 31, 2017 and 2016, have been computed and certified by the Consulting Agency of the Group 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.

Unearned premium reserve

This represents 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

This represents policy contract claims, claims in the course of the settlement and incurred but not reported claims.

NOTE 16 - TRADE AND OTHER PAYABLES

This consists of:

	2017	2016 <i>(As restated)</i> Note 28
	<i>(In Philippine Peso)</i>	
Accounts payable and accrued expenses	74,218,427	125,319,957
Deferred premium income	12,741,088	8,214,280
Premium advance deposit	-	11,484,419
	86,959,515	145,018,656

Accounts payable and accrued expenses

This pertains to various payables to suppliers, payables to collection agents, and other accrued expenses.

Deferred premium income

This account pertains to premiums received by the Group from member-cooperatives but not yet identified specifically.

Premium advance deposit

This represents the overpayment of member-cooperative for the product availed of.

NOTE 17 - OTHER NON-CURRENT LIABILITIES

This consists of:

Endowment trust fund	30,469,135	21,824,765
Rental and agents' deposits	1,380,909	1,211,386
	31,850,044	23,036,151

Endowment trust fund

This account represents the contributions of 60 member-cooperatives intended to finance the operations of CLIMBS Institute of Financial Literacy (CIFL), an institute established in 2012 dedicated to respond to the training needs of the members.

NOTE 18 - SHARE CAPITAL

This consists of:

	<u>2017</u>	<u>2016</u>
	<i>(In Philippine Peso)</i>	
Preferred shares - P1,000 par value per share		
Authorized - 200,000 shares		
Issued - 200,000 shares in 2017 and 2016	200,000,000	200,000,000
Common shares - P1,000 par value per share		
Authorized - 800,000 shares		
Issued - 800,000 shares in 2017 and 2016	800,000,000	800,000,000
Treasury stocks	(40,469,097)	(40,469,097)
Deposit for future subscriptions	483,741,901	168,523,757
	<u>1,443,272,804</u>	<u>1,128,054,660</u>

The reconciliation of the number of shares outstanding as at December 31, 2017 and 2016 follows:

Preferred shares

	<u>2017</u>	<u>2016</u>
Balance, January 1	200,000	143,384
Issuance	-	56,616
	<u>200,000</u>	<u>200,000</u>

Common shares

Balance, January 1	800,000	506,294
Issuance	-	293,706
	<u>800,000</u>	<u>800,000</u>

The reconciliation of the deposit for future subscriptions as at December 31, 2017 and 2016 follows:

Balance, January 1	168,523,757	784
Additions	315,218,144	168,522,973
	<u>483,741,901</u>	<u>168,523,757</u>

The Group complied with the fixed capitalization requirements of IC in 2017 and 2016 (Note 27.2).

NOTE 19 - STATUTORY RESERVES

This consist of:

General reserve fund	99,911,800	77,638,318
Optional fund	71,202,885	55,823,264
Community development fund	20,973,822	15,141,791
Cooperative education and training fund	17,300,070	27,199,725
	<u>209,388,577</u>	<u>175,803,098</u>

General reserve fund (GRF)

In accordance with the Group's By-Laws, the GRF, which receives 10% allocation every year from its net surplus for distribution, is intended for the stability of the Group and to meet net losses in its operations. The General Assembly may decrease the amount allocated to GRF when the fund already exceeds the share capital. Such excess may be used at any time, 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 Group 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 GRF 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. Allocation to the fund amounted to P19,583,895 and P13,682,146 as at December 31, 2017 and 2016, respectively (Note 1.4).

Optional fund

This fund receives not more than 7% allocation from the net surplus of the Group every year, intended for land and building, and other necessary funds. Allocation to the fund amounted to P13,708,727 and P6,841,073 as at December 31, 2017 and 2016, respectively (Note 1.4).

Community development fund (CDF)

This fund, at the minimum, receives 3% of the net surplus. This is used for projects or activities that will benefit the community where the Group operates. Allocation to the fund amounted to P5,875,169 and P4,104,643 as at December 31, 2017 and 2016, respectively (Note 1.4).

Cooperative education and training fund (CETF)

The CETF is intended for the education and training and other purposes of the Group. Half of the allocation to the fund is remitted to the CETF of the federation or union to which the Group is affiliated. Upon the dissolution of the Group, the unspent balance of the fund shall be credited to the CETF of the federation or union to which the Group is affiliated. Allocation to the fund amounted to P5,875,169 and P10,945,718 as at December 31, 2017 and 2016, respectively (Note 1.4).

NOTE 20 - SURPLUS RESERVES

This pertains to excess aggregate reserves between the amount computed by the Group's Consulting Actuary and the independent computation of IC's actuary department during its examination in 2013. The excess occurred because of the Group's conservative strategy which was to recognize more reserve liabilities than what was legally determined through actuarial computations.

As a response to the findings of the IC examination, the Group obtained approval from the IC to reclassify the overstatement to members' equity.

In 2017, the Group made restatements/corrections in the 2016 comparative figures amounting to P13,866,611 to align with the requirement of IC with regard to the subsequent measurement of certain investment accounts which is also in line with the measurement requirement under PFRFC as required by CDA.

NOTE 21 - LEASE CONTRACTS

21.1 Group as lessee

The Group entered into lease agreements under operating leases with lessors for the lease of the lots and buildings where its area and satellite offices are situated. The lease terms range from 1 to 5 years.

