



AFPSLAI
ANNUAL
REPORT 2019

Driving Customer Value



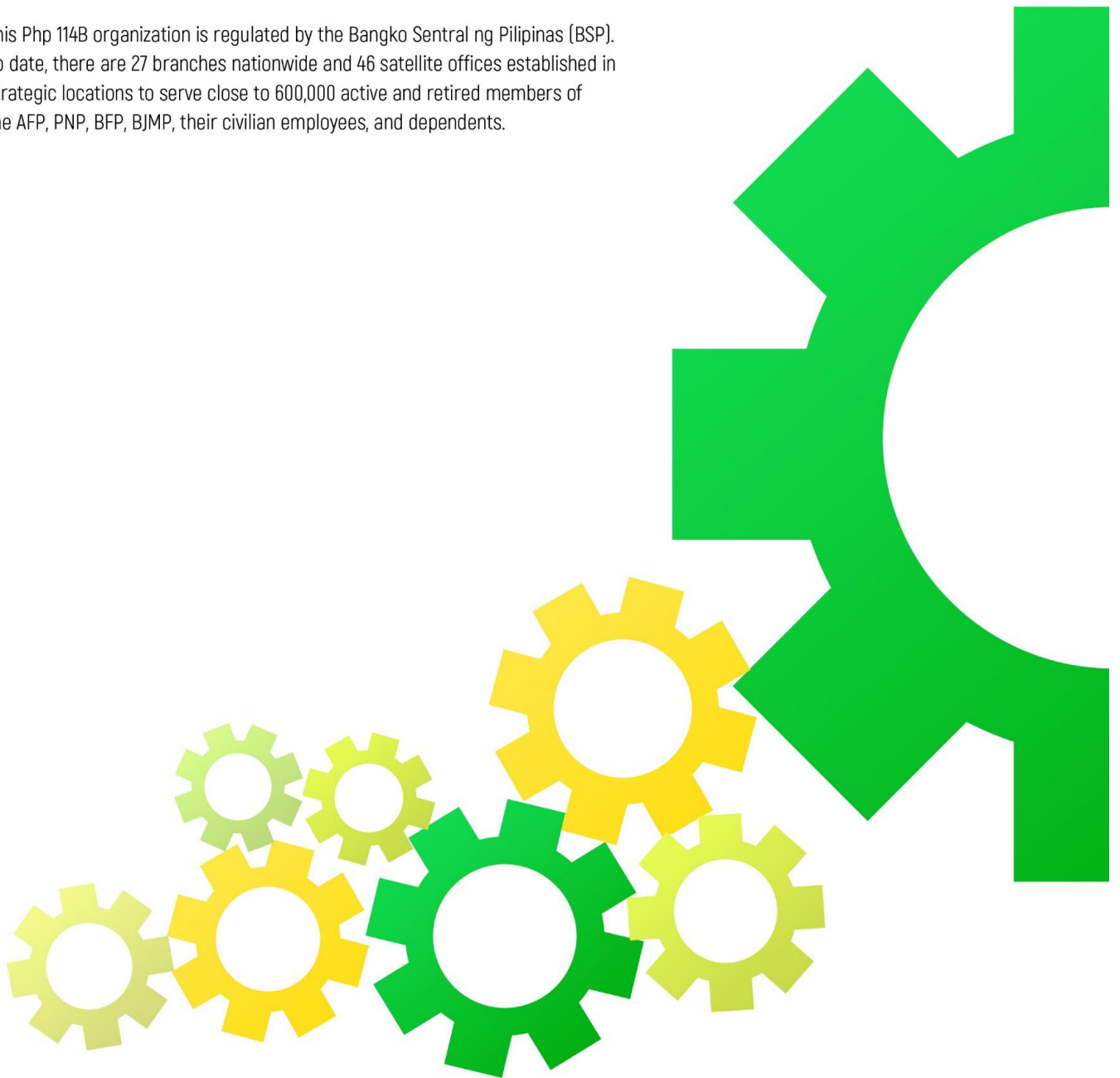
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CORPORATE PROFILE

The Armed Forces and Police Savings & Loan Association, Inc. (AFPSLAI) is a private, non-stock and non-profit savings and loan association established and registered with the Securities and Exchange Commission (SEC) in 1972. The Association's primary objective is to promote industry, frugality, and savings among its members.

This Php 114B organization is regulated by the Bangko Sentral ng Pilipinas (BSP). To date, there are 27 branches nationwide and 46 satellite offices established in strategic locations to serve close to 600,000 active and retired members of the AFP, PNP, BFP, BJMP, their civilian employees, and dependents.





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CORPORATE PHILOSOPHY



OUR VISION

By 2022, AFPSLAI is the leader in the financial services industry, in each of the market segment where it operates, in the delivery of quality financial products and related services, and is the role model for good corporate governance practices.



OUR MISSION

We are here to improve the quality of life of our members by providing excellent and relevant financial products and related services.



OUR CORE VALUES

Malasakit sa mga miyembro, sa kumpanya, at sa bansa
Good Governance
Professionalism
Teamwork

DEPOSITS

- Capital Contribution Account
- Savings Deposit Account
- Savings Deposit Remittance Account
- Time Deposit Account
- Pension Account

LOANS

- Salary / Pension Loan
- Multi-Purpose Loan
- Emergency Loan
- PVAO Pension Loan
- Calamity Loan
- Commutation Loan
- Back-to-Back Loan
- Real Estate Loan
- Vehicle Loan
- Pre-owned Vehicle Loan
- Personal Loan
- Business Loan

SPECIAL SERVICES

- Assistance to Lift Members' Survivors (ALMS)
- Automatic Payroll Deduction for CCA
- AFPSLAI Pension Express (APEX)
- Expected Dividend Advance (EDA)
- U-Remit
- Instacredit
- Mobile App





MESSAGE OF THE CHAIRMAN

“More than the robust performance, our efforts to create value for our members and the society at large are what sets us apart from our competitors.”



The year 2019 focused on improving AFPSLAI's operational efficiency by enhancing the products and services and on building our digital initiatives to drive operational excellence.

At the start of the year, we endeavored to reduce the interest rates on consumption loans to make them more affordable for our borrowers, who comprise a big chunk of our membership. Likewise, in line with the salary and pension increases for uniformed and retired personnel, AFPSLAI's quarterly limit on CCA remittance was increased to give our members greater opportunity to save for their future.

The Association also made significant strides to improve operational efficiency and customer experience. Driven by changes in customer expectations and business environment, AFPSLAI embarked on a major project that would enhance our core banking system. The new system, called the

AFPSLAI Voyager, was launched in January 2019 and has made frontline transactions function much easier. AFPSLAI also launched a mobile application to allow members to monitor their deposit and loan balances, view recent transactions, apply for loans and open savings deposit account. Concurrently, SMS and e-mail services were upgraded in order for members to receive important advisories and latest promos. We believe that information technology is the primary driver of business innovation. We may have a long way to go in so far as our digital transformation journey is concerned but what is important is that we fully embrace the challenge to re-invent in order to adapt to the changes in the business landscape.

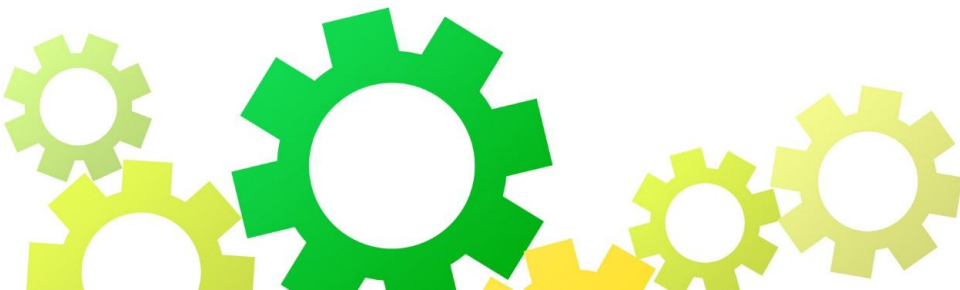
Moreover, in our desire to better serve our members, we revisited our distribution strategy to ensure that existing channels are geographically close to members for prompt delivery of our products and services. Several renovation projects were also implemented to provide a more functional working environment for our employees, and improve the customer experience of our transacting members.

We also remain steadfast in our commitment to Corporate Social Responsibility (CSR). Through our Donations Program, we are able to build stronger relationships and engagements with our partner institutions. One of our banner programs, the Educational Grant Program (formerly Scholarship and Educational Assistance Program), was enhanced to give our members' dependents a better chance to improve the quality of life of their family. We continued to implement outreach programs benefitting not only our members but also the communities where we operate. In our effort to build a solid financial foundation for our members, we conducted a series of financial literacy seminars to help our members manage their financial resources effectively. We believe that more than the robust performance, our efforts to create value for our members and the society at large are what sets us apart from our competitors.

Much of AFPSLAI's continued success is attributed to its workforce. Their synergy, resilience and commitment turn possibilities into realities. These qualities are the bedrock of relationships that AFPSLAI has forged with its members and the community that it serves through the years. Thus, developing a functional and responsive organization built on a culture of excellence and professionalism continues to be one of the top priorities of AFPSLAI. Organizational development and employee engagement initiatives were undertaken in 2019 aimed at improving employee competencies. The existing Performance Management System was also enhanced to ensure that individual performance aligns with the strategic goals of the organization.

In closing, it is with deep gratitude that I thank our members for their continued patronage and confidence in the Association, and our workforce for their hard work and commitment. It was truly also an honor to work with the Board of Trustees, the Management and staff that has positioned AFPSLAI well as the leader in the industry.


GEN BENJAMIN R. MADRIGAL PA (RET)
AFPSLAI Chairman of the Board
December 2018 - September 2019





MESSAGE OF THE CHAIRMAN

"We must continue to challenge ourselves to do better and position our business to withstand changes in the business environment."



Arriving as Chairman during the latter part of 2019, I was keen on building on the strong growth momentum in 2018, and on the foundation laid down by my predecessor. Hence, we focused on the enhancement of our products to best suit the needs of our members; improvement of our infrastructure, support systems & processes; and internal control, compliance and risk management.

AFPSLAI reduced the loan interest rates on consumption loans at the start of the year to benefit our borrowers. It is only fitting that we also consider the interest of our member-investors. Hence, we increased the quarterly Capital Contribution (CapCon) limit to help our Regular members, who are mostly uniformed and retired personnel, build up their savings. In November 2019, a new investment product was approved by the Board replacing the Special Savings Account. The Time Deposit Account, which was offered starting January 2020, offers interest rates up to 8% per annum for a maximum of 5 years. This product was made available especially for

Associate members, who currently cannot make placements on their CapCon Accounts.

We continued investing in our branch offices in terms of infrastructure and IT support to improve service efficiency, market leadership position, and most importantly, customer experience.

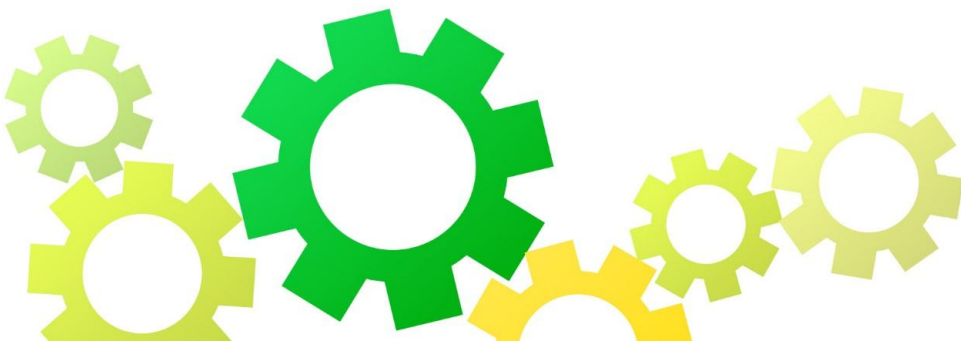
When it comes to corporate governance, our efforts were focused on fulfilling our commitments to regulatory agencies on issues raised during previous examination, as well as updating our policies to comply with new regulations.

In financial terms, AFPSLAI ended the year with a strong performance amidst new regulatory requirements, policy changes, and intense competition from other financial service providers. Total Assets as of yearend-2019 grew by Php 18.43B or 19% over the end-2018 level of Php 96B. AFPSLAI's capital structure jumped from Php 68.77B in 2018 to Php 80.24B in 2019. The 17% increase in our capital base (CapCon and Deposit Liabilities) is a clear manifestation of our member- investors' confidence with the Association. Loan production reached Php 86.80B, which is 39% higher than the Php 75.12B attainment in 2018. And while our Net Income attainment of Php 9.11B is lower by 5% when compared with the previous year's figure, the Association was able to set up the required regulatory reserves; deliver a high return on our members' investments by granting an annual dividend rate of 17%; and allocate funds for CSR programs and other special projects.

As AFPSLAI is nearing its 50th year, we must continue to challenge ourselves to do better and position our business to withstand changes in the business environment. Investing in technology and our people will allow our company to achieve sustainable growth. Our decisions and strategies should all be anchored on our primary mission to uplift the lives of our members.

In closing, allow me to thank the members of the Board for providing strong guidance and support to our Management Team. On a personal note, I am grateful for the trust you have put in me as Chairman. I would also like to thank the employees for all the efforts they have put in helping the company achieve its goals for the year. And to our members, thank you for the unwavering support you have given to the Association. Through mutual partnership and trust, I am confident that AFPSLAI will continue to soar high and touch more lives.

GEN NOEL S. CLEMENT PA (RET)
AFPSLAI Chairman of the Board
September 2019 - January 2020





MESSAGE OF THE CHAIRMAN

“The Board of Trustees remains firmly committed to safeguarding the interests of all stakeholders, fostering good corporate governance, and providing management with guidance in pursuit of our goals.”



I congratulate the AFPSLAI Board of Trustees, Management, and the entire workforce for a remarkable 2019. Our strong financial position in the year under review is a testament to our commitment to operational excellence, stringent financial discipline, as well as continuing focus on customer centricity.

In 2020, like much of the rest of the world, our country faced an economic disruption brought about by the COVID-19 pandemic. AFPSLAI was not spared from its effects. We had to make a difficult but necessary decision to limit our operations for health and safety concerns. We implemented business continuity plans to ensure that our members are served while taking safety precautions to protect them; and our business, albeit limited, continues to run smoothly.

On the other hand, this unprecedented health crisis was also an opportunity for us to demonstrate our corporate value, *malasakit sa miyembro, sa*

kumpanya at sa bansa. I thank the entire AFPSLAI team for all your contributions and sacrifices in helping ease the financial burden of our members during this difficult time. The two-month loan moratorium for loans paid through remittance, the grace period given to those making over-the-counter payments, and the donations granted to hospitals catering to the uniformed and retired personnel exemplify the true meaning of *malasakit*. It gives our members comfort knowing that with all their sacrifices and hard work, there is an AFPSLAI that is always ready and willing to help.

While the effects of the pandemic are still hard to predict at this point, the impact of the virus outbreak is expected to be felt for the rest of the year. During these trying times, there is a greater need for flexibility and innovativeness in the way we operate. We urge all the employees to continue to work with passion and resilience for I am confident that we will overcome this crisis.

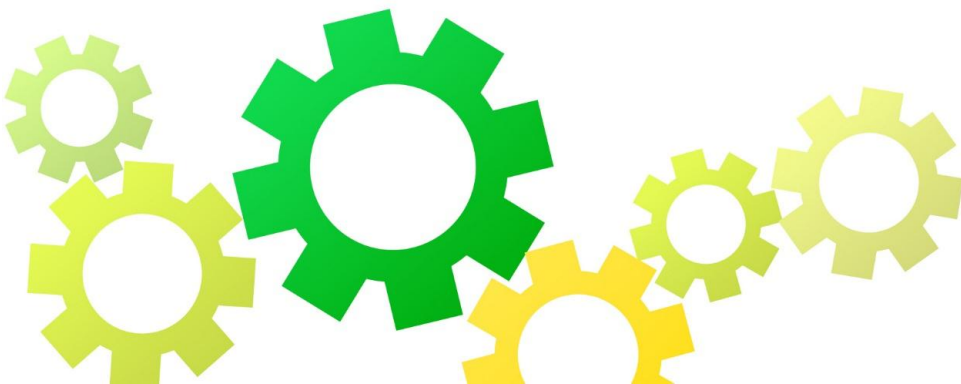
As steward of the organization, the Board of Trustees of AFPSLAI remains firmly committed to safeguarding the interests of all stakeholders, fostering good corporate governance, and providing management with guidance in pursuit of our goals. We have a strong and active Board, whose independent and

balanced perspective, and diverse areas of expertise have challenged the Management Team in its approaches and strategies. I believe that the transparency and mutual trust between the Board and Management will strengthen our ability to make the best decisions for the benefit of the Association and all stakeholders.

To our members, thank you for the trust and confidence you have placed in our Board of Trustees and Management. Now more than ever, we would need your continued support and cooperation. Rest assured that AFPSLAI will continue to be the strong partner you can rely on.



GEN FELIMON T. SANTOS JR PA
AFPSLAI Chairman of the Board
January 2020 - present





REPORT OF THE PRESIDENT & CEO



"Our accomplishments have reinforced not only our competitive advantage but also our resolve to push for initiatives that will move us closer to our goals."

We delivered another remarkable performance in 2019. The high demand for loans had persisted that allowed us to duplicate the success we had in 2018. While externally we can attribute this to robust loan demand, it also directs us to what we have done internally to improve our competitiveness.

In 2016, we made a bold pronouncement of pursuing leadership in all market segments by 2022. This has led us to refocus and invest in initiatives purposely to strengthen our internal capabilities. And I am proud to note that we are making good progress towards this end. In 2019, we again surpassed our targets and left a mark in our market position, an indication that what we are on the right track. Keeping a member-centric mindset has indeed produced tangible results and will continue to drive us to seek out improvements on how we do business and reset our priorities based on this.

We shall build on these gains as we continue to improve on our product offerings, business processes, service infrastructures, and how we interact with our members to give them the best customer experience. The implementation of the interest rate reduction for consumption loans, the roll-out of the new enterprise-wide mission-critical system (Voyager), the improved capability of our branch and satellite offices thru

better network connectivity and optimal manpower support, and continuous customer service training are just a few of the advancements we made towards our strategic goal.

These accomplishments have reinforced not only our competitive advantage but also our resolve to push for initiatives that will move us closer to our goals. The past two years had been remarkably productive. But while we may have advanced significantly in our strategic plan, we should be mindful of the lessons we learned along the way as these will keep us grounded and more meticulous in the actions we would be taking. I am optimistic that given our strong fundamentals, we will be able to deliver more than what is expected from us.

At this point, let me present the financial and operational highlights of the Armed Forces and Police Savings & Loan Association, Inc. (AFPSLAI) for the year 2019.



FINANCIAL HIGHLIGHTS

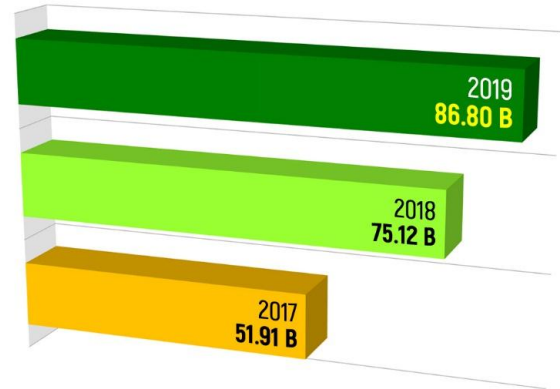
We had another successful year in 2019. **Loan production** hit **Php 86.8B**, allowing us to surpass the 2019 target by 38.6% and that of last year's output by Php 11.67B or 15.5%. It was a feat we did not expect to duplicate as 2018 recorded an all-time surge in loan production. The reduction in loan rates for consumption loans effective January 2019 and the increase in disposable income, this time, from the retired uniformed personnel, all helped sustained the growth line.

With the sustained growth in our core business, we ended the year with a **Gross Income** of **Php 14.20B** posting a 115% attainment and an increase of Php 1.19B or 9.2% from that of last year. **Total Expenses** of **Php 5.08B** exceeded the Php 4.94B budget by 2.8% or Php 140M and up from last year's level by Php 1.67B or 49.1%. This is largely due to higher expenses related to the execution of our fund generation strategy to support a continuing high demand for loans, and the required allowance for credit losses. Still, the resulting **Net Income** of **Php 9.12B** is higher than the Php 7.41B target by Php 1.71B or 23.1%. With a favorable bottom-line, we were able to grant for the second straight year a dividend rate of 17.0% per annum, higher than what we have declared since 2013, the highest of which was only at 16% per annum. Equally important is the allocation we made for rebates amounting to Php 1B for our borrower-stakeholders which will be distributed this year. In June 2019, we have also released the Php 1B-worth of rebates from our 2018 income.

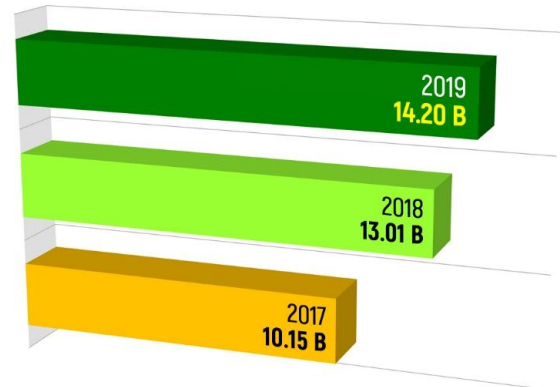
Total Assets was at **Php 114.39B** posting a growth of Php 18.39B or 19.2%, the highest in 5 years. The expansion of the loans portfolio (gross) by Php 17.85B or 20.3%, while may be weaker than the previous year, confirms the continuing preference of the market for AFPSLAI loan products. Loans comprised 87% of the Association's asset base.

Meanwhile, **Capital Contribution** increased by Php 3.31B or 6.6% as it reached **Php 53.55B** by yearend. The inflow of CC was relaxed as we increased the quarterly placement limit from Php 50K to Php 150K effective October 2019. The scheme was intended to support fund generation, which in 2018 was primarily thru bank loans and offering special deposit accounts. With all these, Deposit Liabilities accelerated

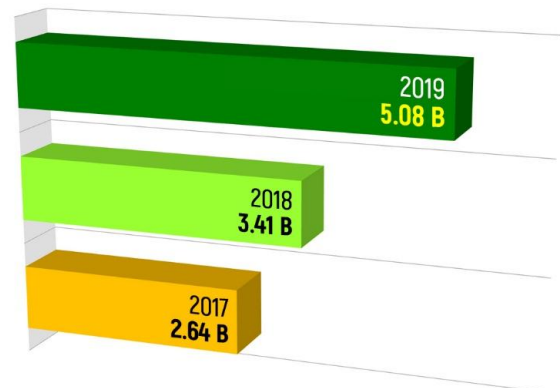
LOAN PRODUCTION



GROSS INCOME

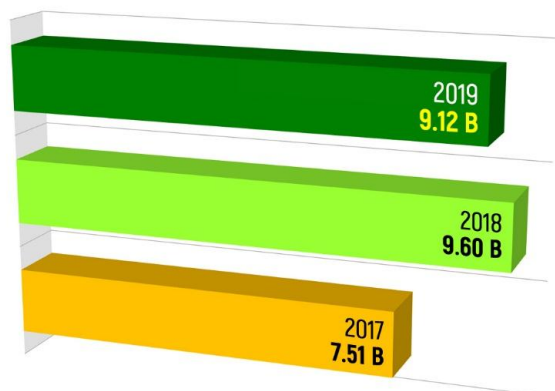


TOTAL EXPENSES

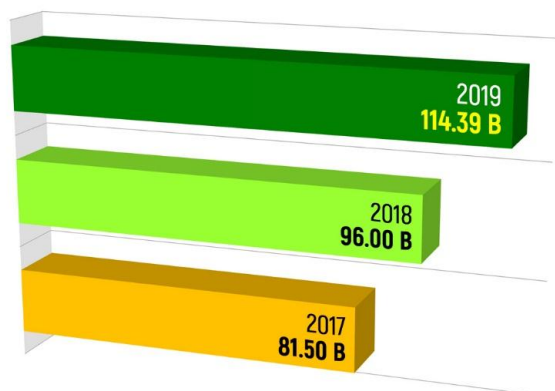




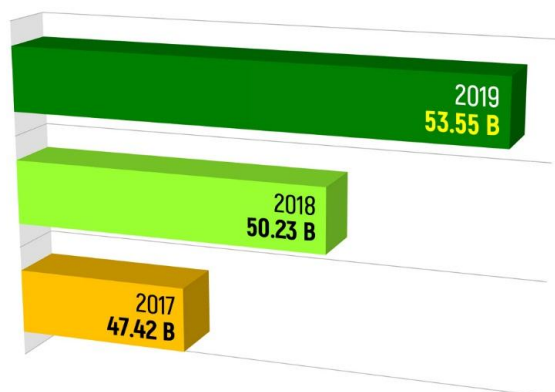
NET INCOME



TOTAL ASSETS



CAPITAL CONTRIBUTION



to Php 26.69B, posting an Php 8.16B growth or 44% from the previous year. The ratio held by CC further diminished to 57%, which is consistent with our goal of lowering the proportion held by high-cost funds, as the proportion held by Deposit Liabilities and bank loans in our Total Resources increased to 29% and 14%, respectively. We expect this to improve as effective January 2, 2020, we also introduced a time deposit facility (TD-006) that replaced the Special Savings Account (SSA), this time with better yield as investors can earn up to 8% per annum for a maximum term of 5 years.

OPERATIONAL HIGHLIGHTS

We take pride in the solid financial performance we delivered in 2019. But equally important are the accomplishments we made in strengthening our internal capabilities as the progress we made in this area will define our financial success and the attainment of our strategic goals.

Gearing up for a Positive Customer Experience

We always believe in the power of positive customer experience in driving bottom-line success. Our tagline *"We Value Your Trust"* puts across this powerful message which continues to motivate us to think of our members in every decision and every undertaking. We will continue what we have started as we remain focused on creating support infrastructures that will bring about streamlined and efficient business processes, and in building the appropriate customer-centric mindset to support the physical upscaling of our business.

Building IT and Other Support Infrastructures

We made headway in bringing about a new digital experience for our members with the launching of the AFPSLAI Mobile Application and the enhanced SMS and e-mail services during AFPSLAI's 47th founding anniversary last December. We leveraged on the added functionality of



the Voyager to setup a digital platform where members will have easier access to loan and account balances, viewing of recent transactions, applying for loans or deposit accounts, and important advisories and promotional campaigns.

We also started in August 2019 the Network Realignment Project to improve our network connectivity and thus, reduce downtime in our branch and satellite or extension offices. As of year-end, we have already completed the deployment in Tarlac, Palawan, Villamor Airbase, Clark, Catbalogan, Tacloban, and Pagadian while the rest are in the pipeline and will be completed this year.

We also concluded the re-organization at the branch level to ensure that all their activities are aligned and consistent with BSP regulations. This has led to the upgrade as branch offices of six (6) satellite offices, namely, Tanay-Rizal, Bohol, Dumaguete, Bacolod, Tarlac, and Manila-WPD; and the upgrade as satellite offices of Masbate and Pulacan, which were previously operating as mobile desks. The re-organization did not change AFPSLAI's total number of operating units as these remain at 113 (27 branch offices, 46 satellite/extension offices, and 40 mobile desks).

We also invested in improving our office spaces for the added convenience of our transacting members. We inaugurated the new office building of our Lucena Branch in May 2019 and four (4) new office spaces for our offices in Dipolog City, Cebu City, Surigao City, and Bacolod City as well as the newly improved/renovated offices for our Lingayen and Urdaneta satellite offices.



Building a Customer-Centric Mindset

Industry competition has become so tight that we need to continuously review and redefine our strategies and priorities. And one of these is adopting a back-to-basics approach of transforming our customer orientation to allow us to focus on what our members need and how they want it delivered. This is all about creating a competitive advantage that will differentiate us from the rest.



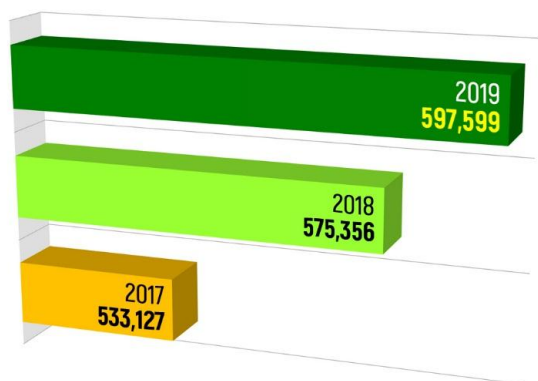
Thus, as we delivered the needed support infrastructures, we also made the following enhancements in our product offerings to make these responsive to what our members need.

- Increased the maximum loanable amount for the Emergency Loan from Php 500K to Php 1M effective September 2, 2019;
- Came up with a flexible payment scheme for pensioners aged 65 years old and above that would allow them to avail Vehicle Loan thru pension deduction as long as their age upon maturity is still covered by the Credit Redemption Insurance (CRI); and
- Extended the promotional rates of the Vehicle Loan up to end of June 2019 to maximize the potential from the sustained demand; the new rates, while may be higher, are still relatively lower compared to our closest competitors and even banks as our nominal rates range from 4.39% (for a 1-year term) to 6.33% (for a 6-year term).

We also enhanced our capability to gather feedback from our members by automating our snap-shot survey. Survey kiosks were initially deployed in Aguinaldo Branch for the pilot testing last December while additional kiosks will be set up this year in other priority service points.

At the core of our customer-centric approach is our employees as they connect us directly to our members. We thus prioritize the conduct of learning sessions on customer service and complaints handling to equip our employees with the right skills and mindset. We also improved our performance management system to allow us to cascade corporate goals down to the lowest level and make it an effective tool in driving performance to where we want it to be.

MEMBERSHIP



In all these efforts, AFPSLAI was able to grow its market. As of end-December 2019, **AFPSLAI members** reached **597,599**, an increase of 3.87%, or a net addition of 22,243 members from that of last year. New members generated during the year totaled 33,556, which is lower than 2018 but 46% higher than the target for the year. Most of the new members were from the PNP. The number of borrowers also grew by 12,019 or 4.6% as borrowers for the year reached 274,591 who mostly availed of consumption loans. Expansion for the year is attributed to the AFP group which showed substantial improvement from 2018. But in terms of actual volume, the PNP still accounted for the biggest share. All these are expected to boost our efforts towards attaining market leadership.



On Corporate Social Responsibility (CSR)

Our CSR Program has become a way of life for AFPSLAI. It continues to exist because of our commitment to create a positive social impact – by enriching the lives of our members and unrelentingly respond to the needs of our partner institutions.

- **Corporate Giving** – The Association released a total of Php 48.83M for major and minor donations, significant of which are as follows:
 - » Six (6) multi-cab units to the 1st and 3rd Division Training Schools, RTC12-General Santos City, RTC11-Davao City, RTC13-Surigao City, and Car Training Center-Baguio;
 - » Two (2) ambulance units to PNP General Hospital in Camp Crame and to AFP Health Service-West;
 - » Four (4) Toyota Hi-Ace Grandia to Eastern Mindanao Command, Western Command in Puerto Princesa City and two (2) units to CIDG, PNP, Camp Crame;
 - » One (1) Toyota Hi-Ace commuter van to Western Mindanao Command;
 - » Renovation of emergency room and health information management section of the PNP General Hospital in Camp Crame; and
 - » Various computer and office equipment, hospital equipment, entertainment system, appliances, and furniture to various partner institutions.

- **Outreach Program** – This is comprised of various activities aimed at bringing our presence to the communities that we serve thru our “Brigada Eskwela”, “Head and Shoulder Treat”, and “Project Joy”. We also have the medical outreach program where we conducted feeding programs and medical missions. Our Outreach Program has benefited a total of 12,006 individuals.





