



2022
ANNUAL
REPORT



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Message from KGI MBA President

Our association prides itself on being a community of like-minded individuals and organizations, who is committed to protect low –income Filipino household from life-cycle risk. Through our collective efforts, we have achieved significant milestones that have allowed us to grow and evolve in the ever-changing landscape of our industry.

Through our innovative programs and services, we have worked hard to provide innovative solutions that meet the evolving needs of our members, while ensuring that we maintain the highest standards of excellence, integrity, and customer service. Our partnerships with local organizations, governments, and other stakeholders have allowed us to expand our reach and make a positive difference in the lives of individuals and families facing challenging circumstances.

As we look ahead to the future, we remain committed to our core values of love, teamwork, respect, integrity, service, and excellence. We will continue to innovate and adapt to changing market conditions, while remaining true to our commitment to provide the highest level of service, and increase our impact.

None of this progress would be possible without the unwavering dedication and support of our members and partners. Your dedication, passion, and hard work inspire me and everyone else in this association. Let us continue to work together to achieve our common goals and make a positive impact on our industry and society.

I would like to take this opportunity to express my deepest gratitude for your continued commitment to our mission. Together, we can continue to build a more inclusive and sustainable world for all.

I am grateful for your continued support and partnership. Let us continue in giving service to prove that, sa KGI MBA, “Pamilya ay Nakaseguro, Benepisyo ay Sigurado”



Mrs. Susan E. Pajalla
President

Message from KGI MBA General Manager

Another year has been added to the year of our association in serving our members. A year full of challenges but a year full of lessons and successes for all of us. It was not easy for us to get to this state, especially since the pandemic that made the whole world suffer, has just ended. But all these events will give us more reason to work harder to improve our products and services for our members.

Despite these challenges, we still have things to thank the Lord for.

First, is the free coverage for all our members from the Protektahanan Insurance Plan from RMSI. We thank our hardworking board of trustees for this effort. This insurance has added social protection to our members for a year, thus an achievement for the association to celebrate. Furthermore, we have received the approval of our Enhanced Basic Life Insurance Plan and our new product HAPI Plan or Hospitalization Assistance Pampamilya Insurance Plan. This innovation and new product will be rolled out to our branches next year so that the benefit will be experience by our members. Moreover, the system that we've been waiting for to help us make our reporting to our regulatory bodies easier is now on the process for roll out to the branches of our partner MFI. KGI MBA was also recognized for this year as one of the Top 10 MBA's in the Philippines by the Insurance Commission through the Institute of Corporate Directors in the recent awarding of insurance companies for the ACGR.

All this achievements will never be possible without the support of you, our beloved members, for continuing in believing and putting your loyalty to the program. To our Board of Trustees who works hard to make things possible for the benefit of our member-beneficiaries. To our partner MFI, the managers and center managers, who continuously helps us in marketing the products and services of the Association and to our MBA Coordinators who helps us educate our members about our products and services.

We commit t o continue to strive harder and soar above all the challenges that we may face to continue in serving our member-beneficiaries.

Above all, to our Lord who never leave us nor forsake us, to You belongs all the glory!

Mrs. Mary Jane N. Concepcion
General Manager



OUR ASSOCIATION

Every year, the Board of Trustees and the Management reviews the Vision and Mission of the association as well as its Goals and objectives if they are still aligned in the work that the staffs and the association as a whole. With the collaboration and review of the strategic plans, the association resolved to maintain the following statements:



VISION

“By year 2028, KGI-MBA is one of the 5 leading Mi-MBA’s in Luzon.”



MISSION

“Protect low-income Filipino households from life-cycle risks.”



GOALS AND OBJECTIVES

1. To extend financial assistance to its members, spouse, children and parents in the form of death benefits, sickness benefits, provident savings and loan redemption assistance;
2. To ensure continued access to benefits/ resources by actively involving the members in the management of the association that will include implementation of policies and procedures geared towards sustainability and improved services.



VALUES

Love
Teamwork
Respect
Integrity
Service
Excellence



OUR PRODUCTS AND SERVICES

BASIC LIFE INSURANCE PLAN (BLIP)

Basic Life Insurance Plan is provided to all eligible members and their beneficiaries as well as the staff of partner microfinance institution KGMI. Members contribute Php50.00 weekly all for Death, Hospitalization and Total and Permanent Disability benefits.



CREDIT LIFE INSURANCE PLAN (CLIP)

CLIP is an insurance coverage offered to all BLIP members from our partner MFI to insure their loans up to a maximum amount of Php300,000.00 while paying only Php10.00 per thousand per year.



EQUITY VALUE REFUND

A member is entitled to an equity value equivalent to at least FIFTY PER CENTUM (50%) of his/her total gross contributions paid, and an interest is credited annually, which can be refunded upon exit to the program.



CALAMITY RELIEF ASSISTANCE

KGI MBA also focuses on giving assistance to its members through relief assistance, whenever they are affected by flood, fire, typhoon and other perils that may affect them. The relief consists of enough goods for a family of four that they may use for a day after the event.

ASSOCIATION'S OBJECTIVES

KGI MBA's Board of Trustees and the Management considers 2022 as a year of redemption for the association given the challenges it faced during the last 2 years of pandemic. The association aims to achieve the following in 2022:

1. Increased number of members by 1800 at the end of the year;
2. Secure IC approval of the Enhancement of existing Basic Life Insurance Plan and the new product Hospitalization Assistance Pampamilya Insurance Plan (HAPI Plan);
3. On-time compliance of regulatory requirements;
4. Prepare documents for application of tax exemption;
5. Strengthen leadership competencies of KGI MBA staffs and BoT's by providing and attending at least ten (10) mandatory trainings and other training opportunities for capacity development;
6. Cover all active members of the association in the Protektahanan Insurance of RMSI as still part of the associations 10th Year Anniversary Celebration; and
7. Improve the associations Ratios and Performance for financial and non-financial aspect.



