2025 Annual Report

KGI Mutual Benefit Association Inc.
MBA
2011

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Message from the Chairman

On behalf of the Board of Trustees, I am pleased to present the Annual Statement of our Mutual Benefit Association for the year ended December 31, 2025.

As a member-owned organization, our foremost responsibility is to safeguard the welfare of our members and their families. Guided by the principles of mutual assistance, solidarity, and service, we remain committed to providing affordable and accessible financial protection to those who rely on us during times of need.

The past year brought both opportunities and challenges. Despite economic uncertainties and evolving risks affecting our communities, our Association continued to demonstrate resilience and stability. Through prudent financial management, sound governance practices, and the unwavering support of our members, we maintained our ability to deliver benefits promptly and fulfill the commitments entrusted to us.

Our accomplishments this year reflect the collective efforts of our members, management, employees, and partners. We continued to strengthen our operations, enhance member services, and expand awareness of the value of microinsurance as an important tool for financial security. More we remained true to our mission of providing meaningful assistance to members and their beneficiaries when they needed it most.

The Board of Trustees recognizes that the strength of our Association lies in the trust and participation of our members. We therefore remain committed to promoting transparency, accountability, and responsible stewardship of the resources entrusted to us. We will continue to ensure that our programs and services are responsive to the changing needs of our membership while maintaining the long-term sustainability of the Association.

Looking ahead, we are optimistic about the future. We will continue to pursue initiatives that strengthen member engagement, improve operational efficiency, and expand access to affordable protection for more individuals and families. As we move forward, our focus remains on creating lasting value for our members and contributing to the financial resilience of the communities we serve.

On behalf of the Board of Trustees, I extend our heartfelt gratitude to our members for their continued trust and confidence. I also thank our management team, employees, partner organizations, and regulators for their dedication and support in advancing our shared mission.

Together, we will continue building a stronger, more resilient, and more compassionate Association for the benefit of all our members.

Sincerely,

Liberty A. Arellano

KGI-MBA Chairman

Message from the General Manager

As we finished another meaningful year, I am filled with gratitude for the trust and confidence our member-beneficiaries have placed in our Association. Your continued support inspires us to remain steadfast in our mission of providing financial security, meaningful assistance, and hope to every member and their families.

Our greatest achievement is not measured solely by financial performance, but by the lives we have touched. Every benefit claim paid, every financial assistance extended, and every family that found comfort during difficult times represents the true purpose of our organization. These milestones remind us that we exist not only as an institution but as a caring community built on solidarity, compassion, and mutual responsibility.

Throughout the year, we have remained committed to strengthening our services, enhancing operational efficiency, and ensuring that every member receives timely, fair, and reliable support. We continue to embrace innovation and improve our processes while staying true to the values that have guided us since our founding.

Two of the most notable milestones during the year was (1) having a new distribution channel through the Officers and Employees of Brgy. Cawag in Subic, Zambales, strengthening our dedication to reach the vulnerable sector and provide them an accessible and affordable microinsurance products and services, and (2) the recognition of our Association with its second One Golden Arrow Award, a testament to our unwavering commitment to good governance, transparency, and ethical business practices. This prestigious recognition reflects the collective efforts of our Board, management, and staff in upholding the highest standards of accountability and stewardship for the benefit of our members. This recognition would not have been possible without the unwavering dedication of our Board of Trustees, management team, employees, partners, and stakeholders, whose commitment to excellence has enabled us to serve our members with integrity and professionalism.

As we move forward, we remain focused on creating greater value for our member-beneficiaries by expanding opportunities, strengthening our programs, and ensuring the long-term sustainability of our Association. Together, we will continue building an organization that protects, empowers, and uplifts every member through every stage of life.

Together with our management team, I extend my heartfelt appreciation to all our members for being at the heart of everything we do. We look forward to another year of serving you with excellence, integrity, and genuine care, not just a social protection provider, but as your partner in life when need arises.

In the end, we commit to continue to build a stronger, more dependable microinsurance—one where every member-beneficiary is valued, protected, and empowered.

Mary Jane N. Concepcion

KGI-MBA General Manager

TABLE OF CONTENT

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

KGI Mutual Benefit Association Inc. is a non-stock, non-profit organization established to provide affordable and accessible microinsurance protection to its members, particularly those within the microfinance sector. It was formally registered with the Securities and Exchange Commission on September 23, 2011, marking its legal incorporation and the beginning of its institutional operations.

To further strengthen its capacity to deliver regulated insurance services, the Association was granted an Authority to Operate through its first license issued by the Insurance Commission on February 14, 2012. This authorization enabled KGI MBA to offer a range of microinsurance products designed to protect members and their families from financial risks brought about by unforeseen events such as death, disability, and other contingencies.

Since its establishment, KGI Mutual Benefit Association Inc. has remained committed to its mission of promoting financial security, social protection, and member welfare. Through continuous program development and prudent management, the Association has grown into a trusted provider of inclusive insurance solutions, contributing to the resilience and well-being of its member communities.

Products and Services

KGI-MBA provides a micro-insurance program for the poor and has the following products

- Basic Life Insurance Plan (BLIP)
- Hospitalization Assistance Pamilya Insurance Plan (HAPI Plan)
- Credit Life Insurance Plan (CLIP)

The KGI MBA Basic Life Insurance Plan provides insurance protection that increases with the member's length of continuous coverage, ensuring greater financial security over time. Members are entitled to benefits for natural or non-accidental death, accidental death, and total permanent disability (TPD), with higher coverage becoming available as membership matures. Dependents, including the spouse or common-law partner and eligible children, are also provided with corresponding benefits for specific contingencies. This tiered benefit structure reflects the Association's commitment to rewarding continued membership while providing meaningful protection and financial assistance to members and their families during life's unforeseen events.

While under KGI MBA's HAPI Plan, all covered individuals receive an equal benefit amount. The member, the legal spouse or common-law partner, and the children are each entitled to a benefit of ₱3,000. All amounts are stated in Philippine Peso, indicating uniform coverage across immediate family members under the plan.

Credit Life Insurance Plan of the KGI-MBA provides vital financial protection to members and their families by ensuring that outstanding loan obligations are covered in the event of untimely death or total disability by paying 1%/ thousand of their loan per annum. This benefit safeguards both the member's household from financial hardship and helping the association's partner MFI credit portfolio, reinforcing financial stability and responsible lending.

KGI MBA BASIC LIFE INSURANCE PLAN TABLE OF BENEFITS

Length of Continuous Insurance Coverage	Contingent Event	Member	Dependents	
			Spouse or Common-Law Partner	Children
Less than three (3) months	Natural or Non-Accidental Death	10,000	None	None
	Accidental Death	120,000	20,000	20,000
	TPD	5,000	None	None
Three (3) months to less than six (6) months	Natural or Non-Accidental Death	20,000	5,000	5,000
	Accidental Death	120,000	20,000	20,000
	TPD	20,000	5,000	None
Six (6) months or more	Natural or Non-Accidental Death	60,000	10,000	10,000
	Accidental Death	120,000	20,000	20,000
	TPD	60,000	10,000	None

KGI MBA's HAPI Plan Table of Benefits

Insured	Benefit Amount
Member	3,000
Legal Spouse/Common-law Partner	3,000
Children	3,000
All amounts are in Philippine Peso	