- **Educational Grant Program** – The program is now open to dependents of deceased former regular members of AFPSLAI who will get 30% of the total slots every year. Also, the GWA requirement of at least 80% has been revised such that an applicant is only required to pass and complete high school education to qualify under the program. The total number of scholars is now at 118 with the addition of 48 scholars for the school year 2019-2020. But total graduates already reached 277 inclusive of the 27 scholars who graduated for the school year 2018-2019.
- **Financial Literacy and Start-up Business Seminars** – These are comprised of learning sessions intended to educate and build financial awareness among our members to better equip them with the skills and right mindset in their financial journey. For the year, a total of 3,944 members benefited from these seminars.
- **ALMS Program** – A total of Php 44.25M financial assistance was released to the bereaved families of AFPSLAI deceased members.





LOOKING FORWARD

We are all in anticipation as to where this global health crisis will lead us. The pandemic has virtually brought everything to a standstill, with its adverse impact weighing heavily on our economy. The financial sector is no exception from this predicament much more Filipino households as they bear the brunt of the economic disruption. On our part, we implemented a loan payment moratorium for April and May 2020 as our response to the *"Bayanihan to Heal as One Act"*. We have also noted the slowdown in our operations and expect this to lag even with the shift to the "new normal" as health protocols remain in place.

Uncertainty looms as we still have to see the full impact of this pandemic. But in all these, we know that we are adequately prepared for the challenges ahead. Our strong balance sheet, the prudent management of our liquidity position, and more importantly our ability to maneuver from every difficult situation we experienced in the past are core attributes that can get us through this crisis. We have likewise reassessed our priorities for the year and have identified alternative approaches as part of our business continuity measures.

The remaining months will be more challenging. But I believe that our strong grasp of what our members need and how we have strengthened our capabilities based on this have made us well-positioned for any headwinds. We are truly grateful to our members for their continued patronage all these years as this prepared us for situations such as this. We, thus, face the days ahead with confidence and enthusiasm knowing that we have your full backing and support. Within the organization, we continue to draw strength from the tenacity and dependability of our workforce, the untiring commitment of our management team, and the prudence of our Board of Trustees in seeing us through all these years.

To all of you, I sincerely extend my deepest gratitude.



MGEN EMERALDO C. MAGNAYE PAF (RET)
AFPSLAI President and CEO





EMPLOYEE WELL-BEING

Considered as the best asset of every organization, employees play a vital role in achieving the vision and mission of an organization. Thus, AFPSLAI creates an environment that allows employees to flourish and reach their full potential. A positive work culture can be a core enabler of dynamic employee engagement and strong organizational performance.

A CULTURE OF HEALTH AWARENESS

AFPSLAI is very much aware that an employee with a healthy body and mind is likely to be more productive at work. Thus, medical, dental and optical benefits are provided to employees to protect and support their health and well-being. These include annual physical examination and medicine reimbursements.

AFPSLAI also organizes various forums and health promotion programs to boost physical and mental energy, and improve productivity levels of its employees. Among the activities offered are blood-letting activities, aero-dance sessions, high-intensity interval training (HIIT) workouts and wellness fairs.

A CULTURE OF LEARNING

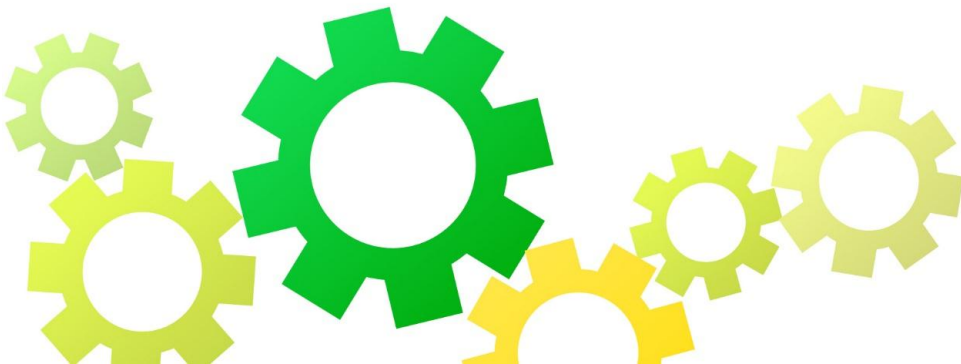
Continuous learning is critical to business success. Thus, AFPSLAI invests in the development of the skills and competencies to help the workforce to not only be competent in their work, but also excel in it. As professional development helps employees reach their full potential, it also strengthens the backbone of the Association.

Trainings and seminars ensure that the knowledge and skills stay relevant, up to date, and aligned with corporate directions. A total of 75 in-house trainings and 45 public seminars were provided in 2019, mostly on skills acquisition and development. These include Data Management; Financial Auditing; IT and Information Security Controls; Project Management; Problem Solving and Decision-Making; Sales Excellence for Field Representatives; and Livelihood Programs.

AFPSLAI also sent representatives to conferences and seminars of professional organizations such as Institute

of Corporate Directors (ICD), Philippine Institute of Certified Public Accountants (PICPA), People Management Association of the Philippines (PMAP), and Institute of Internal Auditors Philippines, Inc. These colloquia allow employees to gain insights of the changing trends and current best practices, and build up relationship with other partners in the business industry.

In addition, employees gain experience and skills through job rotation. This management technique promotes flexibility, employee engagement, and job satisfaction. By taking on new responsibilities for a period of time, rank and file employees (especially in the frontline) are exposed to different experiences and wider variety of skills and work within their unit. Similarly, selected back office personnel (including supervisors) are also trained to perform frontline duties as part of AFPSLAI's Business Continuity Plan (BCP).



A CULTURE OF GROWTH

It is important to get the right people in the right roles that match their competencies. Career paths and ladders can be effective tools to foster employee development, achieve positive organizational outcomes and ensure organizational growth and productivity.

In June 2019, the Harrison Assessment Tool was used to better understand and evaluate existing and prospective employees based on pre-determined factors (i.e. emotional intelligence, engagement, attitude, etc.). As the Association prepares for the future, a pool of potential talents was identified to fill key positions in the company.

Work Climate Survey is conducted to all employees to determine employee engagement, identify critical areas

of concern, and study employee perceptions of AFPSLAI's working environment. Results of the survey are used to facilitate organizational change and improve current personnel policies and programs.

The Performance Management System (PMS) was reviewed and revised in 2019 to establish a direct link between the performance and rewards systems, both for the unit office and the individual, consistent with the Association's goals and objectives. Forums on revised PMS were held wherein each unit crafted their Mission Statements. Employees were then asked to create their own Personal Scorecards which link individual goals to their respective unit goals and, eventually, to AFPSLAI's vision and mission.

A CULTURE OF EXCELLENCE

Employee recognition has long been a cornerstone of AFPSLAI Management. The Association believes that employees who feel appreciated, feel valued. Thus, AFPSLAI acknowledges the contributions and accomplishments of individuals and teams with recognition programs to increase employee engagement and encourage high performance.

Excellence Awards are conferred during Anniversary Celebration to employees whose exemplary performances for the year invaluable contributed to the overall success of the organization. Commendations are also given to individuals and committees for showing capability and willingness to go beyond their normal duties and responsibilities. Moreover, long service awards are bestowed to employees who have committed their loyalty and dedication to AFPSLAI for at least five (5) years.



A CULTURE OF CAMARADERIE

AFPSLAI holds fun and socialization activities to engage employees and to build a positive environment. Every year, the Association organizes Sportsfest, Anniversary Celebrations, Valentine's Specials, Halloween Trick or Treat, Christmas Party and monthly "Salo-Salo" programs. AFPSLAI also actively participates in the annual Unity Games to encourage friendship, teamwork, and cooperation between and among employees of other AFP and PNP financial institutions. On the other hand, Summer Outings are held per office or division once a year to provide a breather from work and for the personnel under a given unit to spend quality time with each other.

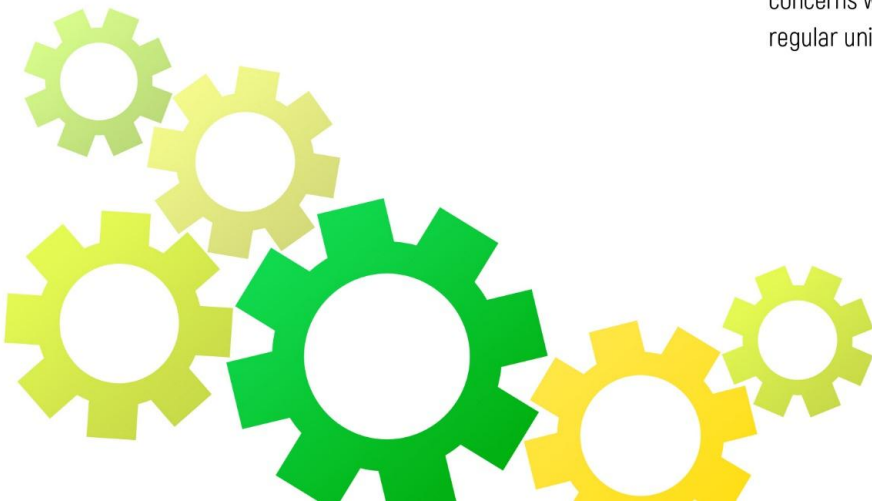
Building camaraderie at workplace also fosters team spirit and boosts productivity. Employees are assigned in various committees on company events to help break down operational silos and promote organic collaboration.



A CULTURE OF OPENNESS

Open communication is a vital part of every organization. It inspires excellent performance, improves employee morale, and creates a warmer corporate culture.

AFPSLAI promotes transparency, thus, information (i.e. corporate directions, new policies, customer feedback, etc.) and employee feedback are shared through channels, such as forums, surveys and staff meetings. Employees are also encouraged to discuss their concerns with their immediate superiors through regular unit meetings.





CONSUMER PROTECTION

To ensure that the interests of members are represented and safeguarded, the AFPSLAI Consumer Protection Manual was developed in 2016 in compliance with BSP Circular 857 Series of 2014.

Anchored on the five standards set by Bangko Sentral ng Pilipinas, AFPSLAI's Consumer Protection Manual provides the basic principles and practices to be followed by all employees in dealing with members.

DISCLOSURE AND TRANSPARENCY

AFPSLAI is committed to provide clear, accurate, and accessible information not only to propagate awareness but more importantly, to help members make informed financial decisions.

Important advisories on product promotions, transaction schedules, membership updates, corporate activities, and other important information are released through posters, flyers, e-newsletters, e-mail, SMS, and corporate website.

Annual reports are prepared in time for the Annual Membership Meeting to provide stakeholders a comprehensive information of the Association's activities and financial performance throughout the preceding year. These reports are made available in the branch offices and in the AFPSLAI website.

PROTECTION OF MEMBER INFORMATION

AFPSLAI ensures strict compliance in maintaining the security, integrity, and confidentiality of the information of its members. Security controls have been put in place to protect all personal data of the members against any threat of unauthorized access.

Through AFPSLAI's Data Privacy Protection Notice, members are informed of their rights to privacy and the manner in which their personal information is collected and processed. The Notice is posted in the AFPSLAI Website and bulletin boards. Members' consent is also sought in every form or document that would require collection of member information.

Employees undergo seminars particularly on theft, anti-money laundering, consumer protection, information security and data privacy, to hone their skills and capabilities and help reduce risks.

AFPSLAI
We value your trust

DATA PRIVACY PROTECTION NOTICE

In compliance with the Data Privacy Act of 2012 (R.A. 10173), AFPSLAI would like to inform our valued members of the following:

MEMBER INFORMATION AND PURPOSE OF USE
AFPSLAI will collect, process, store, record, organize, update, modify, adjust, assess and destroy (collectively referred to as "accessing" under Republic Act No. 10173 and its Implementing Rules and Regulations, otherwise known as the "Data Privacy Act of 2012") members' personal information (as shown below) for the following purposes: (a) AFPSLAI operations (e.g. membership profile, accounts management, loans management, billing & collection and other business operations); (b) research and business development or other initiatives to further improve or update product lines or service delivery; (c) for promotions or marketing initiatives through mail, email, facsimile, SMS, telephone, or any other means of communication; (d) collection of loans and receivables, post due and written-off accounts and (e) payment of loan proceeds and other disbursements.

- Biometrics and other information that are unique to an individual, such as: name, age, sex/gender, date and place of birth, civil status, date of marriage, TIN, OSS or SS number, nationality, mother's maiden name, and other identification document (e.g. ID/fingerprint, photos, signatures, thumb print).
- Contact information, such as: telephone and mobile number(s), present and permanent addresses, work or office address, email addresses and social media accounts.
- Financial, employment, service and business information, such as: source of income or fund, salary or payroll data, branch of service, pay jurisdiction, non-portion, serial number, unit assignment, designation, date of appointment, date of retirement, job, occupation, profession, line of business, licenses, permits, tax records.
- Certifications/Orders, such as: Birth Certificate, Marriage Contract, Certificate of Employment and Compensation, Certificate of Pension, Appointment Order, Call to Active Duty, Retirement Order.
- Beneficiary/ies information, such as: name, age, birthdate, addresses and source(s) of fund.
- Loan information from other financial institutions.
- All other personal information as may be required, such as: Know-Your-Customer data and documentation, other accounts/business on-boarding requirements, IP addresses when accessing the AFPSLAI website; and
- Updates or corrections of the above necessary and compatible with the purposes for which personal information was obtained or received.

CONSENT
The consent of the member is being sought in every form (e.g. Membership Application Form, Loan Application Form, Deposit Slip, Withdrawal Slip, etc.) for the processing of personal information. The consent however will automatically expire ten (10) years from the member's last transaction with AFPSLAI (e.g. termination of membership, and closure of accounts) while disposal of electronic and physical records relating to member's personal information can be done in accordance with existing laws and AFPSLAI internal policy.

MEMBER'S RIGHTS UNDER THE DATA PRIVACY LAW
All Data Subject per RA 10173 the Data Privacy Act of 2012, every member has the right to be informed, to object, to access, to rectify, to erase, and to be indemnified for damages due to violation of his rights.

DATA SHARING
AFPSLAI shares the personal information of members to its authorized third parties, such as: Finance Centers, insurance providers, collection agents, accredited banks, and other contractors. Based on the R.R. of RA 10173, data sharing for commercial purpose shall be covered by a Data Sharing Agreement. AFPSLAI however shall protect the personal information of members in accordance with the provisions of the Data Privacy Act of 2012 and its RR.

Please read the AFPSLAI Privacy Policy from our website: www.afpslai.com.ph for more information. For comments/complaints/feedback, please write or contact any of the following:

VIRGLIO R PRION Data Protection Officer/ Corporate Compliance Officer Telephone Number: (02) 8913-8997 or (02) 8911-2032 local 2231 E-mail Address: vrprion@afpslai.com.ph	MARIE ANTOINETTE D DELA CRUZ Consumer Assistance Officer/ Head, Corporate Affairs Division Telephone Number: (02) 8911-8364 or (02) 8911-2032 local 2502 E-mail address: maedelacruz@afpslai.com.ph
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AFPSLAI is regulated by the Bangko Sentral ng Pilipinas

FAIR TREATMENT



AFPSLAI's Code of Conduct and Ethical Standards sets forth ethical principles and guidelines that employees are expected to uphold in all business dealings and relationships. It also stipulates the applicable sanctions in case of deviations thereof. All employees are expected to discharge their duties with utmost responsibility, integrity, efficiency, loyalty, patronage and fairness; lead modest lives; and uphold the Association's interest at all times.

Members are offered a wide array of choices for financial products that would address their financial needs. Before loan applications are approved, credit analysis is done to manage credit risks and prevent members from acquiring multiple debts.

Transactions of members are properly documented and covered by agreements to protect the interests of the members and the Association.

EFFECTIVE RECOURSE

AFPSLAI views complaints and feedback as opportunities for improvement and growth. As such, members are encouraged to elevate their complaints or concerns through any of the following means: suggestion box, telephone, walk-in, post mail, e-mail, or website. The Consumer Assistance Group is in-charge of handling member concerns at the Corporate Headquarters, while Branch Managers are designated as Customer Assistance Officer to handle concerns at the branch level.

As of year-end 2019, 380 concerns were received, 315 of which were classified as simple concerns. Majority of the issues handled were on queuing (31.05%), personnel (23.16%), and improvement of facilities (10.79%). On the other hand, 32 of the concerns were positive feedback for the excellent customer service provided by AFPSLAI employees.

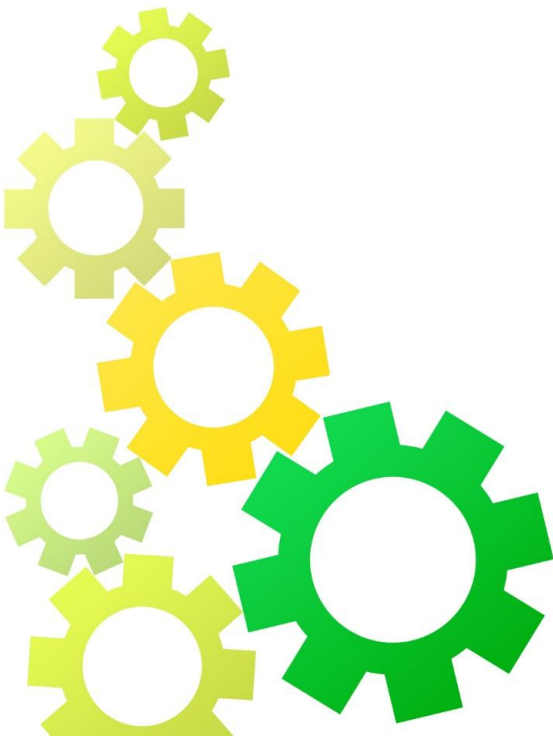
Also part of the feedback mechanism are the snapshot survey forms, in which members can rate the quality of service provided by the Association. For 2019, majority of the 5,304 respondents rated AFPSLAI in the higher percentile in terms of customer service. Overall, the Association received a customer service rating of 91.24% *Satisfactory* to *Highly Satisfactory*.

In line with AFPSLAI's digital transformation strategies, the automated snapshot survey was deployed for pilot testing in Aguinaldo Branch during the last quarter of 2019. Management plans to implement the same in other branch offices in 2020.

FINANCIAL EDUCATION

Since 2016, AFPSLAI has been providing tools to help members make informed financial decisions and empower them to increase their financial capacity. For 2019, AFPSLAI conducted a total of twenty (20) financial literacy seminars, which were attended by 3,944 members from various branches of service.

Moreover, a Start-Up Business Seminar was conducted as an integrated module in the financial literacy seminars. The module aims to provide marketing strategies and practical guides to aspiring entrepreneurs, especially those who are approaching their retirement age. In 2019, the Start-Up Business Seminar was conducted in four (4) areas, namely: Clark, Cebu, Tagum, and Bacolod.





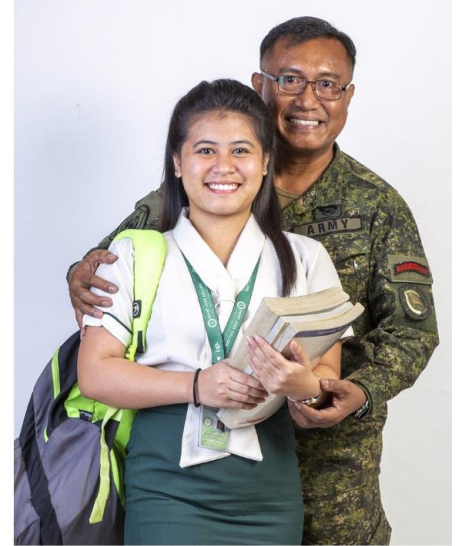
SOCIAL COMMITMENT

AFPSLAI upholds its commitment to create a positive impact in the lives of its members and their dependents, and the community where it operates by carrying out initiatives on education, health and wellness, and community development.

EDUCATIONAL GRANT PROGRAM

Since 2002, AFPSLAI has been providing financial assistance to the underprivileged but deserving dependents of AFPSLAI Regular Members through Scholarship and Educational Assistance Program (SEAP). In July 2019, the Educational Grant Program (EGP) has replaced SEAP, giving priority to dependents of deceased former regular members of AFPSLAI. Other key changes in the program are as follows:

- Removal of the grade requirement. Applicants need only to have passed High School to qualify for the program;
- Number of grantees every year shall depend on the fund allocation approved by the Board;
- Thirty percent (30%) of the slots are allotted to dependents of deceased former regular members, while 70% are for dependents of existing regular members;
- Increase in the monthly incentive of a grantee who is enrolled in the Reserve Officers' Training Course (ROTC) from Php 500 to Php 2,000; and
- Increase in incentive for graduates with Latin honors from Php 10,000 to Php 20,000 (*Cum Laude*), Php 15,000 to Php 30,000 (*Magna Cum Laude*) and Php 20,000 to Php 50,000 (*Summa Cum Laude*).



In August 2019, AFPSLAI held a Recognition Banquet to honor its 27 scholar-graduates, eight (8) of whom finished their course with Latin honors (1 Magna Cum Laude and 7 Cum Laude). On the same day, 48 new educational grantees (from different regions) for the Academic Year 2019-2020 were introduced.

OUTREACH PROGRAM

Every year, AFPSLAI conducted various Outreach Programs to uplift the well-being of its members, their families, and their communities. Upon the direction of the AFPSLAI Board of Trustees, the 2019 Outreach Program did not just focus on AFPSLAI members and dependents but also the marginalized sector of the society.

Brigada Eskwela. Implemented by all public schools, Brigada Eskwela is a nationwide activity which aims to provide a safe, child-friendly and motivating learning environment to all students. This was the first time AFPSLAI has officially participated in this endeavor wherein activities were conducted prior to the opening of classes. For 2019, AFPSLAI personnel from eleven (11) branch offices, together with partner units from the AFP and PNP, shared their time and effort to help prepare the schools for the incoming school year. Volunteers cleaned and repainted classrooms and school surroundings of selected schools inside camps and nearby communities.

AFPSLAI provided cleaning and construction materials for the activity, as well as donated various supplies and equipment needed by the school. Moreover, sets of school supplies (e.g. notebooks, pencils, papers, etc.) were donated to 700 incoming students.



Feeding Program. In the hierarchy of needs, hunger must be satisfied first before one can nourish his mind. In our country, it is a sad reality that many children go to school with little or no supplies and with empty stomach. Thus, AFPSLAI came up with another activity with the school children as beneficiaries. The Feeding Program aims to give a little hope to these underprivileged children and make them feel that they are being cared for, even for just a day. Beneficiaries of the feeding program are children of Tenement Elementary School (Taguig City); Zone 3, Sitio Caloogan, Brgy San Jose, Palo, Leyte; Upper Lasang Elementary School (Sarangani Province); and Bermuda Elementary School (Zamboanga City).

During the activity, a short program was prepared for the school children. After which, they were provided with a hearty, healthy meal prepared especially for them by the AFPSLAI personnel. More than 1,000 children also got to bring home a bag of school supplies and snack items.

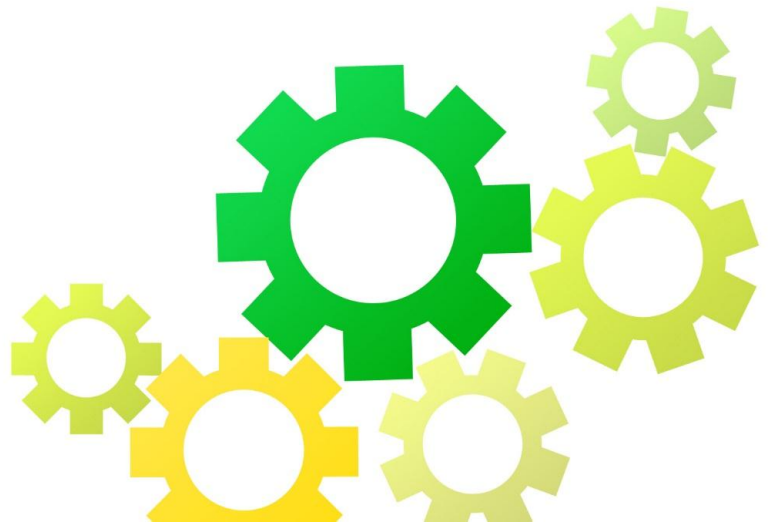


Head and Shoulder Treat. This is one of the most anticipated activities of the Association among AFPSLAI members. Participated by sixteen (16) branch offices nationwide, AFPSLAI was able to provide transacting members with free massage and haircut. Some offices even extended other services like foot detox, body quantum analyzer, and facial treatment. Tokens were also given to members who registered and availed of the services.

For 2019, a total of 2,493 members had experienced relaxation and pampering even for a short period of time.



Medical Mission. In the past, medical missions were held in the branch offices exclusively for AFPSLAI members and their dependents. This year, in order to have a wider reach, medical missions were conducted in different communities, where most of the 3,364 beneficiaries are elderly and children of the marginalized sector.



Project Joy. This program is usually conducted during the last quarter of the year, coinciding with the Christmas Season. Beneficiaries of this project are the AFP retired personnel, hospitalized wounded soldiers, indigents, school children, rebel returnees, and typhoon victims. A total of 2,874 beneficiaries were able to receive gift packs from AFPSLAI.



CORPORATE GIVING

AFPSLAI engages in various activities that allow the Association to give back to its members and the community it serves through its Donations Program. For 2019, majority of AFPSLAI's donations was directed towards the improvement of facilities of various training schools nationwide. Alongside these are AFPSLAI's initiatives on health and community development.

This corporate giving, through donations and charitable contributions, is an embodiment of the value of the Association, *Malasakit sa mga Miyembro, sa Kumpanya, at sa Bansa.*





CORPORATE GOVERNANCE

AFPSLAI conducts its business based on the principles of good corporate governance – transparency, accountability, responsibility, independency, and fairness. The AFPSLAI Board of Trustees, being the highest decision-making body, is primarily responsible for the governance of the corporation.

ROLES AND RESPONSIBILITIES

The AFPSLAI Board of Trustees centers on the fundamental responsibilities of providing the organization with sound governance, fiduciary and strategic oversight, and direction. It oversees the operations of the Association, taking into account the interests of all stakeholders.

The Board is responsible for ensuring compliance with laws and regulations, assuring the financial integrity and solvency of the Association, and establishing procedures to safeguard the organization from fraud and risk.

COMPOSITION

The AFPSLAI Board of Trustees comprises of fifteen (15) diverse and highly qualified professionals with a range of knowledge and experience in relevant areas of competence. They represent a spectrum of informed viewpoints to come up with a sound and objective judgement about the affairs of the Association.

Each trustee is individually elected every Annual Membership Meeting for a term of office of one (1) year until his/her successor has been duly elected in the next convention. Any AFPSLAI regular member can be elected as a trustee up to a maximum of five (5) cumulative terms.



MEETINGS AND ATTENDANCE

As required by law and the AFPSLAI By-Laws, the Board holds regular monthly meetings to collectively decide on important matters that affect the Association. It also sets special meetings when necessary or as may be called by the Chairman.

Meetings are convened when eight (8) out of fifteen (15) trustees are present. The Trustees shall attend Board Meetings in person. If unable to attend, a Trustee may submit his written comments prior to the meeting to be recorded in the Board Meeting minutes.

The Chairman of the Board of Trustees or in his absence, the Vice Chairman, shall preside at all meetings.

Depending on the subject matters, managers may be invited as resource persons who will provide professional opinions for the Board's reference.

For the year 2019, a total of 20 meetings were held – 13 were regular meetings, while 7 were special meetings. The table below shows the attendance of trustees in Board Meetings from January to December 2019:

TRUSTEE	MEETINGS ELIGIBLE TO ATTEND	MEETINGS ATTENDED	%	REMARKS
GEN BENJAMIN R MADRIGAL JR PA (RET)	14	14	100.00%	<i>Resigned in Sep 2019</i>
GEN NOEL S CLEMENT PA (RET)	6	6	100.00%	<i>Elected in Sep 2019</i>
GEN VICTOR S IBRADO PA (RET)	12	12	100.00%	<i>Elected in May 2019</i>
MGEN ROMEO D LUSTESTICA PA (RET)	20	20	100.00%	
MGEN EMERALDO C MAGNAYE PAF (RET)	20	20	100.00%	
MR HECTOR M ATIENZA	20	20	100.00%	
LTGEN SALVADOR MELCHOR B MISON JR PAF (RET)	20	20	100.00%	
MGEN RIZALDO B LIMOSO PA (RET)	8	7	87.50%	<i>Resigned in May 2019</i>
PLTGEN ARCHIE FRANCISCO F GAMBOA	20	19	95.00%	
PMGEN EDWIN C ROQUE	20	19	95.00%	
PBGEN EDDIE B BENIGAY (RET)	20	19	95.00%	
PMGEN JOSELITO M VERA CRUZ	18	17	94.44%	<i>Elected in Feb 2019</i>
PCSUPT MARLON M GANZON (RET)	1	1	100.00%	<i>Resigned in Jan 2019</i>
BGEN RUFINO G RAMORAN JR PA (RET)	18	18	100.00%	<i>Resigned in Dec 2019</i>
BGEN ROY M GALIDO PA	20	19	95.00%	
CAPT BRENDON J CASACLANG (GSC) PN	20	18	90.00%	
COL ALVIN M HATE (MNSA) PAF	3	3	100.00%	<i>Resigned in Mar 2019</i>
COL RONNIE C CABINGAS (GSC) PAF	16	16	100.00%	<i>Elected in Mar 2019</i>
FCMS LITO A TOMPAYOGAN (INF) PA (RET)	12	12	100.00%	<i>Resigned in Aug 2019</i>
FCMS ENGRACIO S GABO JR (INF) PA	8	8	100.00%	<i>Elected in Aug 2019</i>

EVALUATION

The Board has established its own performance evaluation through a Board Self-Assessment Questionnaire. The Board and its Committees undergo a self-evaluation process to assess how well they perform their governance responsibilities. The results of the assessment are used to enhance board effectiveness.

The overall assessment of quality of governance is based on: *Performance; Composition and Quality of Leadership; Decision-Making and Handling of Issues; Support Structure; Prevailing Culture within the Committee; and Guidance and Follow-through.* The ratings and responses are tabulated and an overall report is presented to the Governance Committee for discussion prior to endorsement to the Board.



For the period June 2019 to May 2020, the Board and all its sub-committees received an **Exceptional Rating**.



ARMED FORCES AND POLICE SAVINGS & LOAN ASSOCIATION INC

(Authorized By the Bangko Sentral Ng Pilipinas)

Camp Aguinaldo, EDSA, Cor. Col Bonny Serrano Road, Quezon City

SUMMARY SELF-ASSESSMENT RESULTS

Period Covered: June 2019 - May 2020

GOVERNANCE ANCHORS	BOARD	QUALITATIVE DESCRIPTION	ASSESSMENT GUIDE		
			Quantitative Rating	Qualitative Assessment	Description
A. Performance as Governing Board	3.98	Exceptional	3.50 to 4.00	EXCEPTIONAL	- Highly commendable governance practices are observed. There is a need to sustain the performance.
B. Composition and Quality of Leadership	3.96	Exceptional	3.00 < 3.50	SUPERIOR	- Observation of governance practices exceeds exceptions. Need for improvements deemed a minor concern.
C. Decision Making and Handling of Issues	4.00	Exceptional	2.50 < 3.00	SATISFACTORY	- Observation of governance practices matches the set standards. There are rooms for further improvements.
D. Support Structure	3.96	Exceptional	2.00 < 2.50	NEEDS IMPROVEMENT	- Observation of governance practices falls below expectations. Need for improvement is highly necessary to mitigate potential governance risks.
E. Prevailing Culture within the Board	3.96	Exceptional	Below 2.00	UNSATISFACTORY	- Governance practices not consistently observed. Need for improvements is deemed critical, to contain potential governance risks.
F. Guidance and Follow-Through	4.00	Exceptional			
OVER-ALL ASSESSMENT OF QUALITY OF GOVERNANCE	3.98	Exceptional			

GOVERNANCE ANCHORS	GOVERNANCE COMMITTEE	RISK OVERSIGHT COMMITTEE	AUDIT & COMPLIANCE COMMITTEE	HR & COMPENSATION COMMITTEE	IT STEERING COMMITTEE	CREDIT & COLLECTION COMMITTEE	MEMBERSHIP & AMENDMENT COMMITTEE	QUALITATIVE DESCRIPTION
A. Performance as Advisory Committee of the BOT	3.96	4.00	4.00	4.00	4.00	3.95	4.00	Exceptional
B. People Assessment	3.94	3.93	3.93	3.96	3.82	4.00	3.96	Exceptional
C. Issues Assessment	4.00	4.00	4.00	4.00	4.00	3.95	4.00	Exceptional
D. Process Assessment	4.00	4.00	4.00	4.00	3.90	4.00	4.00	Exceptional
E. Culture Assessment	4.00	4.00	4.00	4.00	3.93	4.00	4.00	Exceptional
F. Follow-Through Assessment	4.00	4.00	4.00	4.00	4.00	4.00	4.00	Exceptional
OVER-ALL ASSESSMENT OF QUALITY OF GOVERNANCE	3.98	3.99	3.99	3.99	3.94	3.98	3.99	Exceptional

REMUNERATION

As provided for in Section 10, Article IV of the By-laws, the members of the Board of Trustees shall receive allowances and other compensation for services rendered to the Association. AFPSLAI Trustees receive monthly allowances for business-related expenses and performance bonuses depending on the profits of the Association. Trustees are also entitled to per diem for their attendance at Board and Board Committee meetings, and non-monetary benefits such as healthcare plan.