OPERATIONS AND FINANCIAL HIGHLIGHTS

FINANCIAL PERFORMANCE

Still recovering from the pandemic, KGI MBA's assets declined by a little 1% from its 2021 balance ending at 77.5M in 2022. There's also a slight decrease in the liabilities and fund balance because of the provisions for tax exemption for the year.

Report shows that the association is still at a loss in the income for the year due to the open cases of provisions that was expected to be reversed but did not because the provision is still in effect due to the extended date of filing of AFS last 2021.

Despite the decrease and loss in income, with high liquidity ratio of 482.06% compared to the IC standard of 100%-120% and a solvency ratio of 161.11% versus the standard of 110%, KGI MBA has more than enough cash and cash equivalents to pay for the members' claims and meet its current obligations. In managing the associations high liquidity ratio, the management and the board intends to invest in other investment facilities that does not require IC approval so that the investment can be done fast. In terms of solvency, the association has sufficient admitted assets to cover all liabilities, including claims of members, after satisfying the minimum margin of solvency requirement, the Guaranty Fund, as per the approved and verified Annual Statement of the association by the Insurance Commission.

FINANCIAL HIGHLIGHTS

PARTICULAR	2022	2021	INC/(DEC)
Assets	P 77,564,280	P 78,430,218	(1%)
Liabilities	43,134,967	43,412,259	(.6%)
Fund Balance (Guaranty Fund +Net Surplus+RE)	34,429,313	35,017,959	(1.7%)
Net Income/(Loss)	(588,646)	(558,958)	5.3%
Members' Contribution	11,240,400	12,404,450	(9.4%)
Premium	1,108,922	1,063,500	23.4%

CLAIMS

BASIC LIFE INSURANCE PLAN (BLIP)

KGI MBA started operating and giving benefits in 2013. Below are the figures achieved in 2021 and 2022 respectively and the cumulative numbers and amounts disbursed as of 2022.

PARTICULAR	2022	2021	CUMULATIVE
I. Death	P 1,500,000	P 2,487,000	P 24,353,000
Member	25	45	387
Spouse	9	26	47
Child	34	1	820
II. HBRB	P 195,823	P 153,559	P 31,047,991
Member	116	87	3,507
Spouse	22	25	1,194
Child	28	24	1,883
III. TPD	-	P 30,000	P 205,000
Member	-	1	7
Spouse	-	-	2

CREDIT LIFE INSURANCE PLAN (CLIP)

KGI MBA's CLIP was approved in 2017 and implemented on the last quarter of the year. Below are the figures achieved in 2021 and 2022 respectively and the aggregate amount of disbursement as of 2022.

PARTICULAR	2022	2021	CUMULATIVE
Total Insured Policies	13,929	14,228	92,329
Death Benefit	P 203,000	P 521,000	P 2,014,000
Number	19	35	161

ENHANCED BASIC LIFE INSURANCE PLAN (BLIP) AND HAPI PLAN OPERATIONS TRAINING

For better and greater benefits for KGI MBA members, the association, with the help of MiMap, made a comprehensive study regarding the new and improved basic life insurance plan. This is intended to provide better benefits to members without having to increase their contribution every week. Along with this enhancement is also the creation of new hospitalization benefits for members. This is the Hospitalization Assistance Pampamilya Insurance Plan or HAPI Plan. The association assured that this new product will satisfy the members because of the increased benefits but without additional fees and the same process as HBRB.

On October 10, 2022, the said BLIP enhancement and new HAPI Plan product was approved by the Insurance Commission, a signal for it to be implemented among the members of the association.

That's why in October 26-27, 2022, KGI MBA immediately had an operations training for the branch managers of its partner KGMI so that it can be properly implemented among the members. The training was hosted by MiMap and was held in Subic, Zambales.

The new and improved BLIP and HAPI Plan was implemented in KGMI branches on January 9, 2023.



PROTEKTAHANAN INSURANCE PLAN COVERAGE

Still as part of KGI MBA's 10th anniversary, the Board of Trustees proposed to provide free insurance for members of the association through the Protektahanan Insurance Plan, an insurance plan from RMSI which is also the association's partner in providing comprehensive and low-cost insurances for members.

The said proposal aims to give satisfaction to the members that they will be given additional insurance without paying anything as the associations gratitude to their never ending support to the program. The Protektahanan Insurance Plan costs P100.00 if it covers only the member and P200.00 if the family is included in the benefit. The insurance plan covers personal accident and fire cash assistance. There were 2,879 members who were given the free insurance which amounted to P287,900.00 in total cost.

The association also encouraged the members that if their coverage of this free benefit ends, they should continue it so that their family can have additional benefits.



TURN OVER OF E-MUTUALS

MiMAP and KGI MBA signed in September 15, 2022 the 'Project Acceptance and Completion' as well as the "Maintenance Agreement" after the successful replication of e-MUTUALS for KGI MBA.

e-MUTUALS (electronic-MBA Unified Technology for a User-friendly and Accurate Logging System) is an online Mi-MBA application system for data management that was developed by MiMAP with its technology partner, LoudCloud.

The partnership of KGI MBA and Rimansi's e-MUTUALS started in 2019 through Loudcloud representative Mr. Gerry Roxas and Rimansi's Mr. Robert Aspe. The system is expected to run and used by the branches of KGMI on the 3rd quarter of 2023 to further enhanced its reporting capacity and storage of data of the members. Reports needed to submit to the MBA's regulator such as Insurance Commission is also included in the reports that the system can generate.



