AFPSLAI
We value your trust

2020 ANNUAL REPORT

Building Resilience in Challenging Times

AFPSLAI

2020 ANNUAL REPORT

THE COMPANY

The Armed Forces and Police Savings & Loan Association, Inc. (AFPSLAI), one of the country's premier Non-Stock Savings and Loan Association, was established and registered with the Securities and Exchange Commission (SEC) on December 1, 1972. Regulated by the Bangko Sentral ng Pilipinas (BSP), its primary objective is to promote industry, frugality and savings among its members.

Over the years, it has grown into a Php 126.56B company, with 27 branches and more than 50 satellite offices and help desks strategically located nationwide to serve close to 600,000 active and retired members from the AFP, PNP, BFP, BJMP, their civilian employees and their dependents.

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CORPORATE PHILOSOPHY

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.

MISSION

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

CORE VALUES

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

PRODUCTS & SERVICES

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

Personal Loan

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Real Estate Loan

Vehicle Loan

Pre-owned Vehicle Loan

Business Loan

Commutation 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

Member Onboarding

MESSAGE OF THE CHAIRMAN

" We made it through 2020 with our values intact, our priorities determined and our resolve undiminished, if not, even stronger and more defined than ever before."

2020 certainly proved to be one of the country's most challenging years in recent history but this worst of times also brought out the best in us. We in AFPSLAI have shown resiliency as we continue to thrive amidst crisis. Together, we have exerted unceasing effort towards pursuing our top priorities which were and will always be anchored on the well-being of our employees, the continuity of our service to our members and the stability and continued succes of our business.

On prioritizing the well-being of our employees, AFPSLAI adhered to the government's health and safety protocols to protect its employees. A difficult but necessary decision to close all AFPSLAI offices nationwide during ECQ was also made. Though it saw a rapid slowdown on the Association's lending operations, it greatly helped in managing the transmission of the COVID-19 among its employees. For this reason, the Association was able to promptly and capably go back to operation as soon as it could.

In terms of support to our members, we adapted accordingly by adjusting our existing procedures to give our clients utmost consideration. AFPSLAI implemented a four-month loan moratorium for loans paid through salary and pension deduction in response to the financial difficulty experienced by our members and in compliance with *Bayanihan* Acts 1 and 2.

Throughout the year, our Association responded to operational setbacks from COVID-19 with strong governance and oversight by staying focused on business critical and safety-related expenditures. As a result, AFPSLAI managed to achieve a strong financial performance for the year. Net Income was higher than the 2019 figure by 30%. Dividend rate declared for the year was 13% per annum. This may be lower than what we have declared in recent years, but given the current circumstances, the rate was still higher when compared with the rates declared by majority of our competitors. The Association's assets grew by 11% over that of previous year. Our Capital Contribution and Deposit Liabilities also increased by 7% and 26%, respectively.

On top of that, I am proud of the way the AFPSLAI has responded to the health crisis insofar as corporate social responsibility is concerned. This Association's donations of ambulance units and medical supplies to various hospitals and sustained outreach program, among others, manifested AFPSLAI's genuine *'malasakit'* for our uniformed personnel and their families.

With everyone's help and support, we made it through this grueling year with our values intact, our priorities determined and our resolve undiminished, if not, even stronger and more defined than ever before. All of these would have not been possible if not for the hard work and dedication of our Board Members, Management Teams, employees and all the men and women of AFPSLAI. Together, let us continue to set our priorities straight and pursue right strategies so that we may continuously deliver and bring about sustainable growth for the benefit of all our stakeholders.

GEN CIRILITO E SOBEJANA PA
AFPSLAI Chairman of the Board
February 2021 - present

"Amidst all the challenges, rest assured that we will remain steadfast in our commitment and resolute in our actions as we all go through this crisis together as one big happy AFPSLAI Family."

REPORT OF THE PRESIDENT AND CEO

The year 2020 was indeed a most challenging year, not only for AFPSLAI and other Philippine companies, but also for the global economy as the effects of the pandemic cut across nations, race, and economic status. To contain the pandemic, the government implemented quarantine and other safety measures which adversely affected economic activity and limited the movement of people. The strict implementation of public health measures impacted personal consumption activities thus affecting local businesses and by implication, employment.

Amidst all these, AFPSLAI remained stable owing to a strong financial foundation and resiliency of the workforce in facing changes in the environment and working conditions. AFPSLAI was able to immediately respond to the changes brought about by what we now refer to as the "new normal". Our business operations continued as usual amidst the prevalence of pandemic risk, which we manage to contain with properly executed new programs and policies. With proper adjustments in our Business Continuity Plan, we were able to carry out our mission of serving the financial needs of our members while at the same time ensuring the health and safety of the employees. Hence, even amidst the threat of COVID-19, we were able to deliver our commitment to carry out socially responsive initiatives pursuant to the fulfillment of our Corporate Social Responsibility (CSR) goals, for the benefit of our members and the community they belong to. Through our 27 branch offices and 46 satellite offices nationwide, we were able to provide timely support to our members especially those serving at the frontline in our battle against the pandemic.

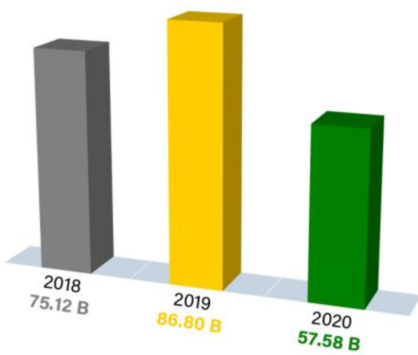
AFPSLAI also heeded the government's call for a unified response to mitigate the impact of the pandemic by adhering to the *"Bayanihan to Heal as One"* and the *"Bayanihan to Recover as One"* laws. Pursuant to these laws, we granted a total of 4-month loan payment moratorium in 2020, to ease the financial burden of our member-borrowers during this time of the pandemic. In fact, we implemented the said laws on terms more generous than what these laws provide consistent with our core value of *"Malasakit sa Miyembro at sa Bansa"* which reflects our sincere desire to support the initiatives and intent of the government in managing the effects of the COVID-19 pandemic to individuals.

All these definitely had an effect on the financial performance of AFPSLAI for the year 2020. Nevertheless, the Management and the entire Board of Trustees of AFPSLAI believe that keeping the "Bayanihan Spirit" alive is embedded in our very nature as a non-stock savings and loan association, as we are a group bonded with a common interest to help one another. The pandemic has likewise brought us to face the reality that advancement in information technology could further fuel our quest for innovative processes to serve our members better. Rest assured this is something that will be at the heart of our future activities as we aim to improve on our IT Infrastructure as an enabler for better delivery of member services.

At this point, allow me to present the financial and operational performance of AFPSLAI for the year 2020. And I am proud to note that despite a very challenging year, we emerged financially strong and stable despite the changes in the business environment.

FINANCIAL HIGHLIGHTS

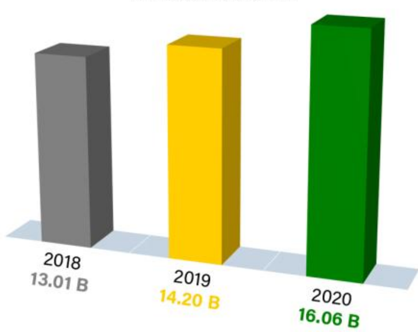
LOAN PRODUCTION



The slowdown in economic activity prompted the drop in personal consumption of Filipinos. With this as expected, there was a substantial drop in consumption loans not only for AFPSLAI but the rest of the companies engaged in lending activities. As a result, our gross **loan production** for the year 2020 only reached **Php 57.58 B** which is short of the target by Php 9.42 B or 14%. The decline was also evident in the number of borrowers as volume of loans dropped by 36% from 274,589 in 2019 to just 176,923 by the end of 2020.

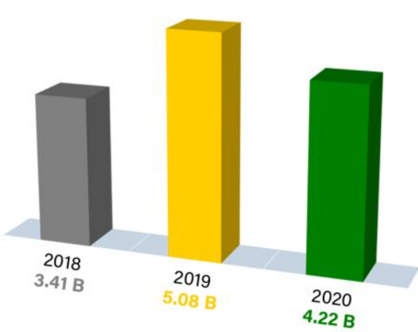
While gross loan output for the year may be lower than the previous years, still, the marginal contribution for the year 2020 resulted in the expansion of the loans portfolio. With a higher loans portfolio compared to 2019, AFPSLAI was able to sustain the level of Gross and Net Income, comparable with the years considered to be milestone years for AFPSLAI.

GROSS INCOME



Thus, our **Gross Income** reached **Php 16.06 B** and is only 2% lower than the Php 16.43 B target despite the challenges we faced in the year 2020. But this level of income is higher by Php 1.86 B or 13% than 2019, considering that said year was under an ideal circumstance, this being prior to the pandemic. Though we were able to release a total of Php 1 billion rebates in 2019 and none for the year 2020, the four (4) months moratorium in effect entailed interest-free financial assistance to AFPSLAI borrowers amounting to an aggregate of Php 4.66 B. **Total Expenses** for the year 2020 was recorded at **Php 4.22 B**, lower than the year's approved allocation by Php 389 M or 8%. This likewise is lower than the 2019 total expenses by Php 860 M or almost 17% as we prudently managed our expenditures to lessen the pressure on our bottom-line results. Thus, we were able to register a total **Net Income** of **Php 11.84 B** for the year 2020, higher than the target as set and likewise higher than the 2019 figure by Php 2.72 B or almost 30%.

TOTAL EXPENSES

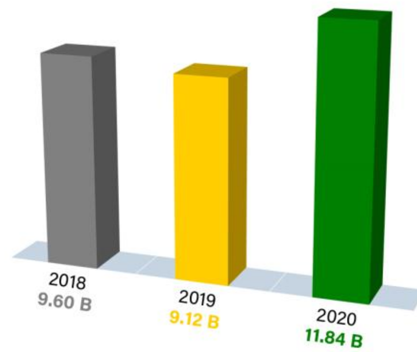


With this level of profitability, we declared an annual dividend of 13% for the year 2020. While this is lower in comparison to the annual dividends for the years 2018 and 2019, this is relatively higher than what was declared by most of our competitors in the industry. Aside from this reasonable dividend rate, we were also able to set aside for mandatory reserves as required by the Banko Sentral ng Pilipinas, without the need to ask for any regulatory relief. All these demonstrate our financial resilience brought by the strong financial foundation we have set up over the years.

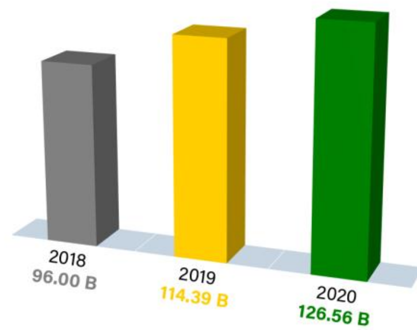
While other companies have suffered a reduction in total assets, AFPSLAI's **total assets** as of year-end 2020 still managed to register a double-digit growth of 11% over 2019 as it reached **Php 126.56 B** by the end of December 2020. The slower growth of total assets is generally owed to the slower expansion of our loans portfolio, as loans comprised 93% of the Association's asset base.

With a low spending environment, our **Capital Contribution** increased by Php 3.56 B or 7% as it reached **Php 57.10 B** by yearend 2020. Likewise, Deposit Liabilities increased to Php 33.70 B reflecting a 26% growth. This shows a strong level of member patronage and trust in AFPSLAI, establishing our role as an investment partner for our members' hard-earned savings. With more funds coming from member-investors, along with a slowdown in lending operations, we were able to reduce our outstanding bank loans from Php 13 B in December 2019 to Php 9 B as of the end-December 2020.

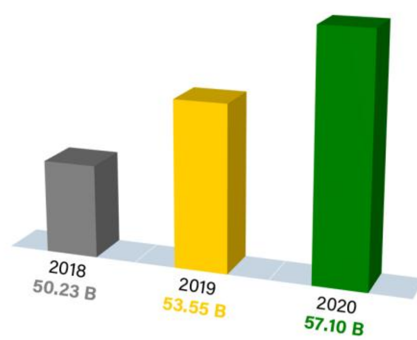
NET INCOME



TOTAL ASSETS



CAPITAL CONTRIBUTION



OPERATIONAL HIGHLIGHTS

As mentioned, much of our ability to manage the challenges brought by the COVID-19 pandemic is owed to the timely collective response of the AFPSLAI workforce, Management and Board of Trustees to the changes in the business environment. We had to make vital changes in our policies, processes, and support infrastructures, to ensure continuity of business operations despite the pandemic, while ensuring the safety of our workforce.

On Internal Process and Infrastructure

AFPSLAI built on the flexibility offered by our new mission-critical system support, the AFPSLAI Voyager, to launch new programs that improved member convenience in carrying out transactions despite the pandemic. In December 2020, we completed our Mobile Banking Project which is comprised of Member Onboarding and Mobile Sales. The Member Onboarding allows eligible individuals to apply for membership through the electronic application via our AFPSLAI website, thereby reducing the risk of exposure of potential member applicants. The Mobile Sales application, on the other hand, facilitated the conduct of our marketing and recruitment drives, as this allowed availability of relevant information to our marketing teams in the field, resulting in faster processing of members loans without them going physically to service units.

At this moment, we are in the final phase of completing another online system, that is, the electronic loan application or E-Loans. Once available, members could file their loan application online, and simply visit the nearest Branch or Satellite Office once their loan application is approved for release. This facility will not only improve the convenience of transacting borrowers, but will likewise reduce their risk of exposure to COVID-19.

The SMS Alert and E-mail Notification services were also enhanced in 2020. Thus, we ramped up our SMS promotions last year to expand our subscriber base and allow more members to take advantage of the enhanced service. I, therefore, would like to encourage our members to subscribe to our SMS facility and download the AFPSLAI Mobile app, which is available in Google Play and Apple Store. With this application, a member gets to see the balances on their capital and savings accounts without the need to physically visit AFPSLAI Offices just to update their account balances.

Network and connectivity improvements are continuously being undertaken to improve internet speed for frontline transactions, thus, minimize service downtime in our branch and satellite offices nationwide. We are nearing the completion of the Network Realignment Project which was started in 2019. Pursuant to this, we are working on the upgrade of network/leased line connections and hardware complement to ensure that connection hubs or secondary backup lines are efficiently running. A total of 10 leased lines were upgraded in 2020.

To better handle the increasing service requirements of our market, a reassessment of our service channels and manpower complement was undertaken during the 1st semester of 2020. This resulted in the upgrade of six (6) satellite offices into branch offices namely: Vigan (Ilocos), Cabanatuan (Nueva Ecija), Canlubang (Calamba City), Tuguegarao (Cagayan), Tagum (Davao), and Kidapawan (Cotabato). Also, eleven (11) mobile desks were upgraded as satellite offices, namely: Bataan, Capaz, Olivas, NETC, Catarman, CentComm, 6ID-Maguindanao, PNP ARMM, Antique, Roxas, and Ormoc. Meanwhile, Airforce City was downgraded from a satellite office to a mobile desk. All these were already approved by the Bangko Sentral ng Pilipinas (BSP).

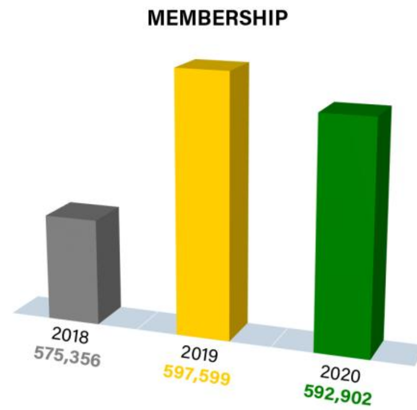

Kidapawan Satellite Office

Agusan del Sur Satellite Office

Despite the pandemic, we continue improving our physical offices for the better convenience of our transacting clients. For the year 2020, we completed the renovation of Baguio, Cotabato, and Tacloban offices and eight (8) satellite offices, namely: Fort Magsaysay-Palayan; Malaybalay; Pulacan; Tubod; Ozamis, Koronadal; Agusan del Sur; and Iligan.

On Member Perspective

Even as our programmed activities suffered a major setback, we remained focused and found ways to still strengthen our presence in the market. As a result, despite the pandemic and stringent quarantine restrictions, we were able to generate a total of 25,931 new members, mostly from the active service. However, with the continued membership registry cleansing carried out in compliance with BSP mandate, together with termination of membership due to death, **AFPSLAI's membership base** as of end-December 2020 settled at **592,902**, which is lower by 1% or 4,697 from the end-December 2019 membership base.



Other member-related initiatives undertaken during the year are as follows:

- Launch of the Time Deposit Product (TD-006) in January 2020 that replaced the Special Savings Account (SSA). It offers a better yield of as much as 8% per annum for a maximum term of 5 years and with a minimum deposit of Php 15K. The product offering is until end-December 2021.

- Automation of our snap-shot survey to enhance our capability to gather feedback from our members. The installation of survey kiosks in all the branch offices was completed in 2020.

- Implementation of the Small Claims Policy effective January 2021 which will initially cover Aguinaldo, Crame, and Bonifacio branch offices. Through this, the Association aims to expeditiously settle past due and non-performing loans with principal balance not exceeding Php 400K (in Metro Manila) or Php 300K (outside Metro Manila).

Recognizing that the pandemic will still be with us for the next few years, AFPSLAI has lined up projects that aim to further improve our business operations. We are, at this point, doing a Loan Product Review which will help identify inadequacies of low or underperforming loan products and be able to align specific product attributes to meet the needs and preferences of the target market. Likewise, we are currently reviewing the documentary requirements for all types of loans, with the goal of streamlining documents to what is basic and necessary.

On Corporate Social Responsibility (CSR)

Driven by our mission to improve the quality of life of our members, we continued to anchor our CSR Program to enable us to extend support to our members and partner institutions, especially in the light of the COVID-19 pandemic. We stepped up on our donations and gave out ambulances, medical equipment, medical supplies, and even food packs to our front liners in medical facilities and checkpoints. We are proud to state that, on top of the loan moratorium we extended that benefitted about 270,000 borrowers, our CSR programs for the year 2020 created good deeds to a total of 427,545 beneficiaries, more than twice the number of beneficiaries recorded in 2019.

<u>**Corporate Giving**</u> – We released a total of Php 68.84 M for our Donations Program which accounted for the biggest share in the Php 117.60 M total CSR releases for the year. Significant of the donations made are the following:

- Php 2 M worth of donated goods for the victims of Taal Volcano eruption in January 2020 through partnership with AFP and PNP units in the affected areas;
- Toyota Hi-Ace Commuter vans converted to ambulance were donated to the 1st Scout Ranger Regiment; Veterans Memorial Medical Center (VMMC); Camp Melchor Dela Cruz in 5th ID; and Camp Peralta Station Hospital in 3rd ID;
- Toyota Innova donated to 701st, 702nd, and 703rd Infantry Brigade of 7th ID;
- Three (3) units of Hyundai van converted to Advance Life Support (ALS) ambulance given to the PNP Health Service of Camp Crame;
- Toyota Hi-Ace Van donated to National Fire Training Institute (NFTI) - BFP;
- Toyota Grandia, and various computer equipment to include database servers to the PNP Finance Service;
- Medical equipment and supplies to VMMC, PNP Health Service and V Luna Medical Center; and
- Major and minor donations comprised of computer equipment, appliances and furniture, construction materials, cash donations, medical equipment, and medical supplies to various AFP and PNP units.

Outreach Program – Our Outreach Program became our main vehicle in facilitating a CSR response to our members serving at the frontline.