Compensation received by the Trustees is in compliance with the requirements of the BSP. It is also a function of position, attendance, and number of committee membership. In 2019, members of the Board of Trustees received a total gross compensation of Php 24.83M in the form of allowances of Php 11.58M, bonuses of Php 5.90M, per diems of Php 6.64M, and gratuity pay for outgoing trustees of Php 714T. All monetary benefits are subject to withholding tax.

TRUSTEE	ALLOWANCES	BONUSES	PER DIEMS	GRATUITY PAY	TOTAL REMUNERATION FOR Y2019
GEN BENJAMIN R MADRIGAL JR PA (RET)	891,387.40	228,242.21	147,072.00	196,598.00	1,463,299.61
GEN NOEL S CLEMENT PA (RET)	287,284.60	52,174.01	81,792.00		421,250.61
GEN VICTOR S IBRADO PA (RET)	457,307.55	198,156.52	264,800.00		920,264.07
MGEN ROMEO D LUSTESTICA PA (RET)	879,480.00	516,580.00	702,688.00		2,098,748.00
MR HECTOR M ATIENZA	807,036.00	474,321.00	645,824.00		1,927,181.00
LTGEN SALVADOR MELCHOR B MISON JR PAF (RET)	807,036.00	453,125.87	492,048.00		1,752,209.87
MGEN RIZALDO B LIMOSO PA (RET)	351,822.25	150,832.72	197,104.00	114,148.15	813,907.12
PLTGEN ARCHIE FRANCISCO F GAMBOA	807,036.00	474,321.00	295,312.00		1,576,669.00
PMGEN EDWIN C ROQUE	807,036.00	453,125.87	318,816.00		1,578,977.87
PBGEN EDDIE B BENIGAY (RET)	807,036.00	474,321.00	519,136.00		1,800,493.00
PMGEN JOSELITO M VERA CRUZ	644,981.00	280,681.00	421,344.00		1,347,006.00
PCSUPT MARLON M GANZON (RET)	94,572.00	54,085.83	31,680.00	32,451.50	212,789.33
BGEN RUFINO G RAMORAN JR PA (RET)	767,522.00	448,912.42	627,376.00	149,682.54	1,993,492.96
BGEN ROY M GALIDO PA	807,036.00	470,267.59	627,376.00		1,904,679.59
CAPT BRENDON J CASACLANG (GSC) PN	807,036.00	474,321.00	393,856.00		1,675,213.00
COL ALVIN M HATE (MNSA) PAF	162,035.00	102,417.17	42,240.00	74,638.45	381,330.62
COL RONNIE C CABINGAS (GSC) PAF	585,912.60	254,772.15	405,920.00		1,246,604.75
FCMS LITO A TOMPAYOGAN (INF) PA (RET)	499,270.00	232,569.08	268,160.00	146,031.75	1,146,030.83
FCMS ENGRACIO S GABO JR (INF) PA	307,766.00	108,926.95	157,760.00		574,452.95
TOTAL	11,578,592.40	5,902,153.39	6,640,304.00	713,550.39	24,834,600.18

TRAININGS AND SEMINARS

Members of the Board are provided with training opportunities to further equip themselves with the right skills and knowledge in order for them to effectively carry out their roles.

Newly elected trustees are required to complete the Corporate Governance Orientation prior to the exercise of their duty as members of the Board as required in the Manual of Regulations for Non-Bank Financial Institutions (MORNBFII) of the Bangko Sentral ng Pilipinas. They are also given comprehensive orientation on the business operations of the Association.

DATE	COURSE / TITLE	SPONSOR / TRAINER	ATTENDEES
March 18, 2019	Learning Session on the Revised Corporation Code and New SEC Circular Issuances	Atty Samuel B Padilla (AFPSLAI Corporate Secretary)	All members of Board of Trustees
April 30, 2019	Briefing on Anti-Money Laundering Act	Alliance of Non-Stock Savings and Loan Institutions (ANSLI) / Atty Fernando R Mangubat Jr	All members of Board of Trustees
May 2, 2019	Corporate Governance Orientation Program	Institute of Corporate Directors	PMGen Joselito M Vera Cruz Col Ronnie C Cabingas (GSC) PAF
August 28, 2019	Corporate Governance Orientation Program	Institute of Corporate Directors	FCMS Engracio S Gabo Jr (INF) PA

COMMITTEES

The Board of Trustees delegates authority and powers to Board Committees to increase efficiency and allow deeper focus on specific areas. These Committees are as follows: *Governance Committee, Risk Oversight Committee, Audit & Compliance Committee, Human Resource & Compensation Committee, Credit & Collection Committee, Membership & Amendment Committee, and Information Technology Steering Committee.*

Each Committee has its own charter that sets out its mandate, scope, and working procedures. Changes in the composition of each committee are done yearly to promote fresh perspectives of the matters at hand.

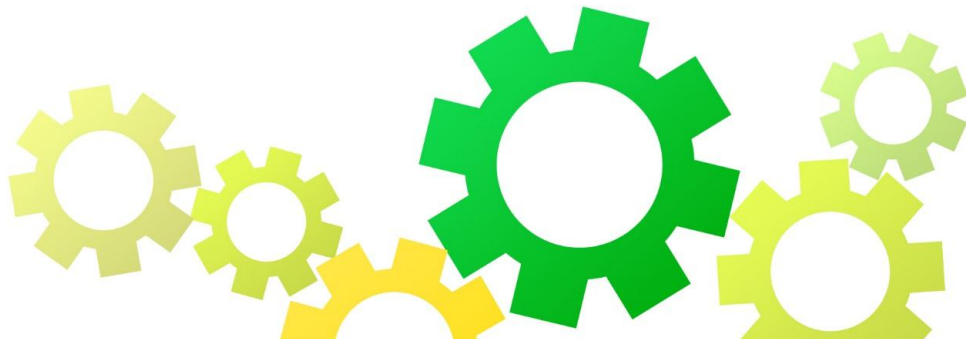


GOVERNANCE COMMITTEE

The Governance Committee ensures that the Board governance system works effectively and that the corporate governance guidelines are adhered to and strictly observed by the BOT and Corporate Officers.



COMPOSITION (JAN - DEC 2019)	MEETINGS ELIGIBLE TO ATTEND	MEETINGS ATTENDED	%
MGEN ROMEO D LUSTESTICA PA (RET)	19	17	89.47%
MGEN EMERALDO C MAGNAYE PAF (RET)	19	18	94.74%
MR HECTOR M ATIENZA	19	18	94.74%
LTGEN SALVADOR MELCHOR B MISON JR PAF (RET)	11	11	100.00%
MGEN RIZALDO B LIMOSO PA (RET)	8	7	87.50%
PLTGEN ARCHIE FRANCISCO F GAMBOA	19	9	47.37%
PBGEN EDDIE B BENIGAY (RET)	19	14	73.68%
BGEN RUFINO G RAMORAN JR PA (RET)	17	17	100.00%
BGEN ROY M GALIDO PA	19	17	89.47%




MAJOR ACCOMPLISHMENTS:

Endorsed the following for Board approval/confirmation:

- Granting of Expected Dividend Advance (EDA) and Distribution of Undivided Profits for the 4th quarter 2018, and 1st to 3rd quarters 2019;
- Annual Declaration of Dividend for the Year 2018 and Allocation for Other Expenditures;
- AFPSLAI in 2022: A Strategic Repositioning Study
- Bangko Sentral ng Pilipinas (BSP) Circular No. 1036 Compliance and Related Organizational Changes (Branch Expansion);
- Policy Governing Relocation of Service Units;
- Operation/Relocation/Transfer of Extension/Satellite Offices;
- Disposition of Remaining Donations Fund Balance for 2018;
- Major Donations to Various Units within AFPSLAI's Well-Defined Group;
- Outreach Program for 2019;
- Amendments to the Donations Policy;
- Amendments to Educational Grant Program;
- Resignation and Nomination of New Trustees;
- Consolidated Policy on Dividend/EDA Distribution;
- Revised Procurement Guidelines on Infrastructure Projects;
- Centennial Financing Corporation (CFC) Management After December 31, 2019;
- AFPSLAI Nominees and Proxy to Aguinaldo Theater Enterprise Incorporated (ATEI's) Stockholders' Meeting; and
- AFPSLAI's Business Plan for 2020

One of the significant accomplishments of the Governance Committee was the approval of the retention of AFPSLAI's current corporate form – as a Non-Stock Savings and Loan Association (NSSLA). This is in anticipation of the forthcoming end of AFPSLAI's corporate life in November 2022. The study covered options and the most advantageous strategic positioning for AFPSLAI in consideration of factors that affect the ability of the Association to attain its Vision of market dominance across all market segments. The Committee recommended to the Board the adoption of a perpetual corporate term of existence of AFPSLAI prior to the end of its corporate life in November 2022.

Another major accomplishment of the Governance Committee is on the Association's compliance to BSP Circular No. 1036, Series of 2019, which sets the Regulations on the Establishment, Relocation or Voluntary Closure of Service Units of NSSLA and Relocation of NSSLA Head Office. The Committee approved the renaming of service units, conversion of upgraded extension offices as branch offices, and conversion of help desks as satellite offices. This matter was jointly discussed with the Human Resource and Compensation Committee as this involves organizational changes.



Relatedly, the Governance Committee approved the Policy on the Relocation of Service Units (Branch and Extension Offices). The Policy provides the guidelines governing the disposition of recommendations for relocation of concerned service units to ensure that the new target location shall be for the best interest of the Association.

As a manifestation of AFPSLAI's commitment to promote and adhere to the principles of Transparency, Accountability and Competitiveness in its procurement process, the Governance Committee approved the Revised Procurement Guidelines on Infrastructure Projects. The Policy updates the existing guidelines in the procurement of AFPSLAI's infrastructure projects/civil works to improve and streamline the procurement process and ensure that this is undertaken to the best advantage of the Association. The Policy covers the entire procurement process, from planning and budgeting, preparation and the actual conduct of bidding, evaluation and selection of winning bid, and implementation and termination of a contract.

The Governance Committee also approved the Consolidated Policy on Dividend/EDA Distribution to remove ambiguity in interpretation arising from a series of policy revisions. The Policy consolidates/updates and amends all previously released policies and issuances pertaining to the distribution of dividend/EDA.

As part of the Association's commitment to deliver its corporate social responsibility (CSR) to its members and their dependents, and the community, the Governance Committee approved the granting of major donations to various units within AFPSLAI's well-defined group. The Committee also approved the Amendments to the Educational Grant Program which enhances and expands the features to ensure that dependents of both the deceased and existing AFPSLAI members are given opportunities to avail of the Program. The Outreach Program for 2019 was also approved by the Committee with programs lined up for the members and the marginalized sector. The Outreach Program for members include the *Brigada Eskwela, It's a Head and Shoulder Double Treat 3, and Project Joy*. Meanwhile, for the marginalized sector, Medical Mission (in partnership with AFP/PNP units) and Feeding Program were undertaken by selected Branch Offices.

The Governance Committee also reviewed the Association's financial and operational highlights on a monthly basis, and discussed the Corporate Program Performance Review and Assessment for the Year 2018. The Committee also regularly monitored the performance of the Association's subsidiaries. Given that one of the subsidiaries, the Centennial Financing Corporation's (CFC's) corporate life will end on December 31, 2019, the Governance Committee approved the management arrangement that shall be carried out before and after such date, and the composition of the Working Committee for CFC which is headed by a designated Receiver.



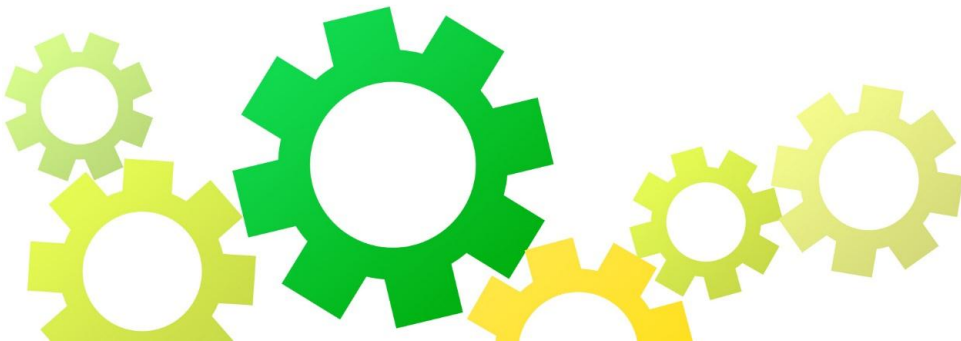
The Governance Committee, together with the Audit and Compliance Committee, also approved the AFPSLAI Business Plan which is a consolidated document that sets out the Association's business objectives and direction for the Year 2020. The Master Budget provides details on the budgetary requirement and capital additions for the year, as well as the projected financial statements that would give a picture of the expected financial performance results of the Association for the Year 2020.

The Governance Committee also discussed the effects of House Bill No. 304 Entitled: The Passive Income and Financial Intermediary Tax Act (PIFITA) to the operations of NSSLAs which amends Section 122 of the National Internal Revenue Code of 1997. The Committee took note of the actions to be taken by the Association, to be spearheaded by the Alliance of Non-Stock Savings and Loan Institutions, Inc. (ANSLI) on behalf of the NSSLAs industry, given the serious implications of the passage of said House Bill into law to the existence and survival of the NSSLAs as a 5% gross receipts tax (GRT) shall be imposed on the interest income earned from the loans of members.

The Governance Committee also monitored the provisions of the General Appropriations Bill for 2019 particularly on the Authorized Deductions on loans which prescribes the authority of the NSSLAs to deduct from the salaries of government employees.

As part of the nominating function of the Governance Committee, it also screened applicants for membership in the Board based on the minimum set qualifications. The designation of Chairmen and Members in Standing Board Committees was also recommended by the Governance Committee for approval of the Board.

The Governance Committee, as part of its performance evaluation function, likewise assessed the performance of the individual Trustees and Corporate Officers based on the set evaluation criteria.

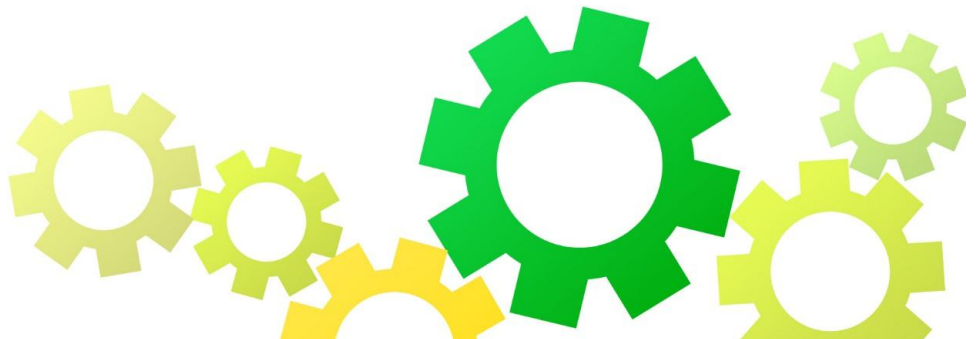


RISK OVERSIGHT COMMITTEE

The Risk Oversight Committee reviews, approves, and oversees the Association's risk management strategies, activities, and exposures.



COMPOSITION (JAN - DEC 2019)	MEETINGS ELIGIBLE TO ATTEND	MEETINGS ATTENDED	%
MGEN RIZALDO B LIMOSO PA (RET)	5	4	80.00%
LTGEN SALVADOR MELCHOR B MISON JR PAF (RET)	13	13	100.00%
GEN VICTOR S IBRADO PA (RET)	8	8	100.00%
MGEN ROMEO D LUSTESTICA PA (RET)	13	11	84.62%
MGEN EMERALDO C MAGNAYE PAF (RET)	13	12	92.31%
MR HECTOR M ATIENZA	13	13	100.00%
PBGEN EDDIE B BENIGAY (RET)	13	10	76.92%
PMGEN EDWIN C ROQUE	13	8	61.54%



MAJOR ACCOMPLISHMENTS:

The Board of Trustees approved the following as endorsed by the Committee:

- Revised Contingency Funding Plan;
- Enhancement of the Special Savings Account (SSA);
- Creation of a Time Deposit Product;
- Adoption of Liquidity Treatment Plans;
- Revised Risk Management Plan;
- Renewed Credit Redemption Insurance (CRI) Contract 2019 – 2021;
- Assignment of Government Securities for Withdrawable Share Reserve;
- Evaluated Land Bank of the Philippines' Cash Management Solutions for Transfer Option Agreement;
- Evaluated the Bank of the Philippine Islands' Cash Management Services/Facilities;
- Designation of Authorized Signatories for Head Office and Branch Offices;
- Selection of Service Providers (security services; janitorial and messenger services); and
- Selection of General Contractor for the Construction of AFPSLAI Bonifacio Branch Office

One of the major accomplishments of the Risk Oversight Committee was the adoption of the Revised Contingency Funding Plan, which sets out the strategies for addressing liquidity shortfalls in emergency situations. The Plan is a compilation of policies, procedures and courses of action in responding to severe disruptions in the Association's ability to fund some or all of its activities in a time manner and at a reasonable cost.

As part of the Risk Oversight Committee's function to monitor the Association's liquidity level, the Committee endorsed management's recommendation on several modes to generate fresh funds to augment the Association's cash requirement due to a very high demand for loans, with the end view of assisting our members in building wealth through savings. The Committee likewise concurred with management's proposal on the enhancement of the SSA product with the following enhanced features: 1) acceptance of deposits from associate members; 2) lifting of the

maximum deposit limit; and, 3) extension of the offer until end of December 2019. To further encourage savings from our members to invest in a longer term with security of return, the Committee concurred with Management on the creation of a Time Deposit product with a maximum term of five (5) years which took effect January 2, 2020. Taking into consideration the need to establish more stable funding source, the Committee also adopted the Liquidity Treatment Plans increasing the capital contribution remittance from Php 50T to Php 150T per quarter effective October 2019, and increasing the bank borrowing limit to 20% of Total Assets as provided by Bangko Sentral Regulations.

The liquidity level and projected cash requirements for operations were also monitored by the Risk Oversight Committee on a monthly basis. The Committee also reviewed the Performance of Investment on a monthly basis, Liquidity Gap Report on a quarterly basis, and the Stress Testing Report on an annual basis.

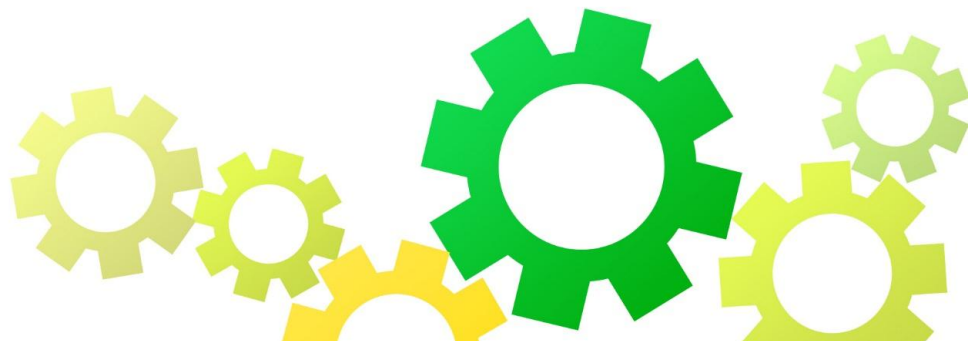
As part of the Association's Enterprise Risk Management, the Association maintains a risk assessment process to identify current and prospective risk exposures arising from its environment and related processes. This helps the Association to make informed decisions involving business plans and strategies, risk responses, and risk tolerance levels. Along with this, the Risk Oversight Committee approved the Revised Risk Management Plan to respond to the Enterprise-wide Risk Assessment that was conducted.

Another accomplishment of the Risk Oversight Committee was the renewal of the CRI Contract for 2019 – 2021. The primary objective is to minimize losses from the untimely death of AFPSLAI borrowers with outstanding loan balances. The selected insurance provider offered further improvements on the terms and features of the contract which would benefit both the Association and the borrowers and their beneficiaries.

The Risk Officer rendered monthly reports to the Risk Oversight Committee on updates regarding the Risk Management Plan, Credit Risk Scorecard, and Risk-related Special Projects of the Association, namely: a) Credit Risk – Credit Information System Act (R.A. 9510); b) IT Risk – BSP Circular 808 re: IT Risk Management System Consultancy; c) Regulatory Risk – Data Privacy Act (R.A. 10173; and, d) Quarterly Updates on Medium and High Risks areas in business operations. The Committee closely monitored the Association's risk exposure, its likelihood and impact, key risk indicators, and current mitigating strategies.

The Committee endeavored to keep itself updated in the operating environment through regular reports provided by Management on external updates on economic, financial sector developments and market updates on a quarterly basis.

The Risk Oversight Committee also evaluated the performance of the Risk Officer on a quarterly basis.



AUDIT & COMPLIANCE COMMITTEE

The Audit & Compliance Committee oversees the financial reporting, internal control system, audit process, compliance with laws and regulations, and risk management.



COMPOSITION (JAN - DEC 2019)	MEETINGS ELIGIBLE TO ATTEND	MEETINGS ATTENDED	%
PBGEN EDDIE B BENIGAY (RET)	18	15	83.33%
GEN VICTOR S IBRADO PA (RET)	10	7	70.00%
MGEN ROMEO D LUSTESTICA PA (RET)	18	16	88.89%
LTGEN SALVADOR MELCHOR B MISON JR PAF (RET)	18	16	88.89%
MGEN RIZALDO B LIMOSO PA (RET)	8	4	50.00%
PBGEN JOSELITO M VERA CRUZ	15	12	80.00%
PCSUPT MARLON M GANZON (RET)	2	2	100.00%
BGEN RUFINO G RAMORAN JR PA (RET)	16	14	87.50%
FCMS LITO A TOMPAYOGAN (INF) PA (RET)	10	6	60.00%
FCMS ENGRACIO S GABO JR (INF) PA	7	4	57.14%

MAJOR ACCOMPLISHMENTS:

Endorsed the following for Board approval/confirmation:

- Audited Financial Statements of AFPSLAI for the Year-ended 31 December 2018 by Isla Lipana;
- Selection of External Auditor for the 2019 Year-end Financial Audit;
- Internal Audit Division's (IAD's) Quality Assurance and Improvement Program (QAIP) Manual;
- Revised Money Laundering and Terrorist Financing Prevention Program (MTPP) Version 7;
- Past Due and Accrued Interest Receivable (AIR) Loans Accounts for Write-off;
- Amendments to IAD and Audit and Compliance Committee's Charters; and
- Report of BSP Examination (Actions Taken/and to be Taken with Timeline)

One of the significant accomplishments of the Audit and Compliance Committee was the approval of IAD's QAIP Manual to further strengthen the Association's internal audit function. The Manual highlights the importance of establishing a quality assurance program to evaluate the quality of the internal audit activities and make recommendations for improvement. This is in line with the mandatory requirement established by the International Standards for the Professional Practice of Internal Auditing (ISPPA).

As part of the Audit and Compliance Committee's oversight function on regulatory compliance, another significant accomplishment of the Audit and Compliance Committee was the approval of AFPSLAI's Revised (MTPP) Version 7 which covers all covered and suspicious transactions, compliance testing, AML risk assessment, among others, based on set parameters and guidelines. The Committee also approved the AFPSLAI's Actions Taken/and to be Taken Report with Timeline as required in the BSP Report of Examination (ROE) completed on March 28, 2019.

The Corporate Compliance Officer rendered monthly reports to the Audit and Compliance Committee, which includes, among others, the report on covered and suspicious transactions; crimes and losses; compliance testing/validation; BSP limit on CAR; BSP Report of Examination; and other laws and BSP Circular issuances.

Likewise, to ensure that internal control system is in place, the Audit and Compliance Committee approved IAD's 2019 Audit Plan and deliberated on

its monthly audit reports covering Head Office, Branch Offices, Information Systems audits and special audits. The Committee also monitored and followed up compliance to previous and recurring audit findings and recommendations, and reviewed the evaluation of actions taken by the auditees.

As part of the financial reporting function of the Audit and Compliance Committee, it reviewed the monthly reports of Head, General Accounting Office on the Results of Operations, Statement of Condition and Statement of Cash Flow. The Committee also regularly monitored the internal capital adequacy reserve of the Association, and made sure that financial recording adheres to the Philippine Financial Reporting Standards (PFRS) and BSP requirements. Relatedly, the Committee reviewed the 2018 Audited Financial Statements of the Association prepared by the External Auditor. The Committee likewise recommended to the Board the selection of External Auditor for the 2019 Year-end financial audit based on the set Process and Evaluation Criteria for External Auditors. It also discussed with the External Auditor its Audit Plan for 2019.

Amendments to IAD's and Audit and Compliance Committee's Charters were endorsed to the Board for approval in compliance with BSP ROE recommendations, BSP Circular No. 871 and external party recommendations arising from its External Quality Assurance Review in 2017.

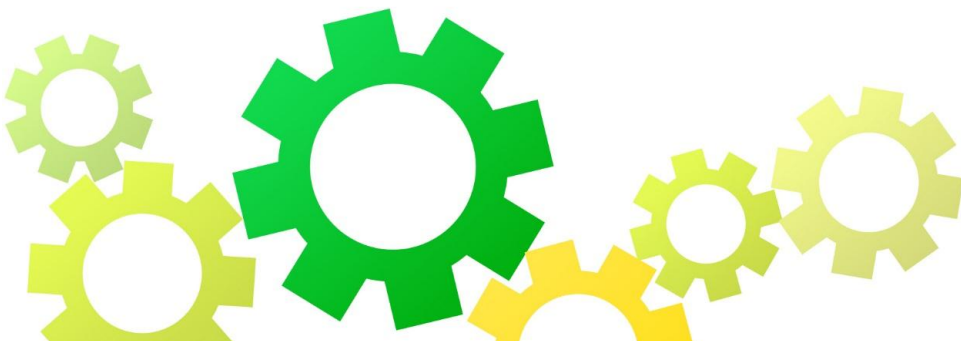
The Audit and Compliance Committee also evaluated the performance of the Compliance Officer and Head, IAD on a quarterly basis.

HUMAN RESOURCE & COMPENSATION COMMITTEE

The Human Resource & Compensation Committee oversees the formulation of strategic Human Resource policies including compensation-related policies for both employees and the Board of Trustees.



COMPOSITION (JAN - DEC 2019)	MEETINGS ELIGIBLE TO ATTEND	MEETINGS ATTENDED	%
MR HECTOR M ATIENZA	16	15	93.75%
GEN VICTOR S IBRADO PA (RET)	10	8	80.00%
MGEN ROMEO D LUSTESTICA PA (RET)	16	15	93.75%
MGEN EMERALDO C MAGNAYE PAF (RET)	16	15	93.75%
PBGEN EDDIE B BENIGAY (RET)	6	3	50.00%
CAPT BRENDON J CASACLANG (GSC) PN	16	10	62.50%
COL ALVIN M HATE (MNSA) PAF	3	0	0.00%
COL RONNIE C CABINGAS (GSC) PAF	13	12	92.31%
FCMS LITO A TOMPAYOGAN (INF) PA (RET)	9	9	100.00%
FCMS ENGRACIO S GABO JR (INF) PA	7	3	42.86%





MAJOR ACCOMPLISHMENTS:

Endorsed the following for Board approval/confirmation:


- Health Maintenance Organization (HMO) for 2019 – 2020;
- Collective Bargaining Agreement for the 5-Year Period (June 1, 2019 – May 31, 2024);
- Corporate Uniforms for 2020;
- Revised Performance Management System;
- Code of Discipline and Ethical Standards;
- Loyalty Service Award; and
- Salary Increase for Officers

As part of the HR and Compensation Committee's function to oversee strategic Human Resource policies, one of its major accomplishments was the approval of the Revised Performance Management System. The Policy prescribes applicable guidelines that will govern all three phases of performance management system – from performance contracting to performance monitoring and appraisal, and performance reward and incentives administration both at the unit and the individual level and help in the attainment of the Association's strategic goals and objectives.

Another significant accomplishment of the HR and Compensation Committee was the approval of the Code of Discipline and Ethical Standards, which aims to promote the development of employee conduct, discipline and ethics that conform to company norms and abide with existing laws and regulations applicable to the operation of AFPSLAI as NSSLA. The Code is a product of the merger of the Code of Conduct and Discipline and the Code of Ethical Standards. The new provisions in the Code include provision of sanctions from audit reports, related laws that were translated to AFPSLAI policies and offenses under the Code of Ethical Standards.

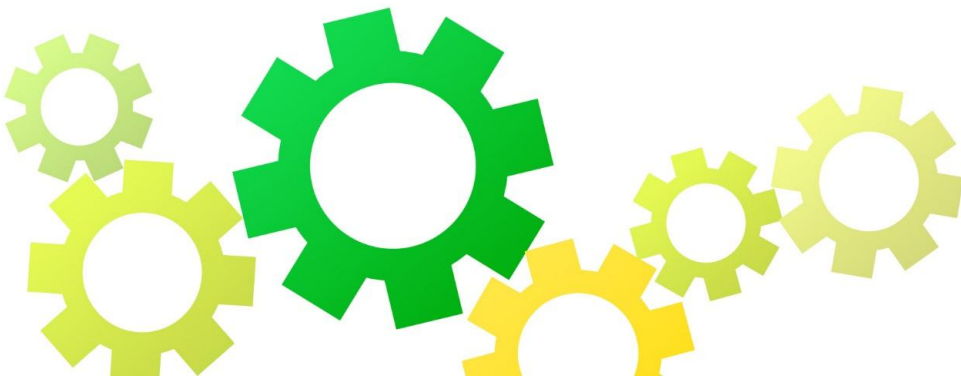
The Collective Bargaining Agreement for the 5-Year Period was also recommended by the HR and Compensation Committee for approval of the Board after the negotiation was concluded in July 2019 between the Management and the AFPSLAI Employees Association. The Agreement covers non-economic/political provisions, economic/financial provisions and special/social provisions. The morale and welfare of the workforce and the sustainability of the Association in granting the enhancements were the primary consideration that guided both panels during the negotiation, and thus ensure harmonious industrial relations over the coming years. Other mandatory employee benefits such as corporate uniform and HMO were also approved by the HR and Compensation Committee. It also noted the new insurance provider for 2020 for the Group Personal Accident Insurance and the Directors and Officers Liability Insurance selected by Management.

As part of the HR and Compensation Committee's oversight function on the Retirement Fund, it noted the Actuarial Valuation Report of the Retirement Fund for 2018 as well as the performance of the Fund which is being reported to the Committee on a monthly basis insofar as fund balance status, income and expense highlights, employee loan portfolio, and fund utilization are concerned.



The HR and Compensation Committee also reviewed other Human Resource policies such as the Optical Benefit Policy and Educational Assistance Policy. The Committee also discussed the results of the Climate Survey for 2019, an activity conducted by Management with the assistance of an external consultant, to assess the industrial health of the organization. The tool draws, among others, a picture depicting the needs and mindset of employees. This allows Management to solicit employee opinions on variety of subjects and thus improve effectiveness of operations. This makes employees feel that they are integral part of the organization. The results further help Management to make informed decisions on how to improve the work climate, address the weaknesses in the organization to better serve our members.