IMPACT REPORT

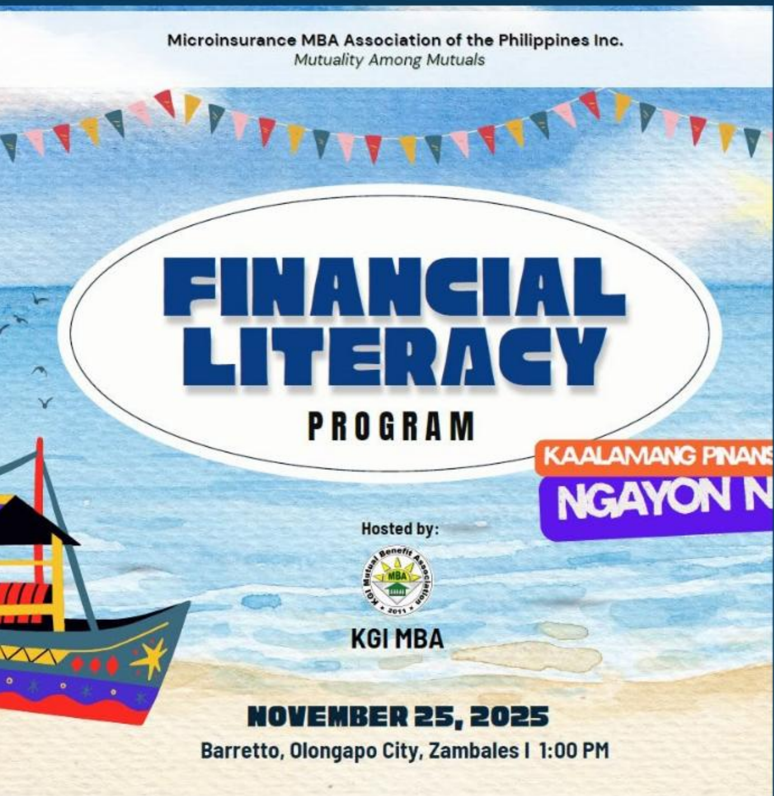
Our year in numbers..

19,346 Total Members	**₱13,115,265.** Contributions/ Premiums
₱6,174,084.53 Claims Paid	**1,544** Clients Served

Financial Year-end Summary

₱78,530,301	**₱16,766,394**	**₱14,863,531**	**₱1,902,863**
Total Assets	Revenue	Expenses	Comprehensive Income

SOCIAL IMPACT AND SUSTAINABILITY : FINANCIAL INCLUSION INITIATIVE



As part of its commitment to empowering members through financial education, KGI Mutual Benefit Association, Inc. arranged a Financial Literacy Program funded by the Microinsurance MBA Association of the Philippines (MiMAP) in collaboration with the Insurance Commission. The activity was held in November 26, 2025, at McDonald's Barretto, Olongapo City, and was attended by more than 100 members of the Association from Olongapo, Zambales 1, and Zambales 2 branches who received their certificate after the program.

The training served as an important platform to enhance the financial knowledge and decision-making capabilities of the Association's members. Participants were equipped with practical insights on personal financial management, budgeting, saving, responsible borrowing, financial planning, and the value of insurance and microinsurance in protecting families from unexpected financial hardships. The program also emphasized the importance of developing healthy financial habits and making informed financial decisions that contribute to long-term financial stability.

Through interactive discussions and learning sessions facilitated by resource persons from the Insurance Commission and industry experts, participants gained a deeper understanding of financial literacy and its role in improving their quality of life. The training also highlighted the significance of risk protection and financial preparedness, enabling members to better appreciate the benefits provided by the Association.

The overwhelming participation of more than 100 members demonstrated the growing interest and commitment of KGI MBA members to improve their financial well-being. It also reflected the Association's continuous efforts to provide programs that go beyond insurance coverage by promoting financial empowerment and capacity building among its membership.

KGI MBA recognizes that financial literacy is a vital component of sustainable social protection. By equipping members with the knowledge and skills necessary to manage their finances effectively, the Association helps build financially resilient families who are better prepared to face life's uncertainties and pursue their long-term goals.

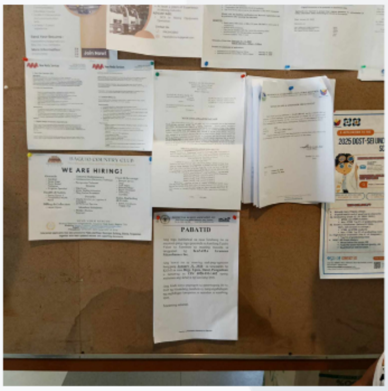
The Association expresses its sincere appreciation to the Microinsurance MBA Association of the Philippines (MiMAP) and the Insurance Commission for spearheading this meaningful initiative and for their continued partnership in promoting financial inclusion and consumer education within the microinsurance sector.

Moving forward, KGI MBA remains committed to supporting and participating in similar educational programs that strengthen the financial capability of its members. The Association believes that informed and financially empowered members are better positioned to maximize the benefits of microinsurance, achieve greater financial security, and contribute to stronger, more resilient communities.

PHOTOS FROM THE EVENT

Client Education and Awareness

Early this year, as part of the Association's commitment to safeguarding the interests of its members, and with the advice of Insurance Commission specialists, an extensive outreach initiative was conducted to locate members with remaining equity values or savings that have yet to be claimed through posting the list of members with remaining savings in their respective municipalities.. Recognizing that many members may have relocated, changed contact information, or were unaware of their available equity value balances, the Association implemented a community-based information campaign to ensure that this benefit reach their rightful owner.



The outreach activities involved coordinated visits to various municipalities and barangays within the Association's service areas. Lists of members with unclaimed equity values were posted in strategic public locations, such as barangay halls and municipal offices, with the cooperation of local government officials. Each posted notice included a letter explaining the purpose of the campaign, the eligibility of the listed members, and clear instructions on the procedures and documentary requirements for claiming their equity value or savings.

This initiative reflects the Association's dedication to transparency, accountability, and member service. By bringing information directly to local communities, the Association has improved awareness among members and their families, facilitated the processing of unclaimed equity values, and strengthened its commitment to ensuring that every member has the opportunity to receive this financial benefits due to them.

The Association will continue to pursue similar outreach efforts and enhance its communication channels to maximize member engagement and ensure that no eligible member is left uninformed about the benefits and savings they have accumulated through their membership.

HUMAN RESOURCES AND ORGANIZATIONAL DEVELOPMENT: TRAINING AND CAPACITY BUILDING

Training and Capacity Building for Officers and Employees

KGI Mutual Benefit Association, Inc. continues to prioritize the development and enhancement of the competencies of its officers and employees through continuous training and capacity-building initiatives. These programs are designed to strengthen organizational performance, improve service delivery, and ensure that the Association remains responsive to the evolving needs of its members and regulatory environment.

Throughout the year, officers and employees participated in various training programs, workshops, and professional development activities covering key areas such as corporate governance, risk management, regulatory compliance, microinsurance operations, customer service excellence, financial management, and digital transformation. These learning opportunities were conducted through internal sessions as well as external seminars facilitated by partner institutions, regulatory agencies, and industry associations.

The capacity-building initiatives have significantly contributed to enhancing the technical knowledge, professional skills, and leadership capabilities of the Association's workforce. Employees have become more equipped to handle operational challenges, implement efficient processes, and uphold high standards of service in their respective functions. Likewise, officers have strengthened their strategic and governance competencies, enabling them to provide more effective oversight and guidance in the fulfillment of the Association's mission.

In addition to technical training, emphasis was also placed on values formation and organizational culture, reinforcing the importance of integrity, accountability, teamwork, and member-centered service. These core values continue to guide the behavior and decision-making of officers and employees, ensuring alignment with the Association's vision and mission.

The Association recognizes that investing in human capital is essential to sustaining organizational growth and excellence. By continuously developing the skills and capabilities of its workforce, KGI MBA ensures that it remains competitive, efficient, and capable of delivering high-quality services to its members.

Moving forward, KGI Mutual Benefit Association, Inc. remains committed to expanding its training and development programs, embracing innovative learning approaches, and fostering a culture of continuous improvement. Through these efforts, the Association aims to build a highly competent, motivated, and service-oriented workforce dedicated to advancing its mandate of providing accessible and reliable social protection to its members. Below are the list of the trainings attended by KGI MBA Board of Trustees and staffs.

DATE	TRAINING/WORKSHOP NAME
January 27,2025	National Microinsurance Forum
February 26, 2025	Learning Session: Institutional Stock Investment 101
March 13, 2025	Leadership Training for Nanay Leaders
April 22, 2025	Annual Statement Workshop
May 8, 2025	Learning Session on Digital Marketing
August 27-29, 2025	Management Forum
September 19, 2025	Learning Session on Investing for Impact: UITF's, Bonds and the IMA Briefing
October 10,2025	Learning Session: Philhealth Benefits, Alamin para Gamitin
October 15-17, 2025	Good Governance and Ant-Money Laundering Workshop
November 28-29, 2025	Health, Wellness, and Spirituality Seminar



Employee Engagement and Welfare Initiatives

KGI Mutual Benefit Association, Inc. continues to place strong emphasis on employee engagement and welfare as part of its commitment to maintaining a healthy, motivated, and productive workforce. During the year, several initiatives were implemented to promote employee well-being, strengthen camaraderie, and support a balanced work environment.