OTHER ACHIEVEMENTS

KGI MBA, for the second time, was acknowledged as one of the Top 10 Mutual Benefit Association in the 2021 ASEAN Corporate Governance Scorecard Assessment made by the Institute of Corporate Directors last September 23, 2022.



In addition, KGI MBA passed the required Risk Based Capital Ratio for an MBA as verified by the Insurance Commission in its 2021 Annual Report as well as the required Guaranty Fund for the year. The result was forwarded to the association last August 12, 2022 by the evaluators of KGI MBA.

The association also has an up-to-date compliance calendar to make sure that all government regulatory requirements for the year that needs to be submitted will be complied such as the quarterly reports to Insurance Commission, reports to Securities and Exchange Commission and the Bureau of Internal Revenue.

NETWORKS

KGI MBA is a regular member of Microinsurance MBA Association of the Philippines Inc. (MiMAP), a resource center that helps microinsurance MBA's strengthen their capacity in providing risk protection services to the poor on a sustainable basis. General Manager Mary Jane Concepcion is a consistent member of Audit Committee of the association which shows the active participation of KGI MBA in the network.

To promote the financial growth and protection of KGI MBA funds, the association remains an active participant in the following network-initiated investment pool and activities:

1. BPI Bayanihan Balance Fund (UITF), an investment instrument approved by the BSP. KGI MBA's investment of P5.4M is considered as admitted asset by the Insurance Commission.
2. Life Catastrophe Excess of Loss Reinsurance Treaty (CatXol), in partnership with National Reinsurance Corporation of the Philippines (NATRE), to reinsure the members of BLIP and CLIP members of the association.
3. Mutual Security Fund, managed by Union Bank, where MBA's contribute to reach a pool of fund of P5M to help MBA's if they happen to be insolvent. The association already has an accumulated contribution of P423,758.

During one of the Learning sessions of MiMAP AGM, entitled: MBA Coordinators, Kaagapay mo sa Mabilis at Maayos na Serbisyo, former member of the KGI MBA Board, Mrs. Leticia Castillo and Operations Officer Mrs. Edna Mediaro was one of the sharers and panelist on the said session.

To keep the association in the loop on the trends and developments in the industry, KGI MBA will push through in attending webinars, seminars, trainings and conferences organized by the network.

CORPORATE GOVERNANCE

KGI MBA's by-laws states that the Board of Trustees has the responsibility of governing, controlling and managing the affairs, funds and property of the association. KGI MBA's Board of Trustees is composed of seven (7), where five (5) are active members of partner MFI, KGMI and two (2) are Independent Trustees, all are elected by the general membership. The BoT exercises corporate powers and guides the management of KGI MBA's programs and services in accordance with the principles stated in its Articles of Incorporation and By-Laws and Corporate Governance Manual.

The 9th Annual General Meeting of the Association was held on May 20, 2022 via Zoom videoconferencing. One (1) new Board of Trustee was elected to fill up the vacancy in the Board.

Below are the Board of Trustees of the Association and their profiles and the trainings they attended for the year.



SUSAN E. PAJALLA
President/Chairman

Age: 58 y/o
Qualification: Secretarial Graduate
Date Elected: June 25, 2021
Directorship: Member, Risk Oversight and Audit Committee
Directorship in other Listed Companies: None
Related Experience: MBA Coordinator; Center Chief, 20 years

TRAININGS ATTENDED:

Training for New Trustees - June 28, 2021
First ACGR Roundtable Activity – July 28, 2021
Governance and AMLA Workshop for Mi-MBA's - October 13-15, 2021
Leadership Training Workshop – August 11-13, 2021
Management Forum – November 23-26, 2021
National Microinsurance Forum – January 25-26, 2022
Management Forum – August 24-26, 2022



RUBYLYN E. ESTONG
Vice President

Age: 48 y/o
Qualification: High School Graduate
Date Elected: June 25, 2021
Directorship: Member, Remuneration and RPT Committee
Directorship in other Listed Companies: None
Related Experience: MBA Coordinator; Center Chief, 20 years

TRAININGS ATTENDED:

Training for New Trustees - June 28, 2021
First ACGR Roundtable Activity – July 28, 2021
Governance and AMLA Workshop for Mi-MBA's - October 13-15, 2021
Leadership Training Workshop – August 11-13, 2021
Management Forum – November 23-26, 2021
National Microinsurance Forum – January 25-26, 2022



CATHERINE B. UBANA
Secretary

Age: 49 y/o
Qualification: College Undergraduate
Date Elected: May 20, 2022
Directorship: Member, Risk Oversight and Audit Committee
Directorship in other Listed Companies: None
Related Experience: MBA Coordinator; Center Chief, 9 years

TRAININGS ATTENDED:

Training for New Trustees - June 28, 2022
Leadership Training Workshop – July 27-29, 2022
Governance and AMLA Workshop for Mi-MBA's - October 12-14, 2022



JUDITA R. REYES

Treasurer

Age: 59 y/o
Qualification: Secretarial Graduate
Date Elected: October 29, 2021
Directorship: Member, Remuneration and RPT Committee
Directorship in other Listed Companies: None
Related Experience: MBA Coordinator; Center Chief, 19 years

TRAININGS ATTENDED:

Training for New Trustees - December 2, 2021
Governance and AMLA Workshop for Mi-MBA's - May 18-20, 2022
Management Forum – November 23-26, 2021
Leadership Training Workshop – July 27-29, 2022
National Microinsurance Forum – January 25-26, 2022



DR. RICARDO S. REYES JR.

