2022 Annual Report

Meralco Employees Savings and Loan Association, Inc.

OUR VISION

To be the first choice provider of financial services by the members.

OUR MISSION

To provide the members with needed savings and loan services that will enhance their financial wellness and stability.

MESALA, INC.

Since 1934

CONTENTS

MESSAGE TO MEMBERS

Our warmest greetings to our dear members.

We, your Board of Trustees, are proud of what we have delivered in 2022. With your continued support, we have strived to achieve our financial goals while giving priority to customer satisfaction and maintaining our Association's sustainability.

Allow us to present some of the highlights of what we have accomplished in 2022.

- Our Net Income grew by 24% equivalent to PhP106.9 million more compared to 2021. Our PhP560.7 million net income is the highest recorded net income of our Association.
- The overall performance of Mesala for the year ending 2022 concluded with an 11.5% dividend rate, higher than the 11% dividend declared in 2021. Our financial position remains strong at PhP 15 Billion level.
- As of December 2022, we received an average rating of 4.8 Very Satisfactory Customer Experience Ratings vis-à-vis 4.7 Ratings last year (out of a 5-point rating scale). Number of members surveyed for 2022, also increased to 8740 members from 2820 members in the previous year.
- From only 789 new members In 2021, our new members for 2022 increased to 1306 new members or an increase of almost 65%. The easing of pandemic restrictions allowed us to relaunch our roadshows to the sectors and other corporate offices.
- We continue to implement technological innovations in our banking operations to automate our processes, offer more deposit and loan products and reach more members. Our Auto- SMS and email update notifications and various social media platforms allowed us to give our members regular updates and reminders.
- The implementation of our Performance Management System is anchored on the Association's four (4) Growth Pillars, namely: Financial Growth, Customer Service, Digital Transformation and Regulatory Compliance. These pillars are the basis of our Key Performance Indicators and further cascaded to the performance plans of all employees.
- The Securities and Exchange Commission has approved our Amended By-Laws on 16 March 2023, which shall be effective on even date. It may be recalled that our Amended By-Laws was unanimously approved by the Board on 30 May 2022 and by majority of the members during the last Annual Membership Meeting on 29 July 2022. The Bangko Sentral ng Pilipinas issued the pertinent Certificate of Authority on 13 December 2022. Rest assured that impacts or implications of the approved By-Laws will be explained to our members through our updated policies and guidelines.

We would like to extend our gratitude to our fellow Trustees for their valuable guidance and expertise, to Management and all employees for their tireless commitment to our Association's mandate.

With you, our members, as partners, we are confident that we can achieve a positive, inclusive and sustainable Mesala in the years to come.

(Atty.) Horatio Enrico M. Bona
Chairman of the Board

Engr. Antonio M. Abuel Jr.
President

BOARD OF TRUSTEES

Atty. Horatio Enrico M. Bona
Chairman

Board Committees:
- Governance Committee (member)
- Human Resource and Compensation Committee (member)
- Risk Oversight Committee (member)

Mr. Salvador G. Tirona
Vice Chairman

Board Committees:
- Risk Oversight Committee (chairman)
- Finance Committee (member)
- Audit Committee (member)
- Human Resource and Compensation Committee (member)

Engr. Antonio M. Abuel, Jr.
President

Board Committees:
- Membership Committee (chairman)
- Finance Committee (member)
- Risk Oversight Committee (member)

BOARD OF TRUSTEES

Mr. Aldwin Christian C. Ang
Treasurer
Finance Committee (chairman); Human Resource and Compensation Committee (member); Risk Oversight Committee (member)

Ms. Charina P. Padua
Trustee
Human Resource and Compensation Committee (chairman); Membership Committee (member); Audit Committee (member)

Engr. Ernesto M. Cabral
Independent Trustee
Governance Committee (chairman); Human Resource and Compensation Committee (member); Membership Committee (member)

Engr. Froilan J. Savet
Independent Trustee
Audit Committee (chairman); Governance Committee (member); Risk Oversight Committee (member)

Kudos!!!

and Warm Applause to our Mesala Officers

Mesala President, Engineer Antonio M. Abuel, Jr. , Vice President and Head of Organizational Safety and Business Continuity Management was promoted Head of Facilities, Safety and Security Management of Meralco last December 1, 2022. Boss Jun, as he is fondly called, is a Professional Electrical Engineer and has previously assumed the headship position of Central Distribution Services, Sub-Transmission Services, North Distribution Services and Network Planning and Project Management. He also has an Executive MBA degree from the Asian Institute of Management and the University of Sto. Tomas. He will undoubtedly bring the same commitment and passion to organizations where he is assigned or elected to lead, including Mesala.

Mr. Aldwin Christian C. Ang, Mesala Treasurer was promoted Senior Assistant Vice President last January 1, 2022. He is currently the Head of Treasury for Subsidiaries, and other Business Units of Meralco and the Treasurer of Miescor, Miescor Builders, MServ, Bayad Center and CIS. He is a graduate of BS Accountancy from Ateneo de Davao and a Certified Public Accountant. He brings to Mesala his substantial experience and knowledge in the banking industry.

Our Corporate Secretary and General Counsel, **Atty. Maria Zarah R. Villanueva-Castro**,

was tapped by the Supreme Court as an examiner in Commercial Laws for the 2022 Bar Examinations.

Atty. Zarah is a Vice President and Head of Corporate Legal in Meralco. She is also a Professor and bar reviewer in Commercial Laws. Her advice to all successful 2022 Bar Candidates, "Remain humble, be prudent, stay passionate, work conscientiously and exemplify trustworthy judgement."

We, at Mesala, will also take this advice to heart.

Again, thank you to ALL our Trustees and Officers for sharing your expertise and dedication to Mesala. We are proud to have you in the Mesala Team. Maraming Salamat Po!

MESALA TEAM

CORPORATE SECRETARY AND GENERAL COUNSEL
ATTY. MARIA ZARAH R. VILLANUEVA- CASTRO

CHIEF EXECUTIVE OFFICER
ERLINDA T. VELARGA

CHIEF FINANCIAL OFFICER
CHRISTOPHER G. ABENALES

CHIEF OPERATING OFFICER (HEAD OF OPERATIONS)
JONI KRISTINE G. JACOB

CHIEF COMPLIANCE OFFICER, HEAD OF LEGAL AND COMPLIANCE AND DATA PROTECTION OFFICER
ATTY. ANGELO RAY A. ADINA

CHIEF RISK OFFICER
MARLON C. CANDELARIA

CHIEF INTERNAL AUDITOR (CHIEF AUDIT EXECUTIVE)
ALMIRA A. ANIEL

CORPORATE SERVICES – HEAD, INFORMATION TECHNOLOGY
JOSEPH D. CABUNGCAL

CONSULTANT, HUMAN RESOURCES
EDNA S. LOBUSTA

MESALA, INC.
Since 1934

TEAM LEADER - TREASURY
IMELDA L. BOCA

TEAM LEADER – SALES AND MARKETING
JONATHAN JACK C. BERNARDO

TEAM LEADER – MEMBER SERVICES
NORMAN M. CUNANAN

TEAM LEADER – BILLING AND COLLECTION
SHEENA MARIE R. STA. ANA

TEAM LEADER - ACCOUNTING
WILLY BRANDT M. MONTOYA

TEAM LEADER – COLLATERAL MANAGEMENT AND ADMIN
LOVELY ROSE B. ACLE

CORPORATE GOVERNANCE

Attendance for Calendar Year 2022					
Name	Position	Board Meetings		Committee and Other Meetings	
Atty. Horatio Enrico M. Bona	Chairman of the Board	13/13	100%	17/18	94%
Salvador G. Tirona	Vice-Chairman of the Board	13/13	100%	26/26	100%
Engr. Antonio M. Abuel, Jr.	President	13/13	100%	26/27	96%
Aldwin Christian C. Ang	Treasurer	13/13	100%	23/23	100%
Charina P. Padua	Trustee	13/13	100%	21/21	100%
Engr. Ernesto M. Cabral	Independent Trustee	12/13	92%	18/18	100%
Engr. Froilan J. Savet	Independent Trustee	13/13	100%	20/20	100%

Regulatory Updates

BSP Circular No. 1140, 24 March 2022
Amendments to Regulations on Information Technology Risk Management

- To strengthen cybersecurity posture and minimize losses arising from fraud and cybercriminal activities, BSFIs are required to adopt robust fraud management systems and reinforced consumer education and awareness programs.
- Management of IT risks and information security issues becomes a necessity and an important part of BSFIs' risk management system. BSFIs are required to establish a robust IT Risk Management system covering four (4) key components: 1) IT governance, 2) risk identification and assessment, 3) IT controls implementation, and 4) risk measurement and monitoring.
- To mitigate the impact of cyberfraud, BSFIs should adopt aggressive security posture such as the implementation of automated and real-time fraud monitoring and detection systems to identify and block suspicious or fraudulent online transactions. The expected sophistication and capabilities of BSFIs' fraud monitoring systems (FMS) should be commensurate to the risks associated with their digital financial and payment platforms. As fraud and cyber threats evolve, the FMS should be constantly calibrated to be able to process surges in transactions, collectively analyze customer profiles/behavior, and detect new fraud patterns. To ensure robustness and effectiveness in early detection and prevention of fraudulent and suspicious activities, it is optimal that the FMS is able to collect, monitor, and analyze transactions from all channels. Moreover, the FMS and AML systems should be linked or integrated to have a cohesive and comprehensive financial crime prevention system.