One of the key highlights of the year was the participation of employees in the KAPATIRAN event held on December 8 in Boracay. This activity served as an avenue for team building, fellowship, and strengthening of relationships among employees. It provided an opportunity for staff to take a meaningful break from their routine work environment while fostering unity, cooperation, and a stronger sense of belonging within the organization. The event contributed significantly to enhancing morale and reinforcing the spirit of collaboration across departments.

In addition to engagement activities, the Association also prioritized the health and wellness of its employees through the conduct of the Annual Physical Examination (APE). This initiative reflects the Association's commitment to promoting preventive healthcare and ensuring that employees remain physically fit and healthy in the performance of their duties. The APE program helped in the early detection and monitoring of health conditions, encouraging employees to adopt healthier lifestyles and greater awareness of their overall well-being.

These employee engagement and welfare programs underscore KGI MBA's recognition that its people are its most valuable asset. By investing in both the physical health and emotional well-being of employees, the Association fosters a more positive workplace culture that supports productivity, efficiency, and long-term organizational sustainability.

Moving forward, KGI Mutual Benefit Association, Inc. remains committed to strengthening its employee welfare initiatives by continuously providing meaningful engagement activities, wellness programs, and support systems that promote work-life balance and overall employee satisfaction. These efforts are aligned with the Association's goal of building a resilient, empowered, and highly motivated workforce dedicated to delivering quality service to its members.

SHOWCASE OF ACHIEVEMENTS

This section highlights our key accomplishments over the past year, emphasizing our commitment to innovation, sustainability, and excellence in our corporate practices.

Renewal of Memorandum of Agreement with the Department of Social Welfare and Development (DSWD)

During the year, KGI Mutual Benefit Association, Inc. successfully renewed its Memorandum of Agreement (MOA) with the Department of Social Welfare and Development (DSWD) valid for the period of 2 years, reaffirming the Association's shared commitment to promoting financial protection and social security for underserved Filipino families.

The renewed partnership has significantly strengthened the Association's membership expansion initiatives, particularly through the enrollment of qualified beneficiaries of the Pantawid Pamilyang Pilipino Program (4Ps). By extending affordable and accessible microinsurance protection to 4Ps households, the Association continues to fulfill its mission of providing financial assistance and peace of mind to vulnerable communities.

This collaboration has not only contributed to the steady growth of the Association's membership base but has also enhanced its social impact by reaching more low-income families who can benefit from the Association's mutual aid and protection programs. The increasing participation of 4Ps beneficiaries reflects the trust placed in the Association by both government partners and the communities it serves.

The renewal of the MOA underscores the value of strong institutional partnerships in advancing inclusive financial protection and sustainable community development. KGI Mutual Benefit Association, Inc. remains committed to working closely with DSWD and other stakeholders to expand its reach, improve member services, and continue delivering meaningful benefits that uplift the lives of Filipino families.

New Partnership with Barangay Cawag Officials and Employees

In line with its commitment to expand access to social protection and strengthen community-based financial security, KGI Mutual Benefit Association, Inc. established a new partnership with the officials and employees of Barangay Cawag. This collaboration marks another milestone in the Association's membership expansion initiatives, extending the benefits of mutual aid and microinsurance to public servants at the grassroots level.

Through this partnership, Barangay Cawag officials and employees were enrolled as members of the Association, providing them with affordable financial protection and access to benefits designed to help safeguard their families during times of unforeseen circumstances. The initiative reflects KGI MBA's continuing mission to make social protection more accessible to every sector of society, particularly those who play a vital role in community development and public service.

Beyond increasing the Association's membership base, this partnership reinforces KGI MBA's commitment to fostering meaningful collaborations with local government units in promoting financial inclusion and community resilience. By working closely with barangay leaders, the Association is able to extend its reach, create greater awareness of the value of microinsurance, and encourage more communities to embrace the importance of financial preparedness.

As KGI MBA continues to grow, partnerships such as this serve as a testament to the Association's dedication to delivering sustainable social protection programs that improve the quality of life of its members while supporting the shared goal of building stronger and more resilient communities.




KGI MBA Earns Its Second One (1) Golden Arrow Award for Corporate Governance Excellence

KGI Mutual Benefit Association, Inc. proudly celebrates another significant milestone with the receipt of its Second One Golden Arrow Award, a prestigious recognition that affirms the Association's unwavering commitment to good corporate governance, transparency, accountability, and ethical business practices. The award was received by its President, Ms. Liberty Arellano and General Manager Mary Jane Concepcion last October 23, 2025 at Okada Manila together with other MBA's, Insurance, and Listed Companies.

The Golden Arrow Award is conferred upon organizations that demonstrate standards and best practices. Receiving this distinction for the second time reflects KGI MBA's consistent efforts to strengthen its governance framework, uphold the highest standards of integrity, and promote responsible leadership across all levels of the organization.

This achievement underscores the Association's dedication to protecting the interests of its members and other stakeholders by ensuring that sound governance principles remain at the core of its operations. Through effective oversight by the Board of Trustees, responsible management, robust internal controls, regulatory compliance, and a culture of transparency, KGI MBA continues to build a resilient organization that is responsive to the evolving needs of its members.

The Second Golden Arrow Award also reinforces the confidence and trust of the Association's members and institutional partners. As a mutual benefit association, KGI MBA recognizes that trust is the cornerstone of its relationship with its members. Every contribution entrusted to the Association carries with it the responsibility to manage resources prudently, deliver promised benefits efficiently, and ensure that every decision made is aligned with the best interests of its membership.

Beyond governance compliance, this recognition reflects the Association's commitment to its social mission. KGI MBA continues to expand its reach by providing affordable microinsurance protection to underserved communities through strategic partnerships with government agencies, local government units, cooperatives, and community organizations. The Association firmly believes that strong governance serves as the foundation for sustainable growth, enabling it to extend quality services to more Filipino families while fulfilling its mandate of promoting financial inclusion and social protection.

As KGI MBA celebrates this significant accomplishment, it remains committed to further strengthening its governance practices and embracing innovation, digital transformation, and continuous organizational development. The Association will continue to align its operations with evolving regulatory standards and internationally recognized governance principles, ensuring that it remains resilient, transparent, and responsive in an ever-changing environment.

Corporate Governance

Throughout the year, KGI MBA remained steadfast in strengthening its governance framework by promoting responsible leadership, sound risk management, regulatory compliance, and ethical business practices. Guided by our mission of serving our member-beneficiaries with integrity and excellence, we continue to foster a culture that values accountability, fairness, and prudent decision-making at every level of the organization.

Further, we believe that good governance goes beyond compliance—it is about fostering trust, promoting fairness, and creating lasting value for our member-beneficiaries. By embracing responsible leadership and continuous improvement, we ensure that our resources are managed prudently, our commitments are fulfilled, and our mission remains focused on enhancing the welfare and financial security of every member we serve.

As we continue to grow, we remain committed to strengthening our governance practices, upholding the highest ethical standards, and creating lasting value for our member-beneficiaries and the communities we proudly serve.

This section outlines the governance structure, policies, and practices that guide our operations and demonstrate our unwavering commitment to excellence, integrity, and responsible stewardship.

THE BOARD OF TRUSTEES

The Board of Trustees provides strategic leadership and governance oversight to KGI Mutual Benefit Association Inc., ensuring that the Association remains true to its mission while safeguarding the interests of its member-beneficiaries. Guided by the principles of integrity, accountability, transparency, and fairness, the Board is responsible for setting the Association's strategic direction, approving key policies, overseeing risk management, and ensuring compliance with applicable laws and regulatory requirements.