Total rental expense charged to operations amounted to P2,876,139 and P3,497,600 in 2017 and 2016, respectively. Rental expense is presented under 'general support services' in Note 22 as part of general and administrative expenses in the statements of operations.

Future minimum lease payments as at December 31, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
	<i>(In Philippine Peso)</i>	
Due not later than 1 year	1,676,260	1,234,875
Due later than 1 year but not later than 5 years	<u>940,800</u>	<u>3,900,870</u>
	<u>2,617,060</u>	<u>5,135,745</u>

21.2 Group as lessor

The Group entered into lease agreements under operating leases with lessees for the lease of its investment properties. The lease term is 5 years.

Total rental income added to operations amounted to P3,375,631 and P4,332,081 in 2017 and 2016, respectively. Rental income is presented as part of other miscellaneous income in the statements of operations.

Future minimum lease collections as at December 31, 2017 and 2016 were as follows:

Due not later than 1 year	2,879,077	2,753,220
Due later than 1 year but not later than 5 years	<u>6,365,635</u>	<u>6,267,420</u>
	<u>9,244,712</u>	<u>9,020,640</u>

NOTE 22 - GENERAL AND ADMINISTRATIVE EXPENSES

This consists of:

	2017	2016 <i>(As restated)</i> Note 28
	<i>(In Philippine Peso)</i>	
General support services	24,058,710	23,586,899
Travel and transportation	15,199,075	14,233,240
Meetings, conferences and general assembly	14,039,016	13,964,371
Advertising, promotion and allowances	10,154,086	4,366,721
Communications	7,023,976	5,102,555
Power, light and water	3,269,640	2,752,822
Repairs and maintenance	3,151,583	2,118,445
Office supplies	1,979,936	2,624,606
License fees and membership dues	677,133	419,532
Insurance	509,059	526,403
Taxes and licenses	469,049	396,354
Bank charges	21,993	34,014
Miscellaneous	3,230,915	2,514,621
	<u>83,784,171</u>	<u>72,640,583</u>

General support services

This refers to janitorial, security, rental, charitable, delivery and other services incurred by the Group in support of its operations.

Miscellaneous

This refers to other nominal expenses that do not meet any other accounts.

NOTE 23 - SALARIES, WAGES AND OFFICERS' AND EMPLOYEES' BENEFITS

This consists of:

Salaries and wages	43,625,678	42,001,878
Uniforms and other employees' benefit	19,780,443	17,585,846
SSS, PHIC and HDMF counterpart contributions	2,315,475	2,156,695
Retirement expense (Note 14)	-	1,643,686
	<u>65,721,596</u>	<u>63,388,105</u>

NOTE 24 - RELATED PARTY TRANSACTIONS

A related party is a person or entity that is related to the Group that is preparing its financial statements.

- a. A person is related to the Group if that person or that person's close family member:
- i. is a member of the key management personnel of the Group;
 - ii. has control over the Group; or
 - iii. has joint control or significant influence over the Group or has significant voting power in it.

- b. An entity is related to the Group if any of the following conditions applies:
- i. the entity is an associate, subsidiary or joint venture of the Group;
 - ii. the entity is a post-employment benefit plan for the benefit of employees of the Group; or
 - iii. the Group is controlled or jointly controlled by a person identified in (a).

In the ordinary course of its operations, the Group transacts directly or indirectly with its related parties. Significant related party transactions include the following:

24.1 Significant transactions with related parties

The significant transactions with related parties and their effect on the Group's financial statements for the years ended December 31, 2017 and 2016 follow:

Related Parties	Account	Balance, 2015	Net transactions during the year	Balance, 2016	Net transactions during the year	Balance, 2017
<i>(in Philippine Peso)</i>						
Key management personnel	Accounts receivable (Note 6)	9,547,755	410,129	9,957,884	118,569	10,076,453

The amounts of outstanding balances, including their terms and conditions, security, and the nature of the consideration to be provided in settlement, and details of any guarantees given or received are as follows:

Related Parties	Cut-off Period (Year)	Accounts receivable	Terms and Conditions	Nature of consideration to be provided upon settlement
<i>(In Philippine Peso)</i>				
Key management personnel	2017 2016	10,076,453 9,957,884	Policy and mortgage loans have varied terms and conditions.	Cash Cash

No allowances for probable losses were provided for loans and receivables to related parties as at December 31, 2017 and 2016.

24.2 Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director of that Group.

Compensation includes all benefits constituting all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered to the entity. Short-term employee benefits include wages, salaries and social security contributions, paid annual leave and paid sick leave for current employees.

Compensation of the Group's key management personnel consists of salaries and wages, honorariums, per diems and other short-term benefits amounted to P14,990,534 and P9,989,299 for the years ended December 31, 2017 and 2016, respectively.

NOTE 25 - CONTINGENCIES

The Group is a defendant in litigations arising from the normal course of its business in insurance. The disclosures required by Chapter XIX Section 7.2, titled Disclosures about contingent liabilities, of the PFRFC is not disclosed on the grounds that it can be expected to prejudice the Group's position with regard to the outcome of these claims.