Regulatory Updates

BSP Circular No. 1137, 18 February 2022
Amendments to Regulations on Outsourcing and IT Risk Management

- As the BSP recognizes technology developments in the industry and their impact on the business operations and initiatives of BSFIs, amendments to outsourcing regulations and IT risk management have been approved. The amendments apply a risk-based approach on technology outsourcing consistent with international practices and in line with recent industry developments.
- An NSSLA may outsource to third parties or to related companies in the group, in accordance with existing BSP regulations, certain services or activities to have access to certain areas of expertise or to address resource constraints.
- The NSSLA must have in place appropriate processes, procedures, and information system that can adequately identify, monitor, and mitigate operational risks arising from the outsourced activities.
- The NSSLA's Board and senior management shall remain responsible for ensuring that outsourced activities are conducted in a safe and sound manner and in compliance with applicable laws, rules, and regulations.
- Outsourcing refers to any contractual arrangement between a bank and a qualified service provider for the latter to perform designated activities on a continuing basis on behalf of the NSSLA.
- NSSLAs shall assess whether an outsourcing arrangement is material or non-material to the business.
- An outsourcing arrangement shall be considered material if a business disruption of an outsourced activity, service delivery failure, and/or data/security breach will result in significant impact to the NSSLA's operations, financial condition, reputation, customers, and compliance with laws, rules and regulations.
- Material Outsourcing Arrangement covers any of the following:
    a. New material outsourcing arrangement;
    b. Changes in existing material outsourcing arrangement that have significant impact in the delivery of outsourcing activities, business operations, reputation, and profitability; and

Regulatory Updates

BSP Circular No. 1137, 18 February 2022 (continuation)
Amendments to Regulations on Outsourcing and IT Risk Management

c. Changes in existing outsourcing arrangements resulting in the reclassification of the arrangements as material, such as, but not limited to those affecting the nature, scope, and complexity of systems and processes.

- Prohibition against outsourcing of inherent NSSLA functions. No NSSLA shall outsource inherent NSSLA functions such as taking of deposits from the well-defined group; granting of loans and extension of other credit exposures; managing of risk exposures; and general management.
- Key risk areas related to outsourcing such as strategic; reputational/ legal; operational; compliance; country; and concentration risks should be evaluated before entering into and while managing outsourcing contracts. In this regard, NSSLAs shall:
    a. Conduct materiality assessment of the outsourcing activity.
    b. Establish policies and criteria to select the ‘best’ service provider for the outsourced activities and to get said services at reasonable price.
    c. Establish, maintain, and regularly test business continuity and contingency plans for situations wherein the service provider cannot deliver the required services.
    d. Ensure that it has adequate resources to manage and monitor outsourcing relationships on a continuing basis.
    e. Ensure that personnel with oversight and management responsibilities for service providers have the appropriate level of expertise and statute to manage the outsourcing arrangement.
    f. Ensure portability of the outsourced service (e.g., degree of difficulty, cost, and time in switching to an alternative service provider or to bring the activity in-house) and the impact to business continuity and recovery and resolution plans of the financial institution.

Regulatory Updates

FATF Publications on High-risk Jurisdictions and Jurisdictions under Increased Monitoring
BSP Circular Letter CL-2022-026, dated 15 March 2022
BSP Circular Letter CL-2022-054, dated 8 July 2022
BSP Circular Letter CL-2022-072, dated 28 October 2022
BSP Circular Letter CL-2023-015, dated 2 March 2023

High-risk Jurisdictions subject to a Call for Action

1. Democratic People's Republic of Korea (DPRK) [North Korea], including North Korean companies, and those acting on their behalf

   BSFIs must give special attention/ enhanced scrutiny to business relationships and transactions, directly or indirectly, and apply effective countermeasures on and targeted financial sanctions (TFS) in accordance with applicable United Nations Security Council Resolutions (UNSCR).

2. Iran
   - BSFIs must apply Enhanced due diligence (EDD) procedures and appropriate countermeasures that are effective and appropriate to the risk.
   - BSFIs must effectively implement TFS in accordance with applicable UNSCR and take necessary risk mitigation strategies, considering relevant laws and BSP rules and regulations.
   - BSFIs should take necessary actions (e.g., immediate freezing and filing of returns) required under relevant issuances on TFS in case of funds or property, including related accounts, of the designated individuals and entities referred to in all applicable UNSCR and AMLC Resolutions.
3. Myanmar
   - BSFIs must apply Enhanced due diligence (EDD) measures proportionate to the risk arising from Myanmar.
   - Nonetheless, flow of funds for humanitarian assistance, legitimate non-profit organization activity, and remittances must not be disrupted.

Regulatory Updates

FATF Publications on High-risk Jurisdictions and Jurisdictions under Increased Monitoring (continuation)
BSP Circular Letter CL-2022-026, dated 15 March 2022
BSP Circular Letter CL-2022-054, dated 8 July 2022
BSP Circular Letter CL-2022-072, dated 28 October 2022
BSP Circular Letter CL-2023-015, dated 2 March 2023

Updated list of Jurisdictions under Increased Monitoring or with Strategic Deficiencies

1. Albania, Barbados, Burkina Faso, Cambodia, Cayman Islands, Haiti, Jamaica, Jordan, Mali, Malta, Morocco, Nicaragua, Pakistan, Panama, Philippines, Senegal, South Sudan, Syria, Turkey, Uganda, United Arab Emirates, and Yemen; Zimbabwe is no longer subject to the FATF's increased monitoring process.
2. These countries are actively working with the FATF and have committed to resolve swiftly the identified strategic deficiencies in their regimes to counter money laundering, terrorist financing, and proliferation financing within agreed timelines and are subject to increased monitoring.
3. BSFIs need not apply EDD measures.
4. BSFIs must consider information in risk analysis.

Russian Federation's war against Ukraine

- BSFIs must remain vigilant of threats to the integrity, safety, and security of the international financial system
- BSFIs must be alert to possible emerging risks from the circumvention of measures taken to protect the international financial system and take necessary measures to mitigate risks.

Mesala Amended By-Laws

Salient Features, Effectivity Date: 16 March 2023

INDIVIDUAL MEMBERS

1. The members of the Association may be primary or secondary. (Sec. 1, Art. I)
2. The primary members are the corporate (those listed under Section 2, Article I of the Amended By-Laws) and individual members, while the secondary members are the individual primary member's (i) legitimate spouse, (ii) children, and (iii) relatives within the second degree of the consanguinity or affinity. (Sec. 1, Art. I)
3. The individual primary members of the Association are the active and retired employees of the corporate members. (Sec. 3, Art. I)
4. In case of death of a primary member, his/her legitimate spouse, children, and/or relatives within the second degree of consanguinity who are secondary members and of legal age as of the time of the death of the primary member, may be upgraded to primary member, subject to the following guidelines:
    a. The upgrading to primary membership shall follow the order hereunder:

Married primary member	Not married primary member
(1) legitimate spouse	(1) recognized child
(2) recognized child	(2) parent
(3) parent	(3) sibling
(4) sibling	

    b. The death or notarized waiver of the person shall entitle the succeeding person to be upgraded to primary membership.
    c. Only one (1) person of legal age shall be elevated to primary membership at any given time.
    d. In case there are more than one (1) person entitled to become a primary member, a notarized agreement among them shall be submitted electing the one who will be upgraded to primary membership.
    e. Their respective spouses, children or relatives within the second degree of consanguinity and affinity shall not be entitled to membership in the association by reason of elevation herein provided. (Sec. 3, Art. I)

Mesala Amended By-Laws

Salient Features, Effectivity Date: 16 March 2023

INDIVIDUAL MEMBERS (continuation)

5. For purposes of eligibility to membership, an employee is a “retired employee of a corporate member” if: (1) he/she has been endorsed as a retiree by his/her employer which is a corporate member of the association, in accordance with its retirement plan duly approved by its board of directors/trustees; or (2) he/she is a retiree as defined under the Labor Code of the Philippines, if there is no retirement plan or other applicable agreement providing for retirement benefits of employees in such corporate member. (Sec. 3, Art. I)

PRIMARY MEMBER IN GOOD STANDING

Only the primary members in good standing shall be considered in the determination of quorum (Sec. 6, Art. IV) and shall have the right to vote on all matters for member’s action (Sec. 5, Art. IV). A member shall be deemed “in good standing” provided he/ she fulfills all of the following conditions:

1. he/ she has no dormant account with the Association;
2. he/ she has attended, in person or by proxy, the immediately preceding three (3) consecutive meetings of members, regular or special; and
3. he/ she has no loan/s with unpaid/ missed payments for at least 90 days with the Association. (Sec. 5, Art. IV)

Mesala Amended By-Laws

Salient Features, Effectivity Date: 16 March 2023

CESSATION OF MEMBERSHIP

Individual membership in the Association shall cease in the following manner:

1. Primary individual membership in the Association shall terminate upon (i) the death of the member; (ii) the absolute severance of employment or connection with employer/corporate member; (iii) voluntary withdrawal or resignation from the Association; (iv) conviction of any offense involving moral turpitude; or (v) expulsion as a member in accordance with the By-Laws or any justifiable grounds. (Sec. 7, Art. I)

   Primary individual members who fail to attend, in person or by proxy, in the immediately preceding five (5) consecutive meetings of members, regular or special, may cause the termination of membership. (Sec. 7, Art. I)

2. Secondary individual membership in the association shall terminate upon: (i) the same manner in the preceding section; and (ii) the cessation of membership of the primary member, except when separation is due to death of primary member, and there is a secondary member who qualifies and enrolls as a primary member. (Sec. 7, Art. I)
3. Primary and secondary members may be expelled from the Association upon commission of fraud or criminal offense against the Association, delinquency or non-payment of loan obligations, or for continued failure to comply with any provisions of the By-Laws, rules, regulations and policies of the Association. The Association reserves the right to expel an individual member who joins an organization, league, society or any other association which, in the determination of the Board of Trustees, may result in a conflict of interest on the part of the individual member or which may be inimical to the purposes or objectives of the Association. (Sec. 8, Art. I)
4. Corporate membership shall terminate upon the voluntary withdrawal or resignation from the Association of the corporate member or termination or revocation of its corporate existence but the liabilities incurred by such corporate members to the Association, and the corresponding right of the Association to recover from them, shall survive the termination of membership. (Sec. 7, Art. I)

MAHALAGANG ANUNSYO

Pinapaalala ng Bangko Sentral ng Pilipinas ang wastong paggamit ng salapi.