Working closely with Management, the Board promotes sound governance practices, prudent stewardship of resources, and sustainable growth. Through informed decision-making and collective leadership, the Board of Trustees continues to strengthen the Association's capacity to deliver quality mutual benefit services and create long-term value for its members and stakeholders.

KGI MBA's Board of Trustee's is composed of seven (7) members, to wit: four (4) trustees are elected from the active members, one (1) from the MFI staff representative, and two (2) independent trustees who are professionals and expert in their field. The Trustees has a term of three (3) years while Independent Trustees serves for nine (9) years and are elected by majority of members during annual general meeting attended by the MBA Coordinators as the member's representative to the election. The Board of Trustees holds no executive position in the association.

The following are the members of the Board of Trustees whose leadership, expertise, and commitment continue to guide KGI MBA toward sustainable growth and the achievement of its mission.

PRESIDENT/CHAIRMAN

Ms. Liberty Arellano *is from Zambales North Branch representing the Pangasinan-Zambales North- Area to the Board of KGI MBA elected in May 2024. She is 63 years old and a bonafide resident of Bamban, Masinloc Zambales. She is a Secretarial graduate and has a direct selling and farming business funded by KGMi where she has been a member for 23 years now. She is a member of the Nomination, Election and Corporate Governance Committee of the Association. She attended Governance and AMLA workshop and other trainings related to Governance. Ms. Arellano does not hold any position or directorship in any listed companies.*

VICE PRESIDENT

Ms. Rosemarie Petilo *is from Zambales Capitol Branch representing the Zambales North Area to the Board of KGI MBA elected in May 2023. She is 54 years old and a bonafide resident of Pangolingan, Palauig , Zambales. She is a High School graduate and holds NCII in Massage and Housekeeping and has a farming business funded by KGMI where she has been a member for 26 years now. She is a member of the Nomination, Election and Corporate Governance Committee of the Association. She attended Governance and AMLA workshop and other trainings related to Governance. Ms. Petilo does not hold any position or directorship in any listed companies*

BOARD SECRETARY

Ms. Leticia Castillo *is from NCR North Branch representing the NCR Area to the Board of KGI MBA elected in May 2024. She is 56 years old and a bonafide resident of Camarin, Caloocan City. She is a Commerce undergraduate and has a rug making business funded by KGMI where she is now 20 years as a member. She is a member of the Nomination, Election and Corporate Governance Committee of the Association. She attended Governance and AMLA workshop and other trainings related to Governance. Ms. Castillo does not hold any position or directorship in any listed companies.*

TREASURER

Ms. Marlyn Villanueva *is from Zambales 1 Branch representing the Pampanga--Olongapo-Zambales South Area to the Board and a nely elected member of the board last May 17, 2025. She is 61 years old and a bonafide resident of San Agustin, Castillejos, Zambales. She is a Vocational Course graduate and has a direct selling business funded by KGMI where she is now 13 years as a member. She is a member of the Risk Oversight and Audit Committee of the Association. She attended Governance and AMLA workshop and other trainings related to Governance. Ms. Villanueva does not hold any position or directorship in any listed companies.*

INDEPENDENT TRUSTEE

Dr. Ricardo S. Reyes Jr. *is from Floridablanca, Pampanga and is one of the Independent Trustee of KGI MBA elected in May 2017. He is 77 years old and has a Ph.D in Agriculture and Ed.D in Educational Management. He attended various trainings and seminars related to the governance of an MBA until this time. Dr. Reyes is a member of the Risk Oversight and Audit Committee, Executive Committee, Remuneration and RPT Committee and he is the Chairman of the Nomination, Election and Corporate Governance Committee of the Association. Dr. Reyes is also a member of the Board of Trustees of KGMI..*

INDEPENDENT TRUSTEE

Ms. Piedad Matias *is from BF Homes, Caloocan City and is one of the Independent Trustee of KGI MBA elected in May 2017. She is 86 years old and has a degree of Bachelor of Science in Accountancy. She attended various trainings and seminars related to the governance of an MBA until this time. Ms. Matias is the Chairman of the Risk Oversight and Audit Committee, member of the Nomination, Election and Corporate Governance Committee and Remuneration and RPT Committee and Executive Committee of the Association. Ms. Matias is a member of the Board of Trustees of KGMI.*

BOARD MEMBER

Ms. N*ancy Flores* *is the Branch Manager of NCR North, representing KGMI Staff to the Board of KGI MBA since May 2023. She has been in the company for 21 years. She is 45 years old and has a degree in Bachelor of Science in Computer Science. She attended Governance and AMLA Workshop and the training for the Board of Trustees regarding governance and other matters related to the MBA. Ms. Flores is a member of the Risk Oversight and Audit Committee of the Association. Ms. Flores does not hold any position or directorship in any listed companies.*

As stewards of the Association, the Board of Trustees continues to provide principled leadership and sound governance that reinforce the trust placed in KGI Mutual Benefit Association, Inc. Their collective commitment to ethical decision-making, accountability, and strategic oversight ensures that the Association remains well-positioned to fulfill its mission, adapt to emerging challenges, and create sustainable value for its member-beneficiaries and stakeholders for years to come.

BOARD MEETINGS

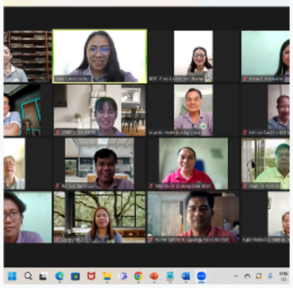
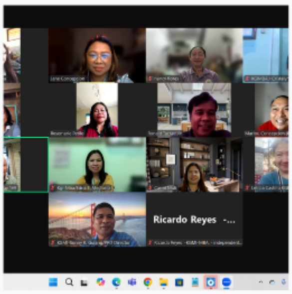
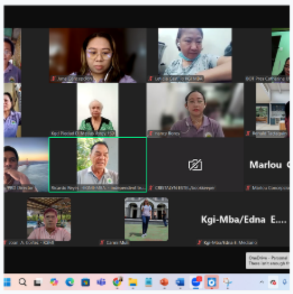
Board meetings serve as the cornerstone of effective governance, providing a structured forum where strategic decisions are made, organizational performance is reviewed, and future directions are established. Throughout the year, the Board of Trustees of KGI MBA convened regularly to fulfill its fiduciary responsibilities, ensuring that the Association remained aligned with its mission, regulatory requirements, and the best interests of its members. Through collaborative discussions, prudent oversight, and informed decision-making, the Board reinforced its commitment to transparency, accountability, and sustainable growth.

IIn 2025, the Board of Trustees convened six (6) regular meetings, all of which were conducted via videoconferencing to ensure efficient and timely governance. The Annual General Assembly, however, was held in person to facilitate the election of the new Board of Trustees and to provide an opportunity for the newly elected Board to convene its inaugural meeting.

The schedule of Board meetings for the succeeding year is approved during the final Board meeting of the current year, ensuring that Trustees are able to effectively plan for and fulfill their governance responsibilities. Presented below is the attendance record of the Board of Trustees for the meetings held in 2025, reflecting the Board's commitment to active participation and effective oversight.

TRUSTEE	POSITION	ANNUAL MEETING	REGULAR MEETING	%
Liberty Arellano	President	Yes	6	100%
Rosemarie Petilo	Vice President	Yes	6	100%
Leticia Castillo	Secretary	Yes	6	100%
Marlyn Villanueva*	Treasurer	Yes	4	67%
Dr. Ricardo Reyes Jr.	Independent Board	Yes	6	100%
Piedad Matias	Independent Board	Yes	6	100%
Nancy Flores	Trustee	Yes	6	100%
Cattherine Ubana**	President	Yes	2	33%

* Newly Elected
** Outgoing Board

BOARD COMMITTEES

The Board Committees play a crucial role in strengthening the Association's governance framework by supporting the Board of Trustees in the effective discharge of its responsibilities. Through focused oversight and specialized expertise, the Committees enhance the quality of decision-making, promote accountability, and ensure that key governance functions are carried out efficiently and in accordance with regulatory requirements and industry best practices.