Independent Board

Age: 75 y/o
Qualification: Ph.D. in Agriculture
Ed.D. in Educational Management
Date Elected: May 19, 2017
Directorship: Chairman, Nomination, Election and Corporate Governance Committee and Remuneration and RPT Committee
Directorship in other Listed Companies: KGMI; Marifer School
Related Experience: College Professor; MFI Board of Trustee

TRAININGS ATTENDED:

Governance and AMLA Workshop for Mi-MBA's
Leadership Training Workshop
Management Forum
National Microinsurance Forum
First ACGR Roundtable Activity
Strategic Planning



PIEDAD D. MATIAS
Independent Board

Age: 83 y/o
Qualification: BSBA Accountancy
Date Elected: May 19, 2017
Directorship: Chairman, Risk Oversight and Audit Committee;
Member, Nomination, Election and Corp. Gov. Comm.
Directorship in other Listed Companies: None
Related Experience: Brgy. Kagawad; Former MFI Board of Trustee

TRAININGS ATTENDED:

Governance and AMLA Workshop for Mi-MBA's Strategic Planning
Leadership Training Workshop
Management Forum
Financial Management
National Microinsurance Forum
First ACGR Roundtable Activity



REALIZA C. GUIANG
Member

Age: 38 y/o
Qualification: Bachelor in Elementary Ed.- LET Passer
Date Elected: June 25, 2021
Directorship: Member, Remuneration and RPT Committee
Directorship in other Listed Companies: None
Related Experience: Center Manager; Branch Manager; Area Manager

TRAININGS ATTENDED:

Training for New Trustees - June 28, 2021
Governance and AMLA Workshop for Mi-MBA's - October 13-15, 2021
Leadership Training Workshop – August 11-13, 2021
Management Forum – November 23-26, 2021
National Microinsurance Forum – January 25-26, 2022

BOARD PERFORMANCE

In 2022, the KGI MBA Board of Trustees conducted six (6) regular board meetings. Schedules of meetings of the association are being prepared and approved by the body before the year ends or during its last regular BoT meeting for the year. The Board of Trustees meets every other month. Below is the attendance for the meetings held in 2022.

TRUSTEE	POSITION	ANNUAL MEETING	REGULAR MTNG.	%
Susan E Pajalla	Chairman	✓	6	100%
Rubylyn E. Estong	Vice President	✓	6	100%
Catherine B. Ubana	Secretary	✓	4	67%
Judita R. Reyes	Treasurer	✓	6	100%
Realiza C. Guiang	Member	✓	6	100%
Dr. Ricardo S. Reyes Jr.	Independent Board	✓	6	100%
Piedad D. Matias	Independent Board	✓	6	100%
Dolores D. Medina ***	Chairman	✓	2	33%

***Outgoing

THE BOARD COMMITTEES

KGI MBA due to its size and number of membership has combined its committees last 2021 to fully utilize the Board of Trustees. The association has now three (3) committees namely Risk Oversight and Audit Committee, Nomination, Election and Corporate Governance Committee and Remuneration and Related Party Transaction Committee. Immediately after the Annual General Meeting, the Board of Trustees appoints among themselves who will fill the different committees and selects their chairperson in each committee through the leadership of the Lead independent Director.

Below are the Board committees and their meetings in 2022.

NOMINATION, ELECTION AND CORPORATE GOVERNANCE COMMITTEE

The Election, Nomination and Corporate Governance Committee is composed of three (3) members of the Board of Trustees, two of them is an independent Board. The committee had three (3) meetings this year and their accomplishments for the year includes:

1. Discussed the Final Number of Proxy Voting Form for BoT Election;
2. Discussed the ACGR 2020 result and uploading of uploading of ACGR 2021;
3. Discussion on the proposed amendments for AOI and BL provisions;

4. Re-arranging the new area representation for the 2023 BoT election.

The following are the members of the Nomination, Election and Corporate Governance Committee and their performances in the meetings.

Name	Position	Attendance 3 Total Meetings for 2022
Dr. Ricardo S. Reyes Jr.	Chairman	100%
Piedad D. Matias	Member	100%
Susan Pajalla	Member	67%
Dolores D. Medina**	Member	33%

** Outgoing

RISK OVERSIGHT AND AUDIT COMMITTEE

The committee consists of three (3) trustees lead by an independent trustee. The committee had three (3) meetings for the year 2022 and discussed the following:

1. Update on Audit Fee for 2021;
2. Proposal of External Auditor to AGM on May 20, 2022;
3. Discussion on the result of the Verification of Annual Statement 2021;
4. Discussion of KGI MBA's KPI for the 3rd Quarter of 2022; and
5. External Auditor for 2023.

The following are the members of the Risk Oversight and Audit Committee members and their attendance to the meetings.

Name	Position	Attendance 3 Total Meetings for 2022
Piedad D. Matias	Chairman	100%
Catherine B. Ubana	Member	33%
Realiza C. Guiang	Member	100%
Susan E Pajalla**	Member	67%

** Transferred

REMUNERATION AND RELATED PARTY TRANSACTION COMMITTEE

RRPT Committee is tasked to oversee the implementation of system for reporting RPT's and reviewing the policies and procedures and ensuring that these systems complies with applicable laws, regulations and relevant standard and also responsible to assist the Board of Trustees to oversee the design and operation of the association's remuneration system and making sure that is is compliant with the labor code of the government and also delegate responsibilities for setting up remuneration for all KGI-MBA personnel. In 2022, the RRPTC reviewed the Bridge Loan Contract with KGI MBA's partner MFI and reported it to the board for recommendation and approval.

Below are the members of the committee and their attendance in the meetings.