- We converted our "Medical Mission Program" and distributed instead medicines and food packs to medical front liners and members of the uniformed personnel manning the checkpoints in areas covered by our branch offices.
- Thru our "Brigada Eskwela Program", we donated various computer sets, printers, and other school supplies to public schools within the vicinity of camps.
- Under our "Wellness Program", we distributed masks and alcohol during AFPSLAI's 48th anniversary celebration.
- Thru our "Project Joy", we distributed gifts to members infected by COVID-19, indigents, rebel returnees, and indigenous people.

Educational Grant Program – For the academic year 2019-2020, 16 scholars had graduated bringing the total graduates to 293 since the start of the grant/scholarship program. As of end-December 2020, the total number of scholars was 140 with the addition of 41 new scholars for the school year 2020-2021. We kept the scholarship program active despite the financial burden of the current pandemic.

Financial Literacy and Start-up Business Seminars – These programs aim to equip members with the knowledge, skills, and proper mindset to start a business and effectively manage their finances. However, due to restrictions on event gatherings, AFPSLAI was only able to conduct seminars in Camp Vicente Lim-Laguna (Lucena), Rizal, and Crame as against the target of 12 sessions for the year.

ALMS Program – A total of Php 33.06 M in the form of death assistance was provided to the survivors of deceased AFPSLAI members.

LOOKING FORWARD

AFPSLAI viewed the challenges posed by the COVID-19 pandemic as opportunities for further improvement. This pandemic may have challenged the traditional mindsets and business models in delivering service to members, but at the same time proved that there is always a better way - - that the quest for excellence and efficiency could always be carried out while being mindful of employee safety.

Thus, our key priorities moving forward would be the strengthening of our IT infrastructure and distribution network nationwide. We intend to leverage on technology in improving the ease at which our members carried out transactions while making sure that more AFPSLAI offices nationwide are with sufficient operational capability to provide the needed services of our members. We are looking forward to the implementation of the ATM Project by the 3rd quarter of this year which will realize our thrust of improving the ease of completing tellering transactions of members using ATMs. We look forward with pride that the completion of our ATM project will open other opportunities for the improvement in the delivery of member services nationwide. With more AFPSLAI service units nationwide, we hope to bring the AFPSLAI services closer to you, our members. Rest assured that, while we push for the improved delivery of member services, we intend to keep and further improve our COVID-related safety nets to ensure the utmost protection of our members who opt to visit our offices for their transactions. Last March, we started the use of quick response or QR codes for the promotion/sales of our ROPA which directs inquiring members to the AFPSLAI website where details of the properties are found. A QR code will likewise be adopted in the health declaration being made by the members upon entry into any AFPSLAI office.

Finally, I am proud to announce that despite the pandemic and on top of the four (4) months loan moratorium we have extended in 2020, our Board of Trustees has approved the grant and release of a total of Php 500 M-worth of rebates to qualified borrowers this May 2021. This is AFPSLAI's way of showing our gratitude and appreciation for your continued patronage to our Association despite the presence of other competitors.

At this point, allow me to express that taking on the helm of AFPSLAI leadership at the height of this pandemic has never been an easy feat, but AFPSLAI managed to emerge stable than ever amidst the challenges of COVID-19. This, I believe, was made possible, first, by the collective synergy of the entire workforce, from the Board of Trustees to the Management, Employees, and Allied Workers, and second, by the continued patronage of the AFPSLAI members. Your continued support and patronage served as the prime motivation for us to continue our quest for excellence and improvement. For this we are grateful.

And amidst all the challenges, rest assured that we will remain steadfast in our commitment and resolute in our actions as we all go through this crisis together as one big happy AFPSLAI Family.

Again, thank you and may God bless us all and keep us all safe from COVID-19.

MGEN ROSELLER G MURILLO PA (RET)
AFPSLAI President and CEO

CARING FOR EMPLOYEES

Recognizing that the human capital is the heart of every successful organization, AFPSLAI continues to nurture a caring culture that will enhance the holistic health of its employees.

MANPOWER FILL-UP

As of end-December 2020, total manpower of AFPSLAI reached 790 (permanent and probationary), which is 92.40% of the total 855 budgeted plantilla positions for the year.

	As of end-December 2020
Budgeted Plantilla	855
Filled-up	773
Fill-up Rate	92.40%
Attainment	**PARTIALLY ATTAINED**

HEALTH AND SAFETY

In compliance with the Department of Health (DOH) and Department of Labor and Employment (DOLE) guidelines, AFPSLAI had established procedures on the prevention and control of COVID-19.

Medical supplies (vitamins, face masks, face shields, and alcohol) were provided to employees to prevent COVID-19 infection. Acrylic shields were also installed in our branch and satellite offices to protect frontline employees given their direct exposure to transacting members. Due to unavailability of public transportation, Management also provided free shuttle service to ensure that employees travel safely and arrive on time for work.

The health of all employees is monitored daily through the AFPSLAI COVID Monitoring Survey. Exposed closed contacts were asked to undergo home quarantine, while confirmed positive cases were under strict isolation.

Mass testing using rapid antibody and RT-PCR tests were done to ensure that all employees, including project-based personnel, are protected from local transmission within the workplace.

The pandemic meant we also had to be more flexible in how to get our work done. AFPSLAI implemented alternative work managements such as work-from-home, reduced working hours and flexi-time to ensure business continuity. Digital platforms enabled our employees to work remotely from home.

LABOR RELATIONS

The Labor Management Cooperation (LMC) regularly meets to ensure the harmonious relationship between the Management and the employees. For the year 2020, LMC met to discuss the different measures that need to be implemented to mitigate the impact of the pandemic.

Aside from the alternative work arrangements, the Union accepted the initiatives done by the Business Continuity Plan (BCP) Committee. Also, the Management approved the relaxation of educational cash advance and the cash conversion of the rice benefit.

The AFPSLAI Employee Handbook was updated to include the provisions on Code of Discipline and Ethics. It was distributed to employees in December.

In terms of employee grievance, there were no reported issues or conflicts for the year.

TRAINING AND DEVELOPMENT

The pandemic had resulted in restrictions in conducting face-to-face training sessions, thus, AFPSLAI resorted to alternative platforms to continually give its workforce learning opportunities for their personal and professional development.

A total of 40 in-house trainings and 10 public seminars were conducted, mostly focused on technical skills development.

SEMINAR TYPE	ATTENDEES	SESSIONS CONDUCTED
Onboarding/Orientation	8	4
Technical Skills Development	354	26
Products & Services/ Customer Service/Branch Operations	775	11
Mandatory Compliance	433	9
TOTAL	**1,570**	**50**

RECOGNITION

Employee appreciation has always been a part of AFPSLAI's culture of excellence. Acknowledging the performance and hard work of employees makes them feel valued and motivated. AFPSLAI still finds a way to appreciate and inspire employees to boost engagement and encourage high performance.

Excellence Awards were conferred to deserving individuals and teams who have exceptionally contributed to the success of the Association. For the first time, the Anniversary Celebration was done thru Zoom application. Thus, the winners were able to celebrate their achievement with their co-workers.

Commendations were also given as additional validation to employees and committees who have shown competence and enthusiasm to go beyond their normal duties and responsibilities.

Further, dedication and loyalty of the employees who have been with the Association for at least five (5) years are recognized through the Long Service Awards Program.

BENEFIT ADMINISTRATION

AFPSLAI has put in place a range of measures benefitting employees, including: full pay for employees whether under work-from-home arrangement or not; provision of special premium pay for the work of skeleton staff during community quarantine period; paid salaries for employees who are unable to report for work during Enhanced Community Quarantine (ECQ) period; early release of March 2020 payroll; and release of a portion of the 13th month pay in March 2020.

Policies on employee benefits were also undertaken. These include, but not limited to, the revised policies on medicine reimbursement, retirement and separation processing, and overtime policy; mutual relief policy; and various COVID-related undertakings.

OTHER SIGNIFICANT ACCOMPLISHMENTS

The corporate climate survey was conducted in 2020 to check if there are improvements in the perceptions, attitudes, job satisfaction and engagement of all employees of AFPSLAI. The survey also meant to identify both strengths and concerns regarding work place issues, professional development, benefits and access to resources. The survey is comprised of 14 dimensions, as follows:

- Clarity of Goals
- Job Interest and Challenge
- Rewards and Satisfaction
- Standard of Excellence
- Degree of Responsibility
- Personal Development
- Working Relationships
- Advancement/Mobility
- Job Security
- Management Credibility
- Personal Policies and Procedures
- Self-Confidence
- Commitment
- Immediate Superior's Mentoring and Support to Staff

Four (4) dimensions were added to the survey to get the views of employees towards the response or action of Management concerning the COVID-19 pandemic. These are: *Adjusting to the New Normal, Pandemic Response Efforts, Communicating and Cascading Information, and Mental and Spiritual Health.*

In 2020, **95.8%** of the workforce participated in the climate survey, an increase of 4% compared to the 91.8% of participants in 2019. The Association got an overall climate index of **4.00** for 2020, slightly higher than the overall score in 2019, which is 3.93.

Among the 14 dimensions, the top three (3) areas of strength include **Commitment** (4.35); **Job Interest and Challenge** (4.24); and **Clarity of Goals** (4.21). On the other hand, the top (3) areas that need improvement are: **Advancement/ Mobility** (3.72); **Personnel Policies and Procedures** (3.73); and **Self-Confidence** (3.76).

With regard to the views and perception of AFPSLAI employees towards the efforts done by the Management during COVID-19 pandemic, the following are the results:

- Adjusting to the New Normal - 3.41 (Favorable)
- Pandemic Response Effoerts - 4.16 (Highly Favorable)
- Communicating and Cascading Information - 4.24 (Highly Favorable)
- Mental and Spiritual Health - 4.15 (Highly Favorable)

On the other hand, the compensation structure of AFPSLAI employees was thoroughly studied. The study aims to create a pay structure that offers equitable and competitive salaries, lessens distortions, determines grades according to the responsibilities, and increases/maintains employee morale.

PROTECTING CONSUMER INTERESTS AND RIGHTS

AFPSLAI's Consumer Protection Manual provides basic principles and practices to be followed by all employees in dealing with members. The Manual is based on the five standards set by the Bangko Sentral ng Pilipinas (BSP) to ensure that the interests of members are represented and safeguarded.

DISCLOSURE AND TRANSPARENCY

Full disclosure and utmost transparency are critical elements that empower the members to make informed financial decisions. Members must have a holistic understanding of the products and services they are availing. Thus, AFPSLAI ensures that any information given to the members, whether in print, verbal or online means, should be clear, simple and transparent. AFPSLAI provides members with easily accessible information on the features of a product or service, its terms and conditions, as well as its fundamental benefits and risks.

The Member's Handbook, which contains the set of products and services available to the members, is updated yearly to incorporate changes in policies, particularly on membership requirements and product features. This handbook is given to the newly-admitted members.

A variety of communication channels is used to disseminate information to members. Such channels include marketing collaterals (posters, flyers, streamers), marketing drives, broadsheet publications, e-newsletters, e-mail, SMS, corporate website and social media.

PROTECTION OF MEMBER INFORMATION

AFPSLAI ensures the security, integrity and confidentiality of the members' information. In place are data privacy policies and procedures on the collection, processing, distribution, storage and disposal of member information obtained by the Association in the regular course of transactions.

AFPSLAI has also installed appropriate system controls and protection mechanisms to prevent information security breaches.

Seminars on data privacy, information security and anti-money laundering policies are given to employees to increase their awareness and capabilities on handling member information.

One of the top priorities is to strengthen the Information Security Office (ISO) that would establish and enforce security policies to protect the Association's information and information systems from unauthorized disclosures (Confidentiality), unauthorized alteration (Integrity), and denial of service (Availability). Updating of information security policy and formulation of the information security plan are already in the pipeline. Realization of this would ultimately support AFPSLAI's business objectives.

FAIR TREATMENT

It is an integral part in the culture of AFPSLAI to treat its members in a fair, honest and professional manner. AFPSLAI's Code of Conduct and Ethical Standards spells out the organizational values and standards of professional conduct of all employees.

Members are given a wide range of available financial products and services to choose from. Sufficient and right information are provided to members to help them select the most appropriate product and service to meet their needs.

All transactions entered into by the members are properly documented and covered by agreements to protect their interests and that of the Association, as well. Credit analysis is done prior to approval of loan applications to manage risks and to prevent the members from acquiring multiple debts.

EFFECTIVE RECOURSE

AFPSLAI makes certain that its members are given excellent customer service by being attentive and responsive to their needs. Inquiries are responded to immediately; while requests and complaints are duly acknowledged within the prescribed period. Feedback and complaints are handled based on the Consumer Protection Manual. Reports on complaints received are being prepared monthly, with general descriptions of resolutions and actions taken, and is submitted to the Top Management.

For year 2020, AFPSLAI received a total of 289 concerns, which is lower than the 380 recorded for year 2019. Majority of the feedback that we received were on personnel (31.5%), queue (21.8%) and fees and charges (13.8%).

	2019	2020
Simple	315	230
Complex	65	59
TOTAL	380	289

	Positive Feedback	Other Concerns	TOTAL
Facility	1	34	35
Fees and Charges		40	40
Personnel	63	28	91
Processing Time	3	8	11
Product Features		35	35
Queue	1	62	63
Others		14	14
TOTAL	68	221	289

Starting October 2019, automated survey kiosks were installed in branch offices to gather customer feedback from members more efficiently. By the end of year 2020, kiosks were installed in all branch offices.

Results of the survey are being reported to Management every quarter. For 2020, a total of 16,666 respondents were able to take part of the survey. When compared to 2019, there were 11,362 more respondents in 2020 as branches had been conducting said survey on a regular basis.

Overall, AFPSLAI received a rating of **3.39** *(Satisfactory)*, which is an improvement of the 3.29 rating received in 2019.

FINANCIAL EDUCATION

A total of twelve (12) Personal Finance Management Seminars and six (6) Business Startup Seminars were scheduled for the Y2020. However, in compliance with the safety guidelines of the Inter-Agency Task Force on Emerging Infectious Diseases (IATF) and prohibition of mass gatherings, seminars had to be suspended starting mid-March. Thus, only two (2) branch offices (Rizal and Crame) were able to conduct said seminars, which were attended by 224 members from Philippine Army (Rizal) and Bureau of Fire Protection (Crame).

As the restrictions on community quarantine relaxed towards the end of 2020, some branch offices were able to integrate financial literacy seminars during their information drives.

MS VANESSA R MIRANDA
BS Architecture / Far Eastern University
AFPSLAI Educational Grantee Batch 2018
with her father,
CMS Dionisio D Miranda PA
AFPSLAI Member since 2002

LIVING OUT OUR MISSION AND VALUES

The series of natural disasters and the health crisis that hit our country have strengthened our resolve to help improve the lives of our members and their family, and exemplify our corporate value of *malasakit sa miyembro, sa kumpanya at sa bansa*.

Serving our members and communities has always been integral to who we are and what we stand for as an organization. During this uniquely challenging time, we increased our relevance and responsiveness by focusing on the areas of health and education. Below are the highlights of our corporate social initiatives:

EDUCATIONAL GRANT PROGRAM (EGP)

AFPSLAI was able to produce sixteen (16) graduates in 2020, five (5) of whom finished their courses with Latin honors (1 Magna Cum Laude and 4 Cum Laudes). This brings to a total of 293 AFPSLAI graduates since the start of the educational program. Due to community quarantine, each Branch Office held a simple program to honor their scholar-graduates instead of the usual holding of Recognition Banquet at the AFPSLAI Head Office.

For the Academic Year 2020-2021, AFPSLAI has accepted 41 new grantees coming from different regions. Orientation of new grantees about their benefits and privileges, as well as their responsibilities, was done through Zoom platform.

Recognizing the unusual circumstances of the pandemic, we have necessitated major changes and adjustments in the way we disburse funds to our grantees. Given the restrictions prohibiting the minors from going out in public, an alternative solution was to deposit the financial benefits to the bank accounts of the grantees instead of them having to travel to our branch offices. We also gave more time for our grantees to submit their documentary requirements knowing that schools are also adapting to a new education system.

AFPSLAI's EGP provides grantees payment for tuition, miscellaneous fees, stipend, books, and board and lodging (for grantees studying in state universities and colleges). Other incentives are also given to those taking ROTC and graduating with Latin Honors.

RASER J ABDUHADI ***Magna Cum Laude***
BS Accountancy
Mindanao State University
Dependent of PSMS Radjal J Abduhadi (Ret)

LIEZL JOY M ABASTILLA ***Cum Laude***
BS Architecture
University of Santo Tomas
Dependent of PSMS Moses V Abastilla

BILLIE JOLLEANNE P ASIDERA ***Cum Laude***
BS Accounting Technology
Father Saturnino Urios University
Dependent of PCMS Jojo M Asidera

FRANK LLOYD L MAGNO ***Cum Laude***
BS Civil Engineering
Central Philippine University
Dependent of PEMS Franklin A Magno

KERZ MARIE G SEBASTIAN ***Cum Laude***
BS Accountancy
Ateneo de Davao University
Dependent of Ms Cristy G Sebastian (Civilian)

OUTREACH PROGRAM

AFPSLAI had scheduled four (4) outreach activities within the year. While these activities did not go as initially planned, we adapted to the COVID-19 crisis and made necessary changes along the way.

MEDICAL MISSION

Twelve medical missions were conducted prior to the COVID-19 outbreak. Aside from the free medical consultation, food packs and medicines were provided to the beneficiaries. Nine other medical missions had to be cancelled in light of the restriction on mass gatherings. In lieu of medical missions, branch offices provided uniformed personnel who served as frontliners at checkpoints with medical kits consisting of alcohols and face masks, as well as grocery food items.

BRIGADA ESKWELA

We deviated from the traditional concept of physical cleaning, painting, and doing minor repairs in schools. Instead, we prioritized strengthening partnership engagement to ensure that quality basic education will continue despite the challenges posed by COVID-19.

In doing so, we donated various computer equipment, projectors, tables and chairs, school supplies, and medical-related necessities, such as: thermal scanners, masks and alcohols to schools within the area where we operate. We also donated minor construction materials for the improvement of school buildings.

HEAD AND SHOULDERS (Wellness Program)

The Head and Shoulder activity provides free massage and haircut to transacting members at the branch offices. This was not pursued in 2020 considering that this activity requires physical contact. Instead, fund allocated for this project was utilized to buy masks and alcohols that were distributed to transacting members during AFPSLAI's Anniversary Week.

PROJECT JOY

Project Joy is a thanksgiving project that allows AFPSLAI to give back to communities during the Christmas Season. Gift packs were given to AFP/PNP wounded patients, frontliners of the AFP/DILG group, indigents, rebel returnees under the command of the AFP, victims of calamities, and retirees.

DONATIONS PROGRAM

When Taal volcano erupted, thousands of residents left their homes and had to settle in different evacuation centers across Calabarzon. AFPSLAI employees distributed relief items to families that were taking temporary shelter at Bauan Technical High School and Batangas Police Provincial Office. The items that were procured through the employees' personal cash donations included sleeping mats, blankets, towels, clothes, water and food items. AFPSLAI also supported the military and police units in Laguna and Cavite that are helping the communities affected by the Taal eruption, by donating to them masks, alcohols and face shields.

In response to COVID-19 pandemic, medical equipment and supplies (masks, shields, alcohol, thermal scanners, vitamins, etc.) were donated to hospitals catering to active and retired personnel, such as: Veterans Memorial Medical Center, PNP General Hospital and V. Luna Medical Center. Basic ambulances were also donated to Camp Melchor F Dela Cruz Station Hospital and Camp Peralta Station Hospital, while three (3) Advance Life Support Ambulances were given to PNP Health Service.

Aside from medical-related items, donations were also given to AFP and PNP training schools nationwide to help improve their training facilities.