To effectively fulfill its oversight responsibilities, KGI Mutual Benefit Association, Inc. has established three (3) Board Committees:

1. **Risk Oversight and Audit Committee** – Oversees the Association's risk management framework, internal controls, financial reporting processes, and audit functions to safeguard the interests of the Association and its members.
2. **Nomination, Election and Corporate Governance Committee** – Oversees the nomination and election processes for the Board of Trustees and promotes sound corporate governance practices, ensuring compliance with applicable laws, regulations, and governance standards.
3. **Remuneration and Related Party Transaction Committee** – Reviews and recommends appropriate compensation policies to the Board of key officers while ensuring that related party transactions are conducted fairly, transparently, and in the best interest of the Association.

RISK OVERSIGHT AND AUDIT COMMITTEE

NOMINATION, ELECTION AND CORPORATE GOVERNANCE COMMITTEE

REMUNERATION AND RELATED PARTY TRANSACTION COMMITTEE

RISK OVERSIGHT AND AUDIT COMMITTEE

The combined Risk Oversight and Audit Committee plays a vital role in strengthening the Association's governance framework and maintaining its financial integrity. By integrating risk oversight and audit functions, the Committee adopts a comprehensive approach to identifying, assessing, and mitigating risks while ensuring the effectiveness of internal controls, regulatory compliance, and the safeguarding of the Association's assets. The Committee also oversees the internal audit function to promote transparency, accountability, and the reliability of financial reporting. In addition, it recommends the appointment of the external auditor to conduct the annual audit of the Association's financial statements and ensure compliance with applicable regulatory requirements.

The Committee is composed of three (3) Trustees, chaired by an Independent Trustee, and one (1) Board Adviser. To facilitate informed discussions and effective oversight, the General Manager and the Internal Audit Manager regularly participate in Committee meetings.

In 2025, the Committee convened two (2) meetings to deliberate on key governance, financial, and risk management matters, including:

- 2024 Annual Statement Verification;
- Update on OCL accounts ;
- Equity Value interest for 2025; and
- Proposal for 2026 External Auditor.

Presented below are the members of the Risk Oversight and Audit Committee and their attendance during the meetings held in 2025.

TRUSTEE/ADVISER	POSITION	ATTENDANCE 2 MEETINGS FOR 2025
Piedad Matias	Chairman	100%
Dr. Ricardo Reyes Jr.	Member	100%
Marlyn Villanueva*	Member	50%
Ronald Tactaquin	Member	100%
Nancy Flores**	Member	50%

* Newly Elected

** Moved to other Committee

NOMINATION, ELECTION AND CORPORATE GOVERNANCE COMMITTEE

The Nomination, Election and Corporate Governance Committee plays a key role in promoting sound corporate governance and ensuring that the Association is guided by competent, qualified, and ethical leadership. The Committee oversees the nomination and election process for the Board of Trustees, evaluates governance practices, and recommends initiatives that strengthen the effectiveness, accountability, and performance of the Board.

The Committee is composed of four (4) members of the Board of Trustees, the majority of whom are Independent Trustees, together with one (1) Board Adviser. This composition ensures objectivity and independence in the discharge of the Committee's responsibilities.

In 2025, the Committee convened two (2) meetings to deliberate on matters essential to the Association's governance framework, including:

1. Approval of area divisions for the Board of Trustees election;
2. Review and evaluation of the profiles and qualifications of nominees for the 2025 Board of Trustees election; and
3. Board Meeting re-scheduling due to partner MFI Kapatiran.

Presented below are the members of the Nomination, Election and Corporate Governance Committee and their attendance during the meetings held in 2025.

TRUSTEE/ADVISER	POSITION	ATTENDANCE 2 MEETINGS FOR 2025
Dr. Ricardo Reyes Jr.	Chairman	100%
Piedad Matias	Member	100%
Liberty Arellano*	Member	50%
Rosemarie Petilo	Member	100%
Joan Cortez	Member	100%
Catherine Ubana**	Member	50%

* Replacement

** Outgoing Board

REMUNERATION AND RELATED PARTY TRANSACTION COMMITTEE

The Remuneration and Related Party Transactions Committee plays a vital role in promoting fairness, transparency, and accountability in matters relating to compensation and related party transactions. The Committee ensures that remuneration policies for the employees are aligned with the Association's objectives, while also reviewing and monitoring related party transactions to ensure they are conducted at arm's length, free from conflicts of interest, and in compliance with applicable laws, regulations, and corporate governance standards.

The Committee is composed of four (4) Trustees, including two (2) Independent Trustees, and one (1) Board Adviser. This composition strengthens the Committee's ability to exercise objective and independent judgment in carrying out its responsibilities.

In 2025, the Committee convened two (2) meetings to deliberate on key compensation and related party matters, including:

1. Mandatory wage increase;
2. Status and review of the KGMI Bridge Loan;
3. Updates on the KGMI Bridge Loan;
4. KGMI's unremitted members' contributions;
5. Request for 2 new employees; and
6. Salary increase for 2026.

Presented below are the members of the Remuneration and Related Party Transactions Committee and their attendance during the meetings held in 2025.

TRUSTEE/ADVISER	POSITION	ATTENDANCE 2 MEETINGS FOR 2025
Dr. Ricardo Reyes Jr.	Chairman	100%
Piedad Matias	Member	100%
Nancy Flores*	Member	50%
Leticia Castillo	Member	100%
Sonny Guiang	Member	100%
Liberty Arellano**	Member	50%

* Replacement
** Outgoing Board

BOARD REMUNERATION AND PERFORMANCE APPRAISAL

In accordance with the Association's Constitution and By-Laws, members of the Board of Trustees serve on a voluntary basis and do not receive compensation or remuneration for the performance of their duties. This policy reflects the Association's commitment to ethical leadership, sound corporate governance, transparency, and prudent financial management.

While Trustees are not entitled to salaries, honoraria, or other forms of compensation, they may be reimbursed for reasonable and necessary expenses incurred in the performance of their official duties. These reimbursements are limited to actual expenses directly related to Board functions, including:

- **Monitoring Expenses** – Costs incurred in the conduct of monitoring visits, inspections, evaluations, and other oversight activities
- **Transportation Expenses** – Travel expenses incurred in attending Board meetings, official functions, and other activities undertaken in the discharge of their fiduciary responsibilities.

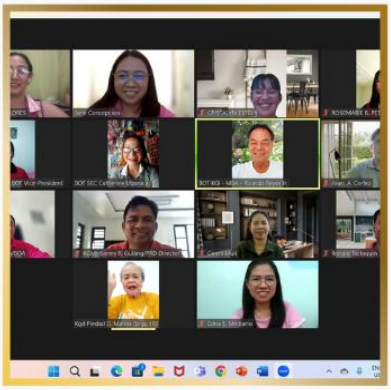
This governance policy reinforces the principle that Board service is founded on stewardship and accountability rather than personal financial gain. By maintaining a non-compensatory Board structure, the Association ensures that its financial resources are directed toward fulfilling its mission, enhancing member benefits, and promoting the long-term sustainability of the organization.

The results of the 2025 Board Performance Assessment demonstrated the Board of Trustees' continued commitment to upholding the principles of good corporate governance and fulfilling its fiduciary responsibilities. Overall, the evaluation indicated that the Board and its Committees effectively discharged their oversight functions and contributed positively to the achievement of the Association's strategic objectives.

The assessment highlighted several key strengths, including the Trustees' active engagement and commitment to their governance responsibilities, the effective performance of the Board Committees in carrying out their respective mandates, and the Board's continued adherence to ethical standards, regulatory requirements, and established corporate governance practices.

The evaluation likewise identified opportunities to further strengthen governance effectiveness. These include enhancing communication and collaboration among the Board and its Committees, providing continuous leadership development and governance training for Trustees, and refining Committee processes to improve operational efficiency and decision-making.

The annual Board Performance Assessment remains an essential component of the Association's governance framework. The results of the evaluation provide valuable insights that guide the Board in strengthening its performance, fostering a culture of continuous improvement, and ensuring that the Association remains well-positioned to deliver sustainable value to its members and stakeholders.