Ayon sa Presidential Decree No. 247, bawal at may karampatang parusa ang pagsira ng salaping papel, polymer at barya.

Bawal din ang mga sumusunod:

pagsulat o paglagay ng marka

pagpunit, paggupit, pgabutas, o sadyang pagsunog

labis na paglukot o pagtupi

pagbabad sa kemikal

pagstaple o paglagay ng anumang pandikit

Ang salapi ay pambayad sa mga produkto at serbisyo.

Panatilihin natin ang integridad ng salapi ng Pilipinas sa pamamagitan ng wastong paggamit nito.

Source: Bangko Sentral ng Pilipinas

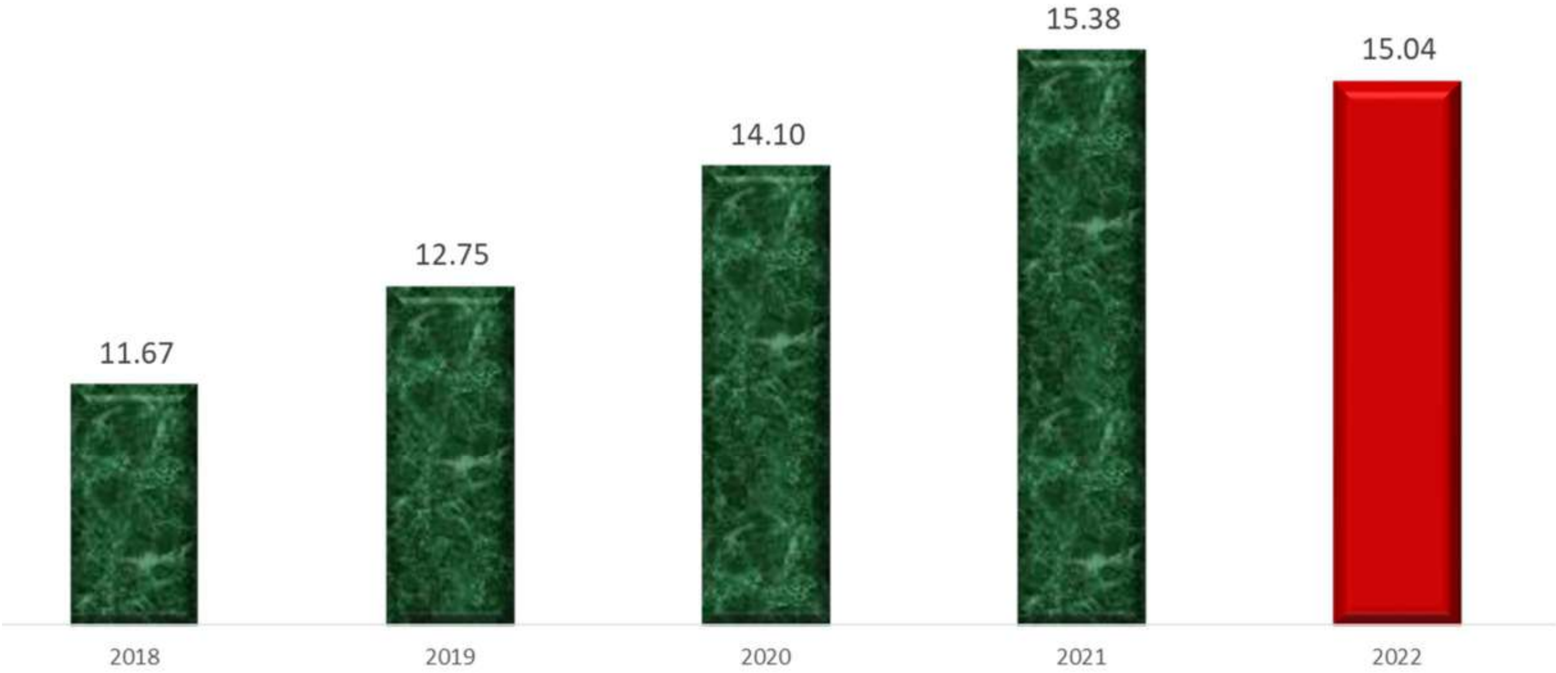
MESALA, INC.

Since 1934

Mesala is regulated by Bangko Sentral ng Pilipinas (BSP) I (02)-8708-7087 I consumeraffairs@bsp.gov.ph

FINANCIAL HIGHLIGHTS

FINANCIAL POSITION (in PHP billions)



MESALA still maintains a strong Financial Position at PhP15.04 billion ending 31 December 2022. The Association however encountered 2% decline in total Assets comparing 2022 vs. 2021 mainly due from the 7% reduction in members deposits though this was tempered by 5% increase in Capital Contribution. The reduction in Assets were absorbed by our Cash and Investment operations that posted 4% decline. Nevertheless, the Association was able to increase its net loans receivable by 3% amounting to Php124.75 million more compared to previous years.

	2022	2021	Increase (Decrease) Amount	Increase (Decrease) Percentage
Loans Receivable (net)	4,056.07	3,931.31	124.75	3%
Cash and Investment	10,796.89	11,267.87	(470.99)	-4%
Other Assets	183.66	176.49	7.17	4%
Total Assets	**15,036.61**	**15,375.68**	**(339.06)**	**-2%**
Deposit Liabilities	9,193.96	9,768.42	(574.46)	-6%
Other Liabilities	216.47	268.69	(52.22)	-19%
Total Liabilities	**9,410.43**	**10,037.11**	**(626.68)**	**-6%**
Capital Contribution	4,739.98	4,528.71	211.27	5%
Surplus Reserve	94.80	90.57	4.23	5%
Surplus Free	795.31	716.64	78.67	11%
Other Comprehensive Income	(3.90)	2.64	(6.54)	-248%
Total Capital	**5,626.19**	**5,338.57**	**287.62**	**5%**
Total Liabilities and Capital	**15,036.61**	**15,375.68**	**(339.06)**	**-2%**

FINANCIAL HIGHLIGHTS

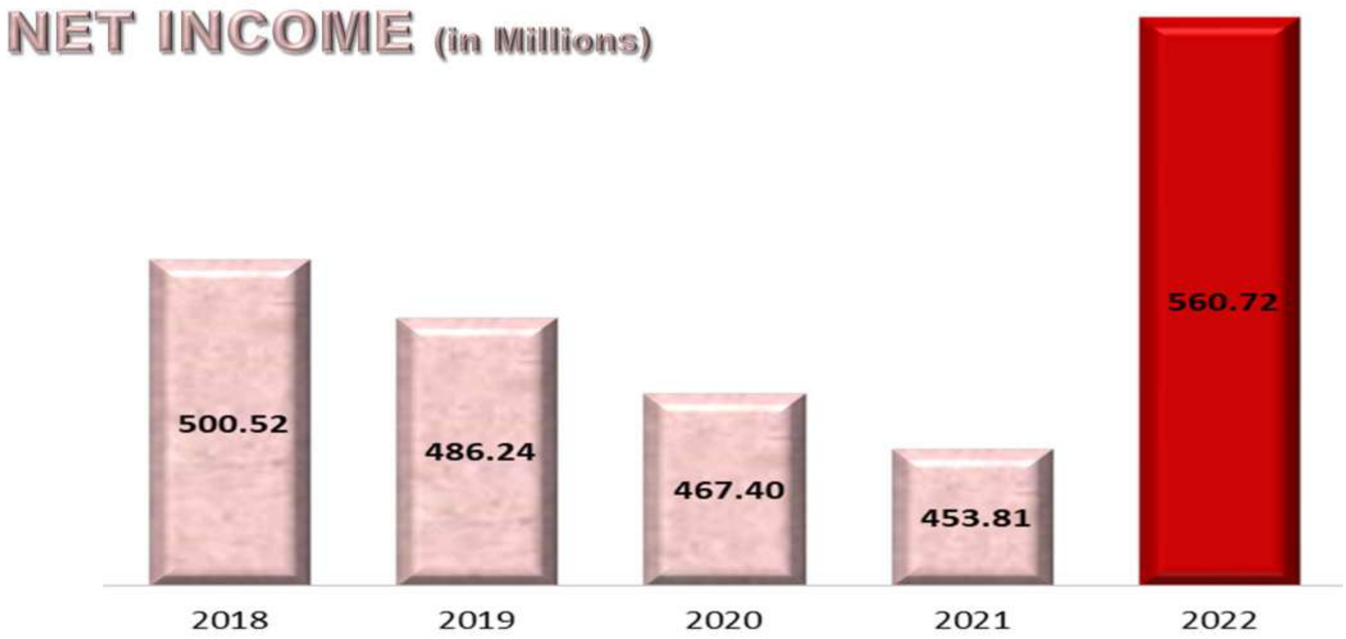
	2022	2021	Increase (Decrease) Amount	Percentage
Income generated from Loan Operations	330.59	356.27	(25.68)	-7%
Income generated from Investing and other Activities	456.63	388.25	68.38	18%
Total Income	**787.22**	**744.52**	**42.71**	**6%**
Cost of Money (Interest Expense and DST)	152.59	180.17	(27.58)	-15%
Expenses	86.59	76.51	10.08	13%
Provisions (Reversal)	(12.67)	34.03	(46.70)	-137%
Total Expenses	**226.50**	**290.71**	(64.21)	-22%
NET INCOME	**560.72**	**453.81**	**106.91**	**24%**