Name	Position	Attendance 1 Total Meetings for 2022
Dr. Ricardo S. Reyes Jr.	Chairman	100%
Rubylyn E. Estong	Member	100%
Judita R. Reyes	Member	100%

BOARD REMUNERATION

The Board of Trustees of KGI MBA, as stated in its By-Laws and Corporate Governance Manual, that they shall not be entitled to any compensation or remuneration for their services rendered, except for any actual reimbursements of monitoring and transportation expenses incurred in the performance of their duties and responsibilities.

Each of the members of BoT receives P3,400.00 for transportation and communication expenses for attending every regular meetings and webinars.

BOARD AND COMMITTEES PERFORMANCE APPRAISAL

The KGI MBA Board of Trustees conducts regular annual Board and Committee performance evaluation to assess the effectiveness of the board and committee members performance. Based on the 2022 assessment, the performance evaluation of the Board and Committees have performed its duties and responsibilities effectively during the year.

Trustees and Committees rate themselves and the Board Committee as a body using a Self-Assessment Form containing a set of parameters that evaluates their level of participation as well as the ability of the body to deliver its duties and responsibilities.

The results are then submitted to the Corporate Secretary and informs the concerned body on areas that require more attention for adjustment or improvement to better serve the members and maintain sound corporate governance both at the Board and Committee levels.

DISCLOSURE AND TRANSPARENCY

EXTERNAL AND INTERNAL AUDIT

Approved by the board, appointed by the Audit Committee, and in compliance with the circular issued by the Insurance Commission, Sycip Gorres Velayo and Co., through its team headed by Ms. Glenda C. Anisco Niño, received **Php218,526.00** for its audit of the 2022 financial statement of the association exclusive of VAT and other out-of-pocket expenses. There was no non-audit engagement made in 2022, hence, no non-audit fees was paid.

The Internal Auditor provides independent and objective evaluation of KGI MBA's financial and operational business activities, and to add value to and improve the association's operation. They help the association accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

KGI MBA shares internal audit services with KAZAMA Grameen Microfinance Inc., headed by Ms. Kathleen D. Rodriguez, as the Internal Audit Manager. The Audit team conducts audit on a regular basis to branches covering the transactions related to KGI MBA. Ms. Rodriguez sits in the Audit Committee meetings and reports MBA related audits.

MANAGEMENT OF KEY RISK

Although considered a small microinsurance company, KGI MBA ensures that the risks the association is facing are seriously considered in drawing and implementing organizational and operational strategies. The association recognizes the existence of several risks in implementing its insurance program. These risks include both financial and non-financial risks. Monitoring, having regular meetings and continuous communication with its partner MFI helps the association in managing these risks.

Last year, the Board of Trustees created the Risk Oversight Committee and combined it with the Audit Committee to undertake periodic assessment of the various risks that the association may face in its natural course of business and operations, approximate their probability and determine ways to minimize if not completely avoid its negative effect to the association.

CREDIT RISK

This involves the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. In this case, KGI MBA's receivable to its partner MFI are regularly monitored to ensure that its exposure to impairment is not that significant.

The receivables represent mostly collections of the related parties pertaining to contributions for premiums for life insurance, loan redemption assistance and provident fund unremitted to the Association. Receivables are generally on a 1-30 days terms and are all current. All receivables are neither past due nor impaired.

Credit risk from balances with banks is managed by ensuring that deposit arrangements are with reputable and financially sound counterparties.

LIQUIDITY RISK

This refers to the risk that the Association will not be able to meet its financial obligations as this fall due, basically from lack of funding to finance its growth and capital expenditures and requirements.

As per KGI MBA, it manages this risk through diversified investment portfolio that consists' investments that can be converted in cash right away.

Moreover, the Association's approach to manage its liquidity profile is to ensure that adequate funding is available at all times to meet its commitments and its regular obligations on its day to day operation as these arise without incurring unnecessary costs, and to be able to access funding when needed. The Board and management work closely to manage this risk.

COMPLIANCE RISK

This arises from violations or non-conformity with laws, rules and regulations, circulars, and prescribed practices of the Insurance Commission, and other regulatory bodies, that may expose KGI MBA to fines and penalties.

In managing these risks, no less than the General Manager performs the vital role of the Compliance Officer. KGI MBA prepares an annual compliance calendar that guides it on reportorial requirements and the deadlines set for each. Regular communications with the network also help in keeping the Association updated with developments in the industry regulatory landscape.

RELATED PARTY TRANSACTIONS

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions and the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities

The Remuneration and Related Party Transaction Committee shall be responsible for the review and approval of any material related-party transactions of conflict of interest issues involving members of the Board and the Management Team to ensure that these are conducted or resolved in the best interest of KMBA and its members. As directed by the Board, the Committee may also be required to review pending transactions between KGI MBA and its partner MFI. The overall responsibility regarding Related-Party Transactions rests with the Board of Trustees.

Note 19 of the 2022 Audited Financial Statement presents the details of Related Party transactions (RPTs). All related party transactions are presented to the Board of Trustees for their approval and confirmation. The approval and disclosure of the related party transactions complies with all legal and regulatory requirements. The Board ensures that these transactions are conducted to the best interest of the Association.