TRANSPARENCY AND DISCLOSURE

KGI Mutual Benefit Association, Inc. (KGI MBA) remains steadfast in its commitment to the highest standards of transparency, accountability, and good corporate governance. The Association recognizes that timely, accurate, and meaningful disclosure of information is fundamental to building and maintaining the trust and confidence of its members, regulators, partners, and other stakeholders.

Transparency is embedded in the Association's governance framework through open communication, regular reporting, comprehensive documentation of policies and decisions, and strict adherence to applicable laws, regulations, and governance standards. By providing stakeholders with reliable information on the Association's operations, financial performance, governance practices, and risk management initiatives, KGI MBA promotes informed decision-making and reinforces confidence in its stewardship.

Effective disclosure also strengthens the Association's ability to identify and manage emerging risks, supports sound governance practices, and fosters stronger relationships with members, employees, partner institutions, and the communities it serves. Through transparent and consistent communication, KGI MBA continues to uphold its core values of integrity, accountability, and service excellence.

To ensure that relevant corporate information remains accessible to all stakeholders, the Association utilizes various communication channels, including:

- **Official Website** – Financial and non-financial reports, corporate governance disclosures, policies, manuals, forms, and other relevant information are made available through the Association's official website at **www.kgi-mba.com.**
- **Official Facebook Page** – Members and the public may access updates, announcements, and other relevant information through the Association's official Facebook page at **https://www.facebook.com/kazamagrameenmba.**
- **Brochures and Information Materials** – Product brochures, informational leaflets, and other promotional materials are distributed through partner Microfinance Institution (MFI) branches and are also available for download from the Association's website to help members and prospective members better understand the products and services offered by KGI MBA.

- **Member Assistance and Inquiries** – Members may contact the Association through its hotline numbers (047) 232-7298, +63 908 892 9371, or +63 930 226 5498, or send their inquiries via email at kgi_mba@yahoo.com.

Through these communication platforms, KGI MBA ensures that stakeholders have timely access to relevant information, reinforcing its commitment to transparency, accountability, and responsive member service.

Related Party Transactions

KGI Mutual Benefit Association, Inc. (KGI MBA) is committed to ensuring that all Related Party Transactions (RPTs) are conducted with the highest standards of integrity, transparency, and fairness. To safeguard the interests of the Association, its members, and other stakeholders, all Related Party Transactions are undertaken on an arm's length basis and in accordance with the Association's Related Party Transactions Policy and applicable regulatory requirements.

The Remuneration and Related Party Transactions Committee is responsible for reviewing and evaluating all Related Party Transactions to determine their appropriateness, materiality, and fairness. The Committee ensures that each transaction is free from conflicts of interest and consistent with the best interests of the Association before submitting its recommendations to the Board of Trustees for review and approval.

The Association maintains a robust governance framework to ensure that all Related Party Transactions are properly disclosed and monitored, thereby promoting accountability, protecting stakeholder interests, and reinforcing public confidence in the Association's governance practices.

Details of the Association's Related Party Transactions are disclosed in **Note 17** of the **2025 Audited Financial Statements.**

External and Internal Audit

KGI Mutual Benefit Association, Inc. (KGI MBA) is committed to maintaining a strong control environment through independent external and internal audit functions that support sound corporate governance, effective risk management, and regulatory compliance.

External Audit

The Association complies with the requirements of the Insurance Commission, including the provisions of Insurance Commission Circular Letter No. 29-2009 dated 10 November 2009, governing the accreditation and appointment of external auditors. For the audit of the 2025 financial statements, **M.A. Mercado & Co.,** through its signing partner Mr. Marcelino Mercado, was engaged as the Association's independent external auditor.

The external auditor conducted an independent examination of the Association's financial statements and issued its audit opinion in accordance with applicable Philippine Financial Reporting Standards (PFRS) and regulatory requirements. The Association incurred audit fees of ₱100,000, exclusive of 12% Value-Added Tax (VAT) and reimbursable out-of-pocket expenses, for the statutory audit engagement.

To preserve auditor independence and objectivity, the external auditor did not perform any non-audit services during the year. Accordingly, no non-audit fees were paid by the Association.

Internal Audit

KGI MBA shares its Internal Audit function with its partner Microfinance Institution, Kazama Grameen Microfinance, Inc. (KGMI). The Internal Audit Department is headed by Ms. Kathleen D. Rodriguez, who provides independent and objective assurance on the adequacy and effectiveness of the Association's governance, risk management, and internal control systems.

The Internal Audit function supports the Board of Trustees and Management by evaluating the effectiveness of internal controls, ensuring compliance with applicable laws, regulations, and internal policies, and identifying opportunities to strengthen operational efficiency and risk management practices. Through regular audit engagements and constructive recommendations, Internal Audit contributes to the continuous improvement of the Association's operations while reinforcing accountability, transparency, and the protection of members' interests.

STAKEHOLDER INTEREST

Stakeholder interests encompass the concerns, needs, expectations, and objectives of individuals and groups with a direct or indirect stake in the organization’s activities, decisions, and outcomes. Proactively identifying and addressing these interests is critical to building trust, sustaining constructive relationships, and enabling long-term performance and resilience. KGI MBA is committed to delivering high-quality programs and services to all stakeholders and conducting all engagements and transactions with transparency, fairness, and accountability.

MEMBER SATISFACTION

At KGI MBA, we are dedicated to providing exceptional service and ensuring our members receive the necessary financial support with efficiency and reliability. Understanding the critical nature of timely assistance, we have implemented a streamlined claims process that guarantees the quickest possible turnaround time.Upon notification, eligible claims for both members and their dependents are processed expeditiously, with the designated percentage allocated even prior to the submission of required documentation.

This proactive approach demonstrates our commitment to minimizing delays and ensuring that financial assistance is accessible when it is needed most. Our unwavering focus on transparency, fairness, and responsiveness reinforces our mission to deliver seamless service and foster lasting trust among our members. By continuously refining our processes and maintaining a member-centric approach, we uphold our dedication to operational excellence and the highest standards of service delivery.

At KGI MBA, we believe that true member satisfaction is rooted in reliability and efficiency. We remain resolute in our mission to provide immediate and dependable financial support, ensuring peace of mind for our members and their families.

SUPPLIERS AND CONTRACTORS

Suppliers and contractors are essential stakeholders in our organization, significantly contributing to our operational success and long-term sustainability. Their role extends beyond the mere provision of goods or services; they directly influence supply chain efficiency, cost management, quality standards, and overall business performance.

The Association has established a comprehensive policy regarding the selection, bidding, and approval process for suppliers, detailed in our Corporate Governance Manual. The General Manager/Finance Officer is appointed to lead the bidding and selection process, ensuring that all decisions regarding supplier selection are presented to and approved by the board.

ENVIRONMENTALLY-FRIENDLY VALUE CHAIN

An environmentally friendly value chain, also known as a sustainable or green value chain, is a framework that incorporates environmental considerations throughout the entire lifecycle of a product or service—from raw material sourcing to end-of-life disposal or recycling. The objective is to minimize negative environmental impacts while maximizing value creation and meeting stakeholder needs.

While the Association's operations do not have a direct impact on the environment, we remain committed to implementing sustainable practices such as turning off the lights and air condition during lunch time and even recycling papers. We strive to integrate environmentally conscious decisions into our procurement processes and operational activities to support broader sustainability goals.

Through these efforts, we aim to contribute positively to the environment and foster a culture of responsibility within our organization.

EMPLOYEES

Employees are vital stakeholders in our organization, playing a crucial role in its success, growth, and sustainability. Their contributions extend beyond daily operations, impacting corporate culture, innovation, productivity, and overall organizational performance. Acknowledging employees as key stakeholders necessitates a commitment to their well-being, professional development, and engagement.

Organizations that prioritize fair compensation, career advancement opportunities, and a supportive work environment cultivate loyalty and motivation, driving efficiency and business success. In 2025, the staff of KGI MBA participated in a rest and recreation program organized by the Board of Trustees, aimed at reducing stress, enhancing work-life balance, and improving employee morale.

This initiative ultimately contributes to a healthier and more engaged workforce. Additionally, an incentive was awarded to employees for their impressive performance evaluations over the first three quarters of the year, initiated by our partner MFI.