NOTE 26 - FINANCIAL INSTRUMENTS**26.1 Categories of financial assets and financial liabilities**

The following tables summarize the carrying values of the Group's financial assets and financial liabilities by class:

	2017	2016 (As restated) Note 28
	<i>(In Philippine Peso)</i>	
Financial assets measured at FVTPL		
Financial assets at FVTPL (Note 7)	401,656,194	494,500,335
Financial assets measured at amortized cost		
Insurance receivables (Note 5)	147,104,521	64,224,253
Loans and receivables - net (Note 6)	44,048,410	26,633,207
Financial assets at amortized cost (Note 10)	804,428,179	720,138,746
Financial assets that are equity instruments measured at cost less impairment		
Financial assets at cost (Note 9)	49,702,961	56,106,810
	<u>1,446,940,265</u>	<u>1,361,603,351</u>
Financial liabilities measured at amortized cost		
Insurance contract liabilities (Note 15)	672,968,680	658,038,088
Insurance payables (Note 15)	332,315,411	291,944,332
Accounts payable and accrued expenses (Note 16)	74,218,427	119,409,723
Endowment trust fund (Note 17)	30,469,135	21,824,765
Interest on capital, patronage and experience refund payable (Note 1)	150,795,997	108,855,464
	<u>1,260,767,650</u>	<u>1,200,072,372</u>

26.2 Items of income, expense, gains or losses on financial assets and financial liabilities

Items of income, expense, gains or losses recognized with respect to financial assets and financial liabilities in the statement of operations follow:

Income on financial assets		
Accounts receivable - net (Note 6)	2,693,716	4,796,566
Financial assets at FVTPL (Note 7)	65,456,408	13,634,768
Financial assets at cost (Note 9)	428,832	340,692
Financial assets at amortized cost (Note 10)	32,280,661	19,086,131
	<u>100,859,617</u>	<u>37,858,157</u>
Expense on financial instruments		
Provision for probable losses (Note 6)	-	4,588,943
Increase in legal policy reserves	27,564,484	133,513,178
	<u>27,564,484</u>	<u>138,102,121</u>

27.1 In accordance and as required by CDA

The capitalization of cooperatives is governed by the provisions of RA 9520 and the regulations which shall be issued by the CDA. The primary objective of the Group's capital management is to ensure that it maintains a strong financial position to support its operations and all other activities undertaken by the Group for the benefits of its member-cooperatives.

Capital sources

As provided in RA 9520, cooperatives may derive their capital from any or all of the following sources:

- Member's share capital contribution;
- Loans and borrowings including deposits;
- Revolving capital build-up which consist of the deferred payment of patronage refund or interest on share capital;
- Subsidies, grants, legacies, aids, donation and such other assistance from any local or foreign institution, public or private;
- Retentions from the proceeds of services acquired /goods procured by members; and
- Other sources of funds as may be authorized by law.

Revolving capital

To strengthen the capital structure of the Group, the General Assembly may authorize the BOD to raise a revolving capital by deferring the payment of patronage refunds and interest on share capital, or such other schemes as may be legally adopted. To implement this provision, the BOD shall issue a Revolving Capital Certificate with serial number, name, rate of interest, date of retirement and such other privileges or restrictions as may be deemed just and equitable.

Capital build-up

It is required under Article 75 of RA 9520 that the bylaws of every cooperative shall provide for a reasonable and realistic member capital build-up program to allow the continuing growth of members' investment in the cooperative as their economic conditions continue to improve.

Limitation on share capital holdings

As provided for by RA 9520, no member of a secondary cooperative other than the cooperative itself shall own or hold more than 10% of the share capital of the Group. The Group was still in the process of compliance with such requirement of law as at and for the years ended December 31, 2017 and 2016.

27.2 In accordance and as required by IC

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 (**BOD**) 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 IC and the amount computed under the Risk-based capital model. The Group fully complied with the externally imposed capital requirements during the reported financial periods. These are the margin of solvency, fixed capitalization requirements and Risk-Based Capital requirements.

Margin of solvency (MOS)

Under the Insurance Code, an insurance company doing business in the Philippines shall maintain at all times a MOS equal to P500,000 or 10% of the total amount of its net premium written during the 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 (DOF) 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 IC. The minimum paid-up capital is pegged at 50% of the minimum statutory net worth.

On June 1, 2012, the DOF Order No. 15-2012 was issued establishing the minimum paid-up capital (PUC) requirements of all insurance and professional reinsurance companies doing business in the Philippines.

In accordance with DOF Order 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:

<u>Amount</u> <i>(In Philippine Peso)</i>	<u>Date applicable</u>
250,000,000	On or before December 31, 2012
400,000,000	On or before December 31, 2014
600,000,000	On or before December 31, 2016
800,000,000	On or before December 31, 2018
1,000,000,000	On or before December 31, 2020

On August 15, 2013, the Congress of the Philippines approved RA No. 10607 "An Act Strengthening the Insurance Industry, Further Amending Presidential Decree (PD) No. 612, Otherwise known as "Cooperative Code", as amended by PD Nos. 1141, 1280, 1455, 1460, 1814, and 1981, and Batas Pambansa Blg. 874,, which superseded DOF Order 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 P1.0 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 P250,000,000. Furthermore, said company must have by December 31, 2016, an additional P300,000,000 in net worth; by December 31, 2019, and additional P350,000,000 in net worth and by December 31, 2022, and additional P400,000,000 in net worth.