PERFORMANCE INDICATORS

FINANCIAL INDICATORS

To help the MBA's monitor their performance financially in the network, MiMAP regularly send each MBA their Key Performance Indicator quarterly. For the year 2022, KG MBA has the interim results:

Indicator	Standard	KGI MBA	Indicator	Standard	KGI MBA
Solvency	≥ 110%	161.11%	Claims		
Opex Ratio	20%	48.03%	BLIP	≤ 35%	15.09%
BLIP	≤ 10%	50.01%	OPT	≤ 50%	18.31%
OPT	≤ 45%	27.90%	Liquidity	100% - 120%	482.06%

Other indicators that are being monitored included in the KPI are: Time to pay-out, growth in number of members, participation rate (number of MFI members covered by MBA), equity value, policy reserves, and guaranty fund, which are all vital to the operation of an MBA and that needs to be complied. An adequate Risk based Capital Ratio is also a requirement for an MBA. As for KGI MBA the RBC ratio for the year 2022 is at 4559.67%.

NON-FINANCIAL PERFORMANCE INDICATORS

By now, for the second year, the recognition of KGI MBA for its outstanding performance as one of the Top 10 performing MBA's in the ASEAN Corporate Governance Scorecard has become a concrete evidence of its efforts to abide by good governance principles in all areas of its operations. The Association was able to maintain its spot in the ranking. Consistency and teamwork has been the key. Yet, KGI MBA understands that there is plenty of room for improvement. ACGS recommendations are taken seriously into consideration in reviewing the Manual and enforcing compliance thereto.

The Association is also doing its best to pay claims of the members within 1-3-5 days to help them with the expenses at the time of the wake. There were no recorded rejected claims for the year 2022. We believe that this is because the members understood their benefits and when and how to claim it. The MBA Coordinator plays a vital role in this part of operation of the association.

STAKEHOLDER INTEREST

The stakeholders play a vital role in the success of the association and the reason for being of the association. Thus, KGI MBA is committed in giving them the best services and utmost importance.

MEMBERS WELFARE

Aside from making sure that claims are disbursed at the time of their need, the association has obtained the approval of the new product, HAPI Plan to further help the members in their hospitalization expenses. The new product will be implemented by the beginning of the operation in 2023.

Furthermore, the association provides avenues for members to participate in the election of Board of Trustees through their MBA Coordinators every Annual General Meeting. The associations manuals, minute of meetings and other documents that concerns the operation are all available in its website that the members can access easily.

SUPPLIER/CONTRACTOR SELECTION

The Association has a policy about the selection, bidding and approval process for the selection of suppliers that can be read in its Corporate Governance Manual. The association appoints the General Manager/Finance Officer to lead the bidding and selection process. All decisions on the selection of suppliers is presented and approved by the board. There was no major procurement made by the Association for the year 2022.

ENVIRONMENTALLY-FRIENDLY VALUE CHAIN

The association declares that its business operations does not negatively affect the environment and that it commits to do its part in promoting environmentally-sound business practice.

KGI MBA ensures that environmental consciousness is incorporated in the day-to-day operations of the association. It implements reduce-reuse-recycle of office supplies in the workplace. We also used to put the lights off during break/lunch time to conserve energy. Also, since most of the meetings of the board are mostly virtual, documents for the meeting are sent via messenger or their personal emails.

MEMBERS AND EMPLOYEES HEALTH AND SAFETY

The health and safety of the members and employees are the primary reasons why the association as approved by the Board, gave them a free insurance of Protektahanan Insurance Plan.

The association also finance the swab tests of the employees during the height of pandemic as this is necessary to protect the health of employees as they physically go to work.

Moreover, as part of the benefits of the employees, an annual medical examination was done in March 2022 through the company-initiated health insurance through Philcare in partnership with RMSI.

ANTI-CORRUPTION PROGRAM/WHISTLE BLOWING POLICY

To not compromise the integrity of the associations operations, as written in the personnel manual, all employees are encouraged to inhibit from participating or recommending approval of any transactions that will directly or indirectly benefit one's financial interest and observe the highest standard of morality, integrity, honesty and loyalty in the performance of one's duties and responsibilities.

Also, employees and stakeholders are encouraged to report unethical behaviors, malpractices, wrongful conduct, fraud, corruption or other improper activity against the institution, violation of the company's policies and values by its directors, officers and staff, without any fear of retaliation. All reports of illegal and dishonest activities will be promptly submitted to the President/Audit Committee and Internal Auditor who will be responsible for investigating and coordinating corrective action. The identity of the whistleblower will not be included in the report, and his/her identity will be kept secret.

POLICY ON DIVIDENDS

KGI MBA does not distribute dividends to its members. Any profit obtained by the association as a result of its operation, whenever necessary or proper shall be used for the furtherance of the purposes enumerated in Article II, subject to the provisions of Title XI of the Corporation Code of the Philippines. However, pursuant to Circular Letter No. 2015-46 dated 8 September 2015, an MBA may distribute the excess of its free and assigned surplus to the members, whether in cash or in kind but must be verified by the Insurance Commission.

CREDITOR'S RIGHTS

Members, who are among the Association's creditors, have the right to inspect association books and records, including minutes of Board meetings and performance reports, and shall be furnished with annual reports and financial statements, without costs or restrictions which can be accessed in the association's website. KGI MBA believes that creditors' interests are well-served if they are constantly in-the-know of the financial condition of the Association and the policies that may impact on its performance and operations.

EMPLOYEES' CAPACITY BUILDING AND DEVELOPMENT PROGRAM

The progress and success of the association depends on its human resources and that only through carefully selected, well-trained, results-oriented, and dedicated employees can the association achieve its objectives.