PROJECT SPOTLIGHT:
Mavulis Water Desalination Project

Another significant venture that AFPSLAI supported in 2020 was the installation of water desalination system at Mavulis Island in Batanes.

In 2019, the Armed Forces of the Philippines (AFP) built a multi-purpose facility in the island which can be used by the fishermen as a shelter during inclement weather. This move is also considered to be a highly significant strategic initiative of the AFP as it protects our sovereignty and asserts our ownership in this territory.

Mavulis Island, also known as the Y'ami Island or Dihami, is a 2.2-square kilometer island located more than 280 kilometers off the northern coast of Luzon mainland and less than 150 kilometers from the southern tip of Taiwan. Mavulis has little to no access to water. Troopers need to travel to Itbayat Island to get more water supply, which can be quite challenging given the unpredictable weather and sea state conditions.

The water desalination system donated by AFPSLAI converts salt water into potable water suitable for human consumption, benefitting not only the military personnel assigned in the detachment but also the fishermen who take refuge in the island.

Photos of the Mavulis Island and the Groundbreaking Ceremony were taken from the website of Philippine Information Agency (www.pia.gov.ph). Photo of the water desalination system was provided by Naval Forces Northern Luzon.

COMMITTED TO THE HIGHEST STANDARDS OF GOVERNANCE

The AFPSLAI Board of Trustees is the highest decision-making body in the organization. It conducts its business based on the principles of fairness, transparency, accountability and responsibility.

ROLES AND RESPONSIBILITIES

The Board of Trustees is the highest governing authority in AFPSLAI. Essentially, the Board oversees the management of the business affairs of the Association. The Board sets the tone, leads the practice of ethical and responsible conduct of business, reviews the efficacy of internal control systems and processes, manages risks and upholds a "beyond compliance" approach to corporate governance.

The Board provides effective guidance and oversight to the Management on the day-to-day operations of the Association, including the power to make decision on operational matters within the agreed strategy and framework.

COMPOSITION

The Board is composed of fifteen (15) diverse and highly qualified professionals with appropriate balance of skills, expertise, experience and diversity of perspectives, thereby ensuring effective board governance. The professionalism and competence of these trustees have helped cover the distance towards the vision of AFPSLAI.

Of the 15, three (3) are independent trustees who are tasked to observe the objectivity and independent judgement on all corporate activities and transactions.

Trustees are selected from a pool of qualified candidates. The Office of the Board Secretariat pre-screens candidates and prepares a final list of nominees for deliberation of the Governance Committee.

Each elected trustee will serve for a term of one (1) year until a successor has been duly elected in the next convention. Any AFPSLAI member can be elected as trustee up to a maximum of five (5) cumulative terms.

MEETINGS AND ATTENDANCE

Regular board meetings are held at least once a month to review AFPSLAI's financial performance, approve strategies, policies and business plans, as well as consider business and other proposals which require the Board's approval. Special board meetings may also be called when necessary or as may be requested by the Chairman.

Majority of the Board constitutes a quorum when eight (8) out of fifteen (15) trustees are present; hence, majority of the quorum is generally what is required for board decision. The trustees are usually required to attend the meetings in person. However, due to restrictions on mass gatherings brought about by the pandemic, some members are able to attend meetings thru videoconferencing via Zoom application. Managers may also be invited as resource persons to provide invaluable input depending on the subject matter.

The agenda for the Board meetings is prepared by the Corporate Secretary. Materials for Board meetings are sent to Trustees in advance through online means. The E-Board Portal, which digitized the Board and Committee materials, was implemented in February 2020 to increase efficiency in the storage, access and distribution of reference documents.

In 2020, the Board held a total of 17 meetings (10 Regular Meetings and 7 Special Meetings). The table below shows the attendance of each trustee in Board Meetings from January to December 2020.

NAME OF TRUSTEE	MEETINGS ELIGIBLE TO ATTEND	MEETINGS ATTENDED	%	REMARKS
GEN GILBERT I GAPAY PA	7	7	100.00%	*Elected in Aug 2020*
PBGEN EDDIE B BENIGAY (RET)	17	17	100.00%	
MGEN ROSELLER G MURILLO PA (RET)	8	8	100.00%	*Elected in Jul 2020*
LTGEN RONNIE S EVANGELISTA PA (RET)	8	8	100.00%	*Elected in Jul 2020*
LTGEN SAMUEL B BAGASIN PA (RET)	3	3	100.00%	*Elected in Nov 2020*
PLTGEN JOSELITO M VERA CRUZ	17	17	100.00%	
BGEN DENIE MAR A CLEMENCIA PA	17	17	100.00%	
PCOL JOSE MELENCIO C NARTATEZ JR	3	3	100.00%	*Elected in Nov 2020*
CAPT BRENDO J CASACLANG (GSC) PN	17	17	100.00%	
COL PEDRO C BALISI JR PA	8	8	100.00%	*Elected in Jul 2020*
COL ARTHUR D LAYLO PAF	8	7	87.50%	*Elected in Jul 2020*
FCMS ALADIN S DACAYANAN (INF) PA	6	6	100.00%	*Elected in Sep 2020*
GEN VICTOR S IBRADO PA (RET)	17	17	100.00%	
LTGEN SALVADOR MELCHOR B MISON JR PAF (RET)	17	17	100.00%	
PMGEN EDWIN C ROQUE (RET)	17	15	88.24%	
GEN FELIMON T SANTOS JR PA (RET)	10	10	100.00%	*Resigned in Aug 2020*
MGEN ROMEO D LUSTESTICA PA (RET)	9	9	100.00%	*Resigned in Jul 2020*
MGEN EMERALDO C MAGNAYE PAF (RET)	9	9	100.00%	*Resigned in Jul 2020*
MR HECTOR M ATIENZA	9	9	100.00%	*Resigned in Jul 2020*
PLTGEN ARCHIE FRANCISCO F GAMBOA (RET)	1	0	0.00%	*Resigned in Jan 2020*
BGEN ROY M GALIDO PA	7	7	100.00%	*Resigned in Jun 2020*
COL RONNIE C CABINGAS (GSC) PAF	7	6	85.71%	*Resigned in Jun 2020*
BGEN RAFAEL S ROMERO PA (RET)†	5	5	100.00%	*Died in Nov 2020*
PBGEN FERDINAND B DAWAY	13	11	84.62%	*Resigned in Oct 2020*
FCMS ENGRACIO S GABO JR (INF) PA (RET)	11	11	100.00S	*Resigned in Aug 2020*

EVALUATION

The Board has put in place mechanism whereby performance of the Board and its Committees is evaluated annually. A Board Self-Assessment Questionnaire is provided to each Trustee to elicit valuable and practical feedback about board dynamics, operations, structure, performance and composition.

The performance of the Board is rated based on the following governance anchors: *Performance; Composition and Quality of Leadership; Decision-Making and Handling of Issues; Support Structure; Prevailing Culture; and Guidance and Follow-through.* Results are collated by the Corporate Secretary and the final result of the assessment is then presented to the Governance Commitee for review and discussion prior to endorsement to the Board.

For the period August 2020 to March 2021, the Board and its sub-committees received an ***Exceptional Rating*** on the quality of governance.

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 OF SELF-ASSESSMENT RESULTS

Period Covered: August 2020 - March 2021

GOVERNANCE ANCHORS	BOARD	QUALITATIVE DESCRIPTION
A. Performance as Governing Board	4.00	Exceptional
B. Composition and Quality of Leadership	3.98	Exceptional
C. Decision Making and Handling of Issues	4.00	Exceptional
D. Support Structure	4.00	Exceptional
E. Prevailing Culture within the Board	4.00	Exceptional
F. Guidance and Follow-Through	4.00	Exceptional
OVER-ALL ASSESSMENT OF QUALITY OF GOVERNANCE	**3.98**	**Exceptional**

ASSESSMENT GUIDE		
Quantitative Rating	**Qualitative Assessment**	**Description**
3.50 to 4.00	EXCEPTIONAL	- Highly commendable governance practices are observed. There is a need to sustain the performance.
3.00 < 3.50	SUPERIOR	- Observance of governance practices exceeds exceptions. Need for improvements deemed a minor concern.
2.50 < 3.00	SATISFACTORY	- Observance of governance practices matches the set standards. There are rooms for futher improvements.
2.00 < 2.50	NEEDS IMPROVEMENT	- Observance of goverance practices falls below expectations. Need for improvement is highly necessary to mitigate potential governance risks.
Below 2.00	UNSATISFACTORY	- Governance practices not consistently observed. Need for improvements is deemed critical, to contain potential governance risks.

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	4.00	4.00	4.00	4.00	4.00	3.95	4.00	Exceptional
B. People Assessment	3.97	3.89	3.82	3.86	3.70	4.00	3.89	Exceptional
C. Issues Assessment	4.00	4.00	4.00	4.00	4.00	4.00	4.00	Exceptional
D. Process Assessment	4.00	4.00	4.00	4.00	3.93	4.00	4.00	Exceptional
E. Culture Assessment	4.00	4.00	4.00	4.00	4.00	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	**3.99**	**3.98**	**3.97**	**3.98**	**3.97**	**3.99**	**3.98**	**Exceptional**

REMUNERATION

Pursuant to Article V Section 10 of the amended AFPSLAI By-Laws and its implementing rules and regulations, the members of the Board shall receive monthly allowances and other compensation benefits (i.e. per diems) with respect to the scope of responsibilities of each trustee, attendance and number of committee membership. Trustees are also entitled to receive bonuses based on the performance of the Association.

In 2020, members of the Board received a total gross compensation of Php 24,805,611.96 (subject to withholding tax), broken down as follows:

- Allowances: Php 11,228,828.18
- Bonuses: Php 4,476,421.54
- Per diems: Php 7,063,168.00
- Gratuity pay for outgoing trustees: Php 2,037,194.24

NAME OF TRUSTEE	ALLOWANCES	BONUSES	PER DIEMS	GRATUITY PAY	TOTAL REMUNERATION
GEN GILBERT I GAPAY PA	380,767.25	86,096.13	95,424.00	-	**562,287.38**
PBGEN EDDIE B BENIGAY (RET)	835,771.00	417,964.26	633,024.00	-	**1,886,759.26**
MGEN ROSELLER G MURILLO PA (RET)	-	-	303,120.00	-	**303,120.00**
LTGEN RONNIE S EVANGELISTA PA (RET)	323,351.52	95,872.02	210,048.00	-	**629,271.54**
LTGEN SAMUEL B BAGASIN PA (RET)	48,657.73	24,865.64	52,320.00	-	**125,843.37**
PLTGEN JOSELITO M VERA CRUZ	805,586.00	390,796.11	404,912.00	-	**1,601,294.11**
BGEN DENIE MAR A CLEMENCIA PA	776,637.00	194,955.09	477,488.00	-	**1,449,080.09**
PCOL JOSE MELENCIO C NARTATEZ JR	48,657.73	24,865.64	46,240.00	-	**119,763.37**
CAPT BRENDO J CASACLANG (GSC) PN	805,586.00	410,418.00	489,856.00	-	**1,705,860.00**
COL PEDRO C BALISI JR PA	323,351.52	95,872.02	139,520.00	-	**558,743.54**
COL ARTHUR D LAYLO PAF	323,351.52	95,872.02	140,320.00	-	**559,543.54**
FCMS ALADIN S DACAYANAN (INF) PA	241,523.00	56,092.75	141,120.00	-	**438,735.75**
GEN VICTOR S IBRADO PA (RET)	805,586.00	368,289.45	514,000.00	-	**1,687,875.45**
LTGEN SALVADOR MELCHOR B MISON JR PAF (RET)	805,586.00	410,418.00	588,032.00	-	**1,804,036.00**
PMGEN EDWIN C ROQUE (RET)	805,586.00	410,418.00	513,584.00	-	**1,729,588.00**
GEN NOEL S CLEMENT PA (RET)	28,949.00	-	-	126,081.46	**155,030.46**
GEN FELIMON T SANTOS JR PA (RET)	620,406.52	48,112.29	122,688.00	196,598.00	**987,804.81**
MGEN ROMEO D LUSTESTICA PA (RET)	525,418.68	251,548.22	378,592.00	599,075.60	**1,754,634.50**
MGEN EMERALDO C MAGNAYE PAF (RET)	-	-	379,760.00	194,871.26	**574,631.26**
MR HECTOR M ATIENZA	484,328.13	231,522.26	340,848.00	243,386.25	**1,300,084.64**
PLTGEN ARCHIE FRANCISCO F GAMBOA (RET)	66,683.00	97,354.50	-	281,516.76	**445,554.26**
BGEN ROY M GALIDO PA	429,717.00	227,160.50	270,880.00	178,888.89	**1,106,646.39**
COL RONNIE C CABINGAS (GSC) PAF	429,717.00	200,472.58	159,360.00	81,777.78	**871,327.36**
BGEN RAFAEL S ROMERO PA (RET)[1]	218,444.52	54,280.47	111,520.00	-	**384,244.99**
PBGEN FERDINAND B DAWAY	537,384.00	105,907.58	262,192.00	64,903.00	**970,386.58**
FCMS ENGRACIO S GABO JR (INF) PA (RET)	557,782.06	177,268.01	288,320.00	70,095.24	**1,093,465.31**
TOTAL	**11,228,828.18**	**4,476,421.54**	**7,063,168.00**	**2,037,194.24**	**24,805,611.96**

TRAININGS AND SEMINARS

AFPSLAI promotes continuing education to enhance the knowledge and skills set of the Trustees and enable them to carry out their work efficiently and effectively. Training opportunities are given to continually update and expand their knowledge of governance best practices, market developments, risk management, and regulatory changes.

As required in the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI) of the Bangko Sentral ng Pilipinas, newly elected Trustees are required to complete a program of induction training prior to the exercise of their duty as member of the Board.

DATE	COURSE / TITLE	SPONSOR / TRAINER	ATTENDEES
March 5, 2020	Corporate Governance Orientation Program	Institute of Corporate Directors	Gen Felimon T Santos PA (Ret) PBGen Ferdinand B Daway
August 4-5, 2020	Corporate Governance Orientation Program	Institute of Corporate Directors	MGen Roseller G Murillo PA (Ret) LtGen Ronnie S Evangelista PA (Ret) BGen Rafael S Romero PA (Ret)[1] Col Pedro C Balisi Jr PA Col Arthur D Laylo PAF
August 14, 2020	Virtual Briefing Session for the New Trustees	AFPSLAI Atty Samuel B Padilla (Corporate Secretary) Ms Marilyn G Gahite (SVP for Operations) Ms Paola Florence T Bacungan (Head, Corporate Planning Division)	MGen Roseller G Murillo PA (Ret) LtGen Ronnie S Evangelista PA (Ret) BGen Rafael S Romero PA (Ret) Col Pedro C Balisi Jr PA Col Arthur D Laylo PAF
September 8-9, 2020	Corporate Governance Orientation Program	Institute of Corporate Directors	FCMS Aladin S Dacayanan (INF) PA
October 23, 2020	Executive Security Awarness Training	SGV & Co.	PBGen Eddie B Benigay (Ret) MGen Roseller G Murillo PA (Ret) LtGen Ronnie S Evangelista PA (Ret) BGen Rafael S Romero PA (Ret)[1] BGen Denie Mar A Clemencia PA Capt Brendo J Casaclang (GSC) PN Col Pedro C Balisi Jr PA Col Arthur D Laylo PAF FCMS Aladin S Dacayanan (INF) PA Gen Victor S Ibrado PA (Ret) LtGen Salvador Melchor B Mison Jr PAF (Ret) PMGen Edwin C Roque (Ret)
December 8-9, 2020	Corporate Governance Orientation Program	Institute of Corporate Directors	LtGen Samuel B Bagasin PA (Ret)

COMMITTEES

The Board is supported by seven (7) committees to focus on specifc areas and effectively carry out the mandate of good corporate governance. Each Committee has a charter and operates within its specific delegated authority, scope and functions. Composition of each committee is changed annually to gain a new perspective of the matters at hand.

The Committees of the Board are as follows:

- Governance Committee
- Risk Oversight Committee
- Audit and Compliance Committee
- Human Resource and Compensation Committee
- Credit and Collection Committee
- Membership and Amendment Committee
- Information Technology Steering Committee

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.

Chairman: PBGen Eddie B Benigay (Ret)

COMPOSITION (JAN - DEC 2020)	MEETINGS ELIGIBLE TO ATTEND	MEETINGS ATTENDED	%
PBGEN EDDIE B BENIGAY (RET)	20	20	100.00%
GEN VICTOR S IBRADO PA (RET)	9	9	100.00%
LTGEN SALVADOR MELCHOR B MISON JR PAF (RET)	20	20	100.00%
PMGEN EDWIN C ROQUE (RET)	20	17	85.00%
PLTGEN JOSELITO M VERA CRUZ	18	11	61.11%
BGEN DENIE MAR A CLEMENCIA PA	3	3	100.00%
CAPT BRENDO J CASACLANG (GSC) PN	9	8	88.89%
MGEN ROSELLER G MURILLO PA (RET)	9	9	100.00%
PBGEN FERDINAND B DAWAY	6	3	50.00%
MGEN ROMEO D LUSTESTICA PA (RET)	11	10	90.91%
MGEN EMERALDO C MAGNAYE PAF (RET)	11	11	100.00%
MR HECTOR M ATIENZA	11	11	100.00%
PLTGEN ARCHIE FRANCISCO F GAMBOA (RET)	2	0	0.00%
BGEN ROY M GALIDO PA	9	9	100.00%

MAJOR ACCOMPLISHMENTS:

Endorsed the following for Board approval:

- Granting of Expected Dividend Advance (EDA) and Distribution of Undivided Profits for the 4th quarter 2019, and 1st to 3rd quarters 2020;
- Annual Declaration of Dividend for the Year 2019 and Allocation for Other Expenditures;
- Distribution Network and Branch Office Workforce Complement Review;
- Opening and Relocation of Satellite Offices;
- Policy on the Conduct of Committee and Board Meetings via Remote Communication;
- Alternative Method of Authenticating Special Power of Attorney and Other Public Documents;
- Disposition of Remaining Donations Fund Balance for 2019;
- Major Donations to Various Units within AFPSLAI's Well-Defined Group;
- Resignation and Nomination of New Trustees;
- Disposition of EDA Payable and Accounts Payable-Excess EDA/CCC/Dividends;

MAJOR ACCOMPLISHMENTS *(continuation)***:**

- Impact Assessment of Pandemic to AFPSLAI's Performance for the Year 2020;
- Policy on Reserve for Office Premises, Furniture, Fixture and Equipment (Building Reserves);
- Designation of AFPSLAI's Representative to Aguinaldo Theater Enterprise Incorporated (ATEI);
- Hiring and Designation of Senior Vice President for Administration and Treasury Departments; and
- AFPSLAI's Business Plan for 2021

With the rise of the Corona Virus Disease (COVID-19) in the early part of 2020 and the subsequent enactment of Republic Act Nos. 11469 and 11494 also known as the *Bayanihan to Heal as One Act* and B*ayanihan to Recover as One Act*, respectively, one of the significant accomplishments of the Governance Committee was its immediate action in assessing the financial and operational impact of the pandemic to the Association's performance for the Year 2020. The Committee reviewed all options and approved actions with the end in view of striking a balance between helping its members during the pandemic and the ability of the Association to sustain its income.

Relatedly, to ensure that the Committees and the Board continue to meet on a regular basis despite the temporary cessation of business operations and other measures in response to COVID-19 outbreak, the Governance Committee approved the Policy on the Conduct of Committee and Board meetings via Remote Communication. This Policy is in accordance with the Securities and Exchange Commission (SEC) Memorandum Circular No. 6 Series of 2020 which was issued to implement the provisions of Section 52 of Republic Act No. 11232 or the Revised Corporation Code. These provisions authorize directors or trustees who cannot physically attend to participate and vote through remote communication, such as videoconferencing, teleconferencing, and other alternative modes of communication, in their Board and stockholder meetings.