The Committee also approved reasonable salary increases for deserving officers based on existing policies and in consideration of the financial condition of the Association as of the time of the grant.



CREDIT & COLLECTION COMMITTEE

The Credit & Collection Committee ascertains that the credit and collection support system works efficiently, and attends to related activities of Real and Other Properties Acquired (ROPA) management for transactions beyond the authority level given to management.



COMPOSITION (JAN - DEC 2019)	MEETINGS ELIGIBLE TO ATTEND	MEETINGS ATTENDED	%
PLTGEN ARCHIE FRANCISCO F GAMBOA	20	12	60.00%
MGEN EMERALDO C MAGNAYE PAF (RET)	20	20	100.00%
PMGEN JOSELITO M VERA CRUZ	16	14	87.50%
PCSUPT MARLON M GANZON (RET)	2	1	50.00%
BGEN RUFINO G RAMORAN JR PA (RET)	19	18	94.74%
BGEN ROY M GALIDO PA	20	14	70.00%
CAPT BRENDON J CASACLANG (GSC) PN	20	15	75.00%
COL ALVIN M HATE (MNSA) PAF	6	1	16.67%
COL RONNIE C CABINGAS (GSC) PAF	14	13	92.86%

MAJOR ACCOMPLISHMENTS:

Endorsed the following for Board approval/confirmation:

- Salary-based General Consumption Loan Policy;
- Pre-termination of Back-to-back Loans;
- Review of Vehicle Loan Rates;
- Enhancement for Emergency Loan and Vehicle Loan Products;
- Pricing and Re-Pricing of Real and Other Properties Acquired;
- Policy on Repossession and Disposal of Vehicle;
- Loan Applications of Directors, Officers, Stockholders and their Related Interests (DOSRI); and
- Loan Applications (Real Estate and Vehicle Loans)

As part of the Association's commitment with the BSP, one of the significant accomplishments of the Credit and Collection Committee was the approval of the Salary-based General Consumption Loans Policy, which provides the guidelines to govern the grant of unsecured loans for consumption purposes, granted mainly on the basis of regular salary, allowance, pension, or other fixed compensation where repayment would come from future cash flows, through salary or pension deductions as provided for under Manual of Regulations for Non-Bank Financial Intermediaries Volume 2 and the BSP Circular No. 1026.

One of the Association's strategic objectives is to aggressively grow the business and one way of achieving that is through improvements in credit policies. Along this line, another major accomplishment of the Credit and Collection Committee was the approval of the enhancements of the vehicle and emergency loan products, expanding the eligibility requirement in terms of age and increasing the maximum loanable amount, respectively.

A review of the vehicle loan rates was also presented by the Management to the Credit and Collection Committee taking into consideration the product performance, industry performance and market developments. The adoption of the new rates effective July 1, 2019 was recommended by the Credit and Collection for approval of the Board.

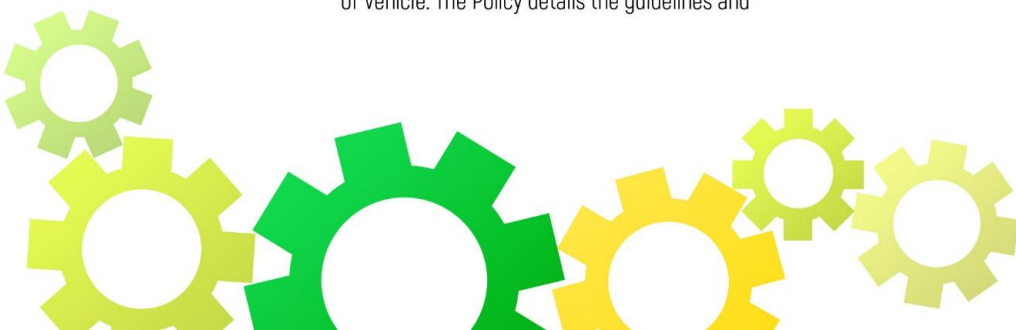
In consideration of the growing vehicle loan portfolio, the Credit and Collection Committee also approved the Policy on Repossession and Disposal of Vehicle. The Policy details the guidelines and

procedures in handling vehicle loan accounts in default and eventual repossession and disposal of the mortgaged vehicle.

Lending policy concerning back-to-back loan was also reviewed by the Credit and Collection Committee. To be consistent across all loan types, the Committee approved the Policy on Interest Computation for Back-to-Back Loan Paid Prior to Set Maturity Date. This Policy sets the interest that shall be computed and the pre-termination fee should the borrower opts to pay his/her back-to-back loan before the maturity date.

As part of the Credit and Collection Committee's ROPA management function, it approved pricing and re-pricing of ROPA by setting the minimum selling price for regular and hard-to-sell assets. As of year-end 2019, the ROPA portfolio stood at Php 19.62M, representing 48 properties. The portfolio declined by 31.7% equivalent to Php 9.1M, as a result of disposal of 17 units and depreciation/impairment of assets.

The Credit and Collection Committee also discussed the monthly loan production, billing and collection efficiency, status of past due loan accounts and the reasons behind the delinquency. These matters are being closely monitored by the Committee with the help of the Trustee-Finance Officers to ensure efficient and timely collection of loan payments to prevent occurrence of past due loans. The Committee also discussed the Loan Assessment Report and status of ROPA on a quarterly basis.



MEMBERSHIP & AMENDMENT COMMITTEE

The Membership & Amendment Committee oversees operational aspect in relation with membership management. It also reviews and deliberates on proposed amendments / revisions to the Articles of Incorporation and By-Laws.



COMPOSITION (JAN - DEC 2019)	MEETINGS ELIGIBLE TO ATTEND	MEETINGS ATTENDED	%
BGEN RUFINO G RAMORAN JR PA (RET)	12	11	91.67%
PMGEN JOSELITO M VERA CRUZ	11	7	63.64%
PMGEN EDWIN C ROQUE	13	7	53.85%
PCSUPT MARLON M GANZON	1	1	100.00%
BGEN ROY M GALIDO PA	13	12	92.31%
CAPT BRENDON J CASACLANG (GSC) PN	13	11	84.62%
COL ALVIN M HATE (MNSA) PAF	3	1	33.33%
COL RONNIE C CABINGAS (GSC) PAF	10	10	100.00%
FCMS LITO A TOMPAYOGAN (INF) PA (RET)	7	5	71.43%
FCMS ENGRACIO S GABO JR (INF) PA	6	4	66.67%

MAJOR ACCOMPLISHMENTS:

Endorsed the following for Board approval/confirmation:

- Implementing Rules and Regulations (IRR) Governing Termination of Membership for Non-Updating of Records;
- IRR Governing Termination of Membership of Ineligible Cadets/Probationary Officers;
- Membership Registry Cleansing Catch-up Plan;
- Retention of Article IV, Section 5 of AFPSLAI By-Laws (Voting);
- Application for New Membership/Re-admission; and
- Application for Termination of Membership



One of the significant accomplishments of the Membership and Amendment Committee was the approval of the IRR Governing Termination of Membership for Non-Updating of Records. This IRR prescribes the specific rules and regulations that will govern the termination of membership of those who failed to update their records for a period of 10 years pursuant to the most recent amendment of the By-laws on Article XI, Termination of Membership, introducing a new provision for Non-updating of Membership records. This is in compliance with the BSP directive to cleanse the membership records of those members who have not updated their membership records as required by law.

Another IRR was approved by the Membership and Amendment Committee that will govern the implementation of another amendment to the By-laws on Article XI, which is on the termination of membership of cadets/probationary officers who have already been separated from the academy/training school for reasons other than graduation or complete disability discharge. This is part of the continuing effort of the Association to cleanse its membership records especially for those members who are no longer eligible to maintain their membership due to separation.

BSP Circular No. 993 requires NSSLAs to develop clearly defined and written selection and screening policies and procedures to ensure compliance with their well-defined group. As a commitment to complete the Member Registry Cleansing Project of the Association, a Catch-Up Plan was approved by the Membership and Amendment Committee. Said Catch-Up Plan details the activities to be undertaken with defined timelines and the office primary responsible (OPR) on the execution of such activities.

In order for the Association to monitor the quality of service being provided to its members, a Snapshot Customer Satisfaction Survey is being done in all branch offices throughout the year. The Membership and Amendment Committee has taken note of the results of the Survey and recommended the improvements that should be undertaken by Management to address the concerns of the members.

The Membership and Amendment Committee also discussed the Membership Recruitment Quota which includes the total new members target for the Year 2019, distribution of the same per distribution channel (by branch office) and the general plan of action for membership recruitment.

The Membership Report, which includes other supplemental membership reports, was also discussed by the Membership and Amendment Committee on a monthly basis. The Committee also regularly discussed the updates on the cleansing of membership, and initiatives on membership perspective.

The digitization of membership records was also monitored by the Membership and Amendment Committee to ensure compliance to AMLC Regulatory Issuance A, B, and C No. 2, Series of 2018 which requires NSSLAs to digitize their customer records.

The BSP Circular No. 1045, Series of 2019, re: Amendments to Minimum Capitalization of NSSLAs and Capital Contributions of Members was also discussed by the Committee. One of the highlights of the said Circular is the maintenance of ledgers for the fixed and buffer capital contribution of members.



INFORMATION TECHNOLOGY STEERING COMMITTEE

The IT Steering Committee provides governance to ensure the alignment of the IT Strategic Plan with the Association's Business Strategy, optimization of resource management, IT value delivery, performance measurement and the effective and efficient use of IT to achieve business objectives and effective IT risk management implementation.



COMPOSITION (JAN - DEC 2019)	MEETINGS ELIGIBLE TO ATTEND	MEETINGS ATTENDED	%
BGEN ROY M GALIDO PA	16	16	100.00%
MGEN ROMEO D LUSTESTICA PA (RET)	16	13	81.25%
MGEN EMERALDO C MAGNAYE PAF (RET)	16	15	93.75%
MR HECTOR M ATIENZA	16	14	87.50%
PMGEN EDWIN C ROQUE	16	10	62.50%

MAJOR ACCOMPLISHMENTS:

Endorsed the following for Board approval/confirmation:

- IT Risk Assessment Final Report by PriceWaterhouseCoopers (PwC);
- Disaster Recovery Co-location for Voyager Back-up Servers;
- SAP Software Maintenance Agreement;
- Amendments to the ITSC Charter; and
- Selection of SMS/Email Provider

The IT Risk Management System aims to identify key operational, strategic, reputation and compliance risk associated with the use of technology-related products, services and processes. A third-party consultant, PwC, was engaged and one of the expected outputs is the IT Risk Assessment report which the IT Steering Committee has discussed and recommended for approval of the Board. The report summarizes the key IT risks, the corresponding likelihood and impact measures, possible mitigating factors and proposed risk treatment strategies.

With the Go-Live implementation of the core IT systems - the AFPSLAI Voyager Project and SAP ECC6 on January 2, 2019, the need for business continuity is paramount. As such, one of the significant accomplishments of the IT Steering Committee was the approval of the Disaster Recovery Co-Location of the Voyager back-up servers to ensure continuity of operations in case of natural and man-made disaster resulting in the unavailability of the AFPSLAI Data Center. This is also in compliance with BSP Circular No. 808 which mandates the Guidelines on Information Technology Risk Management for All Banks and Other BSP-Supervised Institutions.

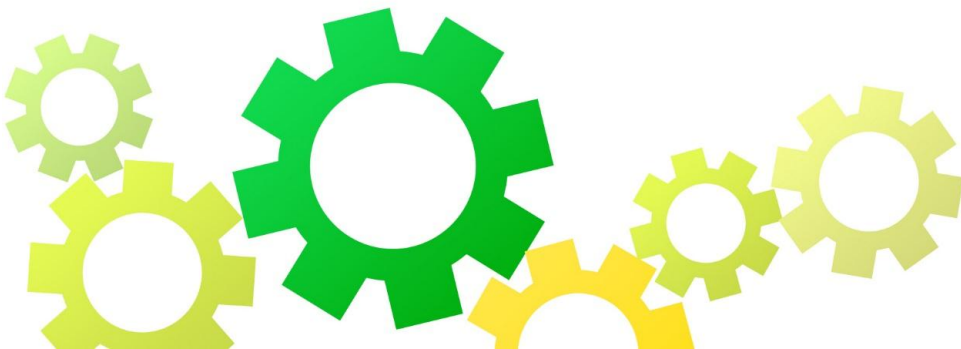
The renewal of the SAP Software Maintenance Agreement was also approved by the IT Steering Committee to ensure the continuous use of the licenses and system support for any software upgrade. These licenses are used in sub-modules

such as: 1) Financial Accounting inclusive of General Ledger, Accounts Payable, Accounts Receivable and Asset Management; 2) Controlling inclusive of Profit Center Accounting, Cost Center Accounting and Internal Order; and 3) Financial and Supply Chain Management inclusive of Treasury and Risk Management and Cash and Liquidity Management.

The IT Steering Committee also approved amendments to its Charter to comply with the BSP recommendations to incorporate key IT functions in the Duties and Responsibilities.

Given that the core IT systems are relatively new, the IT Steering Committee closely monitored the status of the AFPSLAI Voyager Project on a monthly basis. The ITSP Roadmap was also thoroughly discussed focusing on the four (4) classifications, namely: 1) Strategy; 2) People; 3) Process; and 4) Technology. The Committee also discussed the IT Projects and their status on a monthly basis to ensure that IT tools lined up for the year are optimized. The IT risk was also discussed by the Committee on a quarterly basis.

The Short Messaging System (SMS) and Mobile Application are IT tools that would help the Association in reaching out to its members. A simulation of these platforms was spearheaded by the IT Steering Committee to ensure a smooth roll-out during its launching in the Anniversary Celebration on December 2, 2019.





BOARD OF TRUSTEES



GEN FELIMON T SANTOS JR PA | Chairman

Gen Felimon T Santos Jr PA was elected as the Chairman of the AFPSLAI Board of Trustees effective January 24, 2020. He is a member of the Philippine Military Academy "Sinagtala" Class of 1986, and the 53rd Chief of Staff of the Armed Forces of the Philippines.

Gen Santos Jr PA has completed various careers and specialization courses and trainings here in the country and abroad. He holds a Master's Degree in Management from the Philippine Christian University.

Gen Santos Jr PA is also the concurrent Chairman of the Boards of the Armed Forces and Police Mutual Benefit Association, Inc. (AFPMBAI) and the Retirement and Separation Benefits System (AFPRSBS).



MGEN ROMEO D LUSTESTICA PA (RET) | Vice Chairman

MGen Romeo D Lustestica PA (Ret) was elected in May 2015 serving his fifth term as a member of the AFPSLAI Board of Trustees. He has been elected as the Vice Chairman of the Board since August 2016. Prior to his membership in the Board, he has served as the Executive Vice President and General Manager of AFPSLAI from May 2012 until he retired in September 2015.

MGen Lustestica PA (Ret) graduated as a member of the "Makatarungan" Class of 1978 from the Philippine Military Academy, and earned his Master's Degrees in Management and Business Administration at the Philippine Christian University. He is also a Fellow of the Institute of Corporate Directors.

MGen Lustestica PA (Ret) has been a Director of the Centennial Financing Corporation, a subsidiary of AFPSLAI, from 2012 until 2016. He has been a consultant of AFPMBAI prior to his stint in AFPSLAI.

MGen Lustestica PA (Ret) has undergone various seminars and trainings on financial, enterprise-wide risk and labor management.



GEN VICTOR S IBRADO PA (RET) | Trustee

Gen Victor S Ibrado PA (Ret) has been the Chairman of the Board of AFPSLAI from May 1, 2009 to March 10, 2010 when he served as the AFP Chief of Staff. Prior to his appointment as the Chief of Staff, he held various key positions in the AFP leadership. He was re-elected in the AFPSLAI Board of Trustees in May 2019.

Gen Ibrado PA (Ret) is a graduate of Bachelor of Science from the Philippine Military Academy (Class 1976). He also holds a Master in Public Management from the Development Academy of the Philippines.



MGEN EMERALDO C MAGNAYE PAF (RET) | President & CEO

MGen Emeraldal C Magnaye PAF (Ret) has joined the AFPSLAI Board of Trustees in August 2016. He was appointed as the Executive Vice President and General Manager of AFPSLAI in October 2017 prior to his election as the President & Chief Executive Officer (CEO) in May 2018. He was re-elected as the President & CEO in May 2019.

MGen Magnaye PAF (Ret) holds a Bachelor of Science Degree from the Philippine Military Academy (Class 1983), a Certificate in Business Economics at the University of Asia and the Pacific, and a Graduate Diploma in Information Systems at the University of Melbourne.

Prior to joining the AFPSLAI Family, MGen Magnaye PAF (Ret) has been a Trustee of the Armed Forces and Police Mutual Benefit Association, Inc. (AFPMBAI) in 2015. He has also been a Director of the Air Cavaliers Credit Cooperative from March 2015 to March 2016.



MR HECTOR M ATIENZA | Trustee

Mr Hector M Atienza has been elected as a member of the AFPSLAI Board of Trustees since October 2017. Prior to his election, he has served as the Executive Vice President and General Manager of AFPSLAI from September 2015 until his retirement in October 2017. He has also held other executive positions such as SVP for Treasury, SVP for Operations, SVP for Comptrollership and SVP for Corporate Planning Department. He was also the Budget Officer of the Philippine Navy prior to joining AFPSLAI in 1992.

Mr Atienza holds a Bachelor of Science Degree in Applied Science from the US Naval Academy in Annapolis, USA (1983) and is also a member of PMA "Matikas" Class of 1983. He also earned his Master's Degree in Business Administration at the University of the Philippines, Diliman and is currently pursuing a Doctorate Degree in Business Administration at the De La Salle University, Manila.

Mr Atienza was also inducted as a Fellow of the Institute of Corporate Directors in 2013.



LTGEN SALVADOR MELCHOR B MISON JR PAF (RET) | Trustee

LtGen Salvador Melchor B Mison Jr PAF (Ret) has been elected as a member of the AFPSLAI Board since May 2018. He has retired from the active military service in June 2019 leaving his post as the Vice Chief of Staff of the Armed Forces of the Philippines. Prior to his appointment as the Vice Chief of Staff, he also assumed as The Deputy Chief of Staff of the Armed Forces of the Philippines in 2016.

LtGen Mison Jr PAF (Ret) holds a Bachelor of Science Degree from the Philippine Military Academy (Class 1984) and a Master's Degree in Public Administration Major in Policy and Program Administration at the University of the Philippines in Diliman. He also earned a Post Graduate Diploma in Defense Studies at the Massey University in New Zealand.



PBGEN EDDIE B BENIGAY (RET) | Trustee

PBGen Eddie B Benigay (Ret) has been elected as a member of the AFPSLAI Board of Trustees since August 2016 serving his fourth term. Prior to his election as a member of the AFPSLAI Board, he was the Director of the Regional Internal Affairs Service 7 of the Philippine National Police.

PBGen Benigay (Ret) has a Bachelor of Science Degree from the Philippine Military Academy (Class 1986) and a Master's Degree in Public Administration from the Aquinas University.



PMGEN EDWIN C ROQUE | Trustee

PMGen Edwin C Roque has been a member of the Board since May 2018. He is currently the Director for Logistics of the Philippine National Police. Prior to his appointment as Director for Logistics in December 2018, he was the Director of the PNP Directorate for Plans. He was also the former Director of the PNP Legal Service.

PMGen Roque holds a Bachelor of Science Degree from the Philippine Military Academy (Class 1986) and a Master's Degree in Business Administration from the Pamantasan ng Lungsod ng Maynila. He is also a lawyer, who earned his Bachelor of Laws Degree at the Jose Rizal University.



PMGEN JOSELITO M VERA CRUZ | Trustee

PMGen Joselito M Vera Cruz joined the AFPSLAI Board in February 2019 when he was the Director of the Finance Service of the Philippine National Police. He is currently holding office at the Directorate for Information and Communication Technology Management.

PMGen Vera Cruz is a graduate of Bachelor of Science (Class 1987) from the Philippine Military Academy and holds a Master in Government Management Degree from the Pamantasan ng Lungsod ng Maynila.



BGEN ROY M GALIDO PA | Trustee

BGen Roy M Galido PA has been elected as a member of the Board since January 2018. Prior to his appointment as Commander of the 601st Infantry Brigade, 6ID based in Sultan Kudarat, he was the Chief, System Engineering Office of the Armed Forces of the Philippines.

BGen Galido PA is a graduate of Bachelor of Science from the Philippine Military Academy (Class 1990) and holds a Master in Management Degree from the Philippine Christian University. He also holds a Master of Science in Information Technology Degree from the University of South Wales and Master's Degree in Public Management Major in Development and Security from the Development Academy of the Philippines. He is also a Graduate-Member of the Institute of Corporate Directors.



PBGEN FERDINAND B DAWAY | Trustee

PBGen Ferdinand B Daway has recently joined the AFPSLAI Board of Trustees on January 31, 2020. He was previously assigned in various positions in the Finance and Comptrollership offices of the Philippine National Police and at present, designated as the Director, Finance Service of the PNP.

PBGen Daway is a graduate of Bachelor of Science from the Philippine Military Academy (Class 1988). He also holds two (2) Master's Degrees, Master in Business Administration from the International Academy of Management and Economics, and the other is Master in Public Administration from the National College of Business and Arts.



COL DENIE MAR A CLEMENCIA ((CAV) GSC) PA | Trustee

Col Denie Mar A Clemencia ((CAV) GSC) PA has been elected as member of the AFPSLAI Board of Trustees effective December 20, 2019 upon his assumption as the Chief, AFP Finance Center. He was the former Chief, Office of the Army Financial Management.

Col Clemencia is a graduate of Bachelor of Science from the Philippine Military Academy (Class 1991). He also holds a Master's Degree in Business Administration from the New Era University, and a Master in Public Management Major in International Development and Security from the Development Academy of the Philippines.



CAPT BRENDO J CASACLANG (GSC) PN | Trustee

Capt Brendo J Casaclang (GSC) PN Casaclang has been serving the Association as a Trustee since June 2017. He currently holds the position of Commanding Officer, Philippine Navy Finance Center.

Capt Casaclang is a graduate of Bachelor of Science from the Philippine Military Academy (Class 1993) and holds a Master in International Security Degree from the Massey University in New Zealand.



COL RONNIE C CABINGAS (GSC) PAF | Trustee

Col Ronnie C Cabingas (GSC) PAF joined the AFPSLAI Board of Trustees on March 28, 2019 upon his assumption as the Commanding Officer, Air Force Finance Center.

Col Cabingas is a graduate of Bachelor of Science from the Philippine Military Academy (Class 1996) and holds a Master in Development and Security from the Development Academy of the Philippines.



FCMS ENGRACIO S GABO JR (INF) PA | Trustee

FCMS Engracio S Gabo Jr (INF) PA was elected as member of the AFPSLAI Board of Trustees on August 1, 2019. He is currently the AFP Sergeant Major, the highest Non-Commissioned Officer (NCO) of the AFP.

FCMS Gabo Jr is a graduate of Bachelor of Science in Criminology from the Cagayan De Oro University. He is also currently a Trustee of the Armed Forces and Police Mutual Benefit Association, Inc. (AFPMBAI) and AFP Retirement and Separation Benefits System (AFPRSBS).

CORPORATE AND EXECUTIVE OFFICERS



GEN FELIMON T SANTOS JR PA
Chairman



MGEN ROMEO D LUSTESTICA PA (RET)
Vice Chairman



MGEN EMERALDO C MAGNAYE PAF (RET)
President and CEO



BGEN RODEL MAURO R ALARCON PA (RET)
Executive Vice President-General Manager



ATTY SAMUEL B PADILLA
Corporate Secretary



MGEN LENARD T AGUSTIN PA (RET)
Treasurer / SVP for Treasury Department



MS ROSARIO D SANTOS
Comptroller / SVP for Comptrollership Department



MGEN GUILLERMO A MOLINA JR II PAF (RET)
SVP for Administration Department



MS MARILYN G GAHITE
SVP for Operations Department



PBGEN ROBERTO L ALIGAYYU (RET)
SVP for Treasury Department
June 2017 - May 2020



MGEN ENRIQUE C REYES PAF (RET)
SVP for Administration Department
September 2018 - February 2020



MANAGEMENT TEAM

OFFICE OF THE CHAIRMAN

MS LIAH MARIE A DALISAY
Head, Office of the Board Secretariat

MR ANTHONY D ROSETE
Acting Head, Internal Audit Division

MR VIRGILIO R PRION
Corporate Compliance Officer

MS HAZEL IVY R MANESE
Risk Officer

OFFICE OF THE PRESIDENT & CEO

MS MARIE ANTOINETTE D DELA CRUZ
Head, Corporate Affairs Division

MS PAOLA FLORENCE T BACUNGAN
Head, Corporate Planning Division

MGEN GUILLERMO A MOLINA JR II PAF (RET)
Officer-In-Charge, Information Security Office

OFFICE OF THE EVP-GM

MS MA RIZELLE J PALAD
Head, Information Systems Division

MS LANI N BRUNIO
Head, IT Application Services,
Information Systems Division

MR MYRON C ARCENA
Head, Managed IT Services,
Information Systems Division

MR EDWARD CEDRICK V MALIHAN
Head, Infrastructure Services,
Information Systems Division

ATTY SADIRI R DALIVA
Head, Legal Services Division

ATTY RICARDO C MONTESA JR
Litigation Lawyer, Legal Services Division

ATTY RONALDO F FLORES
Documentation Lawyer, Legal Services Division

TREASURY DEPARTMENT

MS GIRLIE E DARIO
Head, Cash & Investment Management Division

MS ALMA B DEPAKAKIBO
Head, Cash Operations Branch,
Cash & Investment Management Division

MS MA KATHLEEN M VELASCO
Acting Head, Billing & Collection Division

MS MARIA L MARGALLO
Head, Remedial Asset Management Office

COMPTROLLERSHIP DEPARTMENT

MS LUELLA G LEUTERIO
Acting Head, General Accounting Office

MS LOURDES B OCAMPO
Acting Head, Loans Accounting Office

MS YOLANDA M BULANADI
Head, Capital, Savings & Membership
Accounting Office

ADMINISTRATION DEPARTMENT

MS ANTONETTE BERNADETTE R COLOMA
Head, Human Resource Management Division

MS SARA P CAMBA
Head, Supply & Property Management Office

MGEN GUILLERMO A MOLINA JR II PAF (RET)
Officer-In-Charge, General Services Office

LTCOL ALLAN V SOLLANO PA (RET)
Head, Security & Investigation Office

OPERATIONS DEPARTMENT

MR JOSEPH T MACARILAY
Acting Area Operations Head, NCR & Luzon

MS ROFEL O VIVAR
Area Operations Head, VisMin

MS MA LEILANI M JAVIER
Head, Branch Operations Support Services Group

NCR & LUZON AREA

MR JONATHAN B FRANCISCO
Head, Aguinaldo Branch

MR RONALD V MABUYO
Assistant Branch Head, Aguinaldo Branch

MR ARNEL V QUERUBIN
Head, Crame Branch

MS CAROLYN P DE VILLA
Assistant Branch Head, Crame Branch

MR ARMAND G JUELE
Acting Head, Bonifacio Branch

MS LAURIE ANNE L DE JESUS
Head, Sangley Branch

MS ANGELIE A BRUEL
Head, Clark Branch

MR NELSON DG ENRIQUE
Head, Baguio Branch

MS JOYCE R VALIENTE
Head, Isabela Branch

MS MERLITA O CASTRO
Head, Lucena Branch

MR LEONARDO D DEDUQUE
Head, Legazpi Branch

MS MARY SHENDYLEEN A AQUINO
Head, Palawan Branch

VISAYAS & MINDANAO AREA

MR GERRY G TORIO
Head, Cebu Branch

MR JOBERT M SESE
Head, Iloilo Branch

MS PRECILA M FLANDEZ
Head, Tacloban Branch

MS ELLEN JOCELYN J BRAZIL
Head, Catbalogan Branch

MS ANABELLE A MARCABAN
Head, Pagadian Branch

MS SARAH L ENRIQUEZ
Head, Cagayan de Oro Branch

MS DOLORES T MARCO
Head, Davao Branch

MS LUDINA A CALUMBOY
Head, General Santos Branch

MS WILMA T ODO
Head, Cotabato Branch

MS MA FARAH B SOLLANO
Head, Butuan Branch

MS OLIVA M CANSECO
Head, Zamboanga Branch

AUDITED FINANCIAL STATEMENTS

As at and
for the years ended
December 31, 2019
and 2018

by Isla Lipana & Co.





AFPSLAI
We value your trust


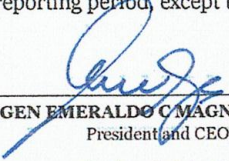

Authorized by the Bangko Sentral ng Pilipinas
AFPSLAI Building, Capinpin Avenue, Camp General Emilio Aguinaldo
EDSA cor Col Bonny Serrano Road, Quezon City
(632) 911-2032 to 33

Statement of Management's Responsibility for Annual Income Tax Return

The management of the **Armed Forces and Police Savings & Loan Association, Inc.** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended 31 December 2019. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended 31 December 2019 and the accompanying Annual Income Tax Return are in accordance with the books and records of the Company, complete and correct in all material respects. Management likewise affirms that:

- (a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- (b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances; and,
- (c) the Association has filed all applicable tax returns, reports and statements required to be filed under Philippines tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.


GEN FELIMON T SANTOS JR AFP
Chairman
 
MGEN EMERALDO C MAGNAYE AFP (RET)
President and CEO
 
MS ROSARIO D SANTOS
Comptroller

28 JUN 2020

SUBSCRIBED AND SWORN to before me this ____ day of ____ 2020 at Quezon City, affiants exhibiting to me their Tax Identification No. (TIN):

<u>Names</u>	<u>TIN</u>
GEN FELIMON T SANTOS JR AFP	927-680-495
MGEN EMERALDO C MAGNAYE AFP (RET)	154-950-996
MS ROSARIO D SANTOS	136-501-583

Doc No. 350
Page No. 20
Book No. 11
Series of 2020

**BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION**

Date **JUN 29 2020** (TSIS)

RECEIVED

MELINA PRISCA S. RAMOS

ATTY. RONALDO F. FLORES
NOTARY PUBLIC FOR QUEZON CITY
Roll No. 40377
Until December 31, 2020
PTR No. 9353064/Jan. 10, 2020/Quezon City
IBP No. 5885425/Lifetime/Rizal
MCLE Compliance VI No. 0007940/April 14, 2018
AFPSLAI, Camp Aguinaldo, Quezon City



Independent Auditor's Report

To the Board of Trustees and Members of
Armed Forces and Police Savings & Loan Association, Inc.
(A Non-Stock Savings and Loan Association)
AFPSLAI Building
Camp General Emilio Aguinaldo
EDSA, Quezon City

Report on the Audits of the Financial Statements

Our Opinion

In our opinion, the accompanying consolidated and parent financial statements present fairly, in all material respects, the financial position of Armed Forces and Police Savings & Loan Association, Inc. and Subsidiary (the "Group") and the financial position of Armed Forces and Police Savings and Loan Association (the "Parent Company") as at December 31, 2019 and 2018, and their financial performance and their cash flows for the years then ended in accordance with the financial reporting framework prescribed by the Bangko Sentral ng Pilipinas (BSP) for Non-stock Savings and Loan Associations (NSSLAs).

What we have audited

The financial statements comprise:

- the consolidated and parent statements of financial position as at December 31, 2019 and 2018;
- the consolidated and parent statements of income for the years ended December 31, 2019 and 2018;
- the consolidated and parent statements of comprehensive income for the years ended December 31, 2019 and 2018;
- the consolidated and parent statements of changes in equity for the years ended December 31, 2019 and 2018;
- the consolidated and parent statements of cash flows for the years ended December 31, 2019 and 2018; and
- the notes to the consolidated and parent financial statements, which include a summary of significant accounting policies.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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



Independent Auditor's Report
To the Board of Trustees and Members of
Armed Forces and Police Savings & Loan Association, Inc.
Page 2

Independence

We are independent of the Group 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 consolidated and parent financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Management is responsible for the preparation and fair presentation of the consolidated and parent financial statements in accordance with the financial reporting framework prescribed by the BSP for NSSLAs, 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 consolidated and financial statements, management is responsible for assessing the ability of each entity within the Group 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 entity or to cease operations, or has no realistic alternative but to do so.