As part of our employee benefits program, an annual medical examination was conducted in March 2024 through our company-initiated health insurance with Philcare, in partnership with RMSI. This initiative underscores our commitment to the health and well-being of our employees, ensuring they have access to necessary medical services and support.

ANTI-CORRUPTION AND WHISTLEBLOWING POLICY

To not compromise the integrity of the association's 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 trustees, officers and staff, without any fear of retaliation.

The Whistleblowing Policy of the association can be viewed in the company's website at **www.kgi-mba.com** and may contact the HR department and the General Manager of KGI MBA at cellular phone numbers 09209161687/09285213691 or they can email us at mba92311@gmail.com for their reports and concerns.

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.

COMMUNITY OF OPERATIONS

Each year, KGI MBA actively participates in the Annual General Assembly of its partner MFI, KGMI. The General Manager and staff are provided with the opportunity to discuss and inform branch members about our policies and procedures, while also allowing members to raise questions to enhance their understanding of KGI MBA's products and services.

The MBA Coordinators play a vital role in disseminating information about the advantages of KGI MBA's offerings in their assigned areas. They actively encourage individuals who are not yet members to join the MFI and, subsequently, become members of the Association.

Through ongoing marketing efforts and endorsements, KGI MBA successfully established partnerships this year with barangay officials in Pangolingan, Palauig, Zambales, as well as with the Department of Social Welfare and Development (DSWD). These partnerships are anticipated to expand access to new customer bases, strengthen KGI MBA's brand perception, build trust, drive growth, enhance competitiveness, and create lasting value for the Association's stakeholders.

COMPLIANCE TO REGULATORY BODIES

Adhering to regulatory requirements is vital for an organization's credibility, sustainability, and operational efficiency. Compliance with governing bodies ensures that business activities align with legal frameworks, industry standards, and ethical practices.

By maintaining rigorous compliance protocols, KGI MBA not only safeguards its operations but also reinforces its commitment to integrity and accountability in all aspects of its work. This adherence ultimately contributes to the long-term success and sustainability of the Association.

Following the regulatory guidelines is essential for minimizing the risk of legal penalties, fines, and reputational damage. Compliance with these regulations promotes structured governance and ensures smooth business operations with minimal disruptions.

Organizations that proactively comply with regulatory requirements not only fulfill their legal obligations but also enhance their long-term viability. Key strategies for sustaining ethical and successful operations include establishing robust compliance policies, investing in comprehensive risk management frameworks, and conducting regular audits.

The Association strictly adheres to all rules and regulations set forth by the Insurance Commission, as well as its circulars, and complies with the requirements of the Securities and Exchange Commission (SEC). The Annual Statement mandated by the Insurance Commission was duly submitted by April 30, along with all other necessary documentation. Additionally, the Association consistently complies with the Insurance Commission's quarterly reporting requirements and the SEC's obligation to file the General Information Sheet (GIS).

Because of the diligence of the Association in adhering to these regulations and circulars, we were honored to receive our second One Golden Arrow Award from the Insurance Commission of the Philippines (ICD) in October 2025. This recognition reflects our commitment to implementing good corporate governance, as demonstrated in the ASEAN Corporate Governance Report submitted to the Insurance Commission.

CREDITOR'S RIGHTS

In 2025, the Association has no third-party credit obligations. However, KGI MBA remains committed to fulfilling its responsibilities to members, suppliers, and third-party service providers by maintaining sufficient liquidity.

The Association ensures that any credit obligations arising from normal operations are promptly settled and paid in full.

DIVIDEND POLICY

KGI MBA does not distribute dividends to its members. Any profits generated from the Association's operations are reinvested for purposes outlined in Article II as necessary or appropriate, in accordance with the restrictions set forth in Title XI of the Philippine Corporation Code.

Upon reaching the exit age, upon death, or upon voluntary withdrawal from the program, KGI MBA will refund 50% of the member's contributions, in accordance with the implementing rules and regulations of the Benefits and Loan Insurance Program (BLIP IRR).

Risk and Challenges of Mutual Benefit Associations

Mutual Benefit Associations (MBAs) in the Philippines play a vital role in providing affordable social protection and microinsurance services to low-income and underserved communities. Despite their significant contribution to financial inclusion and community resilience, MBAs also face a range of risks and challenges that may affect their sustainability, operational efficiency, and long-term growth.

1. Regulatory and Compliance Risks
MBAs operate under the supervision of the Insurance Commission and are required to comply with strict regulatory standards, including capital requirements, reporting obligations, and governance frameworks. Frequent updates in regulatory policies may pose compliance challenges, especially for smaller associations with limited technical and financial resources. Ensuring continuous alignment with regulatory requirements demands strong governance systems and administrative capacity.

2. Financial Sustainability and Actuarial Risk
One of the primary challenges faced by MBAs is maintaining financial sustainability while keeping premiums affordable for members. As mutual organizations serving low-income sectors, MBAs must balance social protection objectives with sound financial management. Risks such as underpricing of products, inadequate reserves, and unexpected increases in claims can affect long-term solvency and stability.

3. Membership Expansion and Retention Risks
While membership growth is essential for sustainability, MBAs face challenges in continuously expanding their member base while maintaining quality service delivery. Competition from other microinsurance providers and financial institutions may affect member acquisition and retention. Additionally, ensuring active participation and consistent contribution from members remains a continuing challenge.

4. Operational and Administrative Risks
Operational inefficiencies, including manual processes, limited digital infrastructure, and inadequate systems automation, may hinder service delivery and increase administrative costs. MBAs must continuously invest in process improvement, technology adoption, and staff capacity building to enhance efficiency and reduce operational risks. accessible and reliable protection to their members.

5. Claims Management and Fraud Risk
Timely and accurate claims processing is critical to maintaining member trust. However, MBAs face risks related to fraudulent claims, documentation errors, and delays in verification processes. Strengthening internal controls, claims validation procedures, and fraud detection mechanisms is essential to mitigate these risks.

6. External Economic and Environmental Risks
Economic downturns, inflation, and changes in employment conditions among members can affect their ability to consistently pay contributions. Additionally, the Philippines' exposure to natural disasters such as typhoons, earthquakes, and floods increases the likelihood of large-scale claims, posing significant financial pressure on MBAs.

7. Human Resource and Capacity Constraints
Limited availability of skilled personnel, especially in rural and provincial areas, presents challenges in implementing programs effectively. Continuous training, professional development, and employee retention strategies are necessary to maintain a competent workforce capable of supporting organizational growth.

8. Technological and Cybersecurity Risks
As MBAs gradually adopt digital systems for operations and member management, they become more exposed to cybersecurity threats, data privacy concerns, and system disruptions. Ensuring robust IT infrastructure, data protection policies, and cybersecurity awareness is essential in mitigating these risks.

Conclusion:

Despite these challenges, Mutual Benefit Associations in the Philippines remain resilient and adaptive institutions that play a crucial role in advancing financial inclusion and social protection. Through strong governance, strategic partnerships, continuous capacity building, and innovation, MBAs can effectively manage risks and sustain their mission of providing accessible and reliable protection to their members.

KGI Mutual Benefit Association, Inc., like other MBAs, continues to strengthen its systems and capabilities to address these challenges while remaining committed to its vision of empowering communities through sustainable microinsurance and mutual aid programs.

MAM & Co.

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INDEPENDENT AUDITORS' REPORT

The Members and the Board of Trustees
Kazama Grameen (KGI)
Mutual Benefit Association (KGI-MBA) Inc.
Lot 25, Block 12, Sta. Monica Subdivision
Subic, Zambales

Report on the Audit of the Financial Statements

Opinion

We have audited the 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, 2025 and 2024, and the related statements of profit or loss and other comprehensive income, statements of changes in members' equity and statements of cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **Kazama Grameen (KGI) Mutual Benefit Association (KGI-MBA) Inc.,** as at December 31, 2025 and 2024, 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Association in accordance with the Code of Ethics for Professional Accountants in the

Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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.