Another major accomplishment of the Governance Committee, which was discussed jointly with the Human Resource and Compensation Committee, was the approval of the expansion of distribution service unit network. The expansion is to improve operational capability of service units, and to improve efficiency in delivering complete services to our members while working towards dominance in all market segments.

With the plan to relocate AFPSLAI offices/buildings outside camp or to a strategic location, as deemed appropriate, the Governance Committee approved the Policy on Reserve for Office Premises, Furniture, Fixture and Equipment (Building Reserves). This Policy sets the guidelines on the establishment, management, usage and disposition of the said reserve. This is also in compliance with the reserve requirement as per Manual of Regulations for Non-Bank Financial Institution (MORNBFI), wherein the minimum requirement is 5% of the total assets of the Association. This reserve is to cover the cost of construction or acquisition of office premises, and purchase of office furniture, fixture and equipment.

As part of the review of policies and processes to ensure service efficiency, the Governance Committee approved the Policy on Alternative Method of Authenticating Special Power of Attorney (SPA) and Other Public Documents. The main purpose of this Policy is to allow the use of apostille certification on SPA which replaces a consular authentication as it causes inconvenience to the members residing abroad when transacting thru authorized representative since they need to go to the embassy or consular office for the authentication of their SPAs.

Also, in line with the Association's thrust to dispose of outstanding EDA Payables consistent with the BSP directive and to cleanse/reduce accounts lodged in Accounts Payable, the Governance Committee approved the Interim Policy on the Disposition of EDA Payable and Accounts Payable-Excess EDA/CCC/Dividends.

As part of the Association's commitment to deliver its corporate social responsibility (CSR) to its members, the Governance Committee approved the granting of major donations to various units within AFPSLAI's well-defined group.

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 2019.

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 2021. 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 2021.

The Governance Committee also monitored the provisions of the General Appropriations Bill for 2020 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. It also recommended the hiring and designation of Senior Vice Presidents for Administration and Treasury Departments.

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.

Chairman: LtGen Salvador Melchor B Mison Jr PAF (Ret)

COMPOSITION (JAN - DEC 2020)	MEETINGS ELIGIBLE TO ATTEND	MEETINGS ATTENDED	%
LTGEN SALVADOR MELCHOR B MISON JR PAF (RET)	12	12	100.00%
PBGEN EDDIE B BENIGAY (RET)	12	12	100.00%
GEN VICTOR S IBRADO PA (RET)	12	9	75.00%
MGEN ROSELLER G MURILLO PA (RET)	5	5	100.00%
PMGEN EDWIN C ROQUE (RET)	12	10	83.33%
LTGEN RONNIE S EVANGELISTA PA (RET)	5	5	100.00%
LTGEN SAMUEL B BAGASIN PA (RET)	1	1	100.00%
BGEN RAFAEL S ROMERO PA (RET)[1]	3	3	100.00%
MGEN ROMEO D LUSTESTICA PA (RET)	7	6	85.71%
MGEN EMERALDO C MAGNAYE PAF (RET)	7	7	100.00%
MR HECTOR M ATIENZA	7	7	100.00%

MAJOR ACCOMPLISHMENTS:

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

- Divestment Plan for Member Registry Project and Policy Governing Implementation;
- Amended Investment Manual;
- Assignment of Government Securities for Withdrawable Share Reserve;
- Awarded the Credit Risk Scorecard System Development Project to CRIF Philippines;
- Action Plans for Compliance to BSP Circular Nos. 1048 and 1046;
- Continuance of the Time Deposit Product;
- Evaluated Accredited Banks for Renewal of Credit Facilities and Use of Platforms;
- Designation of Authorized Signatories for Head Office and Branch Offices; and
- Selection of Service Providers (security services; janitorial and messenger services)

One of the major accomplishments of the Risk Oversight Committee, which was jointly discussed with the Membership and Amendment Committee, was the adoption of the Divestment Plan in compliance to BSP Circular No. 993 Series of 2018 with subject: *Adoption of the Know-Your-Member Guidelines for Non-Stock Savings and Loans Associations*. Said Circular provides the guidelines for NSSLAs to appropriately establish the true identity and eligibility of persons to become members and adopt effective systems that will provide assurance that membership is confined to their respective well-defined group. The Divestment Plan outlines the termination of members with no eligibility requirements on file by priorities and it was crafted in consideration of the cash position of the Association to ensure enough cash is available by milestone dates to finance actual pay-out as it falls due. A Policy defining the specific rules and regulations that will govern the termination of membership in relation with the Member Registry Cleansing Project was also approved by both Committees.

Another major accomplishment of the Risk Oversight Committee was the approval of the Amended Investment Manual to incorporate the Association's compliance to BSP Circular 708 Series of 2011, on the adoption of PFRS9, and BSP Circular No. 994, Series of 2018, on Fund Management. The Investment Manual sets forth the entire investment process of the Association and the prescribed policies and guidelines/procedures governing the (1) administration of the Association's investment activities, (2) monitoring of compliance with the BSP regulations relative to allowable investments, and (3) establishing permissible ranges of investments.

Related to compliances, another major accomplishment of the Risk Oversight Committee was the approval of the Action Plans in compliance to BSP Circular Nos. 1048 and 1046. The BSP Circular No. 1048 or the BSP Regulations on Financial Consumer Protection mandates NSSLAs to perform a gap analysis of their current consumer protection manual, guidelines and processes vis-à-vis the standards provided for in the Circular within six (6) months. On the other hand, BSP Circular No. 1046 or the BSP Regulations on Enhanced Guidelines on Sound Credit Risk Management Practices for NSSLAs mandates NSSLAs to perform a gap analysis of their current credit practices and processes vis-à-vis the standards provided for in the Circular within six (6) months. The Action Plans were submitted to BSP in compliance to these mentioned BSP Circulars.

As part of the Risk Oversight Committee's function to monitor the Association's liquidity level, the Committee approved the continuance of the offering of the Time Deposit product with the same features until December 29, 2021. This offering was made to address the demand of members for a long term fixed-income investment. This product was created to continually source funds internally or directly from members in addition to fund sourcing thru bank borrowings. Relatedly, the Committee approved the renewal of credit facilities and use of platforms of accredited banks.

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 and Liquidity Gap Report on a quarterly basis. The Stress Testing Report, which is supposedly rendered on an annual basis, was reviewed by the Committee twice in 2020 in consideration of the changing environment given the pandemic.

As part of the Association's enhancement of its credit underwriting practices to address its weaknesses in credit risk, the Risk Oversight Committee approved the awarding of the Credit Risk Scorecard System (CRSS) development project to a third-party consultant, CRIF Philippines. The enhancement of the CRSS shall also pave the way for the computation of Expected Credit Losses (ECL), which is part of the Philippine Financial Reporting Standards (PFRS) 9.

The Risk Officer rendered monthly reports to the Risk Oversight Committee on updates regarding the 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 Risk Oversight Committee also closely monitored the Association's response to COVID-19 pandemic to ensure the health and safety of its transacting members and employees, and business continuity.

The Risk Oversight 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 AND COMPLIANCE COMMITTEE

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

Chairman: PMGen Edwin C Roque (Ret)

COMPOSITION (JAN - DEC 2020)	MEETINGS ELIGIBLE TO ATTEND	MEETINGS ATTENDED	%
PMGEN EDWIN C ROQUE (RET)	7	7	100.00%
PBGEN EDDIE B BENIGAY (RET)	16	16	100.00%
GEN VICTOR S IBRADO PA (RET)	16	16	100.00%
LTGEN SALVADOR MELCHOR B MISON JR PAF (RET)	16	16	100.00%
LTGEN RONNIE S EVANGELISTA PA (RET)	7	7	100.00%
PLTGEN JOSELITO M VERA CRUZ	16	12	75.00%
BGEN DENIE MAR A CLEMENCIA PA	16	15	93.75%
MGEN ROMEO D LUSTESTICA PA (RET)	9	9	100.00%
FCMS ENGRACIO S GABO JR (INF) PA (RET)	9	7	77.78%

MAJOR ACCOMPLISHMENTS:

Endorsed the following for Board approval:

- Audited Financial Statements of AFPSLAI for the Year-ended 31 December 2019 by Isla Lipana;
- Selection of External Auditor for the 2020 Year-end Financial Audit;
- Revised Internal Audit Division Manual;
- Amendments to the Audit and Compliance Committee Charter;
- Non-Performing Loan Accounts for Write-off; and
- Report of BSP Examination and Letter of Commitment Updates

One of the significant accomplishments of the Audit and Compliance Committee was the approval of Revised Internal Audit Division Manual in compliance to the requirement of the BSP and to adapt to the developments in the professional practice of internal audit. The Internal Audit Division Manual was developed in line with the International Professional Practices Framework (IPPF) by the Institute of Internal Auditors (IIA). It contains the policies, detailed procedures, internal control measures including tools, templates and other practice aids for the conduct of audit carried out by the Internal Audit Division personnel. The Internal Audit Rating System, as part of the Manual, was also revised.

Another significant accomplishment of the Audit and Compliance Committee was the approval of the write-off of non-performing loan accounts from deceased borrowers with denied Credit Redemption Insurance (CRI) claims. The write-off is in accordance with the existing Policy on Write-off of Past Due Loans.

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; Anti-Money Laundering (AML) and *Bangko Sentral ng Pilipinas* (BSP) compliance testing/validation; BSP limit on Capital Adequacy Ratio (CAR); BSP Report of Examination and Letter of Commitment; and other laws and BSP Circular issuances.

Likewise, to ensure that internal control system is in place, the Audit and Compliance Committee approved the Internal Audit Division's 2020 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 quarterly financial and operational highlights as a prelude to the deliberation of the distribution of Undivided Profits.

The 2019 Audited Financial Statements of the Association prepared by the External Auditor was also reviewed by the Audit and Compliance Committee. It likewise recommended to the Board the selection of External Auditor for the 2020 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 2020.

Amendments to the Audit and Compliance Committee's Charter were endorsed to the Board for approval in compliance to the re-numbering of the provisions in the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI), a compilation of regulations and policies issued by the BSP for financial institutions under its supervision.

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

HR AND COMPENSATION COMMITTEE

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

Chairman: Gen Victor S Ibrado PA (Ret)

COMPOSITION (JAN - DEC 2020)	MEETINGS ELIGIBLE TO ATTEND	MEETINGS ATTENDED	%
GEN VICTOR S IBRADO PA (RET)	13	13	100.00%
PBGEN EDDIE B BENIGAY (RET)	5	5	100.00%
LTGEN SALVADOR MELCHOR B MISON JR PAF (RET)	5	5	100.00%
MGEN ROSELLER G MURILLO PA (RET)	5	5	100.00%
LTGEN SAMUEL B BAGASIN PA (RET)	1	1	100.00%
CAPT BRENDO J CASACLANG (GSC) PN	13	13	100.00%
FCMS ALADIN S DACAYANAN (INF) PA	4	4	100.00%
BGEN RAFAEL S ROMERO PA (RET)[1]	3	3	100.00%
MGEN ROMEO D LUSTESTICA PA (RET)	8	7	87.50%
MGEN EMERALDO C MAGNAYE PAF (RET)	8	8	100.00%
MR HECTOR M ATIENZA	8	8	100.00%
COL RONNIE S CABINGAS (GSC) PAF	6	4	66.67%
FCMS ENGRACIO S GABO JR (INF) PA (RET)	9	8	88.89%

MAJOR ACCOMPLISHMENTS:

Endorsed the following for Board approval:

- AFPSLAI's Upgraded Compensation Structure;
- Policy on Medical Assistance Program;
- Policy on Overtime Services;
- Human Resource Information System (HRIS) Provider;
- Anniversary Cash Reward 2020; and
- Corporate Uniforms for 2021

The most significant accomplishment of the HR and Compensation Committee was the approval of the AFPSLAI's Upgraded Compensation Structure which was thoroughly studied by Management. The main objective of the study is to develop a compensation structure that would achieve external and internal equity for AFPSLAI, one that would make it competitive in the industry while minimizing distortions and compressions, retaining intended gaps, maintaining vertical distinctions according to hierarchical responsibilities, and keeping it generally responsive, cost-effective and sustainable.

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 Policy on Medical Assistance Program, which prescribes the guidelines and procedures to govern the eligibility, availment and terms of payment for the Medical Assistance Program. The Program seeks to provide assistance for the hospitalization and medical expenses of regular employees under certain categories.

Another significant accomplishment of the HR and Compensation Committee was the approval of the Revised Policy on Overtime Services, which prescribes the guidelines and procedures to govern the eligibility, availment and payment of overtime (OT) services for Supervisory, Rank and File, and project-based / fixed term contract employees who will be required to render such. The Policy was enhanced to incorporate revisions mainly on the adjustment of Supervisor's overtime incentive allowance, entitlement of employees on overtime pay, inclusion of travel time as hours worked, and computation of hourly rate to reconcile the Collective Bargaining Agreement (CBA) provision as against existing Policy.

The corporate uniforms for 2021, a mandatory benefit for the employees, was also approved by the HR and Compensation Committee. It also noted the insurance provider for 2021 for the Directors and Officers Liability Insurance.

The HR and Compensation Committee, as jointly discussed with the IT Steering Committee, approved the provider for the HRIS Project. The scope of functionality for the HRIS solution includes the priority modules such as the 201 Files, and Timekeeping and Payroll. This Project is part of business process improvements of the organization. The progress of the Project is being regularly monitored by the HR and Compensation Committee until its completion.

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 2019 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 Granting of Detailship Allowance Policy, OIC/Acting Designation Policy, Medicine Reimbursement Policy, Mutual Relief Contribution Policy, and Processing of Employee Separation and Retirement Benefits Policy.

The Committee also discussed the results of the Climate Survey for 2020, an activity being conducted by Management every two years with the assistance of an external consultant, to solicit employee views on variety of issues affecting the organization, management, workforce and other concerns. Although the Climate Survey is not programmed this year, it was undertaken to assess how the employees' views have changed due to the pandemic.

CREDIT AND COLLECTION COMMITTEE

The Credit and 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.

Chairman: BGen Denie Mar A Clemencia PA

COMPOSITION (JAN - DEC 2020)	MEETINGS ELIGIBLE TO ATTEND	MEETINGS ATTENDED	%
BGEN DENIE MAR A CLEMENCIA PA	13	13	100.00%
MGEN ROSELLER G MURILLO PA (RET)	5	5	100.00%
CAPT BRENDO J CASACLANG (GSC) PN	13	12	92.31%
PCOL JOSE MELENCIO C NARTATEZ JR	1	1	100.00%
COL PEDRO C BALISI JR PA	5	4	80.00%
COL ARTHUR D LAYLO PAF	5	5	100.00%
FCMS ALADIN S DACAYANAN (INF) PA	4	4	100.00%
PBGEN FERDINAND B DAWAY	9	8	88.89%
PLTGEN ARCHIE FRANCISCO F GAMBOA (RET)	2	0	0.00%
MGEN EMERALDO C MAGNAYE PAF (RET)	8	8	100.00%
PBGEN JOSELITO M VERA CRUZ	8	8	100.00%
BGEN ROY M GALIDO PA	7	6	85.71%
COL RONNIE S CABINGAS (GSC) PAF	7	6	85.71%
FCMS ENGRACIO S GABO JR (INF) PA (RET)	1	1	100.00%

MAJOR ACCOMPLISHMENTS:

Endorsed the following for Board approval/confirmation:

- Foreclosure of Collaterals – Centennial Savings Bank (CSB) Loan (Account of Prime Peak Properties Ltd., Inc);
- Pricing and Re-Pricing of Real and Other Properties Acquired;
- Consideration for Loans Incidentally Affected by BSP Memorandum (item uu) of Republic Act No. 11494;
- Policy on Collection Management Services (Collection Agents);
- Loan Applications of Directors, Officers, Stockholders and their Related Interests (DOSRI); and
- Loan Applications (Real Estate and Vehicle Loans)

One of the Association's strategic objectives is to aggressively grow the business and one way of achieving that is through foreclosure of collaterals. Along this line, one of the major accomplishments of the Credit and Collection Committee was the foreclosure of 13 properties with an aggregate fair market value of Php 24.6 M.

In connection with the BSP Memorandum in compliance to Republic Act No. 11494 otherwise known as the *Bayanihan to Recover as One Act* which took effect in September 2020 and which requires compliance of AFPSLAI and other financial institutions under item (uu) of said Act, another major accomplishment of the Credit and Collection Committee was the approval of the implementation of the 60-day loan payment moratorium for all loans regardless of whether they are current, past due or non-performing loans. Further, the Committee approved the granting of consideration to borrowers with loans released within the period September 15 to October 31, 2020, payable through salary/pension deduction, and have them incidentally covered by the loan payment moratorium. This action of the Association favors the borrowers especially in this season of pandemic.

Another significant accomplishment of the Credit and Collection Committee was the approval of the Policy on Collection Management Services, which prescribes the guidelines for the management of collection agencies, while complying with regulatory requirements, related internal policies, and agreements with other parties.

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 2020, the ROPA portfolio stood at Php 17.9 M, representing 46 properties.

The Credit and Collection Committee also approved DOSRI loan applications in accordance with the loan limit to a single borrower as provided for under Section 4301Sa of the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI), and existing net-take-home-pay (NTHP) requirement for AFPSLAI employees. It also approved/confirmed real estate and vehicle loans as endorsed by Management, pursuant to the Levels of Approving Authority.

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 AND AMENDMENT COMMITTEE

The Membership and 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.

Chairman: Capt Brendo J Casaclang (GSC) PN

COMPOSITION (JAN - DEC 2020)	MEETINGS ELIGIBLE TO ATTEND	MEETINGS ATTENDED	%
CAPT BRENDO J CASACLANG (GSC) PN	14	13	92.86%
BGEN DENIE MAR A CLEMENCIA PA	14	13	92.86%
LTGEN SAMUEL B BAGASIN PA (RET)	1	1	100.00%
PCOL JOSE MELENCIO C NARTATEZ JR	1	1	100.00%
COL PEDRO C BALISI JR PA	5	4	80.00%
COL ARTHUR D LAYLO PAF	5	5	100.00%
FCMS ALADIN S DACAYANAN (INF) PA	4	4	100.00%
BGEN RAFAEL S ROMERO PA (RET)[1]	3	3	100.00%
PBGEN FERDINAND B DAWAT	10	8	80.00%
PMGEN EDWIN C ROQUE (RET)	9	8	88.89%
PBGEN JOSELITO M VERA CRUZ	2	2	100.00%
BGEN ROY M GALIDO PA	8	8	100.00%
COL RONNIE S CABINGAS (GSC) PAF	8	5	62.50%
FCMS ENGRACIO S GABO JR (INF) PA (RET)	10	8	80.00%

MAJOR ACCOMPLISHMENTS:

Endorsed the following for Board approval:

- Proposed Amendments to the Articles of Incorporation and By-Laws;
- Policy on the Conduct of Membership Meetings through Remote or Other Electronic Means of Communication;
- COMELEC for the 48th Annual Membership Meeting;
- Proxy Form;
- Expulsion of Membership;
- Application for New Membership/Re-admission; and
- Application for Termination of Membership

The most significant accomplishment of the Membership and Amendment Committee was the approval of the amendments to the Articles of Incorporation and By-laws in consideration of the relevant provisions of Republic Act No. 11232 or the Revised Corporation Code of the Philippines. The amendment to the Articles of Incorporation (Fourth Provision) provides for the perpetual term of existence of the Association with the intention to retain its current business model as a non-stock savings and loan association (NSSLA). The amendments to the By-laws on specific Sections of Articles IV to VII mostly pertain to compliances to the Revised Corporation Code. These amendments to the Articles of Incorporation and By-laws were all approved by the General Membership in the last Annual Membership Meeting (AMM) and for further approval by the *Bangko Sentral ng Pilipinas* (BSP) and the Securities and Exchange Commission (SEC).