Total income of our Association grew by PhP42.71 million or 6% compared to previous year. Our investing and other activities generated 18% growth equivalent to PhP68.38 million. This growth however was tempered by the decline in income from loans operations amounting to PhP25.68 million. The effect of pandemic in Mesala's operation is still reflected in our Loan Operations due to reduced loan releases in 2020 and 2021 in which its effect was carried until 2022.

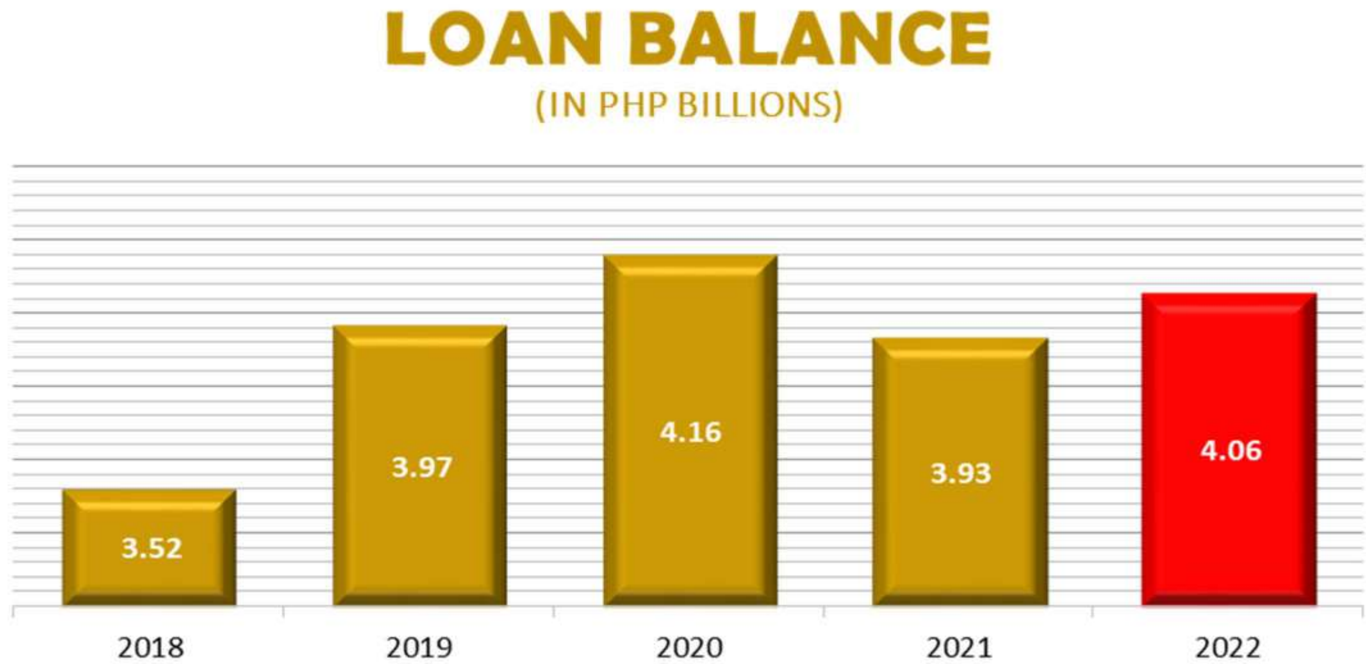
Another key drivers that generated growth in 2022 came from the reduction of cost of money from Php180.17 million in 2021 to PhP152.59 million in 2022 and the reversal of loan loss provision equivalent to 137%.

Although expenses grew by 13%, MESALA ensures to handle it prudently. Main cause of increase was due to the inflationary increases on our cost to operate. Other major contributors includes our investments in information technology to further improve information security, payment of documentary stamp taxes for the time deposits availed by our members and manpower expenses given new functions and positions for better services to members. Other than that, all expenses were incurred with the end in mind of deploying cost-saving measures.

Overall, our net income for 2022 increased by 24% equivalent to PhP106.91 million from PhP453.81 million in 2021 to PhP560.72 million in 2022. This is the highest recorded Net Income of the Association, a milestone indeed!

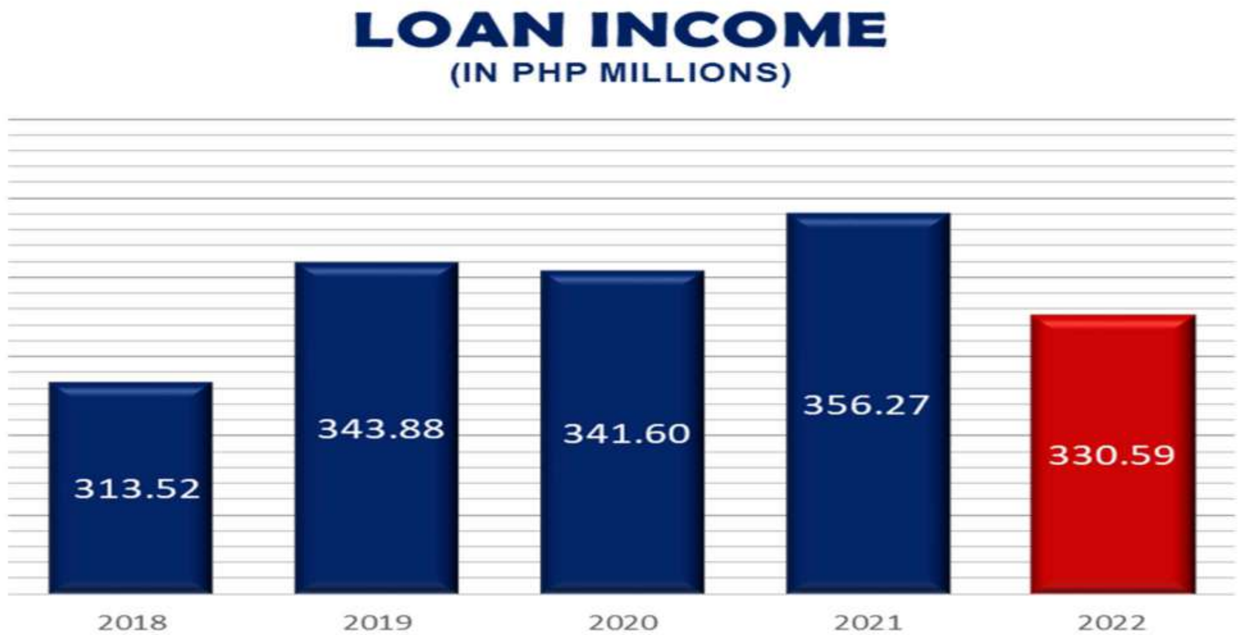


BUSINESS REVIEW
LOAN OPERATIONS



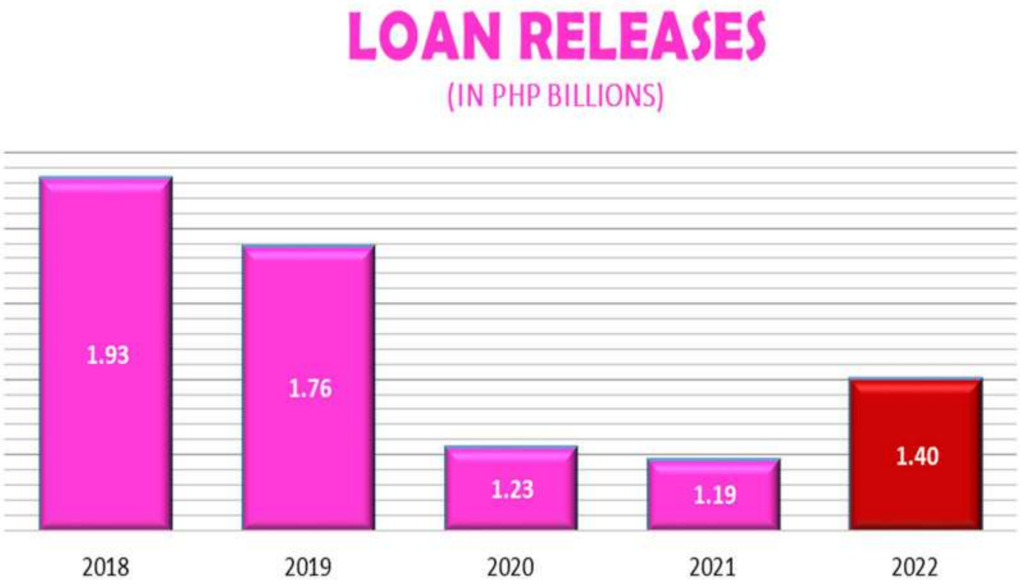
Mesala revived the upward trend in loan balance in 2022 with 3% growth to Php4.06 billion in 2022 from Php3.93 billion in 2021. This was due to 17.56% increase in loan releases from PhP1.19 billion in 2021 to PhP1.40 billion in 2022.