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



Independent Auditor's Report
To the Board of Trustees and Members of
Armed Forces and Police Savings & Loan Association, Inc.
Page 3

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



Isla Lipana & Co.

Independent Auditor's Report
To the Board of Trustees and Members of
Armed Forces and Police Savings & Loan Association, Inc.
Page 4

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 Supplementary Information Required by the Bangko Sentral ng Pilipinas (BSP) and the Bureau of Internal Revenue Requirements (BIR)

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 BSP Circular No. 1075 in Note 28 and BIR Revenue Regulations No. 15-2010 in Note 29 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 management and has been subjected to the auditing procedures applied in our audits 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.

Isla Lipana & Co.

Zaldy D. Aguirre
Partner
CPA Cert No. 105660
P.T.R. No. 0024447, issued on January 8, 2019, Makati City
SEC A.N. (individual) as general auditors 1176-AR-2, Category A; effective until June 20, 2021
SEC A.N. (firm) as general auditors 0009-FR-5, Category A; effective until June 20, 2021
TIN 221-755-698
BIR A.N. 08-000745-77-2018, issued on January 29, 2018; effective until January 28, 2021
BOA/PRC Reg. No. 0142, effective until September 30, 2020

Makati City
June 11, 2020

Armed Forces and Police Savings & Loan Association, Inc.
(A Non-stock Savings and Loan Association)

Statements of Financial Position
December 31, 2019 and 2018
(All amounts in thousands of Philippine Peso)

	Notes	Consolidated		Parent Company	
		2019	2018	2019	2018
<u>ASSETS</u>					
CASH AND CASH EQUIVALENTS	2	3,105,078	2,050,621	3,016,506	1,996,598
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	3	350,596	303,166	350,596	303,166
INVESTMENT SECURITIES AT AMORTIZED COST	4	6,184,163	6,178,957	6,184,163	6,178,957
LOANS AND RECEIVABLES, net	5	99,051,878	81,965,293	99,023,810	81,910,016
PROPERTY AND EQUIPMENT, net	7	375,486	267,803	375,463	267,768
INVESTMENT PROPERTIES, net	8	57,118	70,035	54,669	63,796
INVESTMENT IN A SUBSIDIARY	6	-	-	75,000	75,000
OTHER ASSETS, net	10	5,308,087	5,208,854	5,307,822	5,206,013
Total assets		114,432,406	96,044,729	114,388,029	96,001,314
<u>LIABILITIES AND EQUITY</u>					
DEPOSIT LIABILITIES	12	26,694,311	18,537,241	26,694,311	18,537,241
BILLS PAYABLE	13	13,000,000	6,700,000	13,000,000	6,700,000
ACCRUED INTEREST AND OTHER EXPENSES		247,617	68,657	247,241	68,019
RETIREMENT LIABILITY	9	119,563	28,046	119,563	27,166
DIVIDENDS PAYABLE	11	142,801	758,456	142,801	758,456
OTHER LIABILITIES	14	2,043,097	2,123,158	2,002,937	2,084,188
Total liabilities		42,247,389	28,215,558	42,206,853	28,175,070
EQUITY ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY					
Members' contributions	11	53,546,372	50,232,503	53,546,372	50,232,503
Surplus reserves	15	8,599,050	9,089,770	8,599,050	9,089,770
Surplus free		10,243,399	8,634,254	10,250,417	8,642,541
Accumulated other comprehensive loss	15	(214,663)	(137,881)	(214,663)	(138,570)
		72,174,158	67,818,646	72,181,176	67,826,244
NON-CONTROLLING INTEREST		10,859	10,525	-	-
Total equity		72,185,017	67,829,171	72,181,176	67,826,244
Total liabilities and equity		114,432,406	96,044,729	114,388,029	96,001,314

(The notes on pages 77 to 133 are integral parts of these financial statements)

Armed Forces and Police Savings & Loan Association, Inc.
(A Non-stock Savings and Loan Association)

Statements of Income
For the years ended December 31, 2019 and 2018
(All amounts in thousands of Philippine Peso)

	Notes	Consolidated		Parent Company	
		2019	2018	2019	2018
INTEREST INCOME					
Loans and discount, net	5	13,730,152	13,020,217	13,726,287	13,014,317
Investment in debt securities	3,4	299,922	326,009	299,922	326,009
Cash and cash equivalents and other investments	2	24,651	36,295	22,563	35,629
Sales contract receivables		1,140	1,592	1,140	1,592
		14,055,865	13,384,113	14,049,912	13,377,547
INTEREST EXPENSE	12,13	1,530,873	834,867	1,530,873	834,867
NET INTEREST INCOME		12,524,992	12,549,246	12,519,039	12,542,680
PROVISION FOR CREDIT AND IMPAIRMENT LOSSES	18	1,676,204	876,955	1,676,204	880,588
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES		10,848,788	11,672,291	10,842,835	11,662,092
OTHER INCOME (LOSS)					
Service charge and other fees		6,916	10,685	6,916	10,685
Loss on sale of investment securities at amortized cost/ HTM investments	4	-	(402,536)	-	(402,536)
Miscellaneous	19	146,288	20,697	143,085	20,049
		153,204	(371,154)	150,001	(371,802)
OPERATING EXPENSES					
Compensation and fringe benefits		873,180	801,331	870,084	799,066
Collection fees		189,034	194,869	189,034	194,869
Taxes and licenses		178,070	86,411	177,442	85,905
Donations and charitable contributions		103,405	82,377	103,405	82,377
Advertising and publicity		63,607	45,779	63,607	45,774
Depreciation and amortization	7,8,10	58,777	46,466	58,765	46,433
Rent	17	45,038	48,885	45,038	48,885
Security, janitorial and messengerial fees		44,374	41,489	44,374	41,489
Management and other professional fees		35,717	38,822	35,717	38,822
Power, light and water		31,028	32,447	30,996	32,410
Staff activities		23,814	21,052	23,729	20,957
Entertainment, amusement and recreation		16,912	21,863	16,372	21,333
Miscellaneous	20	215,571	234,486	213,683	232,252
		1,878,527	1,696,277	1,872,246	1,690,572
INCOME BEFORE INCOME TAX		9,123,465	9,604,860	9,120,590	9,599,718
INCOME TAX EXPENSE	21	1,817	(22)	740	(1,095)
NET INCOME FOR THE YEAR		9,121,648	9,604,882	9,119,850	9,600,813
Attributable to:					
Members of the Parent Company		9,121,119	9,603,987	9,119,850	9,600,813
Non-controlling interest		529	895	-	-
		9,121,648	9,604,882	9,119,850	9,600,813

(The notes on pages 77 to 133 are integral parts of these financial statements)

Armed Forces and Police Savings & Loan Association, Inc.
(A Non-stock Savings and Loan Association)

Statements of Comprehensive Income
For the years ended December 31, 2019 and 2018
(All amounts in thousands of Philippine Peso)

	Notes	Consolidated		Parent Company	
		2019	2018	2019	2018
NET INCOME FOR THE YEAR		9,121,648	9,604,882	9,119,850	9,600,813
OTHER COMPREHENSIVE (LOSS) INCOME					
Remeasurement of retirement liability, net	9,15	(124,622)	14,323	(123,738)	14,574
Net change in unrealized gain (loss) on financial assets at FVOCI		47,645	(42,844)	47,645	(42,844)
		(76,977)	(28,521)	(76,093)	(28,270)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		9,044,671	9,576,361	9,043,757	9,572,543
Attributable to:					
Members of the Parent Company		9,044,866	9,576,416	9,043,757	9,572,543
Non-controlling interest		(195)	(55)	-	-
		9,044,671	9,576,361	9,043,757	9,572,543

(The notes on pages 77 to 133 are integral parts of these financial statements)

Armed Forces and Police Savings & Loan Association, Inc.
(A Non-stock Savings and Loan Association)

Statements of Changes in Equity
For the years ended December 31, 2019 and 2018
(All amounts in thousands of Philippine Peso)

	Consolidated				
	Members' contributions (Note 11)	Surplus reserves (Note 15)	Surplus free	Accumulated other comprehensive loss (Note 15)	Total
Balances at January 1, 2018	47,424,175	7,815,445	7,528,862	(109,415)	62,659,067
Comprehensive income	-	-	9,603,987	(28,466)	9,603,987
Net income for the year	-	-	-	-	895
Other comprehensive income	-	-	-	(28,466)	(55)
Total comprehensive income for the year	-	-	9,603,987	(28,466)	9,575,521
Transactions with owners					
Appropriation of surplus	-	2,006,279	(2,006,279)	-	-
Release of surplus reserves	-	(731,954)	731,954	-	-
Dividends declared	-	-	(7,224,270)	-	(7,224,270)
Capital contributions	15,305,498	-	-	-	15,305,498
Capital withdrawals	(12,497,170)	-	-	-	(12,497,170)
Total transactions with owners	2,808,328	1,274,325	(8,498,595)	-	(4,415,942)
Balances at December 31, 2018	50,232,503	9,089,770	8,634,254	(137,881)	67,818,646
Comprehensive income	-	-	9,121,119	(76,782)	9,121,119
Net income for the year	-	-	-	(76,782)	(76,782)
Other comprehensive income	-	-	-	(76,782)	(76,782)
Total comprehensive income for the year	-	-	9,121,119	(76,782)	9,044,337
Transactions with owners					
Appropriation of surplus	-	2,407,719	(2,407,719)	-	-
Release of surplus reserves	-	(2,898,439)	2,898,439	-	-
Dividends declared	-	-	(8,002,694)	-	(8,002,694)
Capital contributions	18,056,033	-	-	-	18,056,033
Capital withdrawals	(14,742,164)	-	-	-	(14,742,164)
Total transactions with owners	3,313,869	(490,720)	(7,511,974)	-	(4,688,825)
Balances at December 31, 2019	53,546,372	8,599,050	10,243,399	(214,663)	72,174,158
Total equity					9,685
					9,604,882
					(28,521)
					840
					10,525
					529
					(195)
					334
					(8,002,694)
					18,056,033
					(14,742,164)
					(4,688,825)
					72,185,017

(The notes on pages 77 to 133 are integral parts of these financial statements)

Armed Forces and Police Savings & Loan Association, Inc.
(A Non-stock Savings and Loan Association)

Statements of Changes in Equity
For the years ended December 31, 2019 and 2018
(All amounts in thousands of Philippine Peso)

	Parent Company			
	Members' contributions (Note 11)	Surplus reserves (Note 15)	Surplus free	Accumulated other comprehensive loss (Note 15)
				Total
Balances at January 1, 2018	47,424,175	7,815,445	7,540,323	(110,300)
Comprehensive income				
Net income for the year	-	-	9,600,813	-
Other comprehensive income	-	-	-	(28,270)
Total comprehensive income for the year	-	-	9,600,813	(28,270)
Transactions with owners				
Appropriation of surplus	-	2,006,279	(2,006,279)	-
Release of surplus reserves	-	(731,954)	731,954	-
Dividends declared	-	-	(7,224,270)	-
Capital contributions	15,305,498	-	-	-
Capital withdrawals	(12,497,170)	-	-	-
Total transactions with owners	2,808,328	1,274,325	(8,498,595)	-
Balances at December 31, 2018	50,232,503	9,089,770	8,642,541	(138,570)
Comprehensive income				
Net income for the year	-	-	9,119,850	-
Other comprehensive income	-	-	-	(76,093)
Total comprehensive income for the year	-	-	9,119,850	(76,093)
Transactions with owners				
Appropriation of surplus	-	2,407,719	(2,407,719)	-
Release of surplus reserve	-	(2,898,439)	2,898,439	-
Dividends declared	-	-	(8,002,694)	-
Capital contributions	18,056,033	-	-	-
Capital withdrawals	(14,742,164)	-	-	-
Total transactions with owners	3,313,869	(490,720)	(7,511,974)	-
Balances at December 31, 2019	53,546,372	8,599,050	10,250,417	(214,663)

(The notes on pages 77 to 133 are integral parts of these financial statements)

Armed Forces and Police Savings & Loan Association, Inc.
(A Non-stock Savings and Loan Association)

Statements of Cash Flows
For the years ended December 31, 2019 and 2018
(All amounts in thousands of Philippine Peso)

	Notes	Consolidated		Parent Company	
		2019	2018	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES					
Cash generated from (used in) operations	23	250,051	(13,528,884)	218,080	(13,558,424)
Contributions to retirement plan	9	(68,350)	(53,702)	(66,586)	(53,702)
Income taxes paid		(531)	(1,299)	(428)	(1,223)
Net cash generated from (used in) operating activities		181,170	(13,583,885)	151,066	(13,613,349)
CASH FLOW FROM INVESTING ACTIVITIES					
Acquisition of:					
Property and equipment	7	(172,985)	(113,326)	(172,985)	(113,326)
Proceeds from sale of:					
Investment properties	8	38,090	24,177	33,645	23,854
Financial assets at FVOCI	3	215	70,294	215	70,294
Investment securities at amortized cost	4	-	4,976,188	-	4,976,188
Property and equipment	7	12,447	787	12,447	787
Net cash (used in) generated from investing activities		(122,233)	4,958,120	(126,678)	4,957,797
CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds from borrowings	13	57,295,820	38,331,120	57,295,820	38,331,120
Repayment of borrowings	13	(50,995,820)	(31,631,120)	(50,995,820)	(31,631,120)
Capital contributions from members		18,056,033	15,305,498	18,056,033	15,305,498
Capital withdrawals by members		(14,742,164)	(12,497,170)	(14,742,164)	(12,497,170)
Dividends paid	11	(8,618,349)	(7,111,562)	(8,618,349)	(7,111,562)
Net cash generated from financing activities		995,520	2,396,766	995,520	2,396,766
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		1,054,457	(6,228,999)	1,019,908	(6,258,790)
CASH AND CASH EQUIVALENTS	2				
January 1		2,050,621	8,279,620	1,996,598	8,255,388
December 31		3,105,078	2,050,621	3,016,506	1,996,598

(The notes on pages 77 to 133 are integral parts of these financial statements)

Armed Forces and Police Savings & Loan Association, Inc.

(A Non-stock Savings and Loan Association)

Notes to the Financial Statements

As at and for the years ended December 31, 2019 and 2018

(In the notes, all amounts are shown in thousands of Philippine Peso unless otherwise stated)

1 General information

The Armed Forces and Police Savings & Loan Association, Inc. (the “Parent Company”) is a non-stock savings and loan association (“NSSLA”) incorporated in the Philippines and organized under Republic Act (R.A.) No. 8367, otherwise known as the Revised Non-stock Savings and Loan Association Act of 1997, to encourage industry, frugality and the accumulation of savings and judicious utilization of credit among the members. Products available to members are deposits and loans, among others.

The Parent Company is regulated by the Bangko Sentral ng Pilipinas (BSP).

As provided under R.A. No. 8367, the Parent Company is a tax-exempt entity with respect to income derived from its savings and loan activities. Income derived from any other activities conducted for profit not related to the savings and loan activities is subject to the 30% regular tax rate.

The registered office address of the Parent Company is at AFPSLAI Building, Camp General Emilio Aguinaldo, EDSA, Quezon City. It has 773 employees as at December 31, 2019 (2018 - 752 employees).

The Parent Company owns 78% of the outstanding capital stock of Centennial Financing Corporation (“CFC” or “Subsidiary”), a company incorporated and domiciled in the Philippines which is primarily engaged in general financing and investing business. The Parent Company and Subsidiary are collectively referred to herein as the “Group”.

The consolidated and separate financial statements have been approved and authorized for issuance on June 11, 2020 by the Company’s Board of Trustees (BOT).

Non-adjusting subsequent event – COVID-19 outbreak

Following the announcement by the World Health Organization of the COVID-19 outbreak as a global pandemic, on March 16, 2020, the Philippine Government placed certain areas in the country under the Enhanced Community Quarantine (ECQ). The ECQ has caused mandatory closure of non-essential businesses, travel bans, and strict home quarantine resulting in a slowdown in the domestic economic activities.

On June 1, 2020, the ECQ was downgraded to General Community Quarantine (GCQ) in most parts of the country. Under the GCQ setup, companies can gradually resume their business operations while people mobility is allowed subject to strict social distancing requirements and mandatory wearing of face masks.

As of the date of approval of these financial statements, the vaccine is yet to be discovered and the virus continues to infect people across the globe. While the health crisis has caused business disruptions and remains a major concern of the society at large, a comprehensive assessment of the full impact of the pandemic on the Group’s operations cannot be reliably determined.

2 Cash and cash equivalents

The account at December 31 consists of:

	Consolidated		Parent Company	
	2019	2018	2019	2018
Short-term investments	2,100,000	900,000	2,100,000	900,000
Cash in banks	952,857	1,122,939	864,293	1,068,921
Cash and other cash items	52,221	27,682	52,213	27,677
	3,105,078	2,050,621	3,016,506	1,996,598

Short-term investments include time deposits, which bear interest at rates ranging from 3.625% to 4% (2018 - 1.25% to 8.125%) and have maturities of no more than three (3) months.

Interest income earned from cash and cash equivalents of the Group and Parent Company for the year ended December 31, 2019 amounts to P24.7 million and P22.6 million, respectively (2018 - P36.3 million and P35.6 million).

3 Financial assets at fair value through other comprehensive income (FVOCI)

The account for the Parent Company at December 31 consists of:

	2019	2018
Corporate bonds	345,130	298,234
Equity securities	3,606	3,072
	348,736	301,306
Accrued interest on debt securities	1,860	1,860
	350,596	303,166

Interest income earned from the debt investments amounts to P17.5 million for the year ended December 31, 2019 (2018 - P55.3 million).

Accumulated unrealized fair value gain as at December 31, 2019 amounts to P2.9 million (2018 - P44.7 million loss) (Note 15).

4 Investment securities at amortized cost

The account for the Parent Company at December 31 consists of:

	2019	2018
Government debt securities		
Face amount	6,127,321	6,127,321
Unamortized discount, net	(13,274)	(18,480)
	6,114,047	6,108,841
Accrued interest	70,116	70,116
	6,184,163	6,178,957

Interest rates of government debt securities for the year ended December 31, 2019 range from 3.68% to 5.25% (2018 - 3.68% to 5.25%).

Interest income earned from the investments amounts to P282.4 million for the year ended December 31, 2019 (2018 - P270.7 million).

The movements for the years ended December 31 are summarized as follows:

	2019	2018
At January 1	6,178,957	11,593,395
Disposals and maturities	-	(5,378,724)
Amortization of discount	5,206	25,587
Accrued interest movement	-	(61,301)
At December 31	6,184,163	6,178,957

There were no additions nor disposals for the year ended December 31, 2019.

Significant judgment - Classification of investment securities at amortized cost

The Group follows the guidance of PFRS 9 in classifying financial assets at initial recognition whether it will be subsequently measured at fair value through other comprehensive income, at amortized cost, or at fair value through profit or loss.

In classifying debt securities at amortized cost, the Group evaluates the contractual cash flow characteristics of the asset and considers its business model for managing the assets. The Group determines whether the contractual cash flows associated with the financial asset are solely payments of principal and interest (the "SPPI"). If the instrument fails the SPPI test, it will be measured at fair value through profit or loss. The disposal of securities in 2018 as discussed above is deemed consistent with the business model of the Group.

5 Loans and receivables, net

Details of this account at December 31 follow:

	Note	Consolidated		Parent Company	
		2019	2018	2019	2018
Loans and discounts					
Consumption and others		103,585,131	85,924,356	103,557,722	85,869,865
Commercial and business		2,011,985	1,872,590	2,011,985	1,872,590
Real estate and housing		182,872	156,923	182,872	156,923
		105,779,988	87,953,869	105,752,579	87,899,378
Other receivables					
Accrued interest receivables		65,181	1,192,771	64,680	1,192,278
Accounts receivable		198,738	106,354	198,387	105,867
Sales contract receivables		10,530	12,915	10,530	12,915
Advances and receivables from officers and employees		3,879	3,103	3,879	3,104
		278,328	1,315,143	277,476	1,314,164
		106,058,316	89,269,012	106,030,055	89,213,542
Allowance for credit losses	18				
Loans and discounts		(6,893,955)	(7,197,580)	(6,893,762)	(7,197,387)
Other receivables		(112,483)	(106,139)	(112,483)	(106,139)
		(7,006,438)	(7,303,719)	(7,006,245)	(7,303,526)
		99,051,878	81,965,293	99,023,810	81,910,016

Consumption loans (gross of unearned discounts) at December 31 consist of:

	Consolidated		Parent Company	
	2019	2018	2019	2018
Salary loans	53,782,481	46,045,985	53,782,481	46,045,985
Multipurpose loans	21,500,179	16,951,969	21,500,179	16,951,969
Pension salary loans	18,829,991	16,103,675	18,829,991	16,103,675
Others	9,472,480	6,822,727	9,445,071	6,768,236
	103,585,131	85,924,356	103,557,722	85,869,865

Interest on loans and discounts varies up to 28.62% both in 2019 and 2018.

Interest income from loans and discounts of the Group and Parent Company for the year ended December 31, 2019 amounts to P13.7 billion (2018 - P13 billion).

Critical accounting estimate - Measurement of allowance for credit losses

The Group follows the guidelines of the BSP to measure allowance for credit losses (ACL). To measure the ACL, loans are evaluated on an individual or collective basis. The Group follows the prescribed loss percentage of the BSP for loans that are subject to individual assessment. Loans that are collectively assessed pertain to the remaining loan portfolio which are segmented in groups with similar credit characteristics and operational requirements. It is impracticable however, to disclose with sufficient reliability the possible effects of sensitivities surrounding the calculation of loan loss allowance.

The analysis of movements in allowance for credit and impairment losses is disclosed in Note 18.

The detailed accounting policy with respect to the calculation of credit losses is disclosed in Note 28.5. Likewise, information on the credit quality of loans is presented in Note 27.1.1.

6 Investment in a subsidiary

This account represents investment in shares of stock of CFC (Note 1) carried at cost in the separate financial statements.

The audited summarized financial information of CFC as at and for the years ended December 31 are as follows:

	2019	2018
Total assets	123,582	122,623
Total equity	123,135	120,959
Net income	1,798	2,270

On April 7, 2017, the stockholders of CFC ratified the decision of its Board of Directors shortening the corporate life of CFC up to December 31, 2019.

In view of the shortening of CFC's corporate life, the subsidiary's financial statements as at and for the years ended December 31, 2019 and 2018 are prepared using acceptable alternative basis of accounting. Management has made its best estimates and judgments with regard to the measurement of CFC's assets and liabilities, giving due consideration to available facts and circumstances.

7 Property and equipment, net

This account at December 31 consists of:

Consolidated

	2019					Total
	Land	Buildings, Condominiums and Improvements	Furniture, Fixtures and Equipment	Leasehold Improvements	Construction in progress	
Cost						
January 1, 2019	61,492	305,437	480,071	112,123	51,425	1,010,548
Adoption of PFRS 16	-	16,793	-	-	-	16,793
January 1, 2019, as restated	61,492	322,230	480,071	112,123	51,425	1,027,341
Additions	13,285	2,250	82,989	7,444	50,224	156,192
Disposals	-	-	(45,557)	-	(8,233)	(53,790)
December 31, 2019	74,777	324,480	517,503	119,567	93,416	1,129,743
Accumulated depreciation						
January 1, 2019	-	263,136	358,995	103,481	-	725,612
Adoption of PFRS 16	-	5,542	-	-	-	5,542
Depreciation	-	7,780	38,402	4,050	-	50,232
Disposals	-	-	(44,262)	-	-	(44,262)
December 31, 2019	-	276,458	353,135	107,531	-	737,124
Allowance for impairment losses (Note 18)	8,702	8,431	-	-	-	17,133
Net book value						
December 31, 2019	66,075	39,591	164,368	12,036	93,416	375,486

	2018					Total
	Land	Buildings, Condominiums and Improvements	Furniture, Fixtures and Equipment	Leasehold Improvements	Construction in progress	
Cost						
January 1, 2018	61,492	301,072	422,964	107,027	22,165	914,720
Additions	-	4,365	74,605	5,096	29,260	113,326
Disposals	-	-	(17,498)	-	-	(17,498)
December 31, 2018	61,492	305,437	480,071	112,123	51,425	1,010,548
Accumulated depreciation						
January 1, 2018	-	254,312	345,866	99,392	-	699,570
Depreciation	-	8,824	29,839	4,090	-	42,753
Disposals	-	-	(16,711)	-	-	(16,711)
December 31, 2018	-	263,136	358,994	103,482	-	725,612
Allowance for impairment losses (Note 18)	8,702	8,431	-	-	-	17,133
Net book value						
December 31, 2018	52,790	33,870	121,077	8,641	51,425	267,803

Parent Company

	2019					
	Land	Buildings, Condominiums and Improvements	Furniture, Fixtures and Equipment	Leasehold Improvements	Construction in progress	Total
Cost						
January 1, 2019	61,492	303,967	478,874	111,345	51,424	1,007,102
Adoption of PFRS 16	-	16,793	-	-	-	16,793
January 1, 2019, as restated	61,492	320,760	478,874	111,345	51,424	1,023,895
Additions	13,285	2,250	82,989	7,444	50,224	156,192
Disposals	-	-	(45,558)	-	(8,233)	(53,791)
December 31, 2019	74,777	323,010	516,305	118,789	93,415	1,126,296
Accumulated depreciation						
January 1, 2019	-	261,667	357,832	102,702	-	722,201
Depreciation	-	13,322	38,390	4,050	-	55,762
Disposals	-	-	(44,263)	-	-	(44,263)
December 31, 2019	-	274,989	351,959	106,752	-	733,700
Allowance for impairment losses (Note 18)	8,702	8,431	-	-	-	17,133
Net book value						
December 31, 2019	66,075	38,466	165,470	12,037	93,415	375,463

	2018					
	Land	Buildings, Condominiums and Improvements	Furniture, Fixtures and Equipment	Leasehold Improvements	Construction in progress	Total
Cost						
January 1, 2018	61,492	299,602	421,767	106,249	22,164	911,274
Additions	-	4,365	74,605	5,096	29,260	113,326
Disposals	-	-	(17,498)	-	-	(17,498)
December 31, 2018	61,492	303,967	478,874	111,345	51,424	1,007,102
Accumulated depreciation						
January 1, 2018	-	252,843	344,735	98,613	-	696,191
Depreciation	-	8,824	29,808	4,089	-	42,721
Disposals	-	-	(16,711)	-	-	(16,711)
December 31, 2018	-	261,667	357,832	102,702	-	722,201
Allowance for impairment losses (Note 18)	8,702	8,431	-	-	-	17,133
Net book value						
December 31, 2018	52,790	33,869	121,042	8,643	51,424	267,768

As at December 31, 2019, the carrying amount of right-of-use assets classified under buildings, condominiums and improvements are as follows:

	Note	Amount
Cost		17,109
Accumulated depreciation		(5,542)
Net carrying amount	17	11,567

Additions to the right-of-use assets for the year ended December 31, 2019 amounted to P316.

Details of disposals of property and equipment follow:

	Consolidated		Parent Company	
	2019	2018	2019	2018
Proceeds	12,447	787	12,447	787
Net book value	(12,160)	(787)	(12,160)	(787)
Gain on disposal	287	-	287	-

8 Investment properties, net

This account at December 31 consists of:

Consolidated

	2019			2018		
	Land	Buildings and improvements	Total	Land	Buildings and improvements	Total
Cost						
January 1	217,633	23,744	241,377	240,020	22,691	262,711
Additions	-	-	-	-	1,380	1,380
Disposals	(12,217)	(2,983)	(15,200)	(22,387)	(327)	(22,714)
December 31	205,416	20,761	226,177	217,633	23,744	241,377
Accumulated depreciation						
January 1	-	12,173	12,173	-	10,925	10,925
Depreciation	-	1,035	1,035	-	1,248	1,248
Disposals	-	(1,675)	(1,675)	-	-	-
December 31	-	11,533	11,533	-	12,173	12,173
Allowance for impairment losses (Note 18)	156,466	1,060	157,526	158,109	1,060	159,169
Net book value						
December 31	48,950	8,168	57,118	59,524	10,511	70,035

Parent Company

	2019			2018		
	Land	Buildings and improvements	Total	Land	Buildings and improvements	Total
Cost						
January 1	214,210	20,928	235,138	236,274	19,548	255,822
Additions	-	-	-	-	1,380	1,380
Disposals	(8,427)	(2,983)	(11,410)	(22,064)	-	(22,064)
December 31	205,783	17,945	223,728	214,210	20,928	235,138
Accumulated depreciation						
January 1	-	12,173	12,173	-	10,926	10,926
Depreciation	-	1,035	1,035	-	1,247	1,247
Disposals	-	(1,675)	(1,675)	-	-	-
December 31	-	11,533	11,533	-	12,173	12,173
Allowance for impairment losses (Note 18)	156,466	1,060	157,526	158,109	1,060	159,169
Net book value						
December 31	49,317	5,352	54,669	56,101	7,695	63,796

The Group's investment properties are accounted for using the cost model.

As at December 31, 2019, investment properties have aggregate fair value calculated using level 2 fair value technique amounting to P308 million (2018 - P196 million) for the Group and P301 million (2018 - P182 million) for the Parent Company. Fair value of investment property is determined on the basis of appraisal made by an external appraiser. Valuation method primarily employed by the appraisers is using the market data approach.

Details of disposals of investment properties follow:

	Consolidated		Parent Company	
	2019	2018	2019	2018
Proceeds	38,090	24,177	33,645	23,854
Net book value	(13,525)	(22,387)	(9,735)	(22,064)
Gain on disposal	24,565	1,790	23,910	1,790

Depreciation is included as part of operating expenses in the statement of income.

Rent income and direct operating expenses arising from investment properties are as follows:

	Notes	2019	2018
Rent income (included in Miscellaneous income)	19	873	1,621
Direct operating expenses (included in Miscellaneous expenses)	20	1,107	1,081

Rent income and direct operating expenses on investment properties are recorded as other income under miscellaneous income and other expenses under miscellaneous expenses, respectively, in profit or loss.

9 Retirement plan

The Parent Company has a funded, non-contributory defined pension plan covering all permanent and full-time officers and employees which is managed by a group of Trustees designated by the Parent Company. The plan is payable upon a member's normal retirement at age 60 and the member is entitled to receive 150% of one month's salary at the time of retirement per year of service. However, the members have the option for early retirement. For early retirement, an employee may retire at least the age of fifty (50) with no less than ten (10) years of service and will receive 100% of the normal retirement benefit. The plan also allows retirement before reaching the age of fifty (50) with at least 10 years of service with benefits ranging from 50% to 100% of the normal retirement benefit depending on the number of completed years of service.

The Subsidiary maintains an unfunded defined benefit retirement plan covering its regular employees and corporate officers and directors. The plan is payable upon a member's normal retirement at age 60 and separation from employment with at least one year of credited service. For voluntary retirement of employees, the benefit is equivalent to 50% of the employee's basic monthly salary for a minimum of 1 year of service with the rate factor progressing to a maximum of 125% of basic monthly salary for service years of 10 or more and 100% of monthly salary for every year of credited service for voluntary retirement for corporate officers and directors.

On July 1, 2017, AFPLSAI amended the retirement plan to include additional retirement option which provides benefits equal to 250% of one month's salary at the time of retirement per year of service for employees who will retire at the age of fifty (50) with no less than ten (10) years of service.