In relation to the AMM, another significant accomplishment of the Membership and Amendment Committee was the approval of the conduct of a virtual AMM for 2020 due to the COVID-19 pandemic and restriction on mass gatherings. A Policy on the Conduct of Membership Meetings through Remote or Other Electronic Means of Communication was likewise approved by the Committee. The Policy is in accordance to the SEC Memorandum Circular No. 6 Series of 2020 and the Revised Corporation Code which allow the conduct of membership meetings through remote communication. The Policy covers member eligibility, notice of meeting, determination of quorum, procedures for participating through remote communication, voting procedures on the election of trustees and other matters, and documentation of the meeting.

The Membership and Amendment Committee also approved the Chairman and Members of the Committee on Election who will conduct the election of the Board of Trustees, and the prescribed Proxy Form for the 48th AMM.

As part of the Membership and Amendment Committee's function to oversee membership management, it approved expulsion of membership for committing acts inimical to the credit and good name, and financial stability of the Association pursuant to Article XI Section 2 of the AFPSLAI By-Laws.

The Membership and Amendment Committee closely monitored on a monthly basis the membership of AFPSLAI as contained in the Membership Report, and the other supplemental membership reports including the breakdown of new membership by branch of service, by rank, and by branch office. This will aid the Committee in its recommendations for policy or procedural/process improvements in the future.

Part of the close monitoring of the Membership and Amendment Committee was on the cleansing of membership activities of the Association to ensure that its membership is confined to a well-defined group as provided for in the AFPSLAI By-laws. Membership cleansing activities include (1) Membership Registry Cleansing (BSP Circular 993), (2) No Update 10 years and above, (3) BSP Report of Examination findings, (4) Inactive Civilian, and (5) Associate Dependent.

The Membership and Amendment Committee also confirmed applications for new, re-admission and termination of membership. It also monitored the status of membership applications with lacking documentary requirements on a monthly basis to ensure completion within the prescribed period.

Updates on the initiatives on membership perspective were also discussed by the Membership and Amendment Committee on a quarterly basis. One initiative is the Customer Satisfaction Survey being done in all branch offices throughout the year to monitor the quality of service being provided to the members.

Compliance to 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. The proposed Guidelines on Capital Contribution of Members was recommended for further enhancement of Management.

INFORMATION TECHNOLOGY STEERING COMMITTEE

The Information Technology Steering Committee is responsible for the understanding of the information technology risks confronting AFPSLAI, and the maintenance of oversight function on matters concerning IT Risk Management with due consideration to the nature of complexity of AFPSLAI's business, pursuant to applicable provisions of the Manual of Regulations for Non-Bank Financial Intermediaries (MORNBFI) as amended.

Chairman: PLtGen Joselito M Vera Cruz

COMPOSITION (JAN - DEC 2020)	MEETINGS ELIGIBLE TO ATTEND	MEETINGS ATTENDED	%
PLTGEN JOSELITO M VERA CRUZ	7	4	57.14%
PBGEN EDDIE B BENIGAY (RET)	7	7	100.00%
MGEN ROSELLER G MURILLO PA (RET)	7	7	100.00%
PMGEN EDWIN C ROQUE (RET)	14	11	78.57%
LTGEN RONNIE S EVANGELISTA PA (RET)	7	7	100.00%
MGEN ROMEO D LUSTESTICA PA (RET)	7	7	100.00%
MGEN EMERALDO C MAGNAYE PAF (RET)	7	7	100.00%
MR HECTOR M ATIENZA	7	7	100.00%
BGEN ROY M GALIDO PA	5	5	100.00%

MAJOR ACCOMPLISHMENTS:

Endorsed the following for Board approval:

- SAP Software Maintenance Agreement;
- IT Governance and Management Manual;
- Revised IT Steering Committee Charter;
- Study on AFPSLAI ATM Facility; and
- Results of SGV's Vulnerability Assessment and Penetration Testing

One of the major accomplishments of the IT Steering Committee was the approval of the IT Governance and Management Manual which follows a framework to ensure that IT objectives are aligned with business objectives. The Manual adopts the framework as provided for in BSP Circular No. 808 on Information Technology Risk Management, and applicable domain of Control Objectives for Information Related Technology (COBIT). COBIT model is a generally accepted framework for IT governance which integrates developmental best practice approaches founded from the international IT audit community.

The Board of Trustees instructed Management to come up with a proposal on ATM for local transactions to reduce the long queue during Expected Divided Advance (EDA) and dividend pay-outs. The need for an ATM was reinforced due to the ongoing pandemic to lessen the visits of members in the branch offices. Hence, another major accomplishment of the IT Steering Committee was the approval of the Hybrid concept for the AFPSLAI ATM System. Having an ATM Facility is also part of the IT Strategic Plan. The study on the ATM Facility was anchored on the following considerations:
(1) organizational structure and requirements, (2) systems security, (3) BSP requirement, (4) cost to build, operate and maintain, and (5) possible integration of the ATM card and AFPSLAI ID.

The Revised IT Steering Committee Charter was also approved by the Committee to align the provisions with BSP Circular No. 982 which superseded BSP Circular No. 808. Succeeding BSP Circulars were likewise issued concerning IT Risk Management which were all incorporated in Section 145-S of the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI).

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 modules such as: (1) Financial and Controlling, (2) Materials Management, (3) Asset Management, (4) Budget Monitoring, and (5) Treasury and Risk Management. The Maintenance Agreement also includes Application Manage Services to support services for the application systems.

In compliance to Data Privacy Act of 2012, AFPSLAI engaged the services of SGV & Co. for the conduct of the Vulnerability Assessment and Penetration Testing (VAPT) which covers seven areas, namely: (1) External VAPT, (2) Mobile Application Testing, (3) Internal VAPT, (4) Wireless Access Points, (5) Social Engineering and Physical VAPT, (6) Conducting the Cyber Program Assessment, and (7) Executive Awareness Session. The results of the VAPT along with the key strategic initiatives and recommendations were discussed and duly noted by the Committee.

As part of the IT Steering Committee's oversight function on matters concerning IT, the Committee closely monitored on a monthly basis, the updates on IT Strategic Plan Roadmap focusing on the four (4) categories, namely: 1) Strategy; 2) People; 3) Process; and 4) Technology. The Committee also monitored the updates on Voyager Project Phases 1 and 2 to ensure that deliverables are up and running as intended. The assessment of the IT risk based on the set Key Risk Indicators was also discussed by the Committee on a quarterly basis.

The IT Steering Committee spearheaded the simulation of the Membership Onboarding Facility and Mobile Sales, as part of the Voyager Project Phase 2, to ensure a smooth roll-out during the launching in the Anniversary Celebration on December 1, 2020. These IT platforms are tools to beef up the Association's efforts in improving its services for the convenience of its members.

BOARD OF TRUSTEES Y2021

REGULAR TRUSTEES

GEN CIRILITO E SOBEJANA PA
Chairman

Gen Cirilito E Sobejana PA was elected as the Chairman of the AFPSLAI Board of Trustees effective February 26, 2021. He is a member of the Philippine Military Academy Class of 1987, and the 55th Chief of Staff of the Armed Forces of the Philippines.

Gen Sobejana has completed various careers and specialization courses and trainings here in the country and abroad. He holds a Master's Degree in Public Administration from the Philippine Christian University.

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

Gen Sobejana is a recipient of the country's highest military award, the Medal of Valor, an award equivalent to the Congressional Medal of Honor of the United States of America.

PBGEN EDDIE B BENIGAY (RET)
Vice Chairman

PBGen Eddie B Benigay (Ret) is a member of the AFPSLAI Board of Trustees since August 2016 serving his fifth and final term. He is the incumbent Vice Chairman of the Board, which took effect in July 2020. Prior to joining AFPSLAI, he was the Director of the Regional Internal Affairs Service 7 of the Philippine National Police.

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

MGEN ROSELLER G MURILLO PA (RET)
President & CEO

MGen Roseller G Murillo PA (Ret) joined the AFPSLAI Board of Trustees in July 2020 and is the incumbent President & CEO of AFPSLAI. He retired from the active military service in February 2019 as the Commander, 1st Infantry Division of the Philippine Army.

MGen Murillo PA (Ret) holds a Bachelor of Science Degree from the Philippine Military Academy (Class 1986), and a Master in Information Technology Degree from the University of New South Wales in Australia.

Prior to joining the AFPSLAI Family, MGen Murillo PA (Ret) has worked as the Assistant Vice President of Century Peak Corporation.

LTGEN RONNIE S EVANGELISTA PA (RET)
Trustee

LtGen Ronnie S Evangelista PA (Ret) joined the AFPSLAI Board of Trustees in July 2020. He retired from the active military service in March 2020. His last position was Superintendent, Philippine Military Academy.

LtGen Evangelista PA (Ret) is a graduate of Bachelor of Science from the Philippine Military Academy (Class 1986) and holds a Master's Degree in Public Administration from the National College of Business and Arts.

LTGEN SAMUEL B BAGASIN PA (RET)
Trustee

LtGen Samuel B Bagasin PA (Ret) joined the AFPSLAI Board of Trustees in November 2020. He held various key leadership positions in the Armed Forces of the Philippines. He retired from the active military service in September 2006 leaving his post as the Commander of the Central Command. He was also designated as The Deputy Chief of Staff, AFP in 2005. He was also assigned as the Commanding General of the 5th and 4th Infantry Divisions of the Philippine Army from 2003 to 2005.

LtGen Bagasin PA (Ret) is a graduate of Bachelor of Science from the Philippine Military Academy (Class 1973) and holds a Master in Business Administration Degree from the Webster University in the United States of America.

PLTGEN JOSELITO M VERA CRUZ
Trustee

PLtGen Joselito M Vera Cruz joined the AFPSLAI Board of Trustees in February 2019 when he was the Director of the Finance Service of the Philippine National Police. He currently holds the number 2 post in the PNP Leadership as The Deputy Chief for Administration.

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

BGEN DENIE MAR A CLEMENCIA PA
Trustee

BGen Denie Mar A Clemencia PA is member of the AFPSLAI Board of Trustees since December 2019 upon his assumption as the Chief, AFP Finance Center. He was the former Chief, Office of the Army Financial Management.

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

PBGEN JOSE MELENCIO C NARTATEZ JR
Trustee

PBGen Jose Melencio C Nartatez Jr joined the AFPSLAI Board of Trustees in November 2020 when he was designated as the Director, Finance Service of the Philippine National Police.

PBGen Nartatez Jr is a graduate of Bachelor of Science from the Philippine Military Academy (Class 1992), and holds a Master in Public Administration Degree from Polytechnic University of the Philippines.

PBGen Nartatez Jr is also an incumbent Trustee of the Boards of the Armed Forces and Police Mutual Benefit Association, Inc. (AFPMBAI) and the Public Safety Mutual Benefit Fund, Inc. (PSMBFI).

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 Commander, 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 RAMON ANTONIO E BELLO (CAV) PA

Trustee

Col Ramon Antonio E Bello (CAV) PA was recently elected as member of the AFPSLAI Board of Trustees in April 2021 when he assumed as the Assistant Chief of Staff for Financial Management of the Philippine Army.

Col Bello (CAV) PA is a graduate of Bachelor of Science from the Philippine Military Academy (Class 1994) and holds two (2) Master's Degrees: Master in Defense Policy and International Security from Universidad Complutense De Madrid in Spain, and Master in Business Administration from Wesleyan College in the United States of America.

COL ARTHUR D LAYLO PAF

Trustee

Col Arthur D Laylo PAF joined the AFPSLAI Board of Trustees in July 2020 and is the incumbent Commanding Officer, Air Force Finance Center.

Col Laylo PAF is a graduate of Bachelor of Science from the Philippine Military Academy (Class 1996), and holds a Master's Degree in Public Management Major in Development and Security from the Development Academy of the Philippines.

FCMS ALADIN S DACAYANAN (INF) PA

Trustee

FCMS Aladin S Dacayanan (INF) PA was elected as member of the AFPSLAI Board of Trustees in September 2020. He is currently the AFP Sergeant Major, the highest Non-Commissioned Officer (NCO) of the AFP. He was formerly the Command Sergeant Major of ISAFP and the Army Sergeant Major.

FCMS Dacayanan is a graduate of Bachelor of Science in Criminology from St Ferdinand College. 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).

INDEPENDENT TRUSTEES

GEN VICTOR S IBRADO PA (RET)
Trustee

Gen Victor S Ibrado PA (Ret) was the Chairman of the Board of Trustees of AFPSLAI from May 1, 2009 to March 10, 2010 when he served as the AFP Chief of Staff. 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), and holds a Master in Public Management Degree from the Development Academy of the Philippines.

Gen Ibrado PA (Ret) was also the former Chairman of the Boards of the Armed Forces and Police Mutual Benefit Association, Inc. (AFPMBAI) and the AFP Retirement and Separation Benefits System (AFPRSBS) during his stint as the AFP Chief of Staff.

LTGEN SALVADOR MELCHOR B MISON JR PAF (RET)
Trustee

LtGen Salvador Melchor B Mison Jr PAF (Ret) is a member of the AFPSLAI Board of Trustees 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 from the University of the Philippines in Diliman. He also earned a Post Graduate Diploma in Arts Defense and Strategic Studies from the Massey University in New Zealand.

PMGEN EDWIN C ROQUE (RET)
Trustee

PMGen Edwin C Roque (Ret) is a member of the AFPSLAI Board of Trustees since May 2018. He retired from the police service in July 2020 as the Director for Logistics of the Philippine National Police. Prior to his appointment as Director for Logistics, he was the Director of the PNP Directorate for Plans. He was also the former Director of the PNP Legal Service.

PMGen Roque (Ret) 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 from the Jose Rizal University.

OTHER MEMBERS OF THE BOARD
who were elected as Trustee between July 2020 and December 2020

GEN FELIMON T SANTOS JR PA (RET)
Chairman
July 2020 - August 2020

GEN GILBERT I GAPAY PA (RET)
Chairman
August 2020 - February 2021

FCMS ENGRACIO S GABO JR (INF)
Trustee
July 2020 - August 2020

PBGEN FERDINAND B DAWAY
Trustee
July 2020 - October 2020

BGEN RAFAEL S ROMERO PA (RET)†
Trustee
July 2020 - November 2020

COL PEDRO C BALISI JR PA
Trustee
July 2020 - March 2021

CORPORATE AND EXECUTIVE OFFICERS

GEN CIRILITO E SOBEJANA PA
Chairman

PBGEN EDDIE B BENIGAY (RET)
Vice Chairman

MGEN ROSELLER G MURILLO PA (RET)
President & CEO

BGEN RODEL MAURO R ALARCON PA (RET)
EVP-GM

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 Adminstration Department

MS MARILYN G GAHITE
SVP for Operations Department

MANAGEMENT TEAM

OFFICE OF THE CHAIRMAN

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

MR ANTHONY D ROSETE
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

MR VIRGILIO R PRION
Officer-In-Charge, Information Security Office

OFFICE OF THE EVP-GM

MR JONATHAN P SERRANO
Acting Head, Information Systems Division

MR MARIO M MATUGUINA
Acting 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 PAUL NICHOLAS A VILLANIA
Acting 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
Head, Billing & Collection Division

MS MARIA L MARGALLO
Head, Remedial Asset Management Office

COMPTROLLERSHIP DEPARTMENT

MS LUELLA G LEUTERIO
Head, General Accounting Office

MS LOURDES B OCAMPO
Head, Loans Accounting Office

MS MA LEONORA C ORTEGA
Acting 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

COL ANTONIO L SOTELO JR PAF (RET)
Head, General Services Office

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

OPERATIONS DEPARTMENT

MR JOSEPH T MACARILAY
Area Operations Head, NCR & Luzon

MR GERRY G TORIO
Officer-In-Charge, Area Operations, 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
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, 2020 and 2019

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 2020. 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 2020 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 CIRILITO E SOBEJANA PA	MGEN ROSELLER G MURILLO PA (RET)	MS ROSARIO D SANTOS
Chairman	President and CEO	Comptroller

APR 2 6 2021

SUBSCRIBED AND SWORN to before me this ___ day of _____ 2021 at Quezon City, affiants exhibiting to me their Tax Identification No. (TIN):

Names	TIN
GEN CIRILITO E SOBEJANA PA	132-613-908
MGEN ROSELLER G MURILLO PA (RET)	171-834-012
MS ROSARIO D SANTOS	136-501-583

Doc No. 410
Page No 82
Book No 91
Series of ~~2019~~ 2021

ATTY. RICARDO C. MONTESA JR.
NOTARY PUBLIC for QUEZON CITY, Comm. until June 30, 2021
Supreme Court En Banc B.M. No. 3795, Dec. 1 2020
Roll No. 41966
PTR No. 9353065/01-10-2020/Quezon City
IBPNo. 05597/Lifetime/Or. Mindoro
MCLE Compliance VI No. 0007973/April 14, 2018
AFPSLAI, Camp Aguinaldo, Quezon City

www.afpslai.com.ph

Isla Lipana & Co.

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 financial statements of the Armed Forces and Police Savings & Loan Association, Inc. and Subsidiary (the "Group") and the parent financial statements of the Armed Forces and Police Savings & Loan Association, Inc. (the "Parent Company") present fairly, in all material respects, the financial position of the Group and of the Parent Company as at December 31, 2020 and 2019, 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, 2020 and 2019;
- the consolidated and parent statements of income for the years ended December 31, 2020 and 2019;
- the consolidated and parent statements of comprehensive income for the years ended December 31, 2020 and 2019;
- the consolidated and parent statements of changes in equity for the years ended December 31, 2020 and 2019;
- the consolidated and parent statements of cash flows for the years ended December 31, 2020 and 2019; 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.

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 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.

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.

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 Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2020 required by the BSP under Circular No. 1075 and by the Bureau of Internal Revenue (BIR) under Revenue Regulations Nos. 15-2010 and 34-2020 as disclosed in Notes 28 and 29, respectively, to the financial statements is presented for purposes of filing with the BSP and BIR and is not a required part of the basic financial statements. Such information is the responsibility of management of the Group and the Parent Company. The information has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Isla Lipana & Co.