KGI MBA sends its employees to trainings and seminars to assure their growth and to gain more knowledge on the sector that we are engaging in. This year, the staffs attended the following seminars and trainings:

Date	Training Title
Jan. 325-26, 2022	National Microinsurance Forum 2022: Facing Uncertainty through Strategic Innovations
March 14, 2022	MILESTONE: "MBA Coordinators: Kaagapay mo sa Mabilis at Maayos na Serbisyo"
April 19, 2022	Annual Statement Workshop
July 27-29, 2022	Leadership Training Workshop: Soft Skills for Servant Leadership
August 24-26, 2022	Management Forum
September 15, 2022	Basic First Aid Training
September 23, 2022	Data Privacy Compliance Seminar
September 20,22, 27, 29, 2022	Learning Sessions to Kickstart your IFRS 17 Journey
October 12-14, 2022	Governance and AMLA Workshop
December 9, 2022	Round Table Discussion on Investment

CORPORATE SECRETARY

Ms. Carmi G. Muli is the Corporate Secretary of the Company. She is also the Executive Secretary and the Corporate Secretary of Kazama Grameen Microfinance Inc. (KGMI). She was formerly the Account Officer of KGMI from 2007 to 2009 and appointed as Executive Secretary of the company on September, 2009. She was formerly a HR Assistant of RL Vercons Merchants Corporation in 2006. She obtained her Bachelor of Science in Business Administration Major in Management degree from Bataan Peninsula State University. She has a Career Service Sub Professional Eligibility.



Her trainings attended Related to Corporate Governance are the following:

- Governance & AMLA Orientation
- Orientation: Governance, Human Resource & MIS
- Orientation on the Template Articles of Incorporation and By Laws and Manual on Good Governance
- Corporate Secretary as Corporate Governance Professional

As the Corporate Secretary, she should:

- a. Be responsible for the safekeeping and preservation of the integrity in the minutes of the meetings of the Board and its committees, as well as the other official records of the corporation;
- b. Be loyal to the mission, vision and objectives of the corporation;
- c. Work fairly and objectively with the Board, Management and stakeholders;
- d. Have appropriate administrative and interpersonal skills;
- e. If s/he is not at the same time the corporation's legal counsel, be aware of the laws, rules and regulations necessary in the performance of his/her duties and responsibilities;
- f. Have a working knowledge of the operations of the association;
- g. Inform the members of the Board, in accordance with the bylaws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- h. Attend all Board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent him/her from doing so; and
- i. Ensure that all Board procedures, rules and regulations are strictly followed by the members.

COMPLIANCE OFFICER



The Compliance Officer of the association, Ms Mary Jane Concepcion is also the General Manager who manages its day-to-day operations. She is a graduate of Bachelor of Science in Accountancy in Metro Manila College and has a Masters Degree in Business Management from President Ramon Magsaysay State University in Zambales. She has been with the association since its establishment until its completion of all the necessary government registration were completed, to the issuance of the association's first authority to operate as a Mutual Benefit Association from the Insurance Commission.

The trainings she attended includes:

- Governance and AMLA Workshop for Mi-MBA's;
- Leadership Training;
- Financial Management;
- Fraud Manual Writeshop;
- ACGR Writeshop;
- Corporate Governance Manual Writeshop; and
- other Governance trainings for Mi-MBA's.

Being the Compliance Officer, her responsibilities are the following:

- a. Monitor compliance with the provisions and requirements of this Manual;
- b. Determine violations of the Manual and recommend appropriate sanctions and/or penalties for violation thereof, for further review and approval of the Corporation's Board of Trustees;
- c. Identify, monitor, and control compliance risks;
- d. Appear before government agencies, if necessary; and
- e. Annually prepare and submit to the Office of the Insurance Commission (IC) a Corporate Governance Scorecard as required by the Code of Corporate Governance before deadline set by IC.

THE MANAGEMENT



Mary Jane N. Concepcion
General Manager

Edna E. Mediario
Operations officer

Cristalyn R. Estel
Bookkeeper

Ronald D. Pascua
MIS Officer

Cristine Arvei A. Peralta
MIS Staff

Dignadise M. Dayao
MIS Staff

2022 AUDITED FINANCIAL STATEMENTS



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1226 Makati City ey.com/ph
Philippines

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Kazama Grameen (KGI) Mutual Benefit Association (KGI-MBA) Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Kazama Grameen (KGI) Mutual Benefit Association (KGI-MBA) Inc. (a non-stock, not-for-profit association) ("the Association"), which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of comprehensive income, statements of changes in fund balance and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

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

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

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



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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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





Report on the Supplementary Information Required Under Revenue Regulations 15-2010 and 34-2020

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 and 34-2020 in Note 22 and Note 23, respectively, to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Kazama Grameen (KGI) Mutual Benefit Association (KGI-MBA) Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Glenda C. Anisco-Niño

Glenda C. Anisco-Niño
Partner

CPA Certificate No. 114462

Tax Identification No. 225-158-629

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

SEC Partner Accreditation No. 114462-SEC (Group A)

Valid to cover audit of 2022 to 2026 financial statements of SEC covered institutions

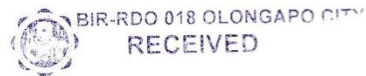
SEC Firm Accreditation No. 0001-SEC (Group A)

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

BIR Accreditation No. 08-001998-151-2022, November 7, 2022, valid until November 6, 2025

PTR No. 9369771, January 3, 2023, Makati City

April 24, 2023



28 APR 2023

JOHN KENNETH T. ERMITANIO
Revenue Officer



**KAZAMA GRAMEEN (KGI) MUTUAL BENEFIT ASSOCIATION
(KGI-MBA) INC.**

(A Nonstock, Not-for-Profit Association)