Despite the increase in loan balance, the Association recorded 7.21% decrease in loan income to PhP330.59 million in 2022 from PhP356.27 million in 2021 due to 8.84% decrease in average loan interest rates to 8.04% in 2022 from 8.85% in 2021. The Association deployed its interest rate review policy, which is being done on a quarterly basis, to ensure that our loan operations will counter the effect of interest rate risk. The policy however ensures that loan rates to be offered to the members are way below the market so as to make its products and services affordable to our member-borrowers compared to other financial institutions.

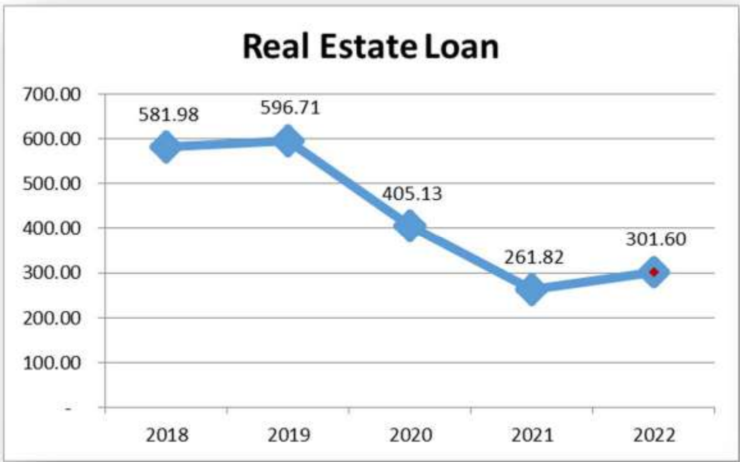


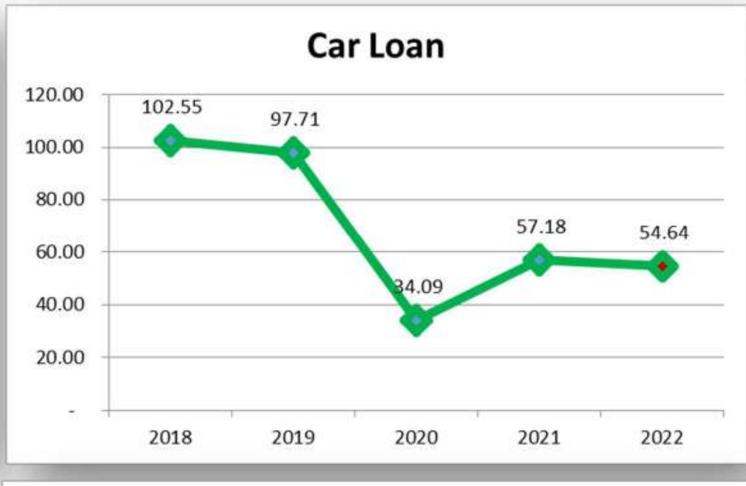
BUSINESS REVIEW
LOAN OPERATIONS

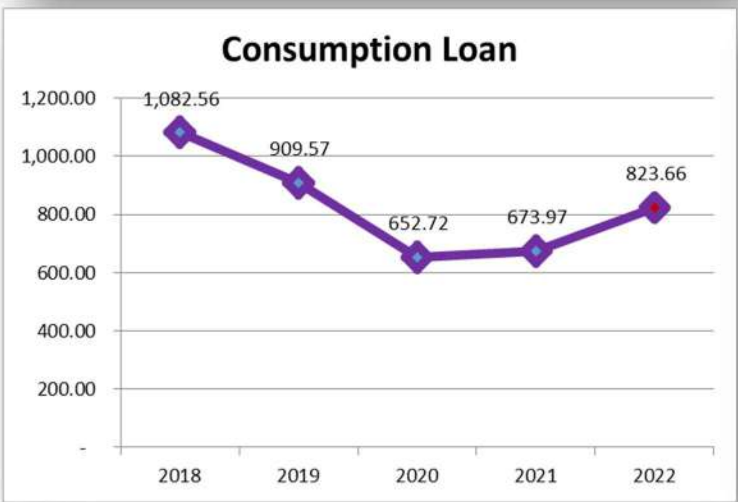
The Association operated much normal in 2022 compared to 2021. The government stopped implementing lock-downs which makes on-site operation of the Association regular. This caused the 17.56% increase in our loan releases.

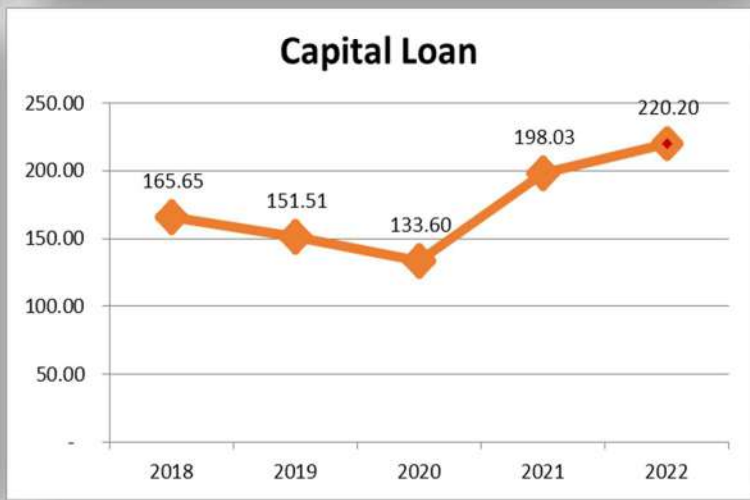


Except for car loan that showed 4% decline, other loans products posted an increase, consumption loan at 22%; real estate at 15% and capital loan at 11%. We hope to revive the pre-pandemic level of loan releases in the years to come with the continued support of our members.









NEW

LOAN RATES

Effective March 1, 2023

MESALA, INC.

Since 1934

LOAN TYPE	TERM	% PER ANNUM
Consumption	1-5 yrs	7.25 - 12.25%
Educational	1 yr	4.95%
Healthcare	1-5 yrs	4.5- 6.75%
Travel	1-3 yrs	5.95 - 8%
Capital	1 & 5 yrs	5.75 & 9%
Car/Motorcycle	1-5 yrs	7-8%
Real Estate	1, 3 & 5 yrs repricing	6.25 - 8.5%
Special Purpose	3-5 yrs	9.25 - 11%

CONTACT US:

1622-6800

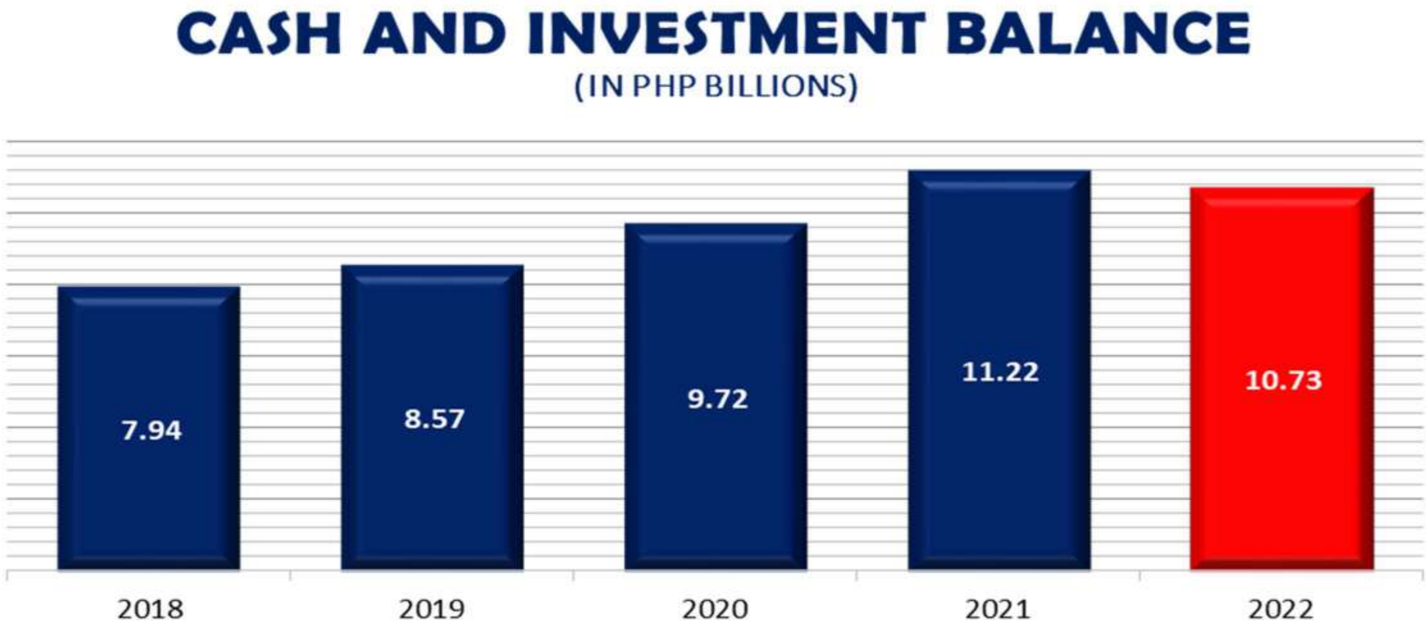
sales@mesala.com.ph

www.mesala.com.ph

Mesala adjusted its interest rates offerings to align with current market rates taking into consideration the capital investor's goal of profitability and our member-borrower's needs. Social responsibility loans remained lower than regular loans. Interest rates are computed based on the diminishing balance of the loan. All other terms and conditions for loan availment remain the same.