Zaldy D. Aguirre
Partner
CPA Cert No. 105660
P.T.R. No. 0024447, issued on January 5, 2021, Makati City
SEC A.N. (individual) as general auditors 105660-SEC, Category A, valid to audit 2020 to 2024 Financial statements
SEC A.N. (firm) as general auditors 0142-SEC, Category A; valid to audit 2020 to 2024 financial statements
TIN 221-755-698
BIR A.N. 08-000745-077-2020, issued on December 14,2020; effective until December 13, 2023
BOA/PRC Reg. No. 0142, effective until January 21, 2023

Makati City
April 23, 2021

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

Statements of Financial Position
December 31, 2020 and 2019
(All amounts in thousands of Philippine Peso)

	Notes	Consolidated 2020	Consolidated 2019	Parent Company 2020	Parent Company 2019
ASSETS					
CASH AND CASH EQUIVALENTS	2	3,049,306	3,105,078	2,944,910	3,016,506
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	3	364,322	350,596	364,322	350,596
INVESTMENT SECURITIES AT AMORTIZED COST	4	6,189,591	6,184,163	6,189,591	6,184,163
LOANS AND RECEIVABLES, net	5	112,738,700	99,051,878	112,725,267	99,023,810
PROPERTY AND EQUIPMENT, net	7	381,477	375,486	381,466	375,463
INVESTMENT PROPERTIES, net	8	55,430	57,118	52,981	54,669
INVESTMENT IN A SUBSIDIARY	6	-	-	75,000	75,000
OTHER ASSETS, net	10	3,822,325	5,308,087	3,822,198	5,307,822
Total assets		126,601,151	114,432,406	126,555,735	114,388,029
LIABILITIES AND EQUITY					
DEPOSIT LIABILITIES	12	33,696,193	26,694,311	33,696,193	26,694,311
BILLS PAYABLE	13	9,000,000	13,000,000	9,000,000	13,000,000
ACCRUED INTEREST AND OTHER EXPENSES		181,965	247,617	181,563	247,241
RETIREMENT LIABILITY	9	152,894	119,563	152,894	119,563
DIVIDENDS PAYABLE	11	100,604	142,801	100,604	142,801
OTHER LIABILITIES	14	4,441,333	2,043,097	4,401,297	2,002,937
Total liabilities		47,572,989	42,247,389	47,532,551	42,206,853
EQUITY ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY					
Members' contributions	11	57,103,004	53,546,372	57,103,004	53,546,372
Surplus reserves	15	13,289,013	8,599,050	13,289,013	8,599,050
Surplus free		8,869,731	10,243,399	8,875,862	10,250,417
Accumulated other comprehensive loss	15	(244,695)	(214,663)	(244,695)	(214,663)
		79,017,053	72,174,158	79,023,184	72,181,176
NON-CONTROLLING INTEREST		11,109	10,859	-	-
Total equity		79,028,162	72,185,017	79,023,184	72,181,176
Total liabilities and equity		126,601,151	114,432,406	126,555,735	114,388,029

(The notes on pages 75 to 134 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, 2020 and 2019
(All amounts in thousands of Philippine Peso)

		Consolidated		Parent Company	
	Notes	2020	2019	2020	2019
INTEREST INCOME					
Loans and discount, net	5	15,676,941	13,730,152	15,675,018	13,726,287
Investment in debt securities	3,4	300,193	299,922	300,193	299,922
Cash and cash equivalents and other investments	2	14,493	24,651	12,017	22,563
Sales contract receivables		817	1,140	817	1,140
		15,992,444	14,055,865	15,988,045	14,049,912
INTEREST EXPENSE	12,13	1,657,134	1,530,873	1,657,134	1,530,873
NET INTEREST INCOME		14,335,310	12,524,992	14,330,911	12,519,039
PROVISION FOR CREDIT AND IMPAIRMENT LOSSES	18	808,212	1,676,204	808,035	1,676,204
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES		13,527,098	10,848,788	13,522,876	10,842,835
OTHER INCOME					
Service charge and other fees		4,952	6,916	4,952	6,916
Miscellaneous	19	63,098	146,288	63,073	143,085
		68,050	153,204	68,025	150,001
OPERATING EXPENSES					
Compensation and fringe benefits		788,991	873,180	788,991	870,084
Collection fees		157,621	189,034	157,621	189,034
Taxes and licenses		154,502	178,070	153,847	177,442
Donations and charitable contributions		113,319	103,405	113,319	103,405
Advertising and publicity		34,926	63,607	34,926	63,607
Depreciation and amortization	7,8,10	111,560	58,777	111,548	58,765
Rent	17	50,924	45,038	50,924	45,038
Security, janitorial and messengerial fees		44,733	44,374	44,733	44,374
Management and other professional fees		77,091	35,717	77,091	35,717
Power, light and water		23,995	31,028	23,962	30,996
Staff activities		10,830	23,814	10,720	23,729
Entertainment, amusement and recreation		15,068	16,912	15,068	16,372
Miscellaneous	20	173,820	215,571	171,719	213,683
		1,757,380	1,878,527	1,754,469	1,872,246
INCOME BEFORE INCOME TAX		11,837,768	9,123,465	11,836,432	9,120,590
INCOME TAX EXPENSE	21	543	1,817	344	740
NET INCOME FOR THE YEAR		11,837,225	9,121,648	11,836,088	9,119,850
Attributable to:					
Members of the Parent Company		11,836,975	9,121,119	11,836,088	9,119,850
Non-controlling interest		250	529	-	-
		11,837,225	9,121,648	11,836,088	9,119,850

(The notes on pages 75 to 134 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, 2020 and 2019
(All amounts in thousands of Philippine Peso)

		Consolidated		Parent Company	
	Notes	2020	2019	2020	2019
NET INCOME FOR THE YEAR		11,837,225	9,121,648	11,836,088	9,119,850
OTHER COMPREHENSIVE (LOSS) INCOME					
Item that will not be reclassified to profit or loss					
Remeasurement of retirement liability, net	9,15	(43,758)	(124,622)	(43,758)	(123,738)
Item that may be subsequently reclassified to profit or loss					
Net change in unrealized gain on financial assets at FVOCI		13,726	47,645	13,726	47,645
		(30,032)	(76,977)	(30,032)	(76,093)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		11,807,193	9,044,671	11,806,056	9,043,757
Attributable to:					
Members of the Parent Company		11,807,193	9,044,866	11,806,056	9,043,757
Non-controlling interest		-	(195)	-	-
		11,807,193	9,044,671	11,806,056	9,043,757

(The notes on pages 75 to 134 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, 2020 and 2019
(All amounts in thousands of Philippine Peso)

	Consolidated						
	Attributable to members of the Parent Company						
	Members' contributions (Note 11)	Surplus reserves (Note 15)	Surplus free	Accumulated other comprehensive loss (Note 15)	Total	Non-controlling interest	Total equity
Balances at January 1, 2019	50,232,503	9,089,770	8,634,254	(137,881)	67,818,646	10,525	67,829,171
Comprehensive income							
Net income for the year	-	-	9,121,119	-	9,121,119	529	9,121,648
Other comprehensive loss	-	-	-	(76,782)	(76,782)	(195)	(76,977)
Total comprehensive income for the year	-	-	9,121,119	(76,782)	9,044,337	334	9,044,671
Transactions with owners							
Dividends declared	-	-	(8,002,694)	-	(8,002,694)	-	(8,002,694)
Capital contributions	18,056,033	-	-	-	18,056,033	-	18,056,033
Capital withdrawals	(14,742,164)	-	-	-	(14,742,164)	-	(14,742,164)
Total transactions with owners	3,313,869	-	(8,002,694)	-	(4,688,825)	-	(4,688,825)
Other movements							
Appropriation of surplus	-	2,407,719	(2,407,719)	-	-	-	-
Release of surplus reserves	-	(2,898,439)	2,898,439	-	-	-	-
Total other movements	-	(490,720)	490,720	-	-	-	-
Balances at December 31, 2019	53,546,372	8,599,050	10,243,399	(214,663)	72,174,158	10,859	72,185,017
Comprehensive income							
Net income for the year	-	-	11,836,975	-	11,836,975	250	11,837,225
Other comprehensive loss	-	-	-	(30,032)	(30,032)	-	(30,032)
Total comprehensive income for the year	-	-	11,836,975	(30,032)	11,806,943	250	11,807,193
Transactions with owners							
Dividends declared	-	-	(8,520,680)	-	(8,520,680)	-	(8,520,680)
Capital contributions	19,957,396	-	-	-	19,957,396	-	19,957,396
Capital withdrawals	(16,400,764)	-	-	-	(16,400,764)	-	(16,400,764)
Total transactions with owners	3,556,632	-	(8,520,680)	-	(4,964,048)	-	(4,964,048)
Other movements							
Appropriation of surplus	-	7,401,574	(7,401,574)	-	-	-	-
Release of surplus reserves	-	(2,711,611)	2,711,611	-	-	-	-
Total other movements	-	4,689,963	(4,689,963)	-	-	-	-
Balances at December 31, 2020	57,103,004	13,289,013	8,869,731	(244,695)	79,017,053	11,109	79,028,162

(The notes on pages 75 to 134 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, 2020 and 2019
(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, 2019	50,232,503	9,089,770	8,642,541	(138,570)	67,826,244
Comprehensive income					
Net income for the year	-	-	9,119,850	-	9,119,850
Other comprehensive loss	-	-	-	(76,093)	(76,093)
Total comprehensive income for the year	-	-	9,119,850	(76,093)	9,043,757
Transactions with owners					
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	-	(8,002,694)	-	(4,688,825)
Other movements					
Appropriation of surplus	-	2,407,719	(2,407,719)	-	-
Release of surplus reserves	-	(2,898,439)	2,898,439	-	-
Total other movements	-	(490,720)	490,720	-	-
Balances at December 31, 2019	53,546,372	8,599,050	10,250,417	(214,663)	72,181,176
Comprehensive income					
Net income for the year	-	-	11,836,088	-	11,836,088
Other comprehensive loss	-	-	-	(30,032)	(30,032)
Total comprehensive income for the year	-	-	11,836,088	(30,032)	11,806,056
Transactions with owners					
Dividends declared	-	-	(8,520,680)	-	(8,520,680)
Capital contributions	19,957,396	-	-	-	19,957,396
Capital withdrawals	(16,400,764)	-	-	-	(16,400,764)
Total transactions with owners	3,556,632	-	(8,520,680)	-	(4,964,048)
Other movements					
Appropriation of surplus	-	7,401,574	(7,401,574)	-	-
Release of surplus reserves	-	(2,711,611)	2,711,611	-	-
Total other movements	-	4,689,963	(4,689,963)	-	-
Balances at December 31, 2020	57,103,004	13,289,013	8,875,862	(244,695)	79,023,184

(The notes on pages 75 to 134 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, 2020 and 2019
(All amounts in thousands of Philippine Peso)

		Consolidated		Parent Company	
	Notes	2020	2019	2020	2019
CASH FLOW FROM OPERATING ACTIVITIES					
Cash generated from operations	23	9,090,315	250,051	9,074,453	218,080
Contributions to retirement plan	9	(61,577)	(68,350)	(61,577)	(66,586)
Income taxes paid		(2)	(531)	36	(428)
Net cash generated from operating activities		9,028,736	181,170	9,012,912	151,066
CASH FLOW FROM INVESTING ACTIVITIES					
Acquisition of:					
Property and equipment	7	(79,072)	(172,985)	(79,072)	(172,985)
Investment Properties	8	(21)	-	(21)	-
Software	10	(4,110)	-	(4,110)	-
Proceeds from sale of:					
Investment properties	8	4,824	38,090	4,824	33,645
Financial assets at FVOCI	3	-	215	-	215
Property and equipment	7	116	12,447	116	12,447
Net cash used in investing activities		(78,263)	(122,233)	(78,263)	(126,678)
CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds from borrowings	13	36,500,000	57,295,820	36,500,000	57,295,820
Repayment of borrowings	13	(40,500,000)	(50,995,820)	(40,500,000)	(50,995,820)
Capital contributions from members		19,957,396	18,056,033	19,957,396	18,056,033
Capital withdrawals by members		(16,400,764)	(14,742,164)	(16,400,764)	(14,742,164)
Dividends paid	11	(8,562,877)	(8,618,349)	(8,562,877)	(8,618,349)
Net cash generated from financing activities		(9,006,245)	995,520	(9,006,245)	995,520
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(55,772)	1,054,457	(71,596)	1,019,908
CASH AND CASH EQUIVALENTS	2				
January 1		3,105,078	2,050,621	3,016,506	1,996,598
December 31		3,049,306	3,105,078	2,944,910	3,016,506

(The notes on pages 75 to 134 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, 2020 and 2019
(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" or the "Association") 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 771 employees as at December 31, 2020 (2019 - 773 employees).

The Parent Company owns 78% of the outstanding capital stock of Centennial Financing Corporation ("CFC" or the "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".

Coronavirus pandemic

On March 16, 2020, the Philippine government declared the entire island of Luzon under an enhanced community quarantine (ECQ) due to the increasing number of coronavirus disease (COVID-19) cases in the country. The ECQ mandated the closure of non-essential business establishments and strict home quarantine resulting in a slowdown of economy. Measures are in place to support business continuity and manage financial risks to a minimum.

As at the approval date of the financial statements, the pandemic remains the topmost concern of governments and businesses alike. The Philippine economy is gradually opening with the imposition of less stringent community quarantine protocols. Likewise, the vaccination program of the government, which commenced in 2021, is hoped to slow down the spread of the virus and boost confidence among businesses and consumers. Management is not aware of any material adverse effects on the Group as a result of the COVID-19 outbreak.

Effect of the suspension of loan payments mandated by the Bayanihan Acts I and II

In response to the growing number of COVID-19 cases in the country, Republic Act (RA) No. 11469, otherwise known as "Bayanihan to Heal as One Act" or Bayanihan Act I was enacted on March 24, 2020 which granted the President of the Republic of the Philippines additional powers to combat the pandemic and aid certain vulnerable sectors of the economy. On September 11, 2020, the President of the Philippines signed into law Republic Act No. 11494 or the "Bayanihan to Recover as One Act" or Bayanihan Act II, in view of the continuing rise of COVID-19 cases and the ensuing economic disruption brought about by the pandemic. Bayanihan Acts I and II both provided moratorium on the payment of eligible loans, but differed in the qualification of eligible loans, the number of days provided as grace period and the allowable payment schemes.

Under Bayanihan Act I, financial institutions were directed to implement a thirty (30)-day grace period for the payment of all loans falling due within the enhanced community quarantine (ECQ) period without interest on interests, penalties, and other charges. Under this law, persons with multiple loans were granted a grace period of 30 days for each and every loan. The initial thirty (30) day grace period was automatically extended as the ECQ period was extended by the President pursuant to his emergency powers under the Bayanihan Act I.

The Group implemented this by giving mandatory grace period or moratorium to members on loan and interest payments, waiver of interest on interest and the special handling for interest accrued on the principal and outstanding balance due during the period April 1, 2020 to May 31, 2020. The status of loans prior to the grant of the moratorium were retained.

Under Bayanihan II, financial institutions were directed to implement a mandatory one-time sixty (60)-day grace period for the payment of all existing, current and outstanding loans falling due on or before December 31, 2020, without incurring interest on interest, penalties, fees, or other charges. The amounts falling due within the 60-day grace period may be settled in full after the 60-day grace period, or on a staggered basis until December 31, 2020, or as may be agreed upon by the parties. To comply with the Act, the Group did not collect loan amortization during the 60-day grace period. Accrued interests were collected upon full payment of the loan, thru renewal, pre-termination or on its full term. This effectively extended the term of the loan, however, members who do not want to extend their loan may pay the loan amortization due.

The Group complied with the Bayanihan Acts I and II and has seen majority of its members availed of the grace period for the payment of the loan. No interest on interest, penalties and fees were charged to its members.

While the pandemic still poses some risk and uncertainties, the Group, however, remains confident on its ability to absorb some conceivable financial shocks that may rise due to volatile economic conditions.

In relation to the effects of the pandemic, the Group's Board of Trustees (BOT) has decided not to accrue the interest income during the payment moratorium for Bayanihan Act II. However, to comply with the relevant accounting standards, an adjustment has been included in the Group's financial statements to properly reflect the accrued interest income.

Approval of the financial statements

The consolidated and separate financial statements have been approved and authorized for issue on April 23, 2021 by the Parent Company's BOT.

2 Cash and cash equivalents

The account at December 31 consists of:

	Consolidated		Parent Company	
	2020	2019	2020	2019
Short-term investments	1,500,000	2,100,000	1,500,000	2,100,000
Cash in banks	1,493,552	952,857	1,389,163	864,293
Cash and other cash items	55,754	52,221	55,747	52,213
	3,049,306	3,105,078	2,944,910	3,016,506

Short-term investments include time deposits, which bear interest at rates ranging from 0.50% to 3.50% (2019 - 3.625% to 4%) 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, 2020 amounts to P14.5 million and P12.0 million, respectively (2019 - P24.7 million and P22.6 million).

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

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

	2020	2019
Corporate bonds	359,356	345,130
Equity securities	3,106	3,606
	362,462	348,736
Accrued interest on debt securities	1,860	1,860
	364,322	350,596

Interest income earned from corporate bonds amounts to P18.0 million for the year ended December 31, 2020 (2019 - P17.5 million).

Accumulated unrealized fair value gain as at December 31, 2020 amounts to P16.7 million (2019 - P2.9 million loss) (Note 15).

4 Investment securities at amortized cost

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

	2020	2019
Government debt securities		
Face amount	6,127,321	6,127,321
Unamortized discount, net	(7,846)	(13,274)
	6,119,475	6,114,047
Accrued interest	70,116	70,116
	6,189,591	6,184,163

Interest rates of government debt securities for the year ended December 31, 2020 and 2019 range from 3.68% to 5.25%.

Interest income earned from the investments amounts to P282.2 million for the year ended December 31, 2020 (2019 - P282.4 million).

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

	2020	2019
At January 1	6,184,163	6,178,957
Amortization of discount	5,428	5,206
Accrued interest movement	-	-
At December 31	6,189,591	6,184,163

There were no additions nor disposals for the years ended December 31, 2020 and 2019.

Critical accounting 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.

5 Loans and receivables, net

Details of this account at December 31 follow:

		Consolidated		Parent Company	
	Note	2020	2019	2020	2019
Loans and discounts					
Consumption and others		115,656,542	103,585,131	115,643,866	103,557,722
Commercial and business		1,644,286	2,011,985	1,644,286	2,011,985
Real estate and housing		177,117	182,872	177,117	182,872
		117,477,945	105,779,988	117,465,269	105,752,579
Other receivables					
Accrued interest receivables		2,917,515	65,181	2,916,708	64,680
Accounts receivable		109,877	198,738	109,751	198,387
Sales contract receivables		7,298	10,530	7,298	10,530
Advances and receivables from officers and employees		2,800	3,879	2,785	3,879
		3,037,490	278,328	3,036,542	277,476
		120,515,435	106,058,316	120,501,811	106,030,055
Allowance for credit losses	18				
Loans and discounts		(7,664,252)	(6,893,955)	(7,664,061)	(6,893,762)
Other receivables		(112,483)	(112,483)	(112,483)	(112,483)
		(7,776,735)	(7,006,438)	(7,776,544)	(7,006,245)
		112,738,700	99,051,878	112,725,267	99,023,810

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

	Consolidated		Parent Company	
	2020	2019	2020	2019
Salary loans	59,945,535	53,782,481	59,945,535	53,782,481
Multipurpose loans	20,737,857	21,500,179	24,016,156	21,500,179
Pension salary loans	24,016,156	18,829,991	20,737,857	18,829,991
Others	10,956,994	9,472,480	10,944,318	9,445,071
	115,656,542	103,585,131	115,643,866	103,557,722

Interest on loans and discounts varies up to 28.62% both in 2020 and 2019.

Interest income from loans and discounts of the Group and Parent Company for the year ended December 31, 2020 amounts to P15.7 billion (2019 - P13.7 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 pertains 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 27.5. Likewise, information on the credit quality of loans is presented in Note 26.1.1.

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:

	2020	2019
Total assets	124,619	123,582
Total equity	124,271	123,135
Net income	1,135	1,798

The corporate life of CFC is up to December 31, 2019. As at December 31, 2020, CFC is in its liquidating phase.