The retirement liability recognized in the statements of financial position as at December 31 are determined as follows:

	Consolidated		Parent Company	
	2019	2018	2019	2018
Present value of obligation	801,098	623,034	801,098	622,154
Fair value of plan assets	(681,535)	(594,988)	(681,535)	(594,988)
Retirement liability recognized in the statements of financial position	119,563	28,046	119,563	27,166

The components of retirement expense recognized as part of compensation and fringe benefits and in the statement of comprehensive income are as follows:

	Consolidated		Parent Company	
	2019	2018	2019	2018
<i>Recognized in profit or loss</i>				
Current service cost	33,235	34,373	33,235	34,309
Net interest cost	2,010	3,374	2,010	3,348
	35,245	37,747	35,245	37,657

The components of remeasurements recognized in other comprehensive income follow:

	Consolidated		Parent Company	
	2019	2018	2019	2018
<i>Remeasurements recognized in other comprehensive income</i>				
Changes in financial assumption	(138,646)	33,654	(137,762)	33,551
Experience adjustments	10,607	(9,528)	10,607	(9,174)
Return on plan assets	3,417	(9,803)	3,417	(9,803)
	(124,622)	14,323	(123,738)	14,574

The movements in the present value of defined benefit obligations for the years ended December 31 are as follows:

	Consolidated		Parent Company	
	2019	2018	2019	2018
At January 1	623,034	627,542	622,154	627,109
Current service cost	33,235	34,373	33,235	34,309
Interest cost	46,039	35,144	46,039	35,118
Benefits paid	(29,875)	(48,003)	(27,485)	(48,003)
Benefits paid directly by the Parent Company	-	(2,002)	-	(2,002)
Remeasurements	128,039	(24,020)	127,155	(24,377)
Loss arising from settlements	626	-	-	-
At December 31	801,098	623,034	801,098	622,154

The movements in the fair value of plan assets of the Parent Company for the years ended December 31 are as follows:

	2019	2018
At January 1	594,988	567,322
Interest income	44,029	31,770
Contributions	66,586	53,702
Benefits paid	(27,485)	(48,003)
Remeasurement - return on plan assets	3,417	(9,803)
At December 31	681,535	594,988

The Subsidiary's retirement plan is unfunded as at December 31, 2019 and 2018.

The following comprises the Parent Company's plan assets at December 31:

	2019	2018
Government securities	616,484	521,103
Cash and cash equivalents	20,951	20,009
Others	44,100	53,876
	681,535	594,988

Others pertains to loans and receivables from employees, other accrued income and other miscellaneous assets. The carrying value of the plan assets as at December 31, 2019 and 2018 approximates fair value.

The Parent Company has no other transactions with the fund other than contributions and benefit payments presented above for the year ended December 31, 2019 and 2018.

Expected contributions to the retirement plan of the Parent Company for the year ending December 31, 2020 amount to P58.0 million.

The principal actuarial assumptions used were as follows:

	Parent Company		Subsidiary	
	2019	2018	2019	2018
Discount rate	4.70%	7.40%	-	7.20%
Future salary increases	6.00%	6.00%	-	5.00%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics generally used for local actuarial valuation purposes.

In 2019, assumptions were no longer made on the Subsidiary's retirement plan in the view of shortening its corporate life.

Discount rate

Discount rates were based on Bloomberg Valuation (BVAL) government bond rates at various tenors as at valuation dates, adjusted to zero-coupon rates using the re-investment method. Rates for intermediate durations were interpolated. The rates were then weighted by the expected benefits payments at those durations to arrive at the single weighted average discount rate.

Future salary increases

This is the expected long-term average rate of salary increase taking into account inflation, seniority, promotion and other market factors. Salary increases comprise of the general inflationary increases plus further increases for individual productivity, merit and promotion. The future salary increase rates are set by reference over the period over which benefits are expected to be paid.

Demographic assumptions

Assumptions regarding mortality experience are set based on published statistics and experience in the Philippines.

The defined benefit plan typically exposes the Group to a number of risks such as investment risk, interest rate risk and salary risk. The most significant of which relate to investment and interest rate risk of the plan of the Parent Company. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. A decrease in government bond yields will increase the defined benefit obligation although this will also be partially offset by an increase in the value of the plan's fixed income holdings. Hence, the present value of defined benefit obligation is directly affected by the discount rate to be applied by the Parent Company. However, the Parent Company believes that due to the long-term nature of the pension liability, the mix of investment holdings of the plan is an appropriate element of the Parent Company's long term strategy to manage the plan efficiently.

The Group ensures that the investment positions are managed within an asset-liability matching framework that has been developed to achieve long-term investments that are in line with the obligations under the plan. The Group's main objective is to match assets to the defined benefit obligation by investing primarily in long-term debt securities with maturities that match the benefit payments as they fall due. The asset-liability matching is being monitored on a regular basis and potential change in investment mix is discussed as necessary to better ensure the appropriate asset-liability matching.

The projected maturity analysis of retirement benefit payments as at December 31 follows:

	2019	2018
Less than a year	71,846	63,941
Between 1 to 5 years	378,504	351,911
Between 5 to 10 years	468,312	436,827
Between 10 to 15 years	357,108	397,666
More than 15 years	1,116,572	1,224,570

Critical accounting estimate - Calculation of defined benefit obligation

The calculation of defined benefit obligation using the projected unit credit method is a complex process that involves certain assumptions as discussed above. Management has therefore, engaged the services of the independent firm of actuaries to determine the Group's liability under the retirement plan. The amount of defined benefit obligation can fluctuate based on the movements or changes in the assumptions.

The sensitivity of the defined benefit obligation of the Parent Company to changes in the weighted principal assumptions as at December 31 follows:

	Impact on retirement benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
December 31, 2019			
Discount rate	+/-1%	Decrease by 7.0%	Increase by 8.0%
Future salary increases	+/-1%	Increase by 8.0%	Decrease by 7.0%
December 31, 2018			
Discount rate	+/-1%	Decrease by 6.0%	Increase by 7.0%
Future salary increases	+/-1%	Increase by 7.0%	Decrease by 6.0%

10 Other assets, net

This account at December 31 consists of:

	Consolidated		Parent Company	
	2019	2018	2019	2018
Advances to members	5,098,457	4,975,687	5,098,457	4,975,687
Software cost, net	148,420	7,167	148,420	7,167
Stationeries and other unused supplies	26,800	42,419	26,800	42,419
Deferred tax assets, net (Note 21)	9,311	9,937	9,093	9,103
Prepaid expenses	13,924	165,030	13,877	165,139
Miscellaneous	13,162	10,601	13,162	8,485
	5,310,074	5,210,841	5,309,809	5,208,000
Allowance for impairment loss (Note 18)	(1,987)	(1,987)	(1,987)	(1,987)
	5,308,087	5,208,854	5,307,822	5,206,013

Advances to members pertain to cash advances to members to be settled against future dividends. Management has assessed that future dividends due to members are adequate to cover the advanced amounts.

Miscellaneous assets include refundable security deposits and others.

The movements in software cost of the Group and Parent Company are summarized as follows:

	2019	2018
At January 1	7,167	7,289
Additions	143,221	2,343
Amortization	(1,968)	(2,465)
At December 31	148,420	7,167

In 2019, the Parent Company acquired a new software to replace its legacy software.

11 Members' contributions

The account represents fixed and withdrawable contributions from members of the Parent Company which are both payable on demand. These contributions are considered as puttable instruments which qualify as equity instruments (Note 27.11).

The Parent Company declared dividends as follows:

Date of declaration	BSP approval date	Dividend rate	Amount
February 28, 2020	April 23, 2020	17%	8,585,705
February 28, 2019	March 28, 2019	17%	8,002,694
February 28, 2018	April 12, 2018	16%	7,224,270

12 Deposit liabilities

This account consists of savings deposit from members of the Parent Company that pay annual interest rates ranging from 3% to 7% (2018 - 3% to 7%). Interest expense on deposit liabilities for the year ended December 31, 2019 amounts to P797.9 million (2018 - P531.6 million).

13 Bills payable

In 2019, the Parent Company availed of borrowings from several local universal banks to augment its funding sources as follows:

- P51.7 billion unsecured, short term loan facility with interest rates ranging from 3.67% to 7.00%, payable in 15 to 180 days, of which P42.7 billion was already settled as of December 31, 2019. The unpaid balance is due on various dates until November 27, 2020; and
- P12.6 billion secured loans with interest rates ranging from 5.00% to 6.50%, payable in 15 to 180 days, of which P8.6 billion has been paid as of December 31, 2019; The balance which is secured by government securities of equivalent value will be due on various dates until February 28, 2020.

Total interest expense arising from bills payable in 2019 amounted to P733 million (2018 - P303.3 million).

14 Other liabilities

This account at December 31 consists of:

	Note	Consolidated		Parent Company	
		2019	2018	2019	2018
Accounts payable		1,812,027	1,835,620	1,812,027	1,835,270
Insurance payable		113,982	77,390	113,982	77,390
Taxes payable		9,160	8,216	9,160	8,061
Documentary stamp tax payable		2,646	1,564	2,646	1,680
Unearned income and other deferred credits		3,493	4,155	3,396	4,057
Lease liability	17	11,839	-	11,839	-
Miscellaneous		89,950	196,213	49,887	157,730
		2,043,097	2,123,158	2,002,937	2,084,188

Accounts payable consist mainly of payable to suppliers, amounts due to members for excess dividends and amounts due to former members/beneficiaries for termination proceeds.

15 Equity

Surplus Reserves

The movements in the Parent Company's reserves as at December 31 are as follows:

	2018	Appropriations	Release of appropriations	2019
Withdrawable share reserve	1,004,650	66,277	-	1,070,927
Building fund reserve	3,363,077	310,310	(12,021)	3,661,366
Ledger discrepancies reserve	175,854	141,647	-	317,501
Contingency reserve	4,546,189	1,889,485	(2,886,418)	3,549,256
	9,089,770	2,407,719	(2,898,439)	8,599,050

	2017	Appropriations	Release of appropriations	2018
Withdrawable share reserve	948,484	56,166	-	1,004,650
Building fund reserve	3,363,077	-	-	3,363,077
Ledger discrepancies reserve	175,854	-	-	175,854
Contingency reserve	3,328,030	1,950,113	(731,954)	4,546,189
	7,815,445	2,006,279	(731,954)	9,089,770

a. Withdrawable share reserve

In compliance with the BSP regulations, the Parent Company maintains, at a minimum, withdrawable share reserve equivalent to 2% of the aggregate capital contributions of the members. The reserve shall first be adjusted before the Parent Company declares and pays dividends at any time of the year. The Parent Company shall not distribute to its members any portion of its net income if the withdrawable share reserve is less than the required balance, or if by such payment of distribution, the reserve is reduced to an amount below the required balance.

b. Building fund reserve

This reserve is maintained to cover cost of the construction or expansion of buildings, acquisition of furniture, fixtures and equipment. In 1992, BSP granted an exemption from the previously required 5% building fund reserve under the Manual of Regulations for Non-Bank Financial Institutions.

Appropriations subsequent to that date are based on amounts set by management amounting to P3.7 million (2018 - P3.4 million).

c. Ledger discrepancies reserve

Under Resolutions Nos. 1374 and 1096 of the Monetary Board of the BSP, the Parent Company was required to set up reserves to cover unrecoverable ledger discrepancies.

d. Contingency reserve

Contingency reserve is set up:

- a) as reserve, in case there are unbooked capital adjustments required by the BSP
- b) for accrued interest and other income not yet received but already recorded by the Parent Company;
- c) for valuation reserve for Centennial Savings Bank (CSB) assets transferred to Parent Company; and
- d) to support certain major projects that are to be undertaken in the following year.

This is also set aside for social projects of the Parent Company until the funds are fully utilized.

The respective fund for each project may be freed up upon utilization of the corresponding amount. The allocation or set up of these reserves are with prior approval of the BOT.

In 2019, the BOT approved the appropriation of its surplus free amounting to P2,407.7 million (2018 - P2,006.3 million). The Parent Company also released appropriation from its contingency reserve amounting to P2,886.4 million in relation to accrued interest written off and major projects undertaken during the year (2018 - P732.0 million).

Accumulated other comprehensive loss

Details and movements of the account for the years ended December 31 are summarized below:

	Note	Consolidated		Parent Company	
		2019	2018	2019	2018
Fair value reserve on financial assets at FVOCI					
At January 1		(44,720)	(1,876)	(44,720)	(1,876)
Net unrealized fair value gain (loss)		47,645	(42,844)	47,645	(42,844)
At December 31	3	2,925	(44,720)	2,925	(44,720)
Remeasurement of retirement liability					
At January 1		(92,966)	(107,289)	(93,850)	(108,424)
Remeasurements		(124,622)	14,323	(123,738)	14,574
At December 31		(217,588)	(92,966)	(217,588)	(93,850)
		(214,663)	(137,686)	(214,663)	(138,570)
Attributable to:					
Non-controlling interest		-	195	-	-
Members of the Parent Company		(214,663)	(137,881)	(214,663)	(138,570)

16 Maturity profile of assets and liabilities

The tables below summarize the maturity profile of the financial assets and liabilities of the Group and the Parent Company.

Consolidated

	2019		
	Current	Non-current	Total
Assets			
Cash and cash equivalents	3,105,078	-	3,105,078
Financial assets at FVOCI	1,860	348,736	350,596
Investment securities at amortized cost	70,116	6,114,047	6,184,163
Loans and receivables			
Loans and discount	6,924,613	98,855,374	105,779,987
Other receivables	270,008	8,321	278,329
Property and equipment	-	1,129,743	1,129,743
Investment properties	-	226,177	226,177
Other assets	5,152,343	157,730	5,310,073
	15,524,018	106,840,128	122,364,146
Liabilities			
Deposit liabilities	26,694,311	-	26,694,311
Bills payable	13,000,000	-	13,000,000
Accrued expenses and other expenses	247,617	-	247,617
Retirement liability	-	119,563	119,563
Dividends payable	142,801	-	142,801
Other liabilities	2,037,282	5,815	2,043,097
	42,122,011	125,378	42,247,389

	2018		
	Current	Non-current	Total
Assets			
Cash and cash equivalents	2,050,621	-	2,050,621
Financial assets at FVOCI	1,860	301,306	303,166
Investment securities at amortized cost	70,116	6,108,841	6,178,957
Loans and receivables			
Loans and discount	6,961,364	80,992,505	87,953,869
Other receivables	1,305,348	9,794	1,315,142
Property and equipment	-	1,010,548	1,010,548
Investment properties	-	241,377	241,377
Other assets	5,193,737	17,104	5,210,841
	15,583,046	88,681,475	104,264,521
Liabilities			
Deposit liabilities	18,537,241	-	18,537,241
Bills payable	6,700,000	-	6,700,000
Accrued expenses and other expenses	68,657	-	68,657
Retirement liability	-	28,046	28,046
Dividends payable	758,456	-	758,456
Other liabilities	2,123,158	-	2,123,158
	28,187,512	28,046	28,215,558
Parent Company			
	2019		
	Current	Non-current	Total
Assets			
Cash and cash equivalents	3,016,506	-	3,016,506
Financial assets at FVOCI	1,860	348,736	350,596
Investment securities at amortized cost	70,116	6,114,047	6,184,163
Loans and receivables			
Loans and discount	6,920,046	98,832,533	105,752,579
Other receivables	269,507	7,969	277,476
Property and equipment	-	1,126,296	1,126,296
Investment properties	-	223,728	223,728
Investment in a subsidiary	-	75,000	75,000
Other assets	5,152,296	157,513	5,309,809
	15,430,331	106,885,822	122,316,153
Liabilities			
Deposit liabilities	26,694,311	-	26,694,311
Bills payable	13,000,000	-	13,000,000
Accrued expenses and other expenses	247,241	-	247,241
Retirement liability	-	119,563	119,563
Dividends payable	142,801	-	142,801
Other liabilities	1,997,122	5,815	2,002,937
	42,081,475	125,378	42,206,853

	2018		
	Current	Non-current	Total
Assets			
Cash and cash equivalents	1,996,598	-	1,996,598
Financial assets at FVOCI	1,860	301,306	303,166
Investment securities at amortized cost	70,116	6,108,841	6,178,957
Loans and receivables			
Loans and discount	6,953,650	80,945,728	87,899,378
Other receivables	1,304,856	9,307	1,314,163
Property and equipment	-	1,007,102	1,007,102
Investment properties	-	235,138	235,138
Investment in a subsidiary	-	75,000	75,000
Other assets	5,191,730	16,270	5,208,000
	15,518,810	88,698,692	104,217,502
Liabilities			
Deposit liabilities	18,537,241	-	18,537,241
Bills payable	6,700,000	-	6,700,000
Accrued expenses and other expenses	68,019	-	68,019
Retirement liability	-	27,166	27,166
Dividends payable	758,456	-	758,456
Other liabilities	2,084,188	-	2,084,188
	28,147,904	27,166	28,175,070

17 Leases

The Parent Company leases the following:

(a) Long-term leases

The Parent Company has long-term leases pertaining to rentals of building premises with an average remaining lease term of 5 years.

(b) Short-term leases

The Parent Company applies practical expedient in accounting for its short-term leases (Note 27.2).

The Parent Company also leases various building premises and lines for various communication links for a period of one (1) year and these foregoing leases are renewable under the terms and conditions mutually agreed upon by the parties.

Adoption of PFRS 16 effective January 1, 2019

From January 1, 2019, the Parent Company has adopted PFRS 16, Leases, recognizing right-of-use assets (Note 7) and lease liabilities on long-term leases in the statement of financial position.

Lease terms are negotiated either on a collective or individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets can not be used as security for borrowing purposes.

Critical accounting judgment - Determination of the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The Company considers the factors below as the most relevant in assessing the options

- If there are significant penalties to terminate (or not extend), the Parent Company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate).
- Otherwise, the Parent Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Based on management's assessment and judgment, lease terms used at initial recognition and subsequent measurement of right-of-use assets and lease liabilities are reasonable as at January 1, 2019 and December 31, 2019.

Amounts recognized in the statement of financial position

	Note	December 31, 2019	January 1, 2019
<i>Right-of-use assets</i>			
Buildings		17,109	16,793
Accumulated depreciation		(5,542)	-
	7	11,567	16,793
<i>Lease liabilities</i>	14	11,839	16,661

The movements in the right-of-use assets are disclosed in Note 7.

As at December 31, 2019, the lease liabilities are classified as follows:

	Note	Amount
Current		6,024
Non-current		5,815
	14	11,839

The movements in the lease liabilities as at December 31, 2019 follows:

	Notes	Amount
At January 1		16,661
Lease payments		(5,843)
Non-cash changes:		
Additions during the year		316
Interest expense	20	705
At December 31	14	11,839

Amounts recognized in the statement of comprehensive income

The statement of total comprehensive income shows the following amounts relating to leases for the year ended December 31, 2019:

	Notes	Amount
Depreciation	7	5,542
Interest expense	20	705
Expense relating to short-term leases		44,455
Expense relating to leases of low-value assets that are not shown above as short-term leases		583
		51,285

The total cash outflow for leases charged against lease liability (Note 14) for the year ended December 31, 2019 follows:

	Amount
Principal	5,138
Interest	705
	5,843

Critical accounting estimate - Determination of discount rate

The lease payment for leases of buildings are discounted using the incremental borrowing rate, being the rate that the Parent Company would have to pay for borrowed funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. The lease liabilities were measured at the present value of the remaining lease payments, discounted using the weighted average incremental borrowing rate of 5.13%.

These borrowing rates are obtained using actual borrowings from banks whom the Parent Company has banking relationships plus credit spread, applying single averaged discount rate to leases with similar characteristics.

Based on management's assessment, the incremental borrowing rates used in the measurement of right-of-use asset and lease obligation are reasonable.

Reconciliation of operating lease commitments and lease liability

The reconciliation between the operating lease commitments under PAS 17 as at December 31, 2018 and the lease liabilities discounted using the Company's incremental borrowing rate as at January 1, 2019 is as follows:

	Amount
Operating lease commitments, December 31, 2018	26,549
Add:	
Extension options which are reasonably certain to be exercised	2,354
Less:	
Short-term leases to be recognized as expense on a straight-line basis	(11,400)
Low-value leases	(583)
Discounting effect using weighted average incremental borrowing rate	(259)
Lease liabilities, January 1, 2019	16,661

Prior to January 1, 2019

The Parent Company leases the premises occupied by most of its branches accounted for as operating leases under PAS 17. Rent expense in the statements of comprehensive income amounted to P48.9 million in 2018 for both the Group and the Parent Company.

Future minimum lease payments of the Parent Company under non-cancellable lease agreements as at December 31 follow:

	2018
Within one year	11,400
After one year but not more than five years	13,237
More than five years	1,912
	26,549

18 Allowance for credit and impairment losses

Consolidated

	Loans and other receivables (Note 5)	Investment properties (Note 8)	Property and equipment (Note 7)	Other assets (Note 10)	Total
January 1, 2018	6,879,595	173,718	17,133	1,987	7,072,433
Provision for credit and impairment losses	914,015	-	-	-	914,015
Reversal of provision for credit and impairment losses	(22,511)	(14,549)	-	-	(37,060)
Write-offs	(467,380)	-	-	-	(467,380)
December 31, 2018	7,303,719	159,169	17,133	1,987	7,482,008
Provision for credit and impairment losses	1,676,204	-	-	-	1,676,204
Reversal of provision for credit and impairment losses	(412)	(1,643)	-	-	(2,055)
Write-offs	(1,973,073)	-	-	-	(1,973,073)
December 31, 2019	7,006,438	157,526	17,133	1,987	7,183,084

Parent Company

	Loans and other receivables (Note 5)	Investment properties (Note 8)	Property and equipment (Note 7)	Other assets (Note 10)	Total
January 1, 2018	6,875,387	173,718	17,133	1,987	7,068,225
Provision for credit and impairment losses	914,015	-	-	-	914,015
Reversal of provision for credit and impairment losses	(18,878)	(14,549)	-	-	(33,427)
Write-offs	(466,998)	-	-	-	(466,998)
December 31, 2018	7,303,526	159,169	17,133	1,987	7,481,815
Provision for credit and impairment losses	1,676,204	-	-	-	1,676,204
Reversal of provision for credit and impairment losses	(412)	(1,643)	-	-	(2,055)
Write-offs	(1,973,073)	-	-	-	(1,973,073)
December 31, 2019	7,006,245	157,526	17,133	1,987	7,182,891

19 Miscellaneous income

This account for the years ended December 31 consists of:

	Consolidated		Parent Company	
	2019	2018	2019	2018
Recovery on charged-off assets	114,823	25,882	114,823	25,874
Rental income	873	1,621	873	1,621
Gain on sale of assets	24,197	1,790	24,197	1,790
Others	6,395	(8,596)	3,192	(9,236)
	146,288	20,697	143,085	20,049

20 Miscellaneous expense

This account for the years ended December 31 consists of:

	Consolidated		Parent Company	
	2019	2018	2019	2018
Commissions	52,898	77,231	52,898	77,231
Software maintenance	44,951	39,933	44,951	39,933
Stationeries and supplies	30,477	28,397	30,437	28,334
Traveling, fuel and lubricants	21,276	24,766	21,238	24,714
Postage, telephone, cable and telegram	18,653	15,457	18,595	15,395
Notarial fees	15,128	16,814	15,128	16,814
Repairs and maintenance	9,820	11,422	9,809	11,415
Fines, penalties, and other charges	7,164	3,067	7,164	3,067
Meetings and conferences	3,729	5,228	3,687	5,171
Freight	3,133	5,874	3,133	5,874
Insurance	1,791	1,751	1,790	1,750
Litigation/asset acquired expense	1,066	1,593	1,044	1,272
Membership fees and dues	1,067	846	1,041	810
Interest expense on lease obligation	705	-	705	-
Others	3,713	21,988	2,063	20,353
	215,571	234,486	213,683	232,252

21 Income tax expense

As discussed in Note 1, the Parent Company is organized under R.A. No. 8367, "Revised Non-Stock Savings and Loan Association Act of 1997", which exempts the Parent Company from payment of taxes in relation to income derived from its savings and loan activities.

Components of income tax expense at December 31 arising from activities not covered by exemptions under R.A. No. 8367 are as follows:

	Consolidated		Parent Company	
	2019	2018	2019	2018
Current	813	671	731	551
Deferred	1,004	(693)	9	(1,646)
	1,817	(22)	740	(1,095)

The activities not covered in the exemptions under R.A. No. 8367 pertain to the activities of Centennial Savings Bank.

The components of the Group and the Parent Company's recognized deferred tax assets, net follow:

	Consolidated		Parent Company	
	2019	2018	2019	2018
Deferred tax assets				
Allowance for credit and losses	9,151	9,161	9,093	9,103
Retirement asset	-	264	-	-
Net operating loss carryover (NOLCO)	161	715	-	-
Excess of minimum corporate income tax (MCIT) over regular income tax (RIT)	-	171	-	-
	9,312	10,311	9,093	9,103
Deferred tax liabilities				
Gain on reversal of allowance for impairment	(1)	-	-	-
Unrealized gain on foreclosure of collateral	-	(374)	-	-
	-	(374)	-	-
	9,311	9,937	9,093	9,103

The Group's net deferred tax assets are included as part of other assets (Note 10) in the statement of financial position.

A reconciliation between the income tax expense at the statutory income tax rate to the effective income tax expense relating to taxable activities follows:

	Consolidated		Parent Company	
	2019	2018	2019	2018
Statutory income tax	2,956,934	2,880,918	2,736,177	2,879,915
Tax impact of:				
Non-deductible expenses	621	150	-	-
Income subjected to lower tax rate	(660)	(200)	-	-
Movement in unrecognized DTA	253	121	-	-
Non-taxable income	(2,955,331)	(2,881,011)	(2,735,437)	(2,881,010)
Effective income tax expense	1,817	(22)	740	(1,095)

22 Related party transactions

The table below summarizes the transactions and balances with its related parties.

Consolidated

	2019	2018	Description
Salaries and other short-term benefits			
Key management personnel and trustees			
Salaries	13,917	12,910	Compensation of key management personnel, which are also decision makers of the Group and the Parent Company
Other employee benefits	35,330	33,988	
	49,247	46,898	

Parent Company

	2019	2018	Description
Salaries and other short-term benefits			
Key management personnel and trustees			
Salaries and wages	13,363	12,366	Compensation of key management personnel, which are also decision makers of the Group and the Parent Company
Other allowances and benefits	33,757	32,673	
	<u>47,120</u>	<u>45,039</u>	

Loans receivable from members of the Parent Company amounts to P105,752,579 (2018 - P87,899,378) (Note 5).

Deposit liabilities from members of the Parent Company amounts to P26,694,310 (2018 - 18,537,241) (Note 12).

23 Cash generated from operations

Details of cash generated from operations for the years ended December 31 follow:

	Notes	Consolidated		Parent Company	
		2019	2018	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES					
Income before income tax		9,123,465	9,604,860	9,120,590	9,599,718
Adjustments for:					
Interest income		(14,055,865)	(13,384,113)	(14,049,912)	(13,377,547)
Interest received		15,178,250	13,087,907	15,172,304	13,081,404
Interest expense		1,530,873	834,867	1,530,873	834,867
Interest paid		(1,806,823)	(839,188)	(1,806,823)	(839,188)
Depreciation and amortization	7,8,10	58,777	46,464	58,765	46,433
Retirement expense	9	35,245	35,745	35,245	35,655
Provision for credit and impairment losses	18	1,676,204	914,015	1,676,204	914,015
(Gain) loss from assets sold, net	19	(24,852)	400,746	(24,197)	400,746
Changes in operating assets and liabilities:					
Increase in assets:					
Loans and receivables		(19,894,655)	(26,305,277)	(19,921,871)	(26,330,336)
Other assets		(103,018)	(490,497)	(104,517)	(490,501)
Increase (decrease) in liabilities:					
Deposit liabilities		8,433,020	2,502,438	8,433,020	2,502,438
Accrued interest and other expenses		178,960	42,219	179,222	41,581
Other liabilities		(79,530)	20,930	(80,823)	22,291
Cash generated from (used in) operations		<u>250,051</u>	<u>(13,528,884)</u>	<u>218,080</u>	<u>(13,558,424)</u>

24 Contingent liabilities

As at December 31, 2019 and 2018, there are pending lawsuits and claims against the Group. In the opinion of the management, after reviewing all legal actions and proceedings with legal counsels, the aggregate liability, if any, arising therefrom will not have a material effect on the Group's financial condition and performance.

25 Critical accounting estimates, assumptions and judgments

The Group makes estimates, assumptions and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates, assumptions and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- Calculation of allowance for credit losses (Notes 5)
- Classification of investment securities at amortized cost (Note 4)
- Retirement obligation (Note 9)
- Determination of incremental borrowing rate (Note 17)
- Determination of lease term (Note 17)

26 Financial risk and capital management

26.1 Financial risks

The Group's activities expose it to a variety of financial risks: credit risk, market risk (including fair value interest rate risk and price risk), liquidity risk and cash flow interest rate risk.

The Group recognizes that risk management is an activity critical to its success. It is committed to ensure constant adherence to best practices and standards and to apply prudence and accountability in its risk-taking activities. The Group exposes itself to a variety of risks, particularly financial risks arising from the use of financial instruments. Consequently, it has put in place the appropriate risk management structures, policies and processes to address each type of risk.

The succeeding sections will discuss the Parent Company's risk management structure. The Subsidiary is yet to formalize its risk management policies, but it is under the direct supervision of the Parent Company.

Risk Management Structure of the Parent Company

The following principles summarize the Parent Company's overall approach to risk management:

The Board of Trustees has overall responsibility for the establishment and oversight of the Parent Company's risk management framework. The BOT has established six standing committees, which are responsible for developing and monitoring the Parent Company's risk management policies in their specified areas. All board committees have executive and non- executive members and report regularly to the BOT on their activities.

The committees are as follows:

- *Risk Oversight Committee* - maintains and ensures that an adequate risk management plan is in place and working properly which includes comprehensive risk management approach, detailed structure of limits, guidelines and other parameters.

- *Audit and Compliance Committee* - resolves any disagreements between management and the auditors (internal and external) regarding financial reporting and to ensure that the Parent Company is in compliance with the statutory requirement of the regulatory bodies.
- *Governance Committee* - ensures that the BOT governance system works effectively and that the members of the BOT and the senior management strictly observe proper corporate governance practices.
- *Compensation Committee* - formulates policies and establish transparent procedures for developing compensation package, and other benefits to rank and file, supervisors and officers to ensure sound wage and salary structure that gives due recognition to occupational skills, responsibilities and potentials of individuals.
- *Credit and Collection Committee* - formulates credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements; to establish authorization structure for approval and renewal of credit facilities.
- *Amendment Committee* - recommends and endorses any changes in the Parent Company's By-laws.

The risk management policies are established to identify and analyze the risks faced by the Parent Company, to set and monitor appropriate risk limits and controls. Risk management policies and systems are reviewed regularly to reflect changes in market conditions in products and services offered. The Parent Company, through its standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Audit and Compliance Committee is responsible for monitoring compliance with the Parent Company's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Parent Company. The Audit and Compliance Committee is assisted in these functions by Internal Audit Division (IAD) and Corporate Compliance Office (CCO). IAD undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Compliance Committee.

Risk Management Structure of the Subsidiary

Risk management of its Subsidiary is under the supervision of the Parent Company which is considered appropriate given the limited volume of transactions.

26.1.1 Credit risk

Credit risk, the risk of financial loss of the Group if a borrower or counterparty to a financial instrument fails to meet its contractual obligations, arises principally from the Group's loans and receivables and investment securities. For risk management reporting purposes, the Group considers the elements of its credit risk exposure and monitors these exposures regularly.

Credit risk is the single largest risk for the Group's operations; management therefore carefully manages its exposure to credit risk. Each branch has a chief credit risk officer who reports on all credit related matters to regional management and to the Credit and Collection Committee. Each branch is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolio, including those subject to central approval. Regular audit of business units and Credit and Collection Committee processes are undertaken by IAD.

Credit risk and concentration of assets and liabilities

The Group manages credit risk by setting limits for individual borrowers. The Group also monitors credit exposures and continually assesses the creditworthiness of counterparties.

With respect to loans and receivables, there is no concentration of credit risk given that there is a large volume of individual borrowers with similar credit characteristics and loan availments.