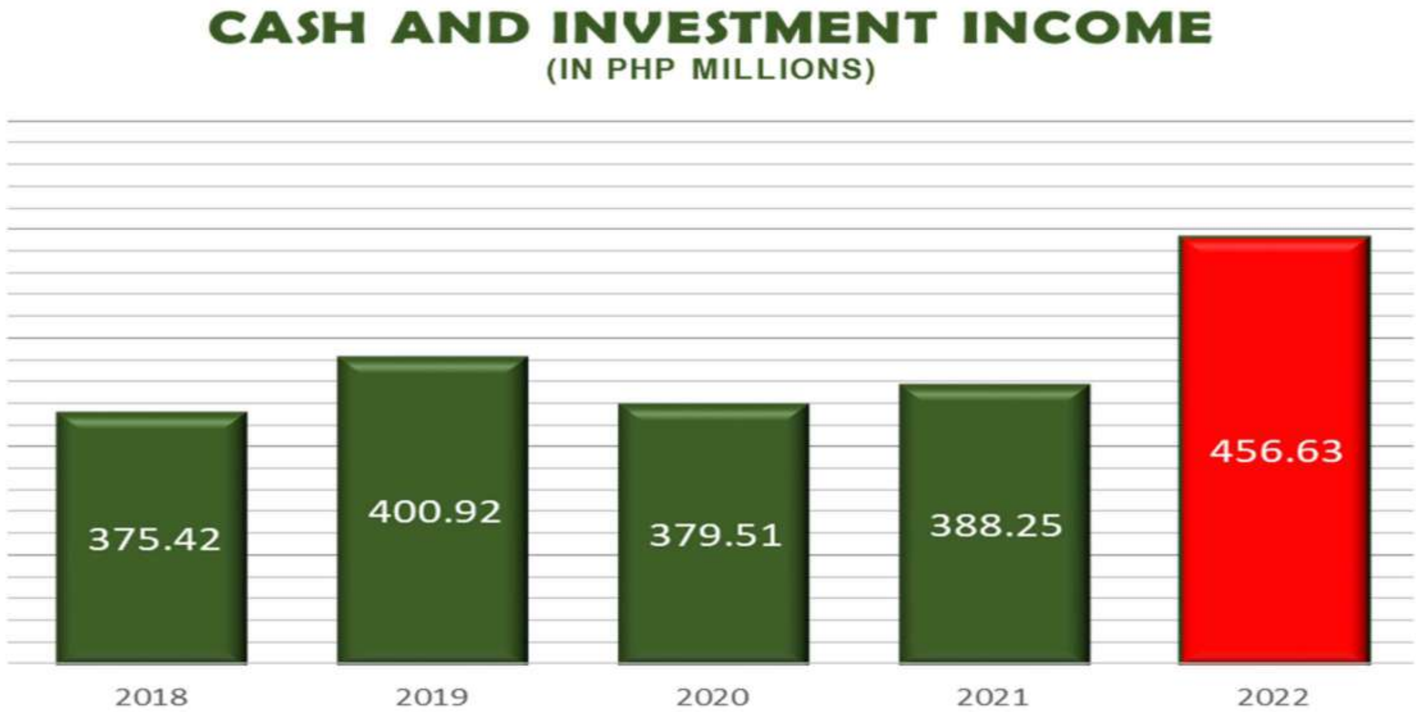
Mesala is regulated by Bangko Sentral ng Pilipinas (BSP) I (02)-8708-7087 I consumeraffairs@bsp.gov.ph

BUSINESS REVIEW
TREASURY OPERATIONS

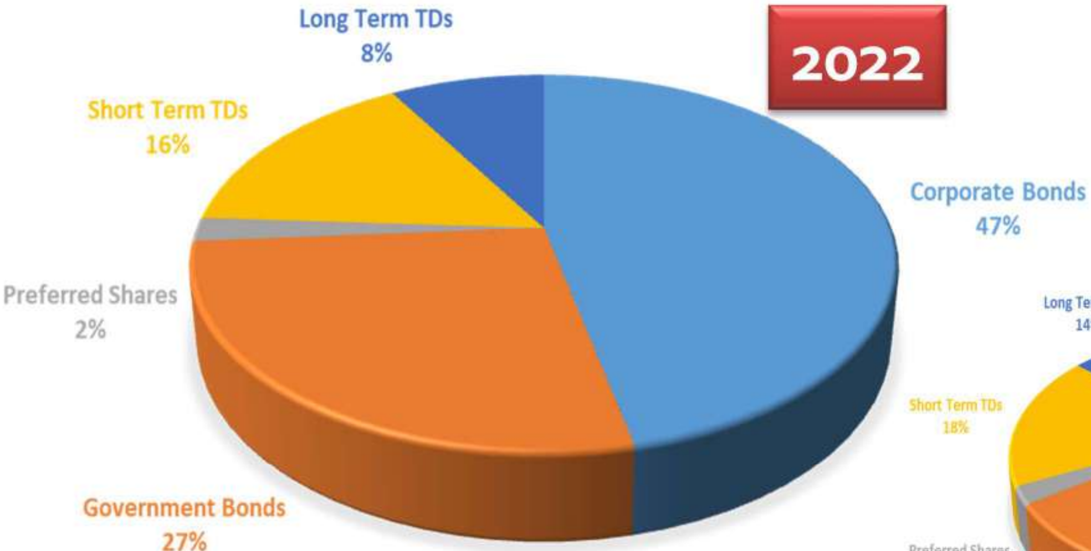


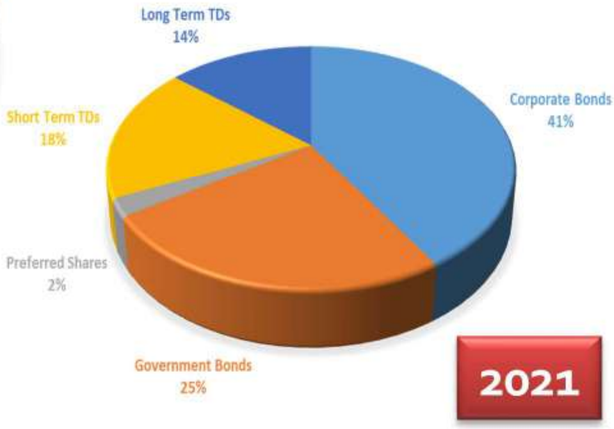
Consistent with our strategy, funds from members' deposits were prudently invested, mostly in long-term government instruments and corporate bonds to be able to get an attractive yield that is commensurate to the interest rate being paid to members deposits.

For 2022, to give way to the funding requirement of our members as regards loans and withdrawals, funds invested declined by 4.18% from PhP11.22 billion in 2021 to PhP10.73 billion in 2022. Our process in managing the funds of our Association was able to take advantage of the increasing investment rates in the market that despite the decrease in balance, we were able to increase the income by 17.61% to PhP456.63 million in 2022 from PhP388.25 million in 2021 .