In accordance with Chapter XIII- Cooperative Code, Article 107, of RA 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 CDA and the Cooperative sector. But in no case may the requirements be reduced to less than half of those provided for under the Cooperative Code and other related laws. The RA No. 10607, however, has not addressed this matter.

At the end of 2017, the Group's paid up capital amounted to P1,443,272,804, an amount more than the requirement of RA No. 10607 for paid up capital on or before December 31, 2018.

Risk-based capital (RBC) requirements

In October 2006, the IC issued Insurance Memorandum Circular (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 the companies in relation to their investment and insurance risks. Every life insurance company is annually required to maintain a minimum 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.

Through the issuance of Circular Letter (CL) No. 2016-69 dated December 28, 2016, the IC promulgated amendment to the RBC framework which is required to be implemented starting January 1, 2017.

The Insurance Cooperative's RBC ratio can be determined only after change to the final RBC ratio is submitted to the IC on or before April 30, 2018.

NOTE 28 - RESTATEMENTS / CORRECTION OF PRIOR YEAR BALANCES

Details of restatements/corrections made in 2016 comparative figures are as follows:

	Notes	As at December 31, 2016 (As previously reported)	Restatements / Reclassifications	As at December 31, 2016 (As restated)
Statements of financial condition				
<u>Current assets</u>				
Cash and cash equivalents	a,b,	911,318,446	(4,200,000)	907,118,446
Loans and receivables - net	c,d	30,629,182	(3,995,975)	26,633,207
Financial assets at FVTPL	a,e,f	-	494,500,335	494,500,335
Other current assets	d,i,k	-	21,276,773	21,276,773
<u>Non-current assets</u>				
Financial assets at cost	b,c,g	8,356,000	47,750,810	56,106,810
Available-for-sale (AFS) financial assets	f,g	525,540,107	(525,540,107)	-
Financial assets at amortized cost	h	-	720,138,746	720,138,746
Held-to-maturity (HTM) investments	d,e,h	728,572,964	(728,572,964)	-
Other non-current assets	i	51,522,169	(7,410,162)	44,112,007
		2,255,938,868	13,947,456	2,269,886,324
<u>Current liabilities</u>				
Trade and other payables	c,j	164,304,807	(19,286,151)	145,018,656
<u>Non-current liabilities</u>				
Other non-current liabilities	j	-	23,036,151	23,036,151
<u>Members' equity</u>				
Cumulative net unrealized gains (losses) on AFS financial assets	k	(3,356,295)	3,356,295	-
Cumulative net remeasurement gains (losses) on retirement benefit payable	k	(6,841,161)	6,841,161	-
		154,107,351	13,947,456	168,054,807
	Notes	As at December 31, 2016 (As previously reported)	Reclassifications	As at December 31, 2016 (As restated)
Statements of operations				
<u>Benefits and operating expenses</u>				
Collections costs	l	388,692,223	5,852,605	394,544,828
General and administrative	l,m	78,734,561	(6,093,978)	72,640,583
Salaries, wages, officers' and employees' benefits	m	63,146,732	241,373	63,388,105
		530,573,516	-	530,573,516

The restatements/corrections made in the 2016 balances were due to the following items:

- Restatement is made to transfer an investment which amounted to P1,000,000 that was previously classified as cash and cash equivalents in 2016 to 'financial assets at FVTPL' (Note 7).
- Restatement is made to transfer an investment which amounted to P3,200,000 that was previously classified as cash and cash equivalents in 2016 to 'financial assets at cost' (Note 9).
- Restatement is made to recognize investment which amounted to P5,000,000 where P1,250,000 was partially paid and previously classified as loans and receivables and P3,750,000 was the unpaid subscribed portion to recognized as 'trade and other payables' (Note 16).

- d. Restatement is made to bring the HTM investments (as previously reported) to the proper initial recognition and subsequent measurement in accordance with the PFRFC and financial reporting framework as required by CDA and IC, respectively. This amounted to P3,669,155 and had been temporarily lodged to 'other current assets' (Note 8) as at December 31, 2016 and subsequently closed to surplus reserves in 2017 (Note 20).
- e. Reclassification is made to transfer an investment which amounted to P7,511,038 that was previously classified and reported as HTM in 2016 to 'financial assets at FVTPL' (Note 7).
- f. Reclassification is made to transfer portion of AFS financial assets (as previously reported) which amounted to P485,989,297 to 'financial assets at FVTPL' (Note 7) in accordance with CDA revised SCA for cooperatives.
- g. Reclassification is made to transfer remaining AFS financial assets (as previously reported) which amounted to P39,550,810 to 'financial assets at cost' in accordance with CDA revised SCA for cooperatives.
- h. Reclassification is made to transfer HTM investments (as previously reported) which amounted to P720,138,746 to 'financial assets at amortized cost' in accordance with CDA revised SCA for cooperatives.
- i. Reclassification is made to transfer portion of other non-current assets which amounted to P7,410,162 to 'other current assets' in accordance with CDA revised SCA for cooperatives.
- j. Reclassification is made to transfer portion of trade and other payables which amounted to P23,036,151 to 'other non-current liabilities' in accordance with CDA revised SCA for cooperatives.
- k. Restatement is made to close OCI accounts, specifically cumulative net actuarial gains/losses and cumulative net unrealized gains/losses on available-for-sale (AFS) financial assets in accordance with the PFRFC as required by CDA. This amounted to P10,197,456 and has been temporarily lodged to 'other current assets' (Note 8) as at December 31, 2016 and subsequently closed to surplus reserves in 2017 (Note 20).
- l. Reclassification is made to reclassify agents' awards and incentives (previously reported under general and administrative expenses) which amounted to P5,852,605 to 'collection costs'.
- m. Reclassification is made to reclassify SSS, Philhealth and Pag-ibig employer's share (previously reported under general and administrative expenses) which amounted to P241,373 to 'salaries, wages, officers' and employees' benefits'.