The maximum exposure to credit risk relating to significant on-balance sheet financial assets are as follows:

Consolidated

	2019	2018
Cash and cash equivalents (excluding cash on hand)	3,052,858	2,022,939
Financial assets at FVOCI	350,596	300,094
Investment securities at amortized cost	6,184,163	6,178,957
Loans and receivables	106,058,316	89,269,012
	115,645,933	97,771,002

Parent Company

	2019	2018
Cash and cash equivalents (excluding cash on hand)	2,964,294	1,968,921
Financial assets at FVOCI	350,596	300,094
Investment securities at amortized cost	6,184,163	6,178,957
Loans and receivables	106,030,055	89,213,542
	115,529,108	97,661,514

For secured lending, the Parent Company grants loan up to 70% of the fair market value of the collateral. The amount and type of collateral required depends on the assessment of the credit risk of the borrower or counterparty. The Group follows the guidelines on the acceptability of the types of collateral and valuation parameters. The main types of collateral obtained for loans and receivables are deposit hold-out, real estate and chattels. For unsecured lending, the Group performs a comprehensive credit evaluation process before each loan is approved.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during review of the adequacy of the allowance for impairment losses.

Where possible, the Group seeks to grant special accommodation to borrowers with past due account modifying some, if not all, the terms and conditions of the previous loans. This may involve extending the payment arrangements and the agreement of new loan conditions. This is to assist borrowers towards the settlement of the obligation, taking into account their capacity to pay.

Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews restructured loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment. Management is confident in its ability to continue to control and sustain minimal exposures of credit risk to the Group at reporting date based on the following:

- 92.5% (2018 - 91.6%) of the loans and receivables portfolio fully performing;
- The Group adopts a stringent selection process upon granting of loans and receivables; and
- 100% (2018 - 100%) investments in debt securities are in the form of fixed rate treasury notes and retail treasury bonds which are fully guaranteed by the Republic of the Philippines.

Concentrations of risks of financial assets with credit risk exposure

The Group's main credit exposure at their carrying amounts, as categorized by industry sectors follow:

Consolidated

	2019			
	Loans and receivables	Loans and advances to banks and others	Investment securities	Total
Community, social and personal activities	103,585,130	-	-	103,585,130
Government	-	-	6,531,153	6,531,153
Financial intermediaries	-	3,052,907	-	3,052,907
Real estate	2,290,313	-	-	2,290,313
Others	182,872	-	-	182,872
	106,058,315	3,052,907	6,531,153	115,642,375
Less:				
Unearned discount	-	-	-	-
Allowance for credit and impairment losses	7,006,438	-	-	7,006,438
	99,051,877	3,052,907	6,531,153	108,635,937
	2018			
	Loans and receivables	Loans and advances to banks and others	Investment securities	Total
Community, social and personal activities	85,924,356	-	-	85,924,356
Government	-	-	6,479,051	6,479,051
Financial intermediaries	-	2,022,939	-	2,022,939
Real estate	3,187,733	-	-	3,187,733
Others	156,923	-	-	156,923
	89,269,012	2,022,939	6,479,051	97,771,002
Less:				
Unearned discount	-	-	-	-
Allowance for credit and impairment losses	7,303,719	-	-	7,303,719
	81,965,293	2,022,939	6,479,051	90,467,283

Parent Company

	2019			
	Loans and receivables	Loans and advances to banks and others	Investment securities	Total
Community, social and personal activities	103,557,722	-	-	103,557,722
Government	-	-	6,531,153	6,531,153
Financial intermediaries	-	2,964,294	-	2,964,294
Real estate	2,289,461	-	-	2,289,461
Others	182,872	-	-	182,872
	106,030,055	2,964,294	6,531,153	115,525,502
Less:				
Unearned discount	-	-	-	-
Allowance for credit and impairment losses	7,006,245	-	-	7,006,245
	99,023,810	2,964,294	6,531,153	108,519,257
	2018			
	Loans and receivables	Loans and advances to banks and others	Investment securities	Total
Community, social and personal activities	85,869,865	-	-	85,869,865
Government	-	-	6,479,051	6,479,051
Financial intermediaries	-	1,968,921	-	1,968,921
Real estate	3,186,754	-	-	3,186,754
Others	156,923	-	-	156,923
	89,213,542	1,968,921	6,479,051	97,661,514
Less:				
Unearned discount	-	-	-	-
Allowance for credit and impairment losses	7,303,526	-	-	7,303,526
	81,910,016	1,968,921	6,479,051	90,357,988

Credit quality of financial assets

The tables below show the credit quality per class of financial assets based on the Group's rating system:

Consolidated

	2019			Total
	Stage 1 (Performing)	Stage 2 (Underperforming)	Stage 3 (Impaired)	
Investment securities				
Financial assets at FVOCI				
Debt securities	346,990	-	-	346,990
Financial assets at amortized cost	6,184,163	-	-	6,184,163
Loans and receivables				
Loans and discounts				
Consumption and others	95,725,900	1,185,171	6,647,964	103,559,035
Commercial and business	1,984,472	1,616	26,355	2,012,443
Real estate and housing	158,380	6,913	17,579	182,872
Other receivables	165,108	3,508	108,860	277,476
Loans and advances to banks and others				
Cash and cash equivalents (excluding cash on hand)	3,052,858	-	-	3,052,858
	107,617,871	1,197,208	6,800,758	115,615,837
Less:				
Unearned discount	-	-	-	-
Allowance for credit and impairment Losses	970,460	98,950	5,936,835	7,006,245
	106,647,411	1,098,258	863,923	108,609,592
	2018			
	Stage 1 (Performing)	Stage 2 (Underperforming)	Stage 3 (Impaired)	Total
Investment securities				
Financial assets at FVOCI				
Debt securities	300,094	-	-	300,094
Financial assets at amortized cost	6,178,957	-	-	6,178,957
Loans and receivables				
Loans and discounts				
Consumption and others	78,573,296	1,162,014	6,189,046	85,924,356
Commercial and business	1,848,218		24,372	1,872,590
Real estate and housing	135,278	113	21,532	156,923
Other receivables	1,196,292	18,606	100,245	1,315,143
Loans and advances to banks and others				
Cash and cash equivalents (excluding cash on hand)	2,022,939	-	-	2,022,939
	90,255,074	1,180,733	6,335,195	97,771,002
Less:				
Unearned discount	-	-	-	-
Allowance for credit and impairment Losses	788,592	179,932	6,335,195	7,303,719
	89,466,482	1,000,801	-	90,467,283

Parent Company

	2019			Total
	Stage 1 (Performing)	Stage 2 (Underperforming)	Stage 3 (Impaired)	
Investment securities				
Financial assets at FVOCI				
Debt securities	346,990	-	-	346,990
Financial assets at amortized cost	6,184,163	-	-	6,184,163
Loans and receivables				
Loans and discounts				
Consumption and others	95,725,900	1,185,171	6,647,964	103,559,035
Commercial and business	1,984,471	1,616	26,356	2,012,443
Real estate and housing	158,380	6,913	17,579	182,872
Other receivables	165,108	3,508	108,860	277,476
Loans and advances to banks and others				
Cash and cash equivalents (excluding cash on hand)	2,964,294	-	-	2,964,294
	107,529,306	1,197,208	6,800,759	115,527,273
Less:				
Unearned discount				
Allowance for credit and impairment losses	970,460	98,950	5,936,835	7,006,245
	106,558,846	1,098,258	863,924	108,521,028
	2018			
	Stage 1 (Performing)	Stage 2 (Underperforming)	Stage 3 (Impaired)	Total
Investment securities				
Financial assets at FVOCI				
Debt securities	300,094	-	-	300,094
Financial assets at amortized cost	6,178,957	-	-	6,178,957
Loans and receivables				
Loans and discounts				
Consumption and others	78,522,589	1,158,230	6,189,046	85,869,865
Commercial and business	1,848,218		24,372	1,872,590
Real estate and housing	135,278	113	21,532	156,923
Other receivables	1,195,313	18,606	100,245	1,314,164
Loans and advances to banks and others				
Cash and cash equivalents (excluding cash on hand)	1,968,921	-	-	1,968,921
	90,149,370	1,176,949	6,335,195	97,661,514
Less:				
Unearned discount	-	-	-	-
Allowance for credit and impairment losses	788,399	179,932	6,335,195	7,303,526
	89,360,971	997,017	-	90,357,988

Allowance for credit and impairment mainly represent specific and collective impairment provisions as at December 31 are as follows:

BSP Circular No. 1046

In 2019, the Group and the Parent Company have adopted the regulatory guidelines prescribed by BSP Circular No. 1046 issued by the BSP on August 29, 2019 in setting up allowance for credit losses, as follows:

Secured and unsecured loans			
Stage	Classification	Minimum allowance for credit losses	No. of days unpaid/with missed payment
1	General	1%	-
2	Loans especially mentioned (LEM)	2%	1 - 30 days
2		Substandard	25%
2	Doubtful	50%	61 - 90 days
3	Loss	100%	91 days and over/ 2 nd restructuring

BSP Circular No. 789

For the year ended December 31, 2018, prior to the adoption of BSP Circular No. 1046, the Group and the Parent Company follow the requirements of BSP Circular No. 789 in setting up allowance for credit losses, as follows:

Stage	Classification	Minimum allowance for credit losses		No. of days unpaid/with missed payment
		Unsecured	Secured	
1	Unclassified loans	1%	1%	-
1	Unclassified restructured loans	2%	2%	-
2	Loans especially mentioned (LEM)	10%	5%	1 - 10 days
2		Substandard	25%	12.5%
2	Doubtful	50%	25%	31 - 90 days
3	Loss	100%	50%	91 days and over

i. Stage 1/ Performing

(a) Loans and discounts

The credit quality of the portfolio of loans and discounts can be assessed by reference to the historical experience of the Group with the borrower. All loans and other receivables are fully performing and are considered high grade and can withstand weak economic conditions. These are borrowers with strong repayment capacity, have excellent liquidity and low leverage. Mostly, these are the accounts with updated amortization payments.

(b) Investment securities

The Group invests in fixed rate Treasury notes and retail Treasury bonds which are fully guaranteed by the Philippine government. The credit risk for these securities is deemed low.

(c) *Loans and advances to banks and others*

The Group has savings, short-term and long-term time deposits with various financial institutions. Cash transactions are limited to financial institutions with good credit standing. The Group has policies that limit the amount of credit exposure to any financial institution. The Group's existing deposit arrangements are with universal and commercial banks, which are considered top tier banks in terms of capitalization as categorized by the BSP. Overall credit risk, if any, is not assessed to be significant.

ii. *Stage 2/ Underperforming*

Late processing and other administrative delays can lead to a financial asset to become past due. Therefore, loans and other receivables up to 90 days as of December 31, 2019 and 2018 are not usually considered impaired, unless other information is available to indicate the contrary. Allowance for credit and impairment losses of past due but not impaired loans and receivables arise from collective assessment for impairment.

Reduction in amount is due to the changes in certain parameters in the system for classifying accounts to past due relating to billing gaps.

An aging analysis of stage 2/ past due but not impaired financial assets of the Group and Parent as at December 31 is shown below:

Consolidated

	2019			
	Less than 30 days	30 - 60 days	61 - 90 days	Total
Consumption and others	451,263	573,161	160,747	1,185,171
Commercial and business	1,616	-	-	1,616
Real estate and housing	12	-	6,902	6,914
Other receivables	1,353	1,772	382	3,507
	454,244	574,933	168,031	1,197,208

	2018			
	Less than 30 days	30 - 60 days	61 - 90 days	Total
Consumption and others	889,123	139,869	133,022	1,162,014
Commercial and business	-	-	-	-
Real estate and housing	113	-	-	113
Other receivables	125	13,437	5,044	18,606
	889,361	153,306	138,066	1,180,733

Parent Company

	2019			
	Less than 30 days	30 - 60 days	61 - 90 days	Total
Consumption and others	451,263	573,161	160,747	1,185,171
Commercial and business	1,616	-	-	1,616
Real estate and housing	12	-	6,902	6,914
Other receivables	1,353	1,772	382	3,507
	454,244	574,933	168,031	1,197,208

	2018			
	Less than 30 days	30 - 60 days	61 - 90 days	Total
Consumption and others	889,123	139,869	129,238	1,158,230
Commercial and business	-	-	-	-
Real estate and housing	113	-	-	113
Other receivables	125	13,437	5,044	18,606
	889,361	153,306	134,282	1,176,949

iii. Stage 3/ Impaired

Individually impaired loans are primarily due from borrowers who are deceased, in absence without official leave and/or terminated from service.

26.1.2 Market risk

The Group is exposed to market risk - the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The Treasury Department is responsible for the identification of investments that provide a relatively stable rate of return and submit these identified investments to the management of the Parent Company for approval. In addition, the Treasury Department monitors the investment portfolio performance and reports regularly to the management of the Parent Company.

The Group is not exposed to foreign exchange risk and equity price risk as at December 31, 2019 and 2018. Certain financial assets are exposed to interest rate risk; however, such is deemed minimal as discussed below.

Cash flow and fair value interest rate risk

There are two types of interest rate risk - (i) fair value interest risk and (ii) cash flow interest risk. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Parent Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its fair value risks. The Parent Company's market risk policy requires it to manage interest rate risk by managing the maturities of interest-bearing financial assets, and monitoring the fluctuation of interest rates in the market.

The Group's loans and receivable carry fixed interest rate while most investments in debt securities are held amortized cost thus, are insensitive to fluctuations in interest rate. Likewise, financial liabilities such as deposit liabilities and borrowings are subject to fixed interest rates. Interest rate risk therefore, arises mainly from debt securities at fair value through OCI amounting to P345.1 million as at December 31, 2019 (2018 – P298.2 million).

At December 31, 2019 and 2018, a shift of +/- 100 basis points on the prevailing market rates (with all other variables held constant), would reduce/increase other comprehensive income of the Group and Parent Company by P14 million (2018 - P26 million), respectively. The assumed interest rate shift represents the defined shift used by the Group to monitor the fair values of investments in interest-bearing debt instruments.

26.1.3 Fair value of financial assets and liabilities

The following presents the fair value of financial assets at FVOCI of the Group and the Parent Company as at December 31:

Consolidated and Parent Company

	2019	2018	Fair value hierarchy
Financial assets at FVOCI			
Debt securities	345,130	298,234	Level 2
Equity securities	3,606	3,072	Level 1
	348,736	301,306	

In 2019 and 2018, there were no transfers between the levels of the fair value hierarchy above.

Financial assets and liabilities not measured at fair value

The table below summarizes the carrying amount and fair value of those significant financial assets and liabilities not presented on the statements of financial position of the Group and Parent Company at fair value at December 31:

Consolidated

	2019		2018	
	Carrying value	Fair value	Carrying value	Fair value
<i>Financial assets</i>				
Investments securities at amortized cost	6,184,163	5,899,460	6,178,957	3,923,629
Loans and receivables				
Loans and discounts	98,886,033	77,445,957	80,756,289	67,819,913
Other receivables	165,845	149,732	1,209,004	936,003
	105,236,041	83,495,149	88,144,250	72,679,545

Parent Company

	2019		2018	
	Carrying Value	Fair value	Carrying value	Fair value
<i>Financial assets</i>				
Investments securities at amortized cost	6,184,163	5,899,460	6,178,957	3,923,629
Loans and receivables				
Loans and discounts	98,858,817	77,423,524	80,701,991	67,774,313
Other receivables	164,993	148,921	1,208,025	935,245
	105,207,973	83,471,905	88,088,973	72,633,187

26.1.4 Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet current obligations and to repay withdrawals from members. This can also lead to immediate sale of securities outside of its intended holding period.

To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high-grade collateral which could be used to secure additional funding if required.

The tables below analyze the Group and the Parent Company's financial assets and financial liabilities into relevant maturity groupings based on the remaining period at the statements of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Consolidated

	2019			2018		
	Up to 1 year	Over 1 Year	Total	Up to 1 year	Over 1 Year	Total
<i>Financial assets</i>						
Cash and cash equivalents	3,105,078	-	3,105,078	2,050,621	-	2,050,621
Financial assets at FVOCI	1,860	348,736	350,596	1,860	301,306	303,166
Financial assets at amortized cost	70,116	6,114,047	6,184,163	70,116	6,108,841	6,178,957
Loans and receivables						
Loans and discount	6,924,613	98,855,374	105,779,987	6,984,730	80,969,139	87,953,869
Other receivables	270,008	8,321	278,329	1,305,836	9,307	1,315,143
	10,371,675	105,326,478	115,698,153	10,413,163	87,388,593	97,801,756
<i>Financial liabilities</i>						
Deposit liabilities	26,694,311	-	26,694,311	18,537,241	-	18,537,241
Bills payable	13,000,000	-	13,000,000	6,700,000	-	6,700,000
Accrued expenses and other expenses	247,629	-	247,629	68,657	-	68,657
Other liabilities	2,003,021	-	2,003,021	2,123,158	-	2,123,158
	41,944,961	-	41,944,961	27,429,056	-	27,429,056

Parent Company

	2019			2018		
	Up to 1 year	Over 1 Year	Total	Up to 1 year	Over 1 Year	Total
<i>Financial assets</i>						
Cash and cash equivalents	3,016,506	-	3,016,506	1,996,598	-	1,996,598
Financial assets at FVOCI	1,860	348,736	350,596	1,860	301,306	303,166
Financial assets at amortized cost	70,116	6,114,047	6,184,163	70,116	6,108,841	6,178,957
Loans and receivables						
Loans and discount	6,920,046	98,832,533	105,752,579	6,953,650	80,945,728	87,899,378
Other receivables	269,507	7,969	277,476	1,304,856	9,307	1,314,163
	10,278,035	105,303,285	115,581,320	10,327,080	87,365,182	97,692,262
<i>Financial liabilities</i>						
Deposit liabilities	26,694,311	-	26,694,311	18,537,241	-	18,537,241
Bills payable	13,000,000	-	13,000,000	6,700,000	-	6,700,000
Accrued expenses and other expenses	247,241	-	247,241	68,019	-	68,019
Other liabilities	2,002,937	-	2,002,937	2,084,187	-	2,084,187
	41,944,489	-	41,944,489	27,389,447	-	27,389,447

26.2 Capital management

The Parent Company, in fulfillment of its mission, plans and monitors its capital contributions and deposits in order to fully utilize the accumulation of savings and its lending operations thus maximizing each member's value. The capital of the Group is represented by the total equity and capital contribution repayable on demand. Regular and associate members are required to maintain minimum contribution amounting to P1,000 but not to exceed P3.0 million and P1.0 million, respectively. Additional capital contributions in excess of the minimum contribution of P1,000 can be withdrawn anytime.

The core deposits are capital contributions of members whose capital contribution accounts were retained at maximum limit, as mandated per Board Resolution Nos. 2007-004-2357 and 2010-006-3575. Details are as follows:

Type of membership	2019		2018	
	Volume	Amount (In millions)	Volume	Amount (In millions)
Associate	59,829	12,756,027	60,063	13,017,696
Corporate	81	65,047	81	65,053
Regular	539,806	40,725,327	509,101	37,149,754
	599,716	53,546,401	569,245	50,232,503

Regulatory Qualifying Capital

In accordance with section 4116S of BSP Manual of Regulations for NSSLA, the determination of the Parent Company's compliance with regulatory requirements and ratios is based on the amount of the Parent Company's 'unimpaired capital' (regulatory net worth). This includes the Parent Company's capital contribution as at 2019 amounting to P54 billion (2018 - P50 billion), which is determined on the basis of regulatory accounting policies and the total equity in the statement of financial position.

In addition, the risk-based capital ratio of the Parent Company as NSSLA, expressed as a percentage of qualifying capital-to-risk assets, should not be less than ten (10%) percent. Qualifying capital and risk assets are computed based on BSP regulations. Risk assets consist of total assets less cash on hand, government securities, loans covered by hold-out or assignment of deposits and other non-risk items determined by the Monetary Board of the BSP. Combined capital consists of capital contributions repayable on demand and the equity of the Parent Company.

As at December 31, 2019 and 2018, the Parent Company's capital-to-risk assets, in compliance with BSP circular 1075, follows:

	2019	2018
Total capital	72,180,787	67,791,435
Risk assets	105,832,259	87,709,846
Capital-to-risk assets ratio	68.20%	77.29%

In 2019, the capital adequacy ratio of the Parent Company based on fixed capital is 31.94% (2018 - 36.03%).

27 Summary of significant accounting policies

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

27.1 Basis of preparation

The consolidated and parent financial statements of the Group have been prepared in compliance with the financial reporting framework as prescribed by the BSP for NSSLAs. The said reporting framework as contained in the Manual of Regulations of BSP for Non-Bank Financial Institutions (BSP Manual of Regulations) include the Philippine Financial Reporting Standards (PFRSs), Philippine Accounting Standards (PASs) and Interpretations approved by the Financial Reporting Standards Council (FRSC) adopted by the SEC and other BSP regulations. In case of differences between BSP regulations and PFRSs, the requirement of the BSP resolution is adopted.

The consolidated and parent financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at FVOCI.

27.2 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following new standards have been adopted by the Group effective January 1, 2019:

- *PFRS 16 'Leases'* replaces the guidance of PAS 17 that relate to the accounting by lessees and the recognition of almost all leases in the balance sheet. PFRS 16 removes the current distinction between operating and financing leases and requires recognition of an asset (the right-of-use asset) and a lease liability to pay rentals for virtually all lease contracts. Under PFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group adopted PFRS 16 using the modified retrospective approach with no adjustment to the beginning balance of retained earnings.

On adoption of PFRS 16, the Group recognized lease liabilities and right-of-use assets in relation to leases which had previously been classified as 'operating leases' under the principles of PAS 17 (Note 17).

In applying PFRS 16 for the first time, the Group used the following practical expedients permitted by the standard, On a lease-by-lease basis, the Group has:

- (a) applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- (b) relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review;
- (c) accounted for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases;
- (d) excluded initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- (e) used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The effects of adoption of PFRS 16 on the Group's financial statements as at January 1, 2019 are as follows:

	Notes	Increase (Decrease)
Right-of-use-asset	7	16,793
Leased liability	17	16,661
Prepaid expenses		(132)

- *Philippine Interpretation IFRIC 23, Uncertainty over Income Tax Treatments*

It has been clarified previously that PAS 12, 'Income Taxes' not PAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', applies to accounting for uncertain income tax treatments. Philippine Interpretation IFRIC 23 explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. Philippine Interpretation IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

All standards, amendments to standards and interpretations which are effective for the financial year beginning on January 1, 2019 are considered not relevant on the Group's financial statements.

(b) New standards, amendments to standards and interpretations not yet adopted

There are no other standards, amendments or interpretations that are not yet effective that are expected to have a material impact on the Group's financial statements.


27.3 Consolidation

The consolidated financial statements comprise the financial statements of the Group as at December 31, 2019. The Subsidiary financial statements are prepared for the same reporting year as the Parent Company. The Group uses uniform accounting policies, any difference between the Subsidiary and Parent Company are adjusted properly.

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.



Acquisition-related costs are expensed as incurred.

(b) Non-controlling interests

Non-controlling interest represents the portion of the statement of income and the net assets of the Subsidiary not owned, directly or indirectly, by the Parent Company. The Group treats transactions with non-controlling interests as transactions with equity holders of the Group.

Non-controlling interests are presented separately in the consolidated statement of income and consolidated statement of comprehensive income, and within equity in the consolidated statement of financial position, separately from equity attributable to members of the Parent Company.

Any losses applicable to the non-controlling interests are allocated against the non-controlling interest. Acquisitions of non-controlling interests that does not result in a loss of control are accounted for as equity transaction, whereby the difference between the consideration and the fair value of the share of the net assets acquired is recognized as an equity transaction and attributed to the owners of the Parent Company.

27.4 Investments in subsidiary

The financial statements include the consolidated and parent financial statements.

Investments in subsidiary in the parent financial statements are accounted for at equity method in accordance with BSP Manual of Regulations. Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Parent Company's share of the post-acquisition profits or losses of the investee in statement of income, and the Parent Company's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from subsidiary are recognized as a reduction in the carrying amount of the investment.

The Parent Company determines at each reporting date whether there is any indicator of impairment that the investment in the subsidiary is impaired. If impaired, the Parent Company calculates the amount of impairment as the difference between the recoverable amount and carrying value and the difference is recognized in the statement of income.

Investments in subsidiary is derecognized upon disposal or when no future economic benefits are expected to be derived from the subsidiaries and associates at which time the cost and the related accumulated impairment loss are removed in the statement of financial position. Any gains and losses on disposal is determined by comparing the proceeds with the carrying amount of the investment and recognized in statement of income.

27.5 Financial instruments

27.5.1 Measurement methods

Amortized cost and effective interest rate

The amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortized cost before any impairment allowance) or to the amortized cost of a financial liability. The calculation does not consider credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

When the Group revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measure a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commission. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:

- When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.
- In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortized over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realized through settlement.

27.5.2 Financial assets

Classification and subsequent measurement

The Group classifies its financial assets in the following measurement categories:

- Amortized cost;
- Fair value through other comprehensive income (FVOCI); or
- Fair value through profit or loss (FVTPL).

The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.


Classification and subsequent measurement of debt instruments depend on the Group's business model for managing the asset and the cash flow characteristics of the asset.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

- *Amortized cost*
Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVTPL, are measured at amortized cost. The carrying amount of these assets is adjusted by any ACL allowance recognized and measured. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method. Amortized cost financial assets include investments in debt securities, loans and other financial receivables.
- *Fair value through other comprehensive income (FVOCI)*
Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognized in the statements of comprehensive income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.
- *Fair value through profit or loss (FVTPL)*
Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL and is not part of a hedging relationship is recognized in profit or loss and presented in the statements of comprehensive income within Trading gain on securities in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case these are presented separately. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method. There are no financial assets under this category as at December 31, 2019.

Business model: The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable, then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent SPPI. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement.



Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Group subsequently measures all equity investments at FVTPL, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognized in other comprehensive income and are not subsequently reclassified to profit or loss, even on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Impairment of financial assets

The Group outlines a "three-stage" model in classifying credit exposures as follows:

- Stage 1 - These are credit exposures that are considered "performing" and with no significant increase in credit risk (SICR) since initial recognition.
- Stage 2 - These are credit exposures that are considered "underperforming" or not yet nonperforming but with SICR since initial recognition.
- Stage 3 - These are credit exposures with objective evidence of impairment, thus, considered as "nonperforming".

As a general rule, Especially Mentioned and Substandard - Underperforming (e.g. substandard and doubtful loans that are unpaid or with missed payments of less than 90 days) shall be considered as Stage 2 accounts, while loss and non-performing accounts shall be considered Stage 3 accounts.

Determination of significant increase in credit risk (SICR)

In determining SICR for loans since initial recognition, the Group considers a wide range of information which includes among others, information on macroeconomic conditions, economic sector and the geographical region relevant to the borrower, and other factors that are borrower-specific. Exposures are moved from Stage 1 to Stage 2 if potential weaknesses, based on current and/or forward-looking information, are observed that warrant management's close attention. Likewise, exposures are classified as Stage 2 if there are adverse or foreseen adverse economic or market conditions that may affect the borrower's ability to meet the scheduled repayments.

In the case of the Group, the following indicators are observed in identifying indicators of SICR:

- exposures considered especially mentioned; and
- exposures with missed payment for more than thirty (30) days.

Definition of default and credit-impaired assets (Stage 3)

The Group considers a financial instrument in default or credit-impaired, when it meets one or more of the following attributes:

- The borrower is more than 90 days past due on its contractual payments;
- The borrower is experiencing significant financial difficulty which may lead to non-payment of loan as may be indicated by any or combination of the following events;
- The borrower is in long-term forbearance;
- The borrower is insolvent; and
- The borrower is in breach of major financial covenant(s) which lead(s) to event of default;
- Granting of concession that would not be otherwise considered due to economic or contractual reasons relating to the counterparty's financial difficulty; and
- It is becoming probable that the counterparty will enter bankruptcy or other financial reorganization.

The Group shall transfer the exposures from Stage 3 to Stage 1 when there is sufficient evidence to support their full collection. Exposures should exhibit both the quantitative and qualitative indicators of probable collection prior to their transfer. The quantitative indicator is characterized by payments within an observation period (e.g. the borrower regularly pays during the minimum observation period). The qualitative indicator pertains to the results of assessment of the borrower's financial capacity (e.g., improvement in the borrower's financial condition).

As a general rule, full collection is probable when payments of interest and/or principal are received for at least six (6) months. For restructured accounts, the Group observes the following guidelines:

- Non-performing restructured exposures that have exhibited improvement in credit worthiness of the borrower may only be transferred from Stage 3 to Stage 1 after a total of one (1) year probation period (i.e., six (6) months in Stage 3 before transferring to Stage 2, and another 6 months in Stage 2 before transferring to Stage 1; or directly from Stage 3 to Stage 1, without passing through Stage 2, after twelve months).
- Restructured accounts classified as "performing" (Stage 1) prior to restructuring shall be initially classified under Stage 2. The transfer from Stage 2 to Stage 1 will follow the six-month rule as indicated above.

Measuring ECL

The Group and the Parent Company follows the prescribed regulatory guidelines of BSP Circular No. 1046 in measuring allowance for credit losses, whereas:

- Stage 1 provisions for loan accounts are treated as General Provision (GP), while Stages 2 and 3 provisions are treated as specific provisions (SP).
- General loan loss provision (GLLP) equivalent to 1 percent (1%) of all outstanding Stage 1 on-balance sheet loans, except for accounts considered as credit risk-free under existing regulations, is setup. The Group and the Parent Company are not required to provide a 1% GP on other credit exposures covered by PFRS 9 such as off-balance sheet accounts and investments.
- Allowance for credit losses for Stages 1, 2, and 3 accounts is recognized in the profit or loss statement.

After three (3) years from the effectivity of the BSP circular 1046, NSSLAs may develop and adopt a sound loan loss estimation methodology that: (1) can reasonably estimate provisions for loans and other credit accommodations and risk assets in a timely manner, using their experience and research and this guidance to ensure that the allowance for credit losses are adequate and (2) is fundamentally anchored on the principle of recognizing expected credit loss (ECL) in accordance with the provisions of PFRS 9. Otherwise, NSSLAs shall remain subject to the regulatory guidelines in setting up allowance for credit losses prescribed in Appendix S-9 of BSP Circular No. 1046 (Note 26.1).

27.5.3 Financial liabilities

Classification and subsequent measurement of financial liabilities

The Group classifies its financial liabilities in the following categories: financial liabilities at fair value through profit or loss (including financial liabilities held for trading and those that are designated at fair value); and financial liabilities at amortized cost.

(i) Financial liabilities at fair value through profit or loss

This category comprises two sub-categories: financial liabilities classified as held for trading, and financial liabilities designated by the Group as at fair value through profit or loss upon initial recognition.

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Derivatives are also categorized as held for trading unless they are designated and effective as hedging instruments. Financial liabilities held for trading also include obligations to deliver financial assets borrowed by a short seller.

The Group does not hold financial liabilities under this category.

(ii) Other liabilities at amortized cost

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortized cost.

The Group's capital contribution repayable on demand, deposit liabilities, accrued interest and other expenses and other liabilities are classified under this category.

27.5.4 Derecognition

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. If risks and rewards have not been substantially transferred, the Group performs tests of control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition.

Financial liabilities are derecognized when extinguished, i.e., when the obligation is discharged or is cancelled or expires.

27.5.5 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

There are no financial assets or liabilities that are stated at net amounts as result of offsetting.

27.6 Property and equipment

Property and equipment are carried at cost less accumulated depreciation and amortization, and any impairment loss. Land is stated as cost less any allowance for impairment.

All other property, plant and equipment are stated at historical cost less depreciation. Historical cost consists of its purchase price, including non-recoverable taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to statement of income during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives (in years), as follows:

	Useful life
Buildings, condominiums and improvements	20 years
Furniture, fixtures and equipment	3 to 10 years
Leasehold improvements	5 year or lease term, whichever is shorter

The useful life and the depreciation and amortization method are reviewed periodically to ensure that the period and the method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount in accordance with the policy described in Note 27.9.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal at which time the cost and their related accumulated depreciation are removed from the accounts. Gains and losses on disposal are determined by comparing proceeds with carrying amount and are recognized as profit from assets sold under miscellaneous income in the statement of income.

27.7 Investment properties

Properties that are held either to earn rental income or for capital appreciation or for both and that are not significantly occupied by the Group are classified as investment properties. Foreclosed properties are classified under Investment properties at the time of foreclosure.

Investment property is initially recorded at cost and subsequently accounted for using the cost model.