BUSINESS REVIEW
TREASURY OPERATIONS

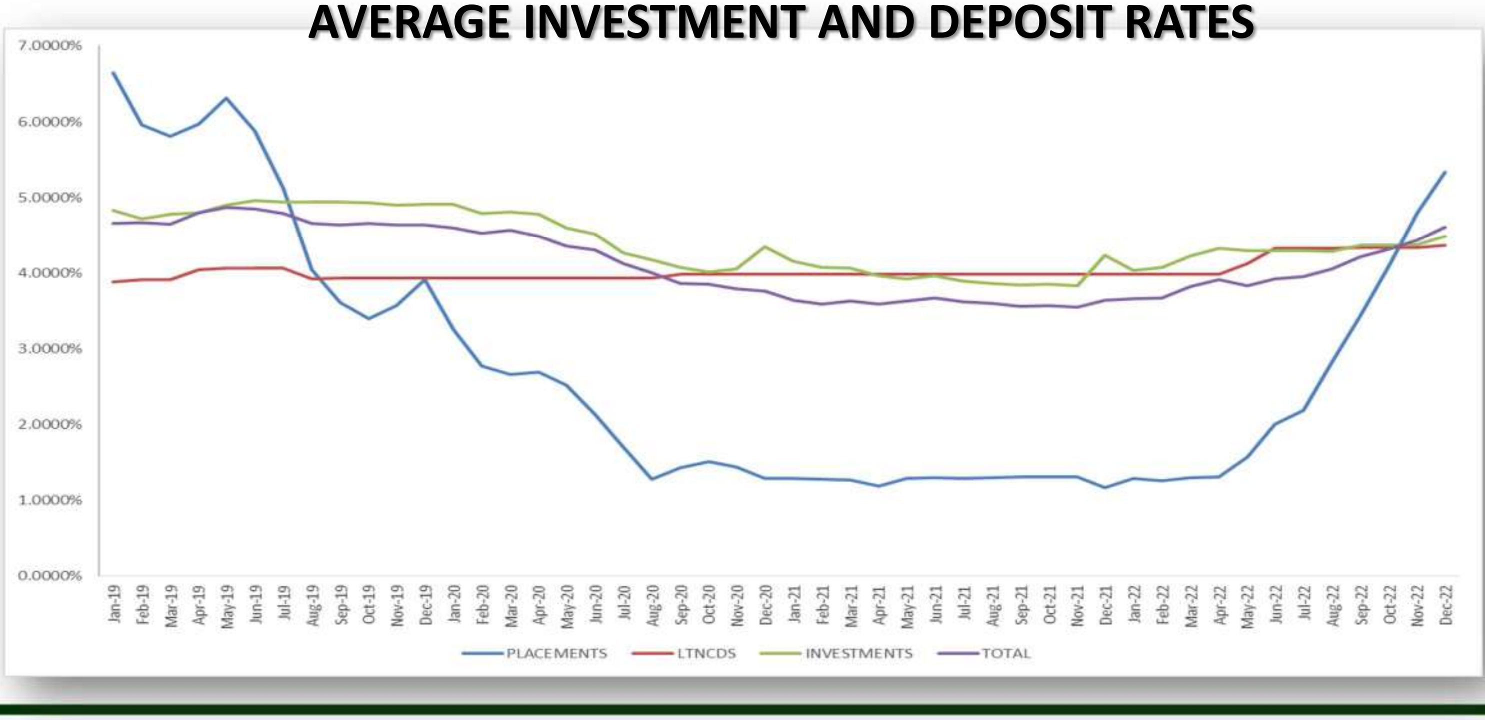




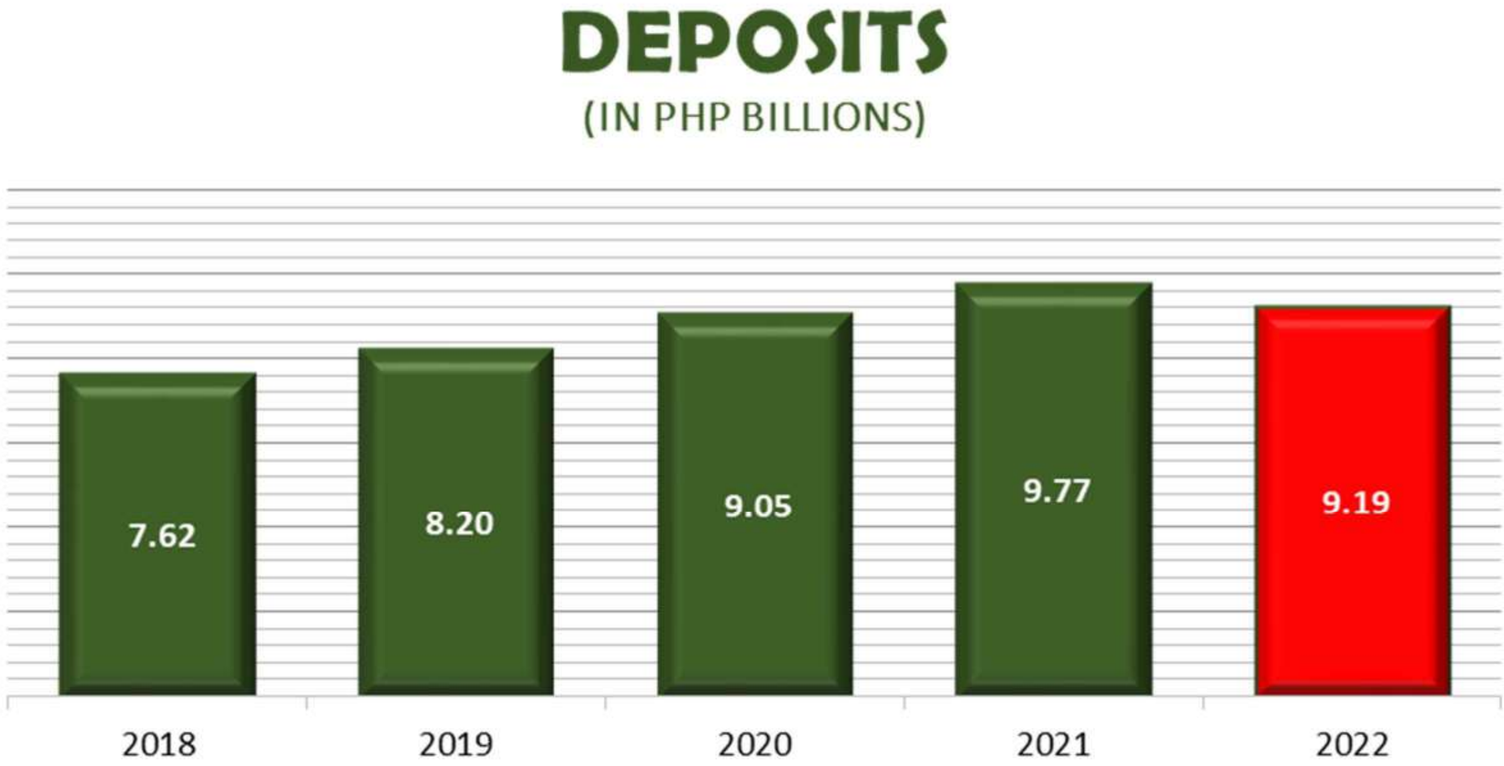
The cash and investment portfolio is composed of high grade corporate bonds (47%), government securities (27%), deposits with top universal banks (24%) and preferred shares (for divestment) of top corporations (2%). We have re-allocated our investments from long-term investments to short-term placements in order to ensure that we have enough liquidity to address the needs of our members be it through withdrawal or loan proceeds.

All of these instruments were placed consistent with the policies of the Bangko Sentral ng Pilipinas. These deposits and investments generated income equivalent to an average rate of 5.60% in 2022 from 5.09 % in 2021 or 10% increase.

AVERAGE INVESTMENT AND DEPOSIT RATES



DEPOSITS



Members' savings deposit is composed of regular, special and time deposits. For 2022, 5.88% decline was registered from Php9.77 billion in 2021 to Php9.19 billion in 2022.

Offering of Time deposit was resumed in 2022 which offered more tenors (terms) which members can match in terms of their liquidity needs. Similar to interest rates on loans, regular review of deposit rates is being made to ensure that our deposit products are very competitive in the market aside from its tax exempt feature.

In 2022, the Association reduced the regular savings rate from 1% to 0.75% in 2022 and simultaneously offered time deposits with varying tenors, from 1 month up to 5 years. This was made in order to balance the liquidity position of our Association and resulted to 15.31% decrease in cost of money.

MESALA, INC.
Since 1934

NEW
DEPOSIT RATES

Effective February 1, 2023

TIME DEPOSIT (TD)

TERM	% PER ANNUM
1 mo.	1.00%
3 mos	1.25%
6 mos	1.50%
1 yr	1.75%
2 yrs	2.00%
3 yrs	2.50%
4 yrs	3.00%
5 yrs	3.50%

REGULAR SAVINGS DEPOSIT (RSD)

Interest Rate – 0.75% per annum

Interest earnings are tax-exempt and compounded quarterly

Special rates apply for time deposits with PhP20 million and above. All other terms and conditions for deposit products remain the same. Contact us at treasury@mesala.com.ph

Mesala is regulated by Bangko Sentral ng Pilipinas (BSP) I (02)-8708-7087 I consumeraffairs@bsp.gov.ph

MERALCO EMPLOYEES SAVINGS AND LOAN ASSOCIATION, INC.
Operations Bldg., Meralco Center, Ortigas Ave., Brgy. Ugong, Pasig City
(02) 1622-6800 | meralco_sla@mesala.com.ph | www.mesala.com.ph
READY WHEN YOU NEED US

To : ALL MEMBERS

From : Engr. Antonio M. Abuel, Jr.
President

Date : 31 August 2022

Subject : DEPOSITS and LOAN PAYMENTS to MESALA through BDO Bills Payment Facility

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We are pleased to inform you that starting 1 September 2022, all deposits and payments to Mesala's BDO account will now be coursed through BDO's Bills Payment facility.

Members may transact to BDO over-the-counter (OTC) or thru Business Online Banking (BOB) or Personal Online Banking (POB) *via* unenrolled option. Please see further details below:

Institution Code: 1929		
Institution Name: MESALA, INC.		
Channel Enrollment	1. Over-the-counter (OTC) 2. Business Online Banking (BOB) 3. Personal Online Banking (POB)	
Product Code	978	979
Product Name	Deposit	Loan
Subscriber Number	Regular Savings Deposit (RSD) Account Number	Loan Account Number
Subscriber Name	Member's Name	
Contact Number	8 to 11 numeric characters	

Fund transfers within the channel payment cut-off time below will reflect on the member's RSD account or loan account the next business day at 1:00 pm (Philippine Standard Time [PST]).