NOTE 29 - EVENT AFTER THE REPORTING PERIOD

The financial statements in 2017 and 2016 were approved for final release by the BOD in its meeting held on March 22, 2018.



STATEMENT OF OPINION

I, Panfilo P de la Paz, consulting actuary of CLIMBS, express the opinion that, based on the data supplied to me by the Accounting and IT Departments of CLIMBS, the legal certificate/policy reserves and claim reserves of the Cooperative as of 31 December 2017 amounting to

- P **569,713,476.47** (individual/group life insurance contracts)
- P **8,688,573.25** (MAS plan)
- P **306,105,043.75** (claims reserve liability)

are adequate and accurate. The calculations of the legal certificate/policy reserves are based on reasonable actuarial assumptions and are in accordance with generally accepted actuarial principles. The due and unpaid policy and contract claims were derived solely from the inventory of such claims conducted by CLIMBS as of December 31, 2017. The Incurred But Not Reported (IBNR) reserves was derived using the chain-ladder method on claims recorded for the last 24 months. Loss development factors were derived by taking the simple average of the smallest 15 duration factors.

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

21 March 2018

ANNEX "A"

A. Assets

1. Net life insurance premiums and annuity considerations due and uncollected	3,374,023.96
2. Accident and health premiums due and uncollected	Nil

B. Liabilities

1. Aggregate reserve for life policies and contracts	569,713,476.47
2. Aggregate reserve for accident and health policies	Nil
3. Supplementary contracts without life contingencies	Nil
4. Policy and contract claims	
4.1 Due and unpaid	134,145,430.46
4.2 In course of settlement:	
4.2.1 Resisted	7,789,380.42
4.2.2 Others	Nil
4.3 Incurred but not unreported (less reinsurance)	164,170,232.87
4.4 Total (Gross)	306,105,043.75
4.5 Add: Reinsurance assumed on reported claims	Nil
4.6 Less: Reinsurance ceded on reported claims	Nil
4.7 Net Liability	306,105,043.75
5. Provision for policyholders' dividends and experience refund payable in following calendar year – estimated amount	Nil
6. Amount provisionally held for deferred dividend policies not included in Item 5	Nil
7. Policy and contract liabilities not included elsewhere:	
7.1 Surrender values on cancelled policies	Nil
8. "Cost of collection" on premiums and annuity considerations uncollected in excess of total loading thereon	Nil
9. Aggregate equity value reserves for MAS Plan	8,688,573.25

C. Net deferred premium Nil

D. All other accounts, if any, as may have to be certified to by the Actuary. Nil

* all figures are in Philippine Pesos

CLIMBS
2017 Valuation Results



STATEMENT OF OPINION

As regards MAS certificate loans, I, **Panfilo P de la Paz**, Consulting Actuary of CLIMBS, based on the data supplied to me by their Accounting and IT departments, to the best of my knowledge and belief, after conducting such tests as I have deemed necessary, expresses the opinion that:

1. the certificate loan balances (contribution and equity loans) as of 31 December 2017 amounting to **2,625,723.77** bear reasonable relationship with the corresponding member equity values; and
2. for the certificates with loan balances, appropriate reserves have been set up, on a basis consistent with prior years and generally accepted actuarial principles.

The tests consisted of matching the certificate loans' files with the in-force file on a random basis. Similarly, the individual certificate loan balances were matched with the certificate's equity values.

PANFILO P. DE LA PAZ
Consulting Actuary
PTR No 3941

21 March 2018

Dear Shareholders,

As we celebrate the 46th fruitful year of existence in the insurance business, CLIMBS Life and General Insurance Cooperative continues to strengthen its market reach and services to our valued members and to our community to become more a byword to the Cooperatives we serve. The Audit Committee continues to be vigilant in its oversight functions in aid to the Board of Directors especially in its internal controls, statutory compliance taking into consideration the insurance mandate and the present economic environment.

The Audit Committee together with the Internal Auditors conducted meetings with the Management and the External Auditor as we continue to monitor and evaluate compliance of the previous exceptions and recommendations for regulatory compliance and audit findings. The Committee conducted an extensive review on Audit Findings by the Internal Auditors for Luzon area of operations as a realignment of its Strategic Territory Management. The Audit Committee after its review on various audit exceptions and the exceptions made by the Internal and External Auditors, noted that Management had done its part in compliance and adherence with the Cooperative Principles and observance with the rules and regulations mandated by the Insurance Commission and likewise ensuring internal controls and risk management in place.

The Committee in its oversight function in aid to the Board of Directors reiterates that it does not act as police to the Management but assists Management in its compliance to regulatory requirements and to act proactively. We recommend improvements and establish policies where internal control weakens or out-dated.