Transfers to, and from, investment property are made when, and only when, there is a change in use, evidenced by:

- Commencement of owner-occupation, for a transfer from investment property to owner-occupied property;
- Commencement of development with a view of sale, for a transfer from investment property to real properties held-for-sale and development;
- End of owner occupation, for a transfer from owner-occupied property to investment property; or

- (d) Commencement of an operating lease to another party, for a transfer from real properties held-for-sale and development to investment property.

Investment properties comprise land and building. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and allowance for impairment losses. Depreciation and amortization of investment property is computed using the straight-line method over its useful life, regardless of utilization. The estimated useful life and the depreciation and amortization method are reviewed periodically to ensure that the period and the method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of investment properties. The estimated useful life of buildings and improvements classified as investment properties is 10 years.

Non-financial assets are reviewed for impairment using the policy described in Note 27.9.

An item of investment property is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gains and losses arising on derecognition of the asset is included in statement of income in the period the item is derecognized.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized in statement of income.

27.8 Software costs

Acquired software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on a straight-line basis over five (5) years.

Costs associated with maintaining software programs are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

27.9 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that have definite useful life are subject to amortization and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill, for which an impairment loss has been recognized, are reviewed for possible reversal of impairment at each reporting date.

27.10 Members' equity

Members' contributions

Members' contributions are considered puttable instruments which are classified as equity as it contains the following features:

- It entitles the holder to a pro rata share of the Parent Company's net assets in the event of the Parent Company's liquidation. The Parent Company's net assets are those assets that remain after deducting all other claims on its assets. A pro rata share is determined by dividing the Parent Company's net assets on liquidation into units of equal amounts and multiplying that amount by the number of the units held by the financial instrument holder.
- The members' contributions are subordinate to all other classes of instruments because it has no priority over other claims to the assets of the entity on liquidation and does not need to be converted into another instrument before it is in the class of instruments that is subordinate to all other classes of instruments.
- All members' contributions have identical features.
- Apart from the contractual obligation for the Parent Company redeem the instrument for cash or another financial asset, the instrument does not include any contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity, and it is not a contract that will or might be settled in the Parent Company's own equity instruments.
- The total expected cash flows attributable to the members' contribution over the life of the instrument are based substantially on the profit or loss, the change in the recognized net assets, or the change in the fair value of the recognized and unrecognized net assets of the entity over the life of the instrument.

In addition to the above features, the Parent Company have no other financial instrument or contract that has total cash flows based substantially on the profit or loss, the change in the recognized net assets, or the change in the fair value of the recognized and unrecognized net assets of the entity (excluding any effects of such instrument or contract) and has the effect of substantially restricting or fixing the residual return to the members of the Parent Company.

Surplus free

Surplus free includes accumulated net income from current and prior years, net of any dividend declaration and transfers to surplus reserve.

Surplus reserve

Surplus reserve representing withdrawable surplus reserve is equal to 2% of the total capital contributions of the members. The Parent Company also maintains reserves for building fund, ledger discrepancies and contingencies (Note 15).

Other comprehensive income (OCI)

OCI comprises items of income and expense that are not recognized in profit or loss during the year. OCI of the Group pertains to unrealized gain on fair value changes of financial assets at FVOCI and remeasurement gain or loss on retirement asset.

27.11 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use.

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfill an obligation.

The Group classifies its fair value measurements using fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, Philippine Stock Exchange, Inc., Philippine Dealing and Exchange Corp., etc.).
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the OTC derivative contracts. The primary source of input parameters like LIBOR yield curve or counterparty credit risk is Bloomberg.
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible. The Group has no assets or liabilities classified under Level 3 as at December 31, 2019 and 2018.

The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.

(a) Financial instruments

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges and broker quotes mainly from Bloomberg.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, LIBOR yield curve, FX rates, volatilities and counterparty spreads) existing at reporting dates.

In cases when the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at cost less impairment. The fair value for loans and advances as well as financial liabilities are determined using a present value model on the basis of contractually agreed cash flows, taking into account credit quality, liquidity and costs. The fair values of contingent liabilities and irrevocable loan commitments correspond to their carrying amounts.

(b) Non-financial assets or liabilities

The Group uses valuation techniques that are appropriate in the circumstances and applies the technique consistently. Commonly used valuation techniques are as follows:

- Market approach - A valuation technique that uses observable inputs, such as prices, broker quotes and other relevant information generated by market transactions involving identical or comparable assets or group of assets.
- Income approach - A valuation technique that converts future amounts (e.g., cash flows or income and expenses) to a single current (i.e., discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.
- Cost approach - A valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

The fair values were determined in reference to observable market inputs reflecting orderly transactions, i.e. market listings, published broker quotes and transacted deals from similar and comparable assets, adjusted to determine the point within the range that is most representative of the fair value under current market conditions.

The fair values of the Group's investment properties fall under level 2 of the fair value hierarchy (Note 8). The Group has no other non-financial assets or liabilities measured at fair value or for which fair value is disclosed as at December 31, 2019 and 2018.

27.12 Deposit liabilities

Deposit liabilities are cash deposits from members of the Parent Company which are repayable on demand. Deposit liabilities are initially measured at fair value plus transaction costs, and subsequently measured at amortized cost using the effective interest method.

27.13 Accrued interest and other expenses and Other liabilities

Accrued interest and other expenses and Other liabilities are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the Group is established.


27.14 Revenue and expense recognition

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

(a) Interest income and expense

Interest income and expense are recognized in the statement of income for all interest-bearing financial instruments using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.



Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount future cash flows for the purpose of measuring impairment loss.

Unearned discount is recognized as income over the terms of the receivables using the effective interest method and shown as deduction from loans.

(b) Loan fees, service charges and penalties

Loan fees that are directly related to the acquisition and origination of loans are included in the cost of receivable and are amortized using the effective interest method over the term of the loan. Service charges and other fees are recognized only upon collection or accrued when there is a reasonable degree of certainty as to its collectability. Service fees and charges pertain to dormancy charges, pre-termination fees and ID renewals.

(c) Dividend income

Dividend income is recognized in statement of income when the Group's right to receive payment is established.

(d) Rental income

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

(e) Other income

Other income is recognized when earned.

(f) Expenses

Expenses are recognized as incurred.

27.15 Income taxes (for income not covered by R.A. 8367)


The tax expense for the period comprises current and deferred tax. Tax is recognized in statement of income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.



Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses (net operating loss carryover or NOLCO) and unused tax credits (excess minimum corporate income tax or MCIT) to the extent that it is probable that future taxable profit will be available against which the temporary differences, unused tax losses and unused tax credits can be utilized. The Group reassesses at each reporting date the need to recognize a previously unrecognized deferred income tax asset.

Deferred income tax liabilities are recognized in full for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of goodwill.

Deferred income tax is provided on temporary differences arising on investments in subsidiary, except to the extent that the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

27.16 Provisions

Provisions are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

27.17 Employee benefits

(a) Pension obligations

The Parent Company and Subsidiary maintains separate defined benefit plans. The Parent Company has a funded noncontributory defined benefit plan while the Subsidiary has an unfunded noncontributory defined benefit plan. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the statements of financial position in respect of defined benefit retirement plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related retirement obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Remeasurements arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognized immediately in profit or loss.

27.18 Dividends

Dividends are recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Board of Trustees of the Parent Company.

27.19 Leases

Until December 31, 2018, when the Group enters into an arrangement, comprising a transaction or a series of related transactions, that does not take the legal form of a lease but conveys the right to use an asset or is dependent on the use of specific asset or assets, the Group assesses whether the arrangement is, or contains, a lease. The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement. In such cases, when the Group has assessed that the arrangement is, or contains, a lease, the Group accounts for it as either an operating or a finance lease.

From January 1, 2019 (PFRS 16)

Assets and liabilities arising from a lease are initially measured on a present value basis. The interest expense is recognized in the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

i. Measurement of lease liabilities

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the Group's leases, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held for entities which do not have recent third party financing, and
- makes adjustments specific to the lease (i.e. term, currency and security).

Lease payments are allocated between principal and interest expense. The interest expense is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

ii. Measurement of right-of-use assets

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

iii. Extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is revised only if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

iv. Residual value guarantees

The Group provides residual value guarantees for some lease contracts. The Group initially estimates and recognizes amounts expected to be payable under residual value guarantees as part of the lease liability.

v. Short-term leases and leases of low-value assets

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise warehouse, buildings and various lines for communication links with future minimum lease payments of less than P250,000 (USD5,000).

Prior to January 1, 2019 (PAS 17)

Leases in which substantially all risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease. The difference between the actual rental payments and the rent expense recognized under straight-line basis is recognized as either prepaid rent (asset) or deferred rent (liability) in the statement of financial position.

27.20 Foreign currency transactions and translation

(a) Functional and presentation currency

Items included in the financial statements of each entity within the Group are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Philippine Peso, which is the Group's functional and presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into Philippine Peso using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in statement of income.

27.21 Related party relationships and transactions

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and its key management personnel and trustees. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

27.22 Subsequent events (or Events after the reporting date)

Post year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

28 Supplementary information required by the Bangko Sentral ng Pilipinas (BSP)

Below is the additional information required by BSP Circular No. 1075 issued on February 7, 2020 that is relevant to the Group and the Parent Company. This information is presented for purposes of BSP reporting and is not a required part of the basic financial statements.

(i) *Basic quantitative indicators of financial performance*

The key financial performance indicators of the Group and the Parent Company are as follows:

	Consolidated		Parent Company	
	2019	2018	2019	2018
Return on average equity ¹	13.03%	14.71%	13.03%	14.71%
Return on average assets ²	8.67%	10.82%	8.67%	10.82%
Net interest margin ³	12.58%	15.04%	12.58%	15.04%

¹ Net income divided by average total equity. Average total equity is based on the year-on-year balance of equity for the years ended December 31, 2019 and 2018.

² Net income divided by average total assets. Average total assets is based on the year-on-year balance of total assets as at December 31, 2019 and 2018.

³ Net interest income divided by average interest-earning assets. Average interest earning assets is based on the year-on-year balance of interest earning assets as at December 31, 2019 and 2018.

(ii) *Breakdown of total loans and discounts*

Details of the loans and discounts portfolio at December 31 are as follows:

As to collateral (amounts exclusive of unearned discounts and allowance for credit losses)

	Consolidated		Parent Company	
	2019	2018	2019	2018
Secured loans				
Deposit hold-out	1,978,424	1,841,238	1,978,423	1,841,238
Real estate and chattel	852,963	757,441	825,555	702,950
	2,831,387	2,598,679	2,803,978	2,544,188
Unsecured loans	102,948,601	85,355,190	102,948,601	85,355,190
	105,779,988	87,953,869	105,752,579	87,899,378

As to industry concentration (amounts exclusive of unearned discounts and allowance for credit losses)

The information on the Group and the Parent Company's concentration of credit as to class of loans follows:

	Consolidated				Parent Company			
	2019	%	2018	%	2019	%	2018	%
Community, social and personal activities	103,585,131	97.93	85,924,356	97.69	103,557,722	97.93	85,869,865	97.69
Real estate and chattel	182,872	0.17	156,923	0.18	182,872	0.17	156,923	0.18
Others	2,011,985	1.90	1,872,590	2.13	2,011,985	1.90	1,872,590	2.13
	105,779,988	100.00	87,953,869	100.00	105,752,579	100.00	87,899,378	100.00

Past due loans

Past due loans of the Group and the Parent Company are as follows:

	Consolidated		Parent Company	
	2019	2018	2019	2018
Past due loans				
Secured	75,388	87,794	75,388	84,010
Unsecured	7,810,211	7,315,956	7,810,211	7,315,956
	7,885,599	7,403,750	7,885,599	7,399,966
Allowance	(5,924,293)	(7,399,966)	(5,924,293)	(7,399,966)
	1,961,306	3,784	1,961,306	-

As a general rule, loans including restructured loans, shall be considered past due when any principal and/or interest or installment due, or portions thereof, are not paid at their contractual due dates, in which case, the total outstanding balance is considered as past due.

In 2017, the Parent Company obtained a concession from BSP on the classification of current delinquent loan accounts with full deductions not to be considered as past due accounts. However, if arrearages reach 20% of the outstanding loan balance, the accounts will be classified as past due loans with corresponding set-up of provision for credit losses.

(iii) Breakdown of exposures to trustees, officers and their related interests (TORI)

Details of dealings with TORI loans of the Group and the Parent Company are as follows:

	Consolidated		Parent Company	
	2019	2018	2019	2018
Total outstanding TORI loans (in millions)	17.1	12.30	17.1	12.30
Percent of TORI loans to total loans	0.00%	0.00%	0.00%	0.00%
Percent of unsecured TORI loans to total TORI loans	86.98%	96.11%	86.98%	96.11%
Percent of past due or NPL TORI loans to total TORI loans	0.00%	0.00%	0.00%	0.00%

(iv) *Aggregate amount of secured liabilities and assets pledged as security*

Aggregate amount of secured liabilities and assets pledged as security of the Group and Parent Company at December 31 are as follows:

	Notes	Consolidated		Parent Company	
		2019	2018	2019	2018
<i>Secured liabilities</i>					
Bills payable	13	4,000,000	1,700,000	4,000,000	1,700,000
<i>Assets pledged</i>					
Investment securities at amortized cost	4	4,451,200	1,900,000	4,451,200	1,900,000

(v) *Nature and amount of contingencies and commitments arising from off-balance sheet items*

There are no contingencies and commitments arising from off-balance sheet items to report for the year ended December 31, 2019.

29 Supplementary information required by the Bureau of Internal Revenue (BIR)

Below is the additional information required by Revenue Regulations No. 15-2010 that is relevant to the Parent Company. This information is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

(i) *Output value-added tax (VAT)*

The Parent Company is a non-VAT registered company engaged in the business of general financing and investing business.

(ii) *Documentary stamp tax (DST)*

DST on loan releases are shouldered by customers, hence, the Parent Company does not incur any expense arising from its transactions.

(iii) *All other local and national taxes*


All other local and national taxes for the years ended December 31, 2019 consist of:

	Amount
Documentary stamp tax	170,128
Capital gains tax	3,714
Real estate tax	1,391
Business tax	1,205
Fringe benefit tax	654
Final tax on raffle prizes	12
Others	339
	177,443

(iv) *Withholding taxes*

Withholding taxes paid and accrued/withheld for the years ended December 31, 2019 consist of:

	Paid	Accrued	Total
Withholding tax on compensation	130,917	5,608	136,525
Expanded withholding taxes	38,503	2,487	40,990
Final withholding taxes	12	-	12
	169,432	8,095	177,527



At December 31, 2019, the Parent Company has no creditable withholding taxes.

(v) Tax assessments

On December 18, 2019, the Parent Company has received a Final Assessment Notice with Formal Letter of Demand (FAN-FLD) on the results of examination of its books of accounts for taxable year 2016. The Parent Company has subsequently filed a letter of protest/request for reinvestigation on January 16, 2020 and completed the submission of relevant supporting documents on March 11, 2020.

Likewise, the Parent Company received letters of authority from the BIR for its tax assessments for taxable years 2017 and 2018 on May 21, 2019 and July 24, 2019, respectively.

There are no other pending tax assessments as at December 31, 2019.

The Parent Company's open taxable years are 2017, 2018 and 2019.



DIRECTORY

NCR AND LUZON AREA

AGUINALDO BRANCH

Camp Aguinaldo, Quezon City
TEL #: (02) 891-3318 / 8911-2032 local 2100 / 2131

QUEZON CITY SATELLITE OFFICE *(formerly Quezon City Police District EO)*

Camp Karingal, Quezon City
TEL #: (02) 7618-6567
CEL #: 0917-580-5175

RIZAL BRANCH *(formerly Tanay EO)*

Camp Capinpin, Sampaloc, Tanay, Rizal
CEL #: 0906-344-6346

CRAME BRANCH

Camp Crame, Quezon City
TEL #: (02) 8723-6508 / 8723-6956 / 8723-7103 / 3431-9387
CEL #: 0916-222-4130

MANILA BRANCH *(formerly Manila Police District EO)*

G/F DHSU Bldg., MPD Headquarters, Ermita, Manila
TEL #: (02) 8404-0269
CEL #: 0908-138-6889

BONIFACIO BRANCH

3/F AFPMBAL Bldg., Blk 36 Lot 21, Bayani Rd.,
Fort Bonifacio, Taguig City (temporary office)
TEL #: (02) 8843-4882

PASAY CITY SATELLITE OFFICE *(formerly Villamor Air Base EO)*

G/F PAF, Airmen's Mall, Villamor Air Base, Pasay City
TEL #: (02) 8834-1640
CEL #: 0975-954-2534

TAGUIG CITY SATELLITE OFFICE *(formerly Camp Bagong Diwa EO)*

Blk 4 Lot 1, Jose Abad Santos Ave., Village Green, Bagong Diwa,
Lower Bicutan, Taguig City
CEL #: 0905-642-5692

SANGLEY BRANCH

1898 Ave., Naval Base Heracleo Alano, Sangley Point, Cavite City
TEL #: (046) 431-6381
CEL #: 0929-558-5200

CLARK BRANCH

#139 1st St., Balibago, Angeles City, Pampanga
TEL #: (045) 892-0733 to 34
CEL #: 0932-116-4372

PALAYAN SATELLITE OFFICE *(formerly Fort Magsaysay EO)*

Fort Magsaysay, Palayan City, Nueva Ecija
TEL #: (044) 960-8077

NUEVA ECIJA SATELLITE OFFICE *(formerly Cabanatuan EO)*

Burgos St., Cabanatuan City, Nueva Ecija
TEL #: (044) 960-6412

OLONGAPO SATELLITE OFFICE

2/F UCPB Bldg., Rizal Ext., West Bajac-Bajac, Olongapo City, Zambales
TEL #: (047) 224-4743

AIR FORCE CITY SATELLITE OFFICE

G Julian St., Air Force City, Clark Air Base, Mabalacat City, Pampanga

BULACAN SATELLITE OFFICE

673 JC Bldg., Paseo del Congreso St., Brgy Catmon, Malolos, Bulacan
TEL #: (044) 802-5397

TARLAC BRANCH *(formerly Tarlac EO)*

Unit 3, La Majarica Bldg., Ligtasan St., McArthur Highway, Tarlac City
TEL #: (045) 491-3950

BAGUIO BRANCH

Camp Allen, Baguio City
TEL #: (074) 443-9338 / 445-8585

ILOCOS SATELLITE OFFICE *(formerly Laoag EO)*

Camp Valentin S Juan, Laoag City, Ilocos Norte
TEL #: (077) 670-7945

VIGAN SATELLITE OFFICE

Camp Pres Elpidio Quirino, Bulag, Bantay, Ilocos Sur
TEL #: (077) 604-7298

ABRA SATELLITE OFFICE

Camp Juan Villamor, Calaba, Bangued, Abra
TEL #: (074) 752-7212

LA UNION SATELLITE OFFICE

Pagdalan Norte, San Fernando, La Union
TEL #: (072) 607-5278

LINGAYEN SATELLITE OFFICE

Avenida Rizal East, Lingayen, Pangasinan
TEL #: (075) 542-2175

URDANETA SATELLITE OFFICE

Unit 104, Capital Center Urdaneta, MacArthur Highway,
Brgy San Vicente, Urdaneta, Pangasinan
TEL #: (075) 615-2665

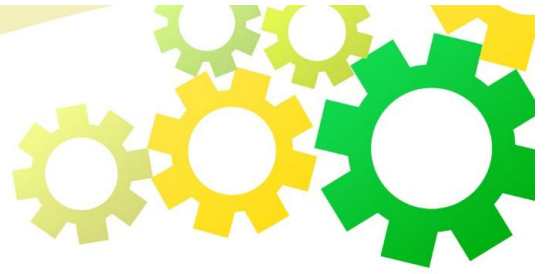
ISABELA BRANCH

Camp Melchor F Dela Cruz, Upi, Gamu, Isabela
CEL #: 0920-503-3179 / 0917-569-5571

TUGUEGARAO SATELLITE OFFICE

Maharlika Highway, Caggay, Tuguegarao City, Cagayan
TEL #: (078) 304-0055





LUCENA BRANCH

Camp Nakar, Lucena City
TEL #: (02) 8250-8271
(042) 373-5841 / 373-6082
CEL #: 0919-999-7990 / 0915-202-3810

CALAMBA SATELLITE OFFICE (formerly Canlubang-Mayapa EO)

Camp Vicente Lim, Brgy Mayapa, Calamba City, Laguna
TEL #: (049) 834-3684
CEL #: 0967-530-8444

STA CRUZ SATELLITE OFFICE

Laguna PPO, Brgy Bagumbayan, Sta Cruz, Laguna
CEL #: 0939-109-5284

LIPA SATELLITE OFFICE

Blk 1 Lot 2, Commercial Area, Baseview Homes Subdivision,
Brgy Sico, Lipa City, Batangas
CEL #: 0917-652-0518

BATANGAS SATELLITE OFFICE

PNP PPO, Kumintang, Ilaya, Batangas City
TEL #: (043) 702-8278
CEL #: 0955-217-5974

ORIENTAL MINDORO SATELLITE OFFICE (formerly Calapan EO)

National Road, San Antonio, Calapan City, Oriental Mindoro
TEL #: (043) 441-6749
CEL #: 0916-619-4943

OCCIDENTAL MINDORO SATELLITE OFFICE (formerly San Jose EO)

PPO, San Jose, Occidental Mindoro
TEL #: (043) 457-0695

LEGAZPI BRANCH

Camp Simeon Ola, Legazpi City
TEL #: (052) 742-5141
CEL #: 0927-414-5689

MASBATE SATELLITE OFFICE

K & R Bldg., National Road, Brgy Tugbo, Masbate City
CEL #: 0966-713-7809

CAMARINES SUR SATELLITE OFFICE (formerly Pili EO)

Camp Martillana, Pili, Camarines Sur
TEL #: (052) 871-4376
CEL #: 0912-718-8168

DAET SATELLITE OFFICE

G/F PECS Bldg., Gov Panotes Ave., Purok 10, Brgy 8,
Daet, Camarines Norte
TEL #: (054) 875-5586
CEL #: 0948-620-4865

SORSOGON SATELLITE OFFICE

PPO, Camp Salvador Escudero, Sorsogon City, Sorsogon
CEL #: 0927-269-4370

PALAWAN BRANCH

G/F RJML Bldg., South National Highway,
Brgy Tiniguiban, Puerto Princesa City, Palawan
TEL #: (048) 433-3984
CEL #: 0956-629-3408

WESCOM SATELLITE OFFICE

WESCOM Headquarters, Brgy San Miguel, Puerto Princesa City, Palawan

VISAYAS AND MINDANAO AREA

CEBU BRANCH

#4 Molave St., Brgy Kamputhaw, Cebu City
TEL #: (032) 233-6507 / 233-6587 / 412-2021

MACTAN SATELLITE OFFICE

Concessionaires' Area, BGen Benito N Ebuena Air Base, Lapu-Lapu City
TEL #: (032) 341-4082

CEBU CITY SATELLITE OFFICE

260 Villalon Bldg., Osmeña Blvd., Cebu City
TEL #: (032) 259-0756

DUMAGUETE BRANCH (formerly Dumaguete EO)

Eros Bldg., corner Real, Locsin and Cervantes Sts.,
Dumaguete City, Negros Oriental
TEL #: (035) 422-5050 / 225-2652

BOHOL BRANCH (formerly Bohol EO)

Camp Dagohoy, Tagbilaran City, Bohol
TEL #: (038) 501-8199

ILOILO BRANCH

Jalandoni St., Brgy Villa Anita, Iloilo City
TEL #: (033) 508-8393 [Globe] / 336-1187 [PLDT]

KALIBO SATELLITE OFFICE

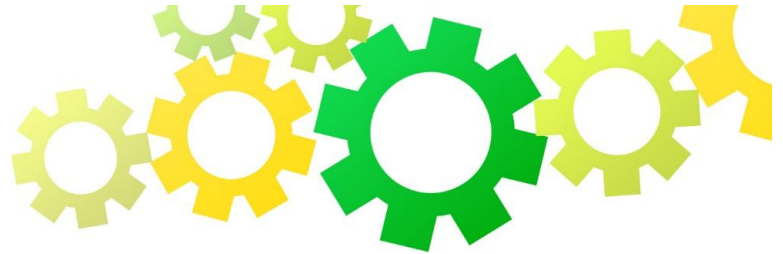
Roxas Avenue Extension, Brgy Andagao, Kalibo, Aklan
TEL #: (036) 500-8048 [Globe]

JAMINDAN SATELLITE OFFICE

Camp Peralta, Sitio Agbalagon, Brgy Jaena Norte, Jamindan, Capiz
CEL #: 0946-519-0996 [Smart/TNT] / 0977-715-3044 [Globe]

BACOLOD BRANCH (formerly Bacolod EO)

Negros 1st Cyber Center, Lacson St., Bacolod City, Negros Occidental
TEL #: (034) 434-0737 [PLDT]



TACLOBAN BRANCH

W.H. Bldg 2, Unit 1-B, Maharlika Highway, Brgy Pawing, Palo, Leyte
TEL #: (053) 323-3460
CEL #: 0917-499-8830

MAASIN SATELLITE OFFICE

G/F Mae Boarding House, 316 Oppus St., Tagnipa,
Maasin City, Southern Leyte
TEL #: (053) 862-0175
CEL #: 0995-399-4035

CATBALOGAN BRANCH

Camp Lucban, Brgy Maulong, Catbalogan City, Western Samar
TEL #: (055) 544-0103
CEL #: 0955-689-5292 / 0921-454-7122 / 0927-245-7730

ZAMBOANGA BRANCH

Camp Navarro, Lower Calarian, Zamboanga City
TEL #: (062) 991-5396 / 983-0674

ZAMBOANGA CITY SATELLITE OFFICE

Rm 213, 2/F Jasmin Tower Bldg., Mayor Jaldon St., Zamboanga City
TEL #: (062) 310-3865

PAGADIAN BRANCH

Camp Abelon, Pagadian City
TEL #: (062) 214-1359 / 215-2916

DIPOLOG SATELLITE OFFICE

G/F SCT Bldg., Gen Luna St., Dipolog City
TEL #: (065) 908-2191

OZAMIZ SATELLITE OFFICE

P4, corner Abanil and Ledesma Sts., Aguada, Ozamiz City
TEL #: (088) 531-4514

TUBOD SATELLITE OFFICE

Purok 5, Quezon Ave., Crossing Tubod, Poblacion Tubod, Lanao del Norte
TEL #: (063) 227-6420

IPIL SATELLITE OFFICE

PPO (Sibugay) Sanito, Ipil, Zamboanga Sibugay
TEL #: (062) 955-5877

PULACAN SATELLITE OFFICE

Gate 1, 11D (near MLhuiller) Purok Euphorbia, Upper Pulacan,
Labangan, Zamboanga del Sur

CAGAYAN DE ORO BRANCH

Calamansi Drive, Carmen, Cagayan de Oro City
TEL #: (088) 233-4259 / 233-2758 / 323-1160

ILIGAN SATELLITE OFFICE

WilNid Vina Bldg., Purok 6-A, Tibanga St., Tambo Highway, Iligan City
TEL #: (063) 302-4241

LAPASAN SATELLITE OFFICE (formerly Camp Alagar EO)

#189 Bernad-Sinodivila Bldg., Camp Alagar Rd., Lapasan,
Cagayan de Oro City
TEL #: (088) 850-7116

MALAYBALAY SATELLITE OFFICE

G/F Gabrinez Bldg., Fortich St., Malaybalay, Bukidnon
TEL #: (088) 314-0291

DAVAO BRANCH

Pres Carlos P Garcia Highway, Diversion Rd., Brgy Cabantian,
Buhangin District, Davao City
TEL #: (082) 234-8870 / 234-7391

TAGUM SATELLITE OFFICE

Masonic Bldg., J Abad Santos St. cor National Highway, Tagum City
TEL #: (084) 655-9647

DIGOS SATELLITE OFFICE

Door A1, C & P Bldg., Lapu-Lapu Extn., Digos City, Davao del Sur
TEL #: (082) 333-1249 [PLDT]

GENERAL SANTOS BRANCH

ML Quezon Ave., Dadiangas North, General Santos City
TEL #: (083) 552-7404 / 553-6780
CEL #: 0999-557-3873 / 0905-332-3263

KORONADAL SATELLITE OFFICE

G/F KL Lucena Realty Bldg., Alunan Ave., corner Jose Abad Santos St.,
Koronadal City, South Cotabato
TEL #: (083) 310-9715
CEL #: 0939-942-7666

COTABATO BRANCH

JP Garcia St., Rosary Heights 13, Cotabato City
TEL #: (064) 421-3451 / 421-9287

KIDAPAWAN SATELLITE OFFICE

Zepol Annex Bldg., Quezon Blvd., Kidapawan City
TEL #: (064) 572-7087

BUTUAN BRANCH

Bancasi, Butuan City
TEL #: (085) 815-3203
CEL #: 0928-494-1951

SURIGAO CITY SATELLITE OFFICE (formerly Surigao del Norte EO)

154 Borromeo St., Brgy Taft, Surigao City
TEL #: (086) 827-3937
CEL #: 0907-553-9471

AGUSAN EXTENSION OFFICE (formerly Agusan del Sur EO)

Agusan del Sur PPO, Patin-ay Prosperidad, Agusan del Sur





2019 AFPSLAI ANNUAL REPORT

The financial information in this report is for the period ended December 31, 2019, approved by the Bureau of Internal Revenue on June 29, 2020, and submitted to Securities and Exchange Commission on August 7, 2020. Members may access a complete copy of the 2019 AFPSLAI Annual Report at www.afpslai.com.ph. Members may also request a CD copy by calling (02) 8911-8364 or writing to Corporate Affairs Division, 3/F, AFPSLAI Head Office, Capinpin Avenue, Camp General Emilio Aguinaldo, EDSA corner Col Bonny Serrano Road, Quezon City 1110.

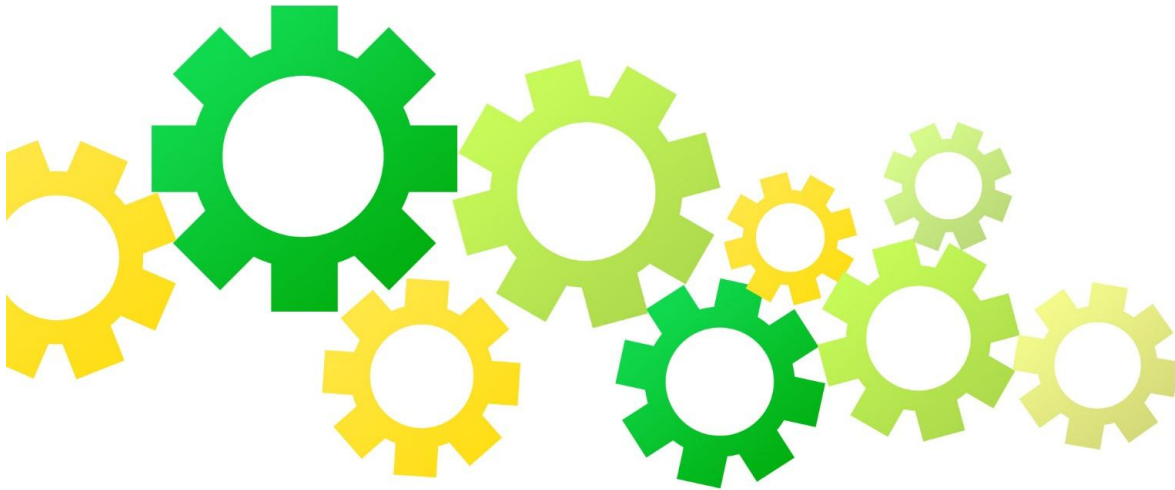
The information in this report is as of December 31, 2019 unless otherwise indicated.



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**Armed Forces and Police
Savings & Loan Association, Inc. (AFPSLAI)**

Capinpin Avenue, Camp General Emilio Aguinaldo,
EDSA corner Col Bonny Serrano Road, Quezon City 1110

PLDT: (02) 8911-2032 to 33 / E-mail: info@afpslai.com.ph / Website: www.afpslai.com.ph