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2022	2021
ASSETS		
Cash (Notes 6 and 20)	₱17,562,672	₱22,894,271
Short-term investments (Notes 7 and 20)	29,295,944	29,123,576
Financial assets (Notes 8, 18 and 20)		
Financial asset at fair value through profit or loss	5,857,621	5,879,267
Held-to-maturity investments	15,813,000	15,646,150
Loans and receivables	8,078,256	4,284,867
Property and equipment - net (Note 9)	129,220	5,264
Prepayments and other assets (Note 10)	827,567	596,823
Total Assets	₱77,564,280	₱78,430,218
LIABILITIES AND FUND BALANCE		
Liabilities		
Insurance contract liabilities (Note 11)	₱38,401,015	₱38,948,813
Accrued expenses and other liabilities (Notes 12 and 20)	4,733,952	4,463,446
Total Liabilities	43,134,967	43,412,259
Fund Balance		
Appropriated fund balance (Note 20)	20,826,652	21,350,919
Unappropriated fund balance	13,602,661	13,667,040
Total Fund Balance	34,429,313	35,017,959
	₱77,564,280	₱78,430,218

See accompanying Notes to Financial Statements.

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28 APR 2023

JOHN KENNETH T. ERMITANIO
Revenue Officer



**KAZAMA GRAMEEN (KGI) MUTUAL BENEFIT ASSOCIATION
(KGI-MBA) INC.**
(A Nonstock, Not-for-Profit Association)

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2022	2021
REVENUE		
Premiums on insurance contracts (Note 13)	₱12,349,322	₱13,468,350
Investment and other income (Note 14)	1,014,142	1,467,166
Miscellaneous income (Note 15)	8,557	16,918
	13,372,021	14,952,434
BENEFITS, CLAIMS, AND EXPENSES (Note 11)		
Gross insurance contract benefits and claims paid	8,187,427	12,458,585
Gross change in insurance contract liabilities	(547,798)	(3,137,641)
Collection fees	614,443	628,473
	8,254,072	9,949,417
GENERAL AND ADMINISTRATIVE EXPENSES (Note 16)	5,592,122	5,493,041
	13,846,194	15,442,458
LOSS BEFORE PROVISION FOR FINAL TAX	(474,173)	(490,024)
PROVISION FOR FINAL TAX (Note 18)	(114,473)	(68,934)
NET LOSS/ TOTAL COMPREHENSIVE LOSS*	(₱588,646)	(₱558,958)

See accompanying Notes to Financial Statements.

*The Association has no other comprehensive income items.


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 28 APR 2023
 JOHN KENNETH T. ERMITANIO
 Revenue Officer



**KAZAMA GRAMEEN (KGI) MUTUAL BENEFIT ASSOCIATION
(KGI-MBA) INC.**

(A Nonstock, Not-for-Profit Association)

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before provision for final tax	(₱474,173)	(₱490,024)
Adjustments for:		
Interest income (Note 14)	(1,035,788)	(1,408,896)
Amortization of discount (Note 8)	(245,160)	(60,895)
Depreciation (Notes 9 and 16)	34,523	48,701
Fair value loss (gain) on financial assets through profit or loss (Note 14)	21,646	(58,270)
Reversal of provision for probable losses (Note 15)	–	(526,154)
Operating loss before changes in working capital	(1,698,952)	(2,495,537)
Decrease (increase) in:		
Loans and receivables	(4,256,306)	13,039,993
Prepayments and other assets	(230,745)	(351,103)
Increase (decrease) in:		
Insurance contract liabilities	(547,798)	(3,137,641)
Accrued expenses and other liabilities	270,507	(431,271)
Net cash generated from (used in) operations	(6,463,294)	6,624,441
Final taxes paid	(114,473)	(68,934)
Net cash flows provided by (used in) operating activities	(6,577,767)	6,555,507
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,498,705	966,178
Acquisitions of:		
Short-term investments (Note 7)	(172,368)	(142,796)
Held-to-maturity investments (Note 8)	(15,567,840)	(15,585,255)
Property and equipment (Note 9)	(158,479)	–
Maturities of held-to-maturity investments (Note 8)	15,646,150	13,084,473
Net cash flows provided by (used in) investing activities	1,246,168	(1,677,400)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,331,599)	4,878,107
CASH AT THE BEGINNING OF THE YEAR	22,894,271	18,016,164
CASH AT THE END OF THE YEAR (Note 6)	₱17,562,672	₱22,894,271

See accompanying Notes to Financial Statements.



**KAZAMA GRAMEEN (KGI) MUTUAL BENEFIT ASSOCIATION
(KGI-MBA) INC.**
(A Nonstock, Not-for-Profit Association)

STATEMENTS OF CHANGES IN FUND BALANCE

	Appropriated Fund Balance (Note 20)		Unappropriated Fund Balance (Note 20)		Total
	Guaranty Fund	Member's Benefit	Guaranty Fund	Member's Benefit	
At January 1, 2022	₱15,644,555	₱5,706,364	₱1,125,807	₱12,541,233	₱35,017,959
Total comprehensive loss	-	-	-	(588,646)	(588,646)
Appropriation during the year	617,466	-	(617,466)	-	-
Reversal of appropriation	(97,392)	-	97,392	-	-
Distribution to members	-	(1,044,341)	-	1,044,341	-
At December 31, 2022	₱16,164,629	₱4,662,023	₱605,733	₱12,996,928	₱34,429,313
At January 1, 2021	₱14,971,138	₱7,714,984	₱1,799,224	₱11,091,571	₱35,576,917
Total comprehensive loss	-	-	-	(558,958)	(558,958)
Appropriation during the year	673,417	-	(673,417)	-	-
Distribution to members	-	(2,008,620)	-	2,008,620	-
At December 31, 2021	₱15,644,555	₱5,706,364	₱1,125,807	₱12,541,233	₱35,017,959

See accompanying Notes to Financial Statements.