We humbly submit to the General Assembly the result of the audit activities, its level of compliance on the following key issues:

Key Audit Areas:

The Audit Committee presents the summary of audit work conducted for the year ended 2017 by the Committee itself, the Internal Audit, and the External Auditors as follows:

	TOTAL AUDIT EXCEPTIONS FOR 2017	IMPLEMENTED AS OF DEC 31, 2017	PARTIALLY/UN IMPLEMENTED AS OF DEC 31, 2017
1. AUDIT COMMITTEE'S FINDINGS	16	11	5
2. EXTERNAL AUDIT INTERIM FINDINGS	9	6	3
3. INTERNAL AUDITORS' FINDINGS FOR 1st & 2nd QUARTER OF 2017	19	10	9
4. INTERNAL AUDITORS' FINDINGS FOR LUZON OFFICES	14	1	13
TOTAL	58	28	30

It is to be noted however that all the pending key audit exceptions of the Audit Committee, Internal Audit, and External Auditors were complied with by the Management as per audit review dated March 21, 2018.

Governance:

The Committee reports the Management's compliance to the following exceptions on Policies which were already manualized and put in place:

1. Travel Policies and Procedures
2. Code of Ethics
3. Property, Equipment, and Acquisition Policies
4. Human Resource Policies

During the last Joint Officers’ Meeting (JOM) on March 22, 2018, the JOM approved the Audit Committee’s recommendation to create Remuneration Committee as mandated by the Insurance Commission.

Moreover, the Committee reviewed the policies and guidelines prepared and implemented by the Management in its operations. Thus, the following Manual Policies were finalized and formalized for implementation, which shall be reviewed every 3 years or as need arises.

1. Operational Policy Manual
2. Financial Investment Policy
3. Succession Plan Manual

Internal control measures are reinforced by reviewing and revisiting policies and finally have it manualized for future references.

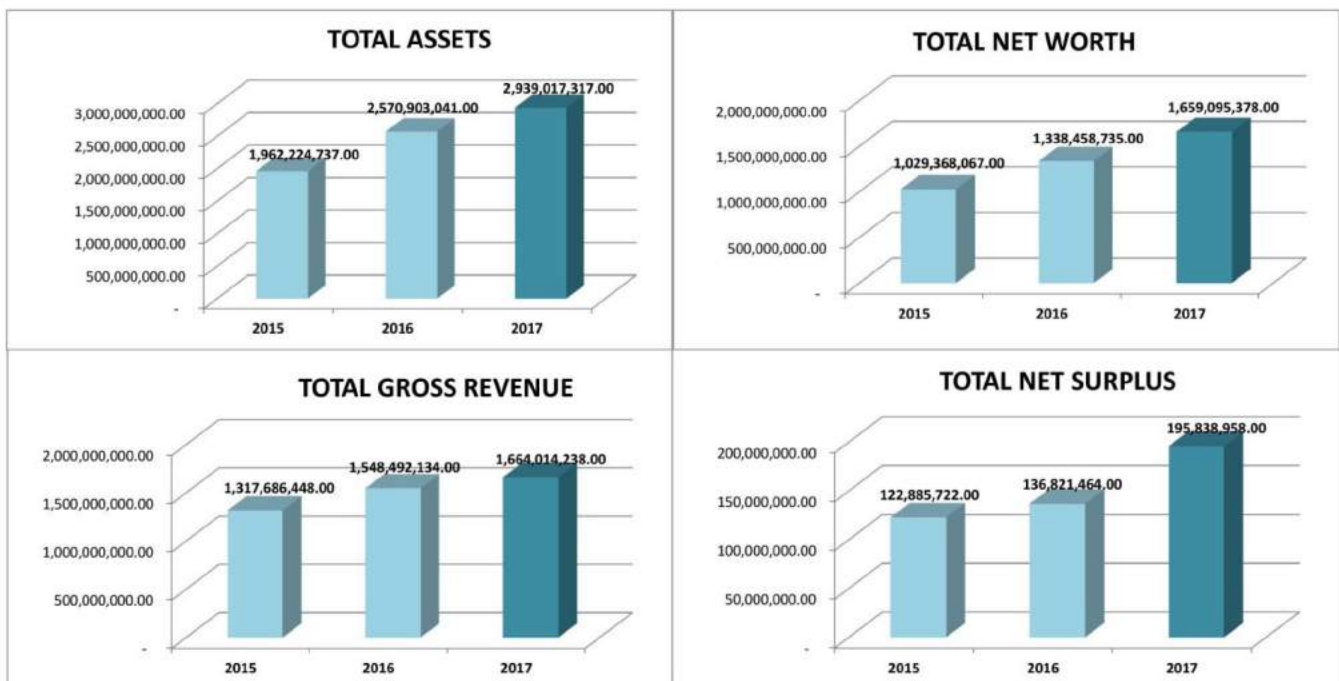
Internal Control:

Per our review and assessment of the Internal Control, the Management has established and maintained adequate accounting records and internal control procedures to safeguard our assets in CLIMBS. The Committee observed the enhancement in the automation of the continuous and increasing collection performance.

The Committee through the Internal Audit report was able to work with the Management for its staff to learn and understand better internal control measures. Trainings on basic importance and knowledge about internal control system were conducted for all the staff of CLIMBS that aims to improve and maximize the wealth of each Member-Cooperative.