In view of the shortening of CFC's corporate life, the subsidiary's financial statements as at and for the years ended December 31, 2020 and 2019 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

	2020					
	Land	Buildings, condominiums and improvements	Furniture, fixtures and equipment	Leasehold improvements	Construction in progress	Total
Cost						
January 1, 2020	74,777	324,480	517,503	119,567	93,416	1,129,743
Additions	63	14,987	37,866	7,748	18,408	79,072
Transfers	154	21,470	3,436	23,119	(48,179)	-
Disposals	-	-	(3,973)	-	-	(3,973)
December 31, 2020	74,994	360,937	554,832	150,434	63,645	1,204,842
Accumulated depreciation						
January 1, 2020	-	276,458	353,135	107,531	-	737,124
Depreciation	-	15,448	51,888	5,647	-	72,983
Disposals	-	-	(3,875)	-	-	(3,875)
December 31, 2020	-	291,906	401,148	113,178	-	806,232
Allowance for impairment losses (Note 18)	8,702	8,431	-	-	-	17,133
Net book value						
December 31, 2020	66,292	60,600	153,684	37,256	63,645	381,477

	2019					
	Land	Buildings, condominiums and improvements	Furniture, fixtures and equipment	Leasehold improvements	Construction in progress	Total
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

Parent Company

	2020					
	Land	Buildings, condominiums and improvements	Furniture, fixtures and equipment	Leasehold improvements	Construction in progress	Total
Cost						
January 1, 2020	74,777	323,010	516,305	118,789	93,415	1,126,296
Additions	63	14,987	37,866	7,748	18,408	79,072
Transfers	154	21,470	3,436	23,119	(48,179)	-
Disposals	-	-	(3,973)	-	-	(3,973)
December 31, 2020	74,994	359,467	553,634	149,656	63,644	1,201,395
Accumulated depreciation						
January 1, 2020	-	274,989	351,959	106,752	-	733,700
Depreciation	-	15,448	51,877	5,646	-	72,971
Disposals	-	-	(3,875)	-	-	(3,875)
December 31, 2020	-	290,437	399,961	112,398	-	802,796
Allowance for impairment losses (Note 18)	8,702	8,431	-	-	-	17,133
Net book value						
December 31, 2020	66,292	60,599	153,673	37,258	63,644	381,466

	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

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

	Note	2020	2019
Cost		29,681	17,109
Accumulated depreciation		(12,560)	(5,542)
Net carrying amount	17	17,121	11,567

Additions to the right-of-use assets for the year ended December 31, 2020 amounted to P12,572 (2019 - P316).

Details of disposals of property and equipment follow:

	Consolidated		Parent Company	
	2020	2019	2020	2019
Proceeds	116	12,447	116	12,447
Net book value	(98)	(12,160)	(98)	(12,160)
Gain on disposal	18	287	18	287

Critical accounting estimate - Determination of useful life of property and equipment

The Association estimates the useful lives of its property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear. The estimation of the useful lives of property and equipment are based on a collective assessment of industry practice and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors mentioned above.

The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment would increase recorded operating expenses and decrease the related assets.

The Association considers that it is impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding the estimated useful lives of property and equipment at the reporting date. One or more of the assumptions may differ significantly and as a result, the net carrying value of property and equipment at the reporting date may differ significantly from the amount reported.

8 Investment properties, net

This account at December 31 consists of:

Consolidated

	2020			2019		
	Land	Buildings and improvements	Total	Land	Buildings and improvements	Total
Cost						
January 1	205,416	20,761	226,177	217,633	23,744	241,377
Additions	10	11	21	-	-	-
Disposals	(393)	(1,596)	(1,989)	(12,217)	(2,983)	(15,200)
December 31	205,033	19,176	224,209	205,416	20,761	226,177
Accumulated depreciation						
January 1	-	11,533	11,533	-	12,173	12,173
Depreciation	-	407	407	-	1,035	1,035
Disposals	-	(687)	(687)	-	(1,675)	(1,675)
December 31	-	11,253	11,253	-	11,533	11,533
Allowance for impairment losses (Note 18)	156,466	1,060	157,526	156,466	1,060	157,526
Net book value December 31	48,567	6,863	55,430	48,950	8,168	57,118

Parent Company

	2020			2019		
	Land	Buildings and improvements	Total	Land	Buildings and improvements	Total
Cost						
January 1	205,783	17,945	223,728	214,210	20,928	235,138
Additions	10	11	21	-	-	-
Disposals	(393)	(1,596)	(1,989)	(8,427)	(2,983)	(11,410)
December 31	205,400	16,360	221,760	205,783	17,945	223,728
Accumulated depreciation						
January 1	-	11,533	11,533	-	12,173	12,173
Depreciation	-	407	407	-	1,035	1,035
Disposals	-	(687)	(687)	-	(1,675)	(1,675)
December 31	-	11,253	11,253	-	11,533	11,533
Allowance for impairment losses (Note 18)	156,466	1,060	157,526	156,466	1,060	157,526
Net book value December 31	48,934	4,047	52,981	49,317	5,352	54,669

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

As at December 31, 2020, investment properties have aggregate fair value calculated using Level 2 fair value technique amounting to P291 million (2019 - P308 million) for the Group and P284 million (2019 - P301 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	
	2020	2019	2020	2019
Proceeds	4,824	38,090	4,824	33,645
Net book value	(1,302)	(13,525)	(1,302)	(9,735)
Gain on disposal	3,522	24,565	3,522	23,910

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	2020	2019
Rent income	19	585	873
Direct operating expenses	20	1,459	1,107

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	
	2020	2019	2020	2019
Present value of obligation	878,587	801,098	878,587	801,098
Fair value of plan assets	(725,693)	(681,535)	(725,693)	(681,535)
Retirement liability recognized in the statement of financial position	152,894	119,563	152,894	119,563

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	
	2020	2019	2020	2019
Recognized in profit or loss				
Current service cost	45,531	33,235	45,531	33,235
Net interest cost	5,619	2,010	5,619	2,010
	51,150	35,245	51,150	35,245

The components of remeasurements recognized in other comprehensive income follow:

	Consolidated		Parent Company	
	2020	2019	2020	2019
Remeasurements recognized in other comprehensive income				
Changes in financial assumption	(84,562)	(138,646)	(84,562)	(137,762)
Experience adjustments	20,087	10,607	20,087	10,607
Return on plan assets	20,717	3,417	20,717	3,417
	(43,758)	(124,622)	(43,758)	(123,738)

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

	Consolidated		Parent Company	
	2020	2019	2020	2019
At January 1	801,098	623,034	801,098	622,154
Current service cost	45,531	33,235	45,531	33,235
Interest cost	37,652	46,039	37,652	46,039
Benefits paid	(70,169)	(29,875)	(70,169)	(27,485)
Remeasurements	64,475	128,039	64,475	127,155
Loss arising from settlements	-	626	-	-
At December 31	878,587	801,098	878,587	801,098

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

	2020	2019
At January 1	681,535	594,988
Interest income	32,033	44,029
Contributions	61,577	66,586
Benefits paid	(70,169)	(27,485)
Remeasurement - return on plan assets	20,717	3,417
At December 31	725,693	681,535

The Subsidiary's retirement plan is unfunded as at December 31, 2020 and 2019.

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

	2020	2019
Government securities	653,732	616,484
Cash and cash equivalents	32,777	20,951
Others	39,184	44,100
	725,693	681,535

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, 2020 and 2019 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, 2020 and 2019.

Expected contributions to the retirement plan of the Parent Company for the year ending December 31, 2021 amount to P60.4 million.

The principal actuarial assumptions used were as follows:

	2020	2019
Discount rate	3.40%	4.70%
Future salary increases	6.00%	6.00%

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

In 2020, 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:

	2020	2019
Less than a year	102,991	71,846
Between 1 to 5 years	356,525	378,504
Between 5 to 10 years	441,073	468,312
Between 10 to 15 years	322,145	357,108
More than 15 years	1,441,623	1,116,572

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 Group and 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, 2020			
Discount rate	+/-1%	Decrease by 8.0%	Increase by 8.0%
Future salary increases	+/-1%	Increase by 9.0%	Decrease by 7.0%
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%

10 Other assets, net

This account at December 31 consists of:

	Consolidated		Parent Company	
	2020	2019	2020	2019
Advances to members	3,639,356	5,098,457	3,639,356	5,098,457
Software cost, net	114,360	148,420	114,360	148,420
Stationeries and other unused supplies	21,910	26,800	21,910	26,800
Deferred tax assets, net (Note 21)	9,085	9,311	9,027	9,093
Prepaid expenses	16,235	13,924	16,168	13,877
Miscellaneous	23,366	13,162	23,364	13,162
	3,824,312	5,310,074	3,824,185	5,309,809
Allowance for impairment loss (Note 18)	(1,987)	(1,987)	(1,987)	(1,987)
	3,822,325	5,308,087	3,822,198	5,307,822

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:

	2020	2019
At January 1	148,420	7,167
Additions	4,110	143,221
Amortization	(38,170)	(1,968)
At December 31	114,360	148,420

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
April 16, 2021	Pending approval	13%	8,520,680
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

The dividend declaration on April 16, 2021 (after reporting date) is still pending approval by the BSP.

12 Deposit liabilities

This account consists of savings deposit from members of the Parent Company that pay annual interest rates ranging from 3% to 8% (2019 - 3% to 7%). Interest expense on deposit liabilities for the year ended December 31, 2020 amounts to P1,203.1 million (2019 - P797.9 million).

13 Bills payable

In 2020, the Parent Company availed of borrowings from several local universal banks to augment its funding sources as follows:

- P32.65 billion unsecured, short term loan facility with interest rates ranging from 3.00% to 5.00%, payable in 18 to 106 days, of which P27 billion was already settled as of December 31, 2020. The unpaid balance is due on various dates until March 29, 2021; and

- P3.85 billion secured loans with interest rates ranging from 3.00% to 5.00%, payable in 28 to 359 days, of which P500 million has been paid as of December 31, 2020; The balance which is secured by government securities of equivalent values will be due on various dates until December 9, 2021.

Total interest expense arising from bills payable in 2020 amounted to P454 million (2019 - P733 million).

The movements in bills payable are summarized as follows:

	2020	2019
At January 1	13,000	6,700
Additions	36,500	57,296
Repayments	(40,500)	(50,996)
At December 31	9,000	13,000

14 Other liabilities

This account at December 31 consists of:

		Consolidated		Parent Company	
	Note	2020	2019	2020	2019
Accounts payable		4,252,104	1,812,027	4,252,104	1,812,027
Insurance payable		46,947	113,982	46,947	113,982
Taxes payable		5,424	9,160	12,941	9,160
Documentary stamp tax payable		12,888	2,646	5,424	2,646
Unearned income and other deferred credits		1,702	3,493	1,702	3,396
Lease liability	17	17,233	11,839	17,233	11,839
Miscellaneous		105,035	89,950	64,946	49,887
		4,441,333	2,043,097	4,401,297	2,002,937

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:

	2019	Appropriations	Release of appropriations	2020
Withdrawable share reserve	1,070,927	71,133	-	1,142,060
Building fund reserve	3,661,366	591,459	(1,305)	4,251,520
Ledger discrepancies reserve	317,501	16,971	(22,414)	312,058
Contingency reserve	3,549,256	6,722,011	(2,687,892)	7,583,375
	8,599,050	7,401,574	(2,711,611)	13,289,013

	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

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 for building reserves to date are based on amounts set by management amounting to P4.3 million (2019 - P3.7 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 2020, the BOT approved the appropriation of its surplus free amounting to P7,401.6 million (2019 - P2,407.7 million). The Parent Company also released appropriation from its surplus reserves amounting to P2,711.6 million (2019 - P2,898.4 million).

Accumulated other comprehensive loss

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

		Consolidated		Parent Company	
	Note	2020	2019	2020	2019
Fair value reserve on financial assets at FVOCI					
At January 1		2,925	(44,720)	2,925	(44,720)
Net unrealized fair value gain (loss)		13,726	47,645	13,726	47,645
At December 31	3	16,651	2,925	16,651	2,925
Remeasurement of retirement liability					
At January 1		(217,588)	(92,966)	(217,588)	(93,850)
Remeasurements		(43,758)	(124,622)	(43,758)	(123,738)
At December 31		(261,346)	(217,588)	(261,346)	(217,588)
		(244,695)	(214,663)	(244,695)	(214,663)
Attributable to:					
Non-controlling interest		-	-	-	-
Members of the Parent Company		(244,695)	(214,663)	(244,695)	(214,663)

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

	2020		
	Current	Non-current	Total
Assets			
Cash and cash equivalents	3,049,306	-	3,049,306
Financial assets at FVOCI	1,860	362,462	364,322
Investment securities at amortized cost	70,116	6,119,475	6,189,591
Loans and receivables			
Loans and discount	9,455,363	108,022,582	117,477,945
Other receivables	3,031,002	6,488	3,037,490
Property and equipment	-	1,204,842	1,204,842
Investment properties	-	220,409	220,409
Other assets	3,700,867	123,445	3,824,312
	19,308,514	116,059,703	135,368,217
Liabilities			
Deposit liabilities	28,279,247	5,416,946	33,696,193
Bills payable	9,000,000	-	9,000,000
Accrued expenses and other expenses	181,965	-	181,965
Retirement liability	-	152,894	152,894
Dividends payable	100,604	-	100,604
Other liabilities	4,434,271	7,062	4,441,333
	41,996,087	5,576,902	47,572,989

	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

Parent Company

	2020		
	Current	Non-current	Total
Assets			
Cash and cash equivalents	2,944,910	-	2,944,910
Financial assets at FVOCI	1,860	362,462	364,322
Investment securities at amortized cost	70,116	6,119,475	6,189,591
Loans and receivables			
Loans and discount	9,442,687	108,022,582	117,465,269
Other receivables	3,030,054	6,488	3,036,542
Property and equipment	-	1,201,395	1,201,395
Investment properties	-	221,760	221,760
Investment in a subsidiary	-	75,000	75,000
Other assets	3,700,798	123,387	3,824,185
	19,190,425	116,132,549	135,322,974
Liabilities			
Deposit liabilities	28,279,247	5,416,946	33,696,193
Bills payable	9,000,000	-	9,000,000
Accrued expenses and other expenses	181,563	-	181,563
Retirement liability	-	152,894	152,894
Dividends payable	100,604	-	100,604
Other liabilities	4,394,235	7,062	4,401,297
	41,955,649	5,576,902	47,532,551

	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

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 27.19).

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.

From January 1, 2019, the Parent Company applies 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 December 31, 2020 and 2019.

Amounts recognized in the statement of financial position

	Note	December 31, 2020	December 31, 2019
Right-of-use assets			
Buildings		29,681	17,109
Accumulated depreciation		(12,560)	(5,542)
	7	17,121	11,567
Lease liabilities	14	17,233	11,839

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

The lease liabilities at December 31 are classified as follows:

	Note	2020	2019
Current		10,171	6,024
Non-current		7,062	5,815
	14	17,233	11,839

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

	Notes	2020	2019
At January 1		11,839	16,661
Lease payments		(7,420)	(5,843)
Non-cash changes:			
Additions during the year		12,275	316
Interest expense	20	539	705
At December 31	14	17,233	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:

	Notes	2020	2019
Depreciation	7	5,682	5,542
Interest expense	20	539	705
Expense relating to short-term leases		50,776	44,455
Expense relating to leases of low-value assets that are not shown above as short-term leases		148	583
		57,145	51,285

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

	2020	2019
Principal	6,881	5,138
Interest	539	705
	7,420	5,843

Critical accounting estimate - Determination of incremental borrowing 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.

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, 2019	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
Provision for credit and impairment losses	808,434	-	-	-	808,434
Reversal of provision for credit and impairment losses	(222)	-	-	-	(222)
Write-offs	(37,915)	-	-	-	(37,915)
December 31, 2020	7,776,735	157,526	17,133	1,987	7,953,381

Parent Company

	Loans and other receivables (Note 5)	Investment properties (Note 8)	Property and equipment (Note 7)	Other assets (Note 10)	Total
January 1, 2019	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
Provision for credit and impairment losses	808,257	-	-	-	808,257
Reversal of provision for credit and impairment losses	(222)	-	-	-	(222)
Write-offs	(37,736)	-	-	-	(37,736)
December 31, 2020	7,776,544	157,526	17,133	1,987	7,953,190

19 Miscellaneous income

This account for the years ended December 31 consists of:

	Consolidated		Parent Company	
	2020	2019	2020	2019
Recovery on charged-off assets	58,358	114,823	58,358	114,823
Gain on sale of assets	3,540	24,197	3,540	24,197
Rental income	585	873	585	873
Others	615	6,395	590	3,192
	63,098	146,288	63,073	143,085

20 Miscellaneous expense

This account for the years ended December 31 consists of:

	Consolidated		Parent Company	
	2020	2019	2020	2019
Commissions	38,133	52,898	38,133	52,898
Software maintenance	37,797	44,951	37,797	44,951
Stationeries and supplies	22,094	30,477	22,052	30,437
Postage, telephone, cable and telegram	16,008	18,653	15,960	18,595
Repairs and maintenance	12,349	9,820	12,345	9,809
Traveling, fuel and lubricants	9,948	21,276	9,930	21,238
Notarial fees	6,109	9,845	6,109	9,845
Fines, penalties, and other charges	6,045	7,164	6,045	7,164
COVID-19 related	4,761	-	4,761	-
Freight	3,720	3,133	3,720	3,133
Meetings and conferences	2,496	3,729	2,482	3,687
Insurance	1,407	1,791	1,392	1,790
Litigation/asset acquired expense	1,404	1,066	1,404	1,044
Interest expense on lease obligation	539	705	539	705
Membership fees and dues	340	1,067	311	1,041
Others	10,670	8,996	8,739	7,346
	173,820	215,571	171,719	213,683

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	
	2020	2019	2020	2019
Current	316	813	277	731
Deferred	227	1,004	67	9
	543	1,817	344	740

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	
	2020	2019	2020	2019
Deferred tax assets				
Allowance for credit and losses	9,085	9,151	9,027	9,093
Retirement asset	-	-	-	-
Net operating loss carryover (NOLCO)	-	161	-	-
Excess of minimum corporate income tax (MCIT) over regular income tax (RIT)	-	-	-	-
	9,085	9,312	9,027	9,093
Deferred tax liabilities				
Gain on reversal of allowance for impairment	-	(1)	-	-
Unrealized gain on foreclosure of collateral	-	-	-	-
	-	-	-	-
	9,085	9,311	9,027	9,093

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	
	2020	2019	2020	2019
Statutory income tax	3,551,329	2,956,934	3,550,929	2,736,177
Tax impact of:				
Non-deductible expenses	-	621	-	-
Income subjected to lower tax rate	(743)	(660)	-	-
Movement in unrecognized DTA	542	253	-	-
Non-taxable income	(3,550,585)	(2,955,331)	(3,550,585)	(2,735,437)
Effective income tax expense	543	1,817	344	740

Event after the reporting date

On March 26, 2021, Republic Act (RA) No.11534, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises Act (CREATE), was signed into law. Among the salient provisions of CREATE include changes to the Corporate Income Tax (CIT) rates as follows:

• Reduction of CIT rate to 20% applicable to domestic corporations with total net taxable income not exceeding P5,000,000 and with total assets not exceeding P100 Million (excluding land on which the business entity's office, plant and equipment are situated);

• Reduction of CIT rate to 25% shall be applicable to all other corporations subject to regular CIT; and,

• Minimum Corporate Income Tax rate shall also be amended to 1%, instead of 2%, for the period beginning July 1, 2020 until June 30, 2023.

As at December 31, 2020, the CREATE bill is still pending ratification by both the Philippine Congress and Senate, and consequently pending approval of the President of the Republic of the Philippines. As such, the Association has assessed that the proposed tax law is not enacted or substantively enacted as at December 31, 2020. Therefore, for financial reporting purposes, the enactment of CREATE after the reporting date is deemed a non-adjusting subsequent event. Management believes that there will be no material impact to the Parent Company as the majority of its income is exempt from regular corporate income tax.