MAM & Co.
Assurance • Tax Advisory • Business Process

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

Our audit was 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 in Note 22 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 supplementary information is the responsibility of the management of **Kazama Grameen (KGI) Mutual Benefit Association (KGI-MBA) Inc.** and has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

M. A. MERCADO & CO.

MARCELINO A. MERCADO
Partner
CPA License No. 066885
Tax Identification No. 102-921-222
P.T.R. No. 10783363; Issued on January 19, 2026, Makati City
BOA Accreditation No. 5658/P-001
Issued on December 19, 2023; Valid until November 20, 2026
SEC Accreditation No. 66885-SEC (Group B)
Issued on January 25, 2022
Valid until 2025 Financial Statements of SEC covered institutions
BIR Accreditation No. 08-006173-001-2025
Issued on March 12, 2025; Valid until March 12, 2028
IC Accreditation No. IC-EA-2025-0070-R (Group A)
Issued on January 26, 2026
Valid until 2027 Financial Statements of IC covered institutions
Firm's BOA/PRC Cert. of Reg. No. 5658
Issued on December 19, 2023; Valid until November 20, 2026
Firm's SEC Accreditation No. 5658-SEC (Group B)
Issued on January 25, 2022
Valid until 2025 Financial Statements of SEC covered institutions
Firm's BIR Accreditation No. 08-006173-000-2021
Issued on March 5, 2024; Valid until March 5, 2027

April 29, 2026

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

STATEMENTS OF FINANCIAL POSITION

	Notes		December 31 **2025**		2024
ASSETS					
Cash and cash equivalents	*2,4*	₱	**30,021,428**	₱	12,657,219
Short-term investments	*2,5*		**12,679,718**		12,629,990
Financial assets	*2,3,6*				
Held-to-maturity (HTM) investments			**24,964,000**		31,301,235
Financial asset at fair value through profit or loss			**6,692,775**		6,374,107
Loans and receivables			**2,935,227**		13,403,289
Property and equipment	*2,3,7*		**698,041**		1,044,612
Prepayments and other assets	*2,8*		**539,112**		380,813
		₱	**78,530,301**	₱	77,791,265
LIABILITIES AND EQUITY					
Liabilitites					
Insurance contract liabilities	*2,9*	₱	**34,950,336**	₱	23,297,467
Accrued expenses and other liabilities	*2,10*		**1,315,797**		13,582,147
			36,266,133		36,879,614
Fund Balance					
Appropriated fund balance	*20*		**20,747,539**		20,940,632
Unappropriated fund balance	*20*		**21,516,629**		19,971,019
			42,264,168		40,911,651
		₱	**78,530,301**	₱	77,791,265

See Accompanying Notes to Financial Statements.

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

STATEMENTS OF COMPREHENSIVE INCOME

			Years Ended December 31		
	Notes		**2025**		2024
REVENUES					
Premiums on insurance contracts	*2,11*	₱	**13,115,265**	₱	11,455,987
Investment and other income	*2,12*		**3,213,620**		2,965,725
Miscellaneous income	*2,13*		**437,509**		842,564
TOTAL REVENUE			**16,766,394**		15,264,276
BENEFITS, CLAIMS, AND EXPENSES					
Gross insurance contract benefits and claims paid	*15*		**6,629,200**		6,412,298
Gross change in insurance contract liabilities			**(491,152)**		(581,604)
Collection fees			**670,595**		586,578
			6,808,643		6,417,272
GENERAL AND ADMINISTRATIVE EXPENSES	*14*		**7,475,898**		6,052,256
TOTAL COSTS AND OPERATING EXPENSES			**14,284,541**		12,469,528
EXCESS OF REVENUES OVER EXPENSES BEFORE PROVISION FOR TAX			**2,481,853**		2,794,748
PROVISION FOR FINAL TAX	*16*		**578,990**		519,103
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		₱	**1,902,863**	₱	2,275,645

See Accompanying Notes to Financial Statements.

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

(A Non-Stock, Not-for-Profit Association)

STATEMENTS OF CHANGES IN MEMBERS' EQUITY

	Year ended December 31, 2025				
	Appropriated Fund Balance		**Unappropriated Fund Balance**		
	Guaranty Fund *(Note 20)*	**Member's Equity**	**Guaranty Fund** *(Note 20)*	**Member's Equity**	**Total**
Balances at January 1, 2025	**₱ 17,317,108**	**₱ 3,623,524**	**₱ (546,746)**	**₱ 20,517,765**	**₱ 40,911,651**
Total comprehensive income	**-**	**-**	**-**	**1,902,863**	**1,902,863**
Appropriation of during the year	**655,763**	**-**	**(655,763)**	**-**	**-**
Utilization	**-**	**-**	**-**	**(550,346)**	**(550,346)**
Reclassification	**1,244**	**-**	**3,021,572**	**(3,022,816)**	**-**
Reversal of appropriation	**-**	**-**	**-**	**-**	**-**
Distribution to members	**-**	**(850,100)**	**-**	**850,100**	**-**
Balance at December 31, 2025	**₱ 17,974,115**	**₱ 2,773,424**	**₱ 1,819,063**	**₱ 19,697,566**	**₱ 42,264,168**

	Year ended December 31, 2024				
	Appropriated		Unappropriated Fund Balance		
	Guaranty Fund *(Note 20)*	Member's Equity	Guaranty Fund *(Note 20)*	Members' Equity	Total
Balances at January 1, 2024	₱ 16,739,559	₱ 12,206,438	₱ 30,803	₱ 9,659,206	₱ 38,636,006
Total comprehensive income	-	-	-	2,275,645	2,275,645
Appropriation of during the year	572,799	-	(572,799)	-	-
Reversal of appropriation	4,750	(7,586,715)	(4,750)	7,586,715	-
Distribution to members	-	(996,199)	-	996,199	-
Balance at December 31, 2024	₱ 17,317,108	₱ 3,623,524	₱ (546,746)	₱ 20,517,765	₱ 40,911,651

See Accompanying Notes to Financial Statements.

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

STATEMENTS OF CASH FLOWS

	Notes		**Years ended December 31** **2025**		2024
Cash flows from operating activities					
Excess of revenues ovver expenses before provision for final tax		₱	**2,481,853**	₱	2,794,748
Adjustments for:					
Interest income	*2*		**(3,473,942)**		(3,217,577)
Utilization of fund balance			**(550,346)**		-
Amortization	*2,3,6*		**(374,765)**		481,317
Depreciation	*2,3,7*		**422,119**		171,773
Fair value loss (gain) on financial assets through profit or loss	*2,3,6*		**318,668**		267,251
Cash (used in) generated from operations before working capital changes			**(1,176,413)**		497,512
Changes in operating assets and liabilities:					
(Increase) decrease in:					
Loans and receivables	*2,3,6*		**10,468,062**		(3,077,288)
Prepayments and other assets	*2,8*		**(158,299)**		531,757
Increase (decrease) in:					
Insurance contract liabilities	*2,9*		**11,652,869**		(12,484,275)
Accrued expenses and other liabilities	*2,10*		**(12,266,350)**		11,430,313
Cash provided by (used in) operations			**8,519,869**		(3,101,981)
Final taxes paid			**(637,336)**		(534,502)
Income tax paid			**-**		-
Net cash provided by (used in) operating activities			**7,882,533**		(3,636,483)
Cash flows from investing activities					
Proceeds from:					
Short-term investments	*2,3,6*		**-**		1,494,642
Maturities of HTM investments	*2,3,6*		**19,964,000**		30,962,366
Acquisitions/availments of:					
Short-term investments	*2,3,6*		**(49,728)**		-
Held-to-maturity (HTM) investments	*2,3,6*		**(13,252,000)**		(32,164,000)
Property and equipment	*2,3,7*		**(75,548)**		(1,075,000)
Interest received; net of final tax	*2*		**2,894,952**		2,698,474
Net cash provided by investing activities			**9,481,676**		1,916,482
Net increase (decrease) in cash and cash equivalents			**17,364,209**		(1,720,001)
Cash and cash equivalents, beginning of year	*2,4*		**12,657,219**		14,377,220
Cash and cash equivalents, end of year		₱	**30,021,428**	₱	12,657,219

See Accompanying Notes to Financial Statements.

KGI-MBA MANAGEMENT