Financial Highlights:

During the year under review, CLIMBS reached total assets of P2.9B which is higher by 14.32% of the previous year. Management was able to earn a consolidated net surplus of P195M which registered as 43.13% increase from the previous year. Comparative data are as follows:



RATIO ANALYSIS						
	INSURANCE COMMISSION STANDARD	2017	2016	REMARKS		
Debt/Equity Ratio	<100%	77%	91%	WITHIN STANDARD		
Current Ratio	>1	1.47	1.26	ABOVE STANDARD		
Margin of Solvency	>100%	230%	210%	ABOVE STANDARD		
CAPITAL STRUCTURE - INSURANCE CODE						
	MINIMUM REQUIREMENT	2017	2016	REMARKS		
Paid-Up Capital	2017 - P600,000,000	P1,443,272,804	P1,128,054,660	COMPLIANT		
	2016 - P600,000,000			COMPLIANT		
Net Worth	2017 - P550,000,000	P688,302,514	P421,320,395	COMPLIANT		
	2016 - P275,000,000			COMPLIANT		
Reserve Requirement	2017 - P137,500,000	P690,580,801	P627,604,151	COMPLIANT		
	2016 - P137,500,000			COMPLIANT		
Risk Based Capital Ratio	2017 - >100%	*L - 122% NL - 785%	L - 147% NL - 271%	COMPLIANT		
	2016 - >100%			COMPLIANT		
PROFITABILITY PERFORMANCE		CDA STANDARD	2017	2016	STANDARD POINTS	POINTS EARNED 2017
Profitability Ratio		>30%	11.10%	8.99%	5	3
Earnings per Share Ratio		>P250	P182.87	P192.35	5	5
Assets Efficiency Ratio		>20%	6.66%	5.32%	5	2
Rate of Interest in Share Capital		>Inflation Rate	11%	11%	5	5
INSTITUTIONAL STRENGTH		CDA STANDARD	2017	2016	STANDARD POINTS	POINTS EARNED 2017
Net Institutional Capital		>10%	22%	25%	6	6
STRUCTURE OF ASSETS		CDA STANDARD	2017	2016	STANDARD POINTS	POINTS EARNED 2017
Percentage of Non-Earning Assets to Total Assets		<10%	5%	6%	5	5
Members' Equity to Total Assets		40%-50%	49%	45%	5	5
External Borrowings		0%	None	None	5	5
OPERATIONAL STRENGTH (STAYING POWER)		CDA STANDARD	2017	2016	STANDARD POINTS	POINTS EARNED 2017
Volume of Business to Total Assets		100% of Company Target	60%	60%	5	3
Solvency		>100%	204%	224%	5	5
Liquidity		15%-30%	39%	30%	5	4
Cost per Volume of Business		<0.25	0.10	0.10	5	5
Administrative Efficiency		<10%	3%	3%	5	5
			TOTAL		66	58

Legend : * Data pertains to Oct 31, 2017 measurement and evaluation of Compliance Officer

Audit Committee Recommendations:


The Committee recommends for confirmation and approval to the General Assembly on the following items:

1. Creation of Remuneration Committee as per Insurance Commission Circular 31-2005; and
2. Recommendation to hire SGV as our next External Auditors for the year ended 2018

With thanksgiving and praises to our Almighty God who made all things possible for another fruitful year, we commend the Management and Staff for the prompt, immediate and proactive action done to implement the recommended improvements to strengthen internal control and mitigate risks in our operations. We also thank the Board of Directors and the Committee Officers for the all-out support afforded to the Audit Committee.

Lastly, we thank all the members and affiliates for their continued support and patronage to CLIMBS products and services.

Happy 46th Anniversary! Mabuhay!


MIRIAM R. BALOYO, CPA
Chairperson


JUANITO P. ROSINI, PH.D.
Vice-Chairperson


MAREE DEE B. BELAGAN, CPA
Secretary

CLIMBS Life and General Insurance Cooperative

Election Committee Report For the Year 2017

Dear Shareholders,

I. About the Report & Rule

The Election Committee is mandated to supervise all elections and election related matters of CLIMBS. This report provides an assessment of our election guidelines in terms of its responsiveness, adequacy and fairness. Further, its implementation will ensure proper elections and appointments of qualified candidates to the officership of CLIMBS.

II. Results of the CLIMBS AGA 2017 Elections

A total of 697 Cooperatives-Members were registered to vote in the 2017 CLIMBS AGA elections. Of these 626 voted. A total of 12 candidates campaigned to be elected for 7 vacant seats (3 seats Board of Directors, 2 seats for Audit Committee & 2 seats for Election Committee).

The consistent primary concern of the ELECOM is to make sure that honest and orderly elections are done in a fast and accurate manner. Further, it ensures that authorized voting delegates can vote easily (electronically), and their votes are accurately counted for and all are able to cast their votes within the given time.

The ELECOM also ensures the dependability and reliability of the election process being used thereby sustaining the high levels of satisfaction of all CLIMBS member-investors.

III. Vacancies in the CLIMBS AGA 2018 Elections:

1) Board of Directors

Top 5 Shareholders	= 2 seats
Luzon	= 1 seat
Visayas	= 2 seats
Mindanao	= 1 seat
Independent	= 2 seats

2) Audit Committee = 1 seat

3) Election Committee = 0 seat

Deadline for the Filing of Certificate of Candidacy. By email (election@climbs.coop) The Election Committee will COMMENCE receiving Certificates of Candidacy (COC) on March 1, 2018. The deadline for the filing of the COC is at 8:00PM on April 20, 2018. COCs filed by email, the original copies thereof must be submitted by the candidates to the ELECOM on April 20, 2018 on or before 8:00PM.