22 Related party transactions

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

Consolidated

	2020	2019	Description
Salaries and other short-term benefits			
Key management personnel and trustees			
Salaries	14,538	13,917	Compensation of key management personnel, which are also decision makers of the Group and the Parent Company
Other employee benefits	38,492	35,330	
Retirement Pay	4,009	-	
	57,039	49,247	

Parent Company

	2020	2019	Description
Salaries and other short-term benefits			
Key management personnel and trustees			
Salaries and wages	14,538	13,363	Compensation of key management personnel, which are also decision makers of the Group and the Parent Company
Other allowances and benefits	38,492	33,757	
Retirement Pay	4,009	-	
	57,039	47,120	

23 Cash generated from operations

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

	Notes	Consolidated 2020	Consolidated 2019	Parent Company 2020	Parent Company 2019
CASH FLOW FROM OPERATING ACTIVITIES					
Income before income tax		11,837,768	9,123,465	11,836,432	9,120,590
Adjustments for:					
Interest income		(15,992,444)	(14,055,865)	(15,988,045)	(14,049,912)
Interest received		13,134,681	15,178,250	13,130,589	15,172,304
Interest expense		1,657,134	1,530,873	1,657,134	1,530,873
Interest paid		(1,726,987)	(1,806,823)	(1,726,987)	(1,806,823)
Depreciation and amortization	7,8,10	111,560	58,777	111,548	58,765
Retirement expense	9	51,150	35,245	51,150	35,245
Provision for credit and impairment losses, net	18	808,212	1,676,204	808,035	1,676,204
Gain from assets sold, net	7,8	(3,540)	(24,852)	(3,540)	(24,197)
Changes in operating assets and liabilities:					
(Increase) decrease in assets:					
Loans and receivables		(11,642,700)	(19,894,655)	(11,657,464)	(19,921,871)
Other assets		1,451,160	(103,018)	1,451,220	(104,517)
Increase (decrease) in liabilities:					
Deposit liabilities		7,071,735	8,433,020	7,071,735	8,433,020
Accrued interest and other expenses		(65,652)	178,960	(65,678)	179,222
Other liabilities		2,398,238	(79,530)	2,398,324	(80,823)
Cash generated from operations		9,090,315	250,051	9,074,453	218,080

24 Contingent liabilities

As at December 31, 2020 and 2019, 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.

- Measurement of allowance for credit losses (Note 5)
- Determination of useful life of property and equipment (Note 7)
- Classification of investment securities at amortized cost (Note 4)
- Calculation of defined benefit 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 subjected 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

	2020	2019
Cash and cash equivalents (excluding cash on hand)	2,993,552	3,052,858
Financial assets at FVOCI	364,322	350,596
Investment securities at amortized cost	6,189,591	6,184,163
Loans and receivables	120,515,435	106,058,316
	130,062,900	115,645,933

Parent Company

	2020	2019
Cash and cash equivalents (excluding cash on hand)	2,889,163	2,964,294
Financial assets at FVOCI	364,322	350,596
Investment securities at amortized cost	6,189,591	6,184,163
Loans and receivables	120,501,811	106,030,055
	129,944,887	115,529,108

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:

- 93% (2019 - 92.5%) of the loans and receivables portfolio fully performing;
- The Group adopts a stringent selection process upon granting of loans and receivables; and
- 100% (2019 - 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

	2020			
	Loans and receivables	Loans and advances to banks and others	Investment securities	Total
Community, social and personal activities	115,656,542	-	-	115,656,542
Government	-	-	6,550,807	6,550,807
Financial intermediaries	-	2,993,552	-	2,993,552
Real estate	177,117	-	-	177,117
Others	4,681,776	-	-	4,681,776
	120,515,435	2,993,552	6,550,807	130,059,794
Less:				
Unearned discount	-	-	-	-
Allowance for credit and impairment losses	7,776,735	-	-	7,776,735
	112,738,700	2,993,552	6,550,807	122,283,059

	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

Parent Company

	2020			
	Loans and receivables	Loans and advances to banks and others	Investment securities	Total
Community, social and personal activities	115,643,866	-	-	115,643,866
Government	-	-	6,550,807	6,550,807
Financial intermediaries	-	2,889,163	-	2,889,163
Real estate	177,117	-	-	177,117
Others	4,680,828	-	-	4,680,828
	120,501,811	2,889,163	6,550,807	129,941,781
Less:				
Unearned discount	-	-	-	-
Allowance for credit and impairment losses	7,776,544	-	-	7,776,544
	112,725,267	2,889,163	6,550,807	122,165,237

	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

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

	2020			
	Stage 1 (Performing)	Stage 2 (Underperforming)	Stage 3 (Impaired)	Total
Investment securities				
Financial assets at FVOCI				
Debt securities	361,216	-	-	361,216
Financial assets at amortized cost	6,189,591	-	-	6,189,591
Loans and receivables				
Loans and discounts				
Consumption and others	107,515,633	786,456	7,354,453	115,656,542
Commercial and business	1,617,543	800	25,943	1,644,286
Real estate and housing	155,649	911	20,557	177,117
Other receivables	2,927,760	1,962	107,768	3,037,490
Loans and advances to banks and others				
Cash and cash equivalents (excluding cash on hand)	2,993,552	-	-	2,993,552
	121,760,944	790,129	7,508,721	130,059,794
Allowance for credit and impairment losses	1,091,660	147,839	6,537,236	7,776,735
	120,671,952	664,572	1,959,232	122,283,059

	2019			
	Stage 1 (Performing)	Stage 2 (Underperforming)	Stage 3 (Impaired)	Total
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
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

Parent Company

	2020			
	Stage 1 (Performing)	Stage 2 (Underperforming)	Stage 3 (Impaired)	Total
Investment securities				
Financial assets at FVOCI				
Debt securities	361,216	-	-	361,216
Financial assets at amortized cost	6,189,591	-	-	6,189,591
Loans and receivables				
Loans and discounts				
Consumption and others	107,502,957	786,456	7,354,453	115,643,866
Commercial and business	1,617,543	800	25,943	1,644,286
Real estate and housing	155,649	911	20,557	177,117
Other receivables	2,926,812	1,962	107,768	3,036,542
Loans and advances to banks and others				
Cash and cash equivalents (excluding cash on hand)	2,889,163	-	-	2,889,163
	121,642,931	790,129	7,508,721	129,941,781
Allowance for credit and impairment losses	1,091,660	147,648	6,537,236	7,776,544
	120,551,271	642,481	971,485	122,165,237

	2019			
	Stage 1 (Performing)	Stage 2 (Underperforming)	Stage 3 (Impaired)	Total
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
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

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

BSP Circular No. 1046

Starting 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%	31 - 60 days/ 1st restructuring
2	Doubtful	50%	61 - 90 days
3	Loss	100%	91 days and over/ 2nd restructuring

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, 2020 and 2019 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

	2020			
	Less than 30 days	30 - 60 days	61 - 90 days	Total
Consumption and others	267,242	97,242	421,972	786,456
Commercial and business	-	-	800	800
Real estate and housing	87	-	824	911
Other receivables	-	973	989	1,962
	267,329	98,215	424,585	790,129

	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

Parent Company

	2020			
	Less than 30 days	30 - 60 days	61 - 90 days	Total
Consumption and others	267,242	97,242	421,972	786,456
Commercial and business	-	-	800	800
Real estate and housing	87	-	824	911
Other receivables	-	973	989	1,962
	267,329	98,215	424,585	790,129

	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

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 significant foreign exchange risk and equity price risk as at December 31, 2020 and 2019. 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 P359.4 million as at December 31, 2020 (2019 - P345.1 million).

At December 31, 2020 and 2019, 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 P4 million (2019 - P14 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:

<u>Consolidated and Parent Company</u>

	2020	2019	Fair value hierarchy
Financial assets at FVOCI			
Debt securities	359,356	345,130	Level 2
Equity securities	3,106	3,606	Level 1
	362,462	348,736	

In 2020 and 2019, 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

	2020		2019	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Investments securities at amortized cost	6,189,591	6,884,775	6,184,163	5,899,460
Loans and receivables				
Loans and discounts	109,813,693	87,982,675	98,886,033	77,445,957
Other receivables	2,925,007	2,931,645	165,845	149,732
	118,928,291	97,799,095	105,236,041	83,495,149

Parent Company

	2020		2019	
	Carrying Value	Fair value	Carrying value	Fair value
Financial assets				
Investments securities at amortized cost	6,189,591	6,884,775	6,184,163	5,899,460
Loans and receivables				
Loans and discounts	109,801,208	87,970,190	98,858,817	77,423,524
Other receivables	2,924,059	2,930,697	164,993	148,921
	118,914,858	97,785,662	105,207,973	83,471,905

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 Group's liquidity management process monitored by the RMC includes:

- Day-to-day funding managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or as borrowed by customers;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring liquidity gaps against internal and regulatory requirements;
- Managing the concentration and profile of debt maturities; and
- Performing periodic liquidity stress testing on the Group's liquidity position by assuming a faster rate of withdrawals in its deposit base.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month as these are key periods for liquidity management. The starting point for these projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets. Sources of liquidity are regularly reviewed by the Group to maintain a wide diversification by currency, geography, counterparty, product and term.

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

	2020			2019		
	Up to 1 year	Over 1 Year	Total	Up to 1 year	Over 1 Year	Total
Financial assets						
Cash and cash equivalents	3,049,306	-	3,049,306	3,105,078	-	3,105,078
Financial assets at FVOCI	1,860	362,462	364,322	1,860	348,736	350,596
Financial assets at amortized cost	70,116	6,119,475	6,189,591	70,116	6,114,047	6,184,163
Loans and receivables						
Loans and discount	9,455,363	108,022,582	117,477,945	6,924,613	98,855,374	105,779,987
Other receivables	3,031,002	6,488	3,037,490	270,008	8,321	278,329
	15,607,647	114,511,007	130,118,654	10,371,675	105,326,478	115,698,153
Financial liabilities						
Deposit liabilities	28,279,247	5,416,946	33,696,193	26,694,311	-	26,694,311
Bills payable	9,000,000	-	9,000,000	13,000,000	-	13,000,000
Accrued expenses and other expenses	181,965	-	181,965	247,629	-	247,629
Other liabilities	4,434,271	7,062	4,441,333	2,003,021	-	2,003,021
	41,895,483	5,424,008	47,319,491	41,944,961	-	41,944,961

Parent Company

	2020			2019		
	Up to 1 year	Over 1 Year	Total	Up to 1 year	Over 1 Year	Total
Financial assets						
Cash and cash equivalents	2,944,910	-	2,944,910	3,016,506	-	3,016,506
Financial assets at FVOCI	1,860	362,462	364,322	1,860	348,736	350,596
Financial assets at amortized cost	70,116	6,119,475	6,189,591	70,116	6,114,047	6,184,163
Loans and receivables						
Loans and discount	9,442,687	108,022,582	117,465,269	6,920,046	98,832,533	105,752,579
Other receivables	3,030,054	6,488	3,036,542	269,507	7,969	277,476
	15,489,627	114,511,007	130,000,634	10,278,035	105,303,285	115,581,320
Financial liabilities						
Deposit liabilities	28,279,247	5,416,946	33,696,193	26,694,311	-	26,694,311
Bills payable	9,000,000	-	9,000,000	13,000,000	-	13,000,000
Accrued expenses and other expenses	181,563	-	181,563	247,241	-	247,241
Other liabilities	4,394,235	7,062	4,401,297	2,002,937	-	2,002,937
	41,855,045	5,424,008	47,279,053	41,944,489	-	41,944,489

Minimum liquidity ratio (MLR)

To promote short-term resilience to liquidity shocks, the Group shall maintain a stock of liquid assets proportionate to their on- and off-balance sheet liabilities. A prudential MLR of twenty percent (20%) shall apply to quasi-banks on an ongoing basis absent a period of financial stress. The liquidity ratio is expressed as a percentage of a bank's eligible stock of liquid assets to its total qualifying liabilities.

	Consolidated		Parent	
	2020	2019	2020	2019
Minimum liquidity ratio	19.42%	21.99%	19.22%	21.80%
Leverage ratio*	39.47%	40.14%	39.46%	40.12%
Total exposure measure	127,690,058	118,372,624	127,644,642	118,328,247

**Leverage ratio computation used is total liabilities/average total assets*

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:

	2020		2019	
Type of membership	Volume	Amount	Volume	Amount
Associate	57,030	12,491,029	59,829	12,756,027
Corporate	81	63,886	81	65,047
Regular	535,791	44,548,089	539,806	40,725,327
	592,902	57,103,004	599,716	53,546,401

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 2020 amounting to P57 billion (2019 - P54 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, 2020 and 2019, the Parent Company's capital-to-risk assets, in compliance with BSP circular 1075, follows:

	2020	2019
Total capital	79,021,463	72,180,787
Risk assets	118,332,943	105,832,259
Capital-to-risk assets ratio	66.78%	68.20%

In 2020, the capital adequacy ratio of the Parent Company based on fixed capital is 31.56%. (2019 - 31.94%).

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 both 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 (PFRS), Philippine Accounting Standards (PAS) 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 PFRS, 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 and the Association's plan assets.

27.2 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following amendments to existing standards and the revised Conceptual Framework have been adopted by the Group effective January 1, 2020:

- *Amendments to PAS 1, Presentation of Financial Statements, and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRS and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgments.

  The adoption of the above amendments did not have a material impact on the financial statements of the Group.

- *Revised Conceptual Framework for Financial Reporting*

  The revised Framework includes the following changes:
  - increasing the prominence of stewardship in the objective of financial reporting;
  - reinstating prudence as a component of neutrality;
  - defining a reporting entity, which may be a legal entity, or a portion of an entity;
  - revising the definitions of an asset and a liability;
  - removing the probability threshold for recognition and adding guidance on derecognition;
  - adding guidance on different measurement basis; and
  - stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

  No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from January 1, 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

  The adoption of the revised Framework did not have a material impact on the financial statements of the Group.

Other standards, amendments to standards and interpretations which are effective for the financial year beginning on January 1, 2020 are considered not relevant or material to the Group's financial statements.

(a) Amendments to standards effective subsequent to December 31, 2020

- *Amendments to PAS 1, Presentation of Financial Statements, and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Classification of Liabilities as Current or Non-current*

  The amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. These could affect the classification of liabilities, particularly for companies previously considering management's intention to determine classification and for some liabilities that can be converted into equity.

- *Annual improvements to PFRS Standards 2018-2020*

  The following improvements were finalized in May 2020:
  - *PFRS 9 Financial Instruments*, clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
  - *PFRS 16 Leases*, amendment to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

The adoption of the above amendments is not expected to have a material impact on the Group's financial statements.

There are no other standards, amendments to standards or interpretations that are effective subsequent to December 31, 2020 that are considered relevant or would be 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, 2020 and 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

<u>*Classification and subsequent measurement*</u>

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:

(a) Commencement of owner-occupation, for a transfer from investment property to owner-occupied property;
(b) Commencement of development with a view of sale, for a transfer from investment property to real properties held-for-sale and development;
(c) 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, 2020 and 2019.

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, 2020 and 2019.

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

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).

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	
	2020	2019	2020	2019
Return on average equity[1]	15.66%	13.03%	15.66%	13.03%
Return on average assets[2]	9.82%	8.67%	9.82%	8.67%
Net interest margin[3]	12.41%	12.58%	12.42%	12.58%

[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, 2020 and 2019.*
[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, 2020 and 2019.*
[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, 2020 and 2019.*

(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	
	2020	2019	2020	2019
Secured loans				
Deposit hold-out	1,617,543	1,978,424	1,617,543	1,978,423
Real estate and chattel	828,579	852,963	828,579	825,555
	2,446,122	2,831,387	2,446,122	2,803,978
Unsecured loans	115,031,823	102,948,601	115,019,147	102,948,601
	117,477,945	105,779,988	117,465,269	105,752,579

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			
	2020	%	2019	%	2020	%	2019	%
Community, social and personal activities	115,656,542	98.45	103,585,131	97.93	115,643,866	98.45	103,557,722	97.93
Real estate and chattel	177,117	0.15	182,872	0.17	177,117	0.15	182,872	0.17
Others	1,644,286	1.40	2,011,985	1.90	1,644,286	1.40	2,011,985	1.90
	117,477,945	100.00	105,779,988	100.00	117,465,269	100.00	105,752,579	100.00

Past due loans

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

	Consolidated		Parent Company	
	2020	2019	2020	2019
Past due loans				
Secured	57,828	75,388	57,828	75,388
Unsecured	8,131,292	7,810,211	8,131,292	7,810,211
	8,189,120	7,885,599	8,189,120	7,885,599
Allowance	(6,684,884)	(5,924,293)	(6,684,884)	(5,924,293)
	1,504,236	1,961,306	1,504,236	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	
	2020	2019	2020	2019
Total outstanding TORI loans (in millions)	16.9	17.1	16.9	17.1
Percent of TORI loans to total loans	0.00%	0.00%	0.00%	0.00%
Percent of unsecured TORI loans to total TORI loans	90.41%	86.98%	90.41%	86.98%
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:

		Consolidated		Parent Company	
	Notes	2020	2019	2020	2019
Secured liabilities					
Bills payable	13	3,350,000	4,000,000	3,350,000	4,000,000
Assets pledged					
Investment securities at amortized cost	4	4,557,321	4,451,200	4,557,321	4,451,200

(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, 2020 and 2019.

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

Below is the additional information required by Revenue Regulations No. 15-2010 and 34-2020 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, 2020 consist of:

	Amount
Documentary stamp tax	117,387
Deficiency Tax	30,030
Capital gains tax	1,106
Real estate tax	3,043
Business tax	1,377
Fringe benefit tax	623
Final tax on raffle prizes	24
Others	257
	153,847

The above local and national taxes are recognized under Taxes and licenses.

(iv) Withholding taxes

Withholding taxes paid and accrued/withheld for the years ended December 31, 2020 consist of:

	Paid	Accrued	Total
Withholding tax on compensation	89,651	10,462	100,113
Expanded withholding taxes	32,528	2,591	35,119
Final withholding taxes	24	-	24
	122,203	13,053	135,256

At December 31, 2020, 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. The tax assessment was settled last July 29, 2020.

Likewise, on September 23, 2020, 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 2017. The Parent Company has subsequently filed a letter of protest/request for reinvestigation on October 22, 2020 and completed the submission of relevant supporting documents on December 17, 2020. The tax assessment was settled last February 5, 2021.

The Parent Company received letters of authority from the BIR for its tax assessments for taxable years 2018 and 2019 on July 24, 2019 and September 4, 2020, respectively.

There are no other pending tax assessments as at December 31, 2020.

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

RR No. 34-2020

On December 18, 2020, BIR issued Revenue Regulations (RR) No. 34-2020, Prescribing the Guidelines and Procedures for the Submission of BIR Form No. 1709, Transfer Pricing Documentation (TPD) and other Supporting Documents, Amending for this Purpose the Pertinent Provisions of RR Nos. 19-2020 and 21-2002, as amended by RR No. 15-2010, to streamline the guidelines and procedures for the submission of BIR Form No. 1709, TPD and other supporting documents by providing safe harbors and materiality thresholds. Section 2 of the RR provides the list of taxpayers that are required to file and submit the RPT Form, together with the Annual Income Tax Return.

The Group is not covered by the requirements and procedures for related party transactions provided under this RR as it does not meet any criteria of taxpayers prescribed in Section 2 of the RR.

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0936-840-0534 (Accounting)
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0935-272-3087 (Loans)

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LEGAZPI BRANCH
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2020 AFPSLAI ANNUAL REPORT

The financial information in this report is for the period ended December 31, 2020, approved by the Bureau of Internal Revenue on April 29, 2021, and submitted to Securities and Exchange Commission on May 11, 2021. Members may access a complete copy of the 2020 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, 2020 unless otherwise indicated.

DESIGN AND PRODUCTION BY
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