Note: Attached is the Election Guidelines for this 2018 CLIMBS Elections.

IV. Proposed Amendments to the By-laws of CLIMBS

As a result of the Committee meeting done jointly with the Board of Directors and with the objective among others, to widen the scope/number of directorship, the Elecom with the concurrence of the Board of Directors, does hereby we recommend the following proposed amendments:

- The number of the Board of Directors would be increased to two (2) seats, from eleven (11) to thirteen (13)
- The aggregate share capital would no longer be the basis for the allocation of numbers of seats per island region of Luzon, Visayas and Mindanao.

- Each island region is allocated 2 seats regardless of the aggregate amount of the share capital.
- The 2 Independent Directors after their qualifications shall have been screened by the Elecom pursuant to the standard set forth in the CLIMBS By-laws, shall be nominated/appointed by the Board of Directors.

Respectfully submitted.

Done this 22nd day of March, 2018 at CLIMBS, Cebu City.



ATTY. JOSE AGERICO R. DE GUZMAN



ALEXANDER B. RAQUEPO



ATTY. ROLANDO C. CASAWAY
Chairperson

CLIMBS Life and General Insurance Cooperative

GAD Committee Report For the Year 2017

Dear Shareholders,

A year after the Committee conducted its first GST Training in September 30, 2016 , several trainings were conducted for the CLIMBS staff, as it mainstreams GE in the organization. Gender Sensitivity Trainings (GST) were conducted in the area offices - February 12, 2017 in Quezon City, March 3, 2017 in Cebu City and May 23, 2017 in Davao City. There will be several trainings for the remaining staff and new-hires in order to raise awareness and appreciation of the Gender and Development program in CLIMBS.

Several personnel also underwent a TOT with the GERC at the Eagle's Ridge resort in Davao City last August 29 – September 1, 2017 which equipped the CLIMBS GAD trainers pool through the CLIMBS Institute.



The team, composed of Donna Dizon , June Blanche Pamplona , Roxan Aliboyog , Arvie Pagtulon-an , Ruel Arsua and Junvic Item passed the “revalida” held in Tagum City last October 16-17, 2017 with Chairperson Norma Pereyras leading the panel.

Remarkably, the Committee partnered with the CLIMBS Institute for Financial Literacy for the conduct of GST in identified cooperatives as an entry point for creation of and accelerating Coop Assurance Centers (CACs) among women. This partnership was acknowledged and supported by the Board of Directors during its November 10, 2017 meeting. These trainings will educate and capacitate women on

livelihood opportunities through the CACs, making them partners of economic growth and a unique distribution channel of CLIMBS.

The Trainers pool, together with the GAD Committee members, conducted its first GST and initial detailing in Kapitalong Cooperative with its key officers and implementers last November 24, 2017. Another training is set in 2018 in preparation for the project roll-out.



In celebration of the Women's month in March 2018, there will be trainings and other related activities lined up such as courtesy meetings with the Philippine Commission on Women and the Cooperative Development Authority to present the CLIMBS GST activities and modules as the Gender and Development program is being mainstreamed in the cooperative's plans and activities, not only in the organization but also notably as a vehicle for CLIMBS' promotion of inclusive financial growth – one that empowers women through livelihood opportunities in the Coop Assurance Centers.

Very truly yours,


NORMA R. PEREYRAS
Chairperson


MARLENE D. SINDAYEN
Vice Chairperson


Dr. IRMA E. CRUZ
Secretary

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International Cooperative Mutual Insurance Federation - Website: www.icmif.org
Asia Oceana Association - Website: www.aaa-icmif.org
National Federation and Confederation of Cooperatives in the Philippines
Mass-Specc Cooperative Development Center - Website: www.mass-specc.coop
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Philippine Chamber of Commerce
Website: <http://www.philippinechamber.com>
People Management Association of the Philippines
Website: <http://www.pmap.org.ph/>

CLIMBS

Milestones

1971 2000

Credit Life Mutual Benefit Services Association was established.

Registered with SEC as **Coop Life Mutual Benefit Association** and later with CDA.

Licensed by Insurance Commissions as MBA.

The **Coop Assurance Center** was conceptualized and become a registered trademark owned by **CLIMBS**.

2001 2010

Coop Life Assurance Society of the Philippines (CLASP), an insurance company was born.

CLIMBS the MBA and CLASP the insurance company was merged.

IC granted the composite insurance license to **CLIMBS Life and General Insurance Cooperative**.

Organized its own general agency, **Coop Life General Insurance and financial Services Agency (CLIFSA)**.

2011 2017

Constructed its 5-story building in Bulua and renovated its Tiano-Pacana property into a 6-story commercial building.

Established its additional subsidiaries:

CLIMBS Institute for Financial Literacy (CIFL)

CLIMBS Share Capital Equity Investment Fund Corporation (CSCEIFC)

CLIMBS Investment Management And Advisory Corporation (CIMAC)

Cosmopolitan CLIMBS Life Plan Inc. (CCLPI)

2018 >

Real Estate

To continue CLIMBS real estate plans.

Banking

To pursue the project that will provide complete coop banking services.