Channel Payment Cut-off Time	
Over-the-counter (OTC)	Business Online Banking (BOB)/ Personal Online Banking (POB)
• Cash payment: Branch closing time • Check payment: Local check clearing branch cut-off	10:00 pm (PST)

For the step-by-step procedure, download the guide from this link https://bit.ly/3RjzIH6.

For inquiries, please do not hesitate to contact us:

Transacting Hours : 7:30 am to 4:00 pm, Mondays to Fridays
Telephone Number : (02) 1622 – 6800
Email Address : meralco_sla@mesala.com.ph

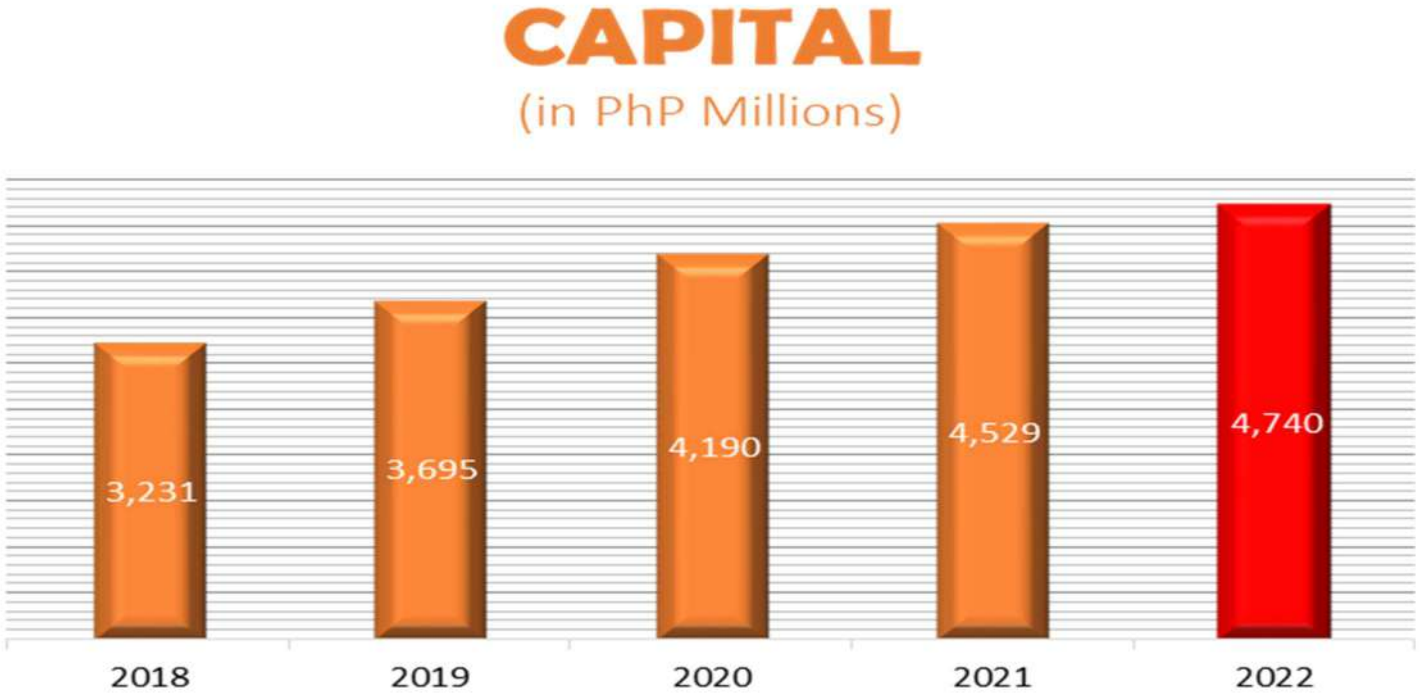
Thank you.

[ORIGINAL SIGNED]
Engr. ANTONIO M. ABUEL, JR.
President

Guide on Common Passbook Mnemonic Codes

MNEMONIC CODE	DESCRIPTION
Deposit and Withdrawal related transactions	
CASHDEP	Cash Deposit
CHKDEP	Check Deposit
CASHWD	Cash Withdrawal
CHKWD	Check Withdrawal
ATMWTHD	ATM Withdrawal - Credit to BDO/BPI
XFER	Account Transfer - Debit Source Acct.
CDEP	Account Transfer - Credit Destination Acct.
IDDBDOC	Deposit Transfer – Mesala Bank Acct. to Member RSD
UACCDEP	Deposit Transfer – Mesala Bank Acct. to Member RSD - if Credited the ff. month
Capital Transfer related transactions	
SDTOCCAA-D	Automatic Transfer to Capital
AUTOTRFRSD	Batch Upload-Suki Promo, One-time,Lumpsum, CCA ADJ - Debit RSD
AUTOTRFCCA	Batch Upload-Suki Promo, One-time,Lumpsum, CCA ADJ - Credit CCA
SDTOCCAL-C	Lumpsum Transfer - Credit CCA
SDTOCCAL-D	Lumpsum Transfer - Debit RSD
DBP & Abuloy related transactions	
DBP.CONTR.	DBP Premium
DOLEOUT	Abuloy Contribution
Deposit Interest related transactions	
SDINT	Quarterly RSD Interest
TDTORSD	Quarterly TD Interest - Credit to RSD
TDCLS-SD-C	Matured Time Deposit - Credit to RSD
INTADJC	Interest Adjustment
Dividend related transactions	
ANN.DIV.	Dividend Payment
AEDP	Advances on Expected Dividend Payment
DIVADJC	Dividend Adjustment
Loan related transactions	
REMFU	Loan Payment - Payroll Remittance
OCCAL	Auto Recovery of Loan Payment fr RSD
OA2LN	Loan Payment - Auto-RSD Deduction
RCEP	Excess in Loan Payments - Credit to RSD
LRELT	Loan Proceeds - Credit to RSD
Fees and other transactions	
INSWRL	Insurance Premium - Debit from RSD
BCTRFD	Bank Certification Fee - Debit from RSD
PRN	Credit Memo - Meralco Dividend, Mesala Promo, Other Credit Memo

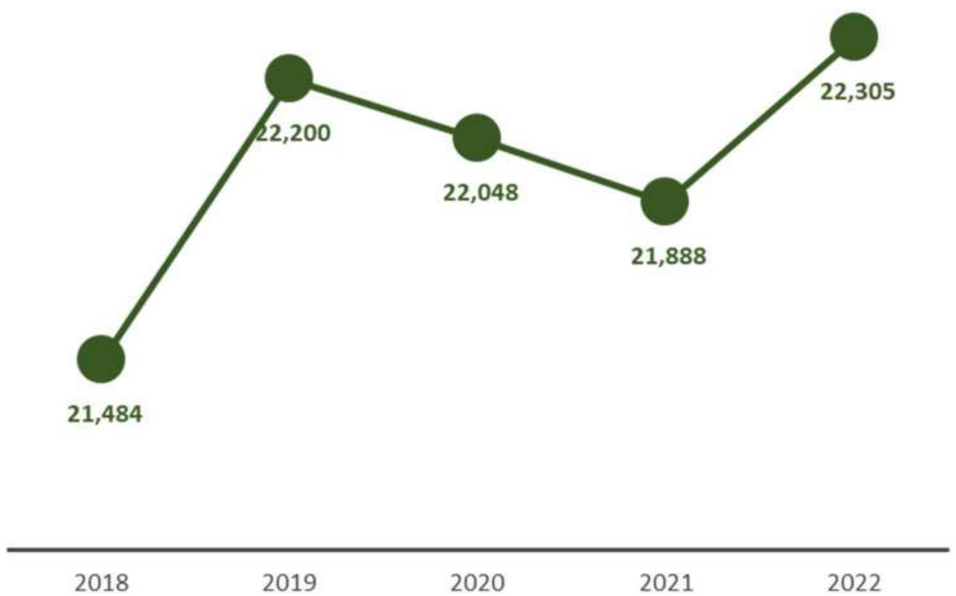
MEMBERSHP AND CAPITAL



Members' capital contribution increased by 4.67% adding PhP211 million in total amount. This was due to the sustained program on capital build-up such as the monthly transfer maximum of PhP4,000 and suki program of PhP3,000 per quarter. The Association also offered a capital transfer loan of up to PhP100,000 which members can avail and proceeds credited to their capital account. This project generated PhP133 million loans and corresponding additional capital to our availing members.

Our membership base increased by 2% or a total of 417 members. The increase was driven by the implementation of our amended by-laws adding affinity up to second degree of our primary members to be allowed as secondary members.

We encourage our primary members to enroll their dependents so the whole family up to up to their second degree of consanguinity or affinity can enjoy the benefits of being a MESALA member



Who can be members of Mesala?

AMENDED BY-LAWS OF THE MERALCO EMPLOYEES SAVINGS AND LOAN ASSOCIATION, INC.

ARTICLE I
MEMBERSHIP

SECTION 1. MEMBERSHIP – Membership in the Association is classified into primary and secondary members.

The primary members are the corporate and individual members, while the secondary members are the individual primary member's (i) legitimate spouse, (ii) children, and (iii) relatives within the second degree of the consanguinity or affinity.

SECTION 2. The corporate members are

1. *ABS-CBN Broadcasting Corporation*
2. *ABS-CBN Film Production, Inc.*
3. *ABS-CBN Lingkod Kapamilya Foundation, Inc.*
4. *ABS-CBN Global Limited*
5. *ABS-CBN Interactive, Inc.*
6. *ABS-CBN News Channel*
7. *ABS-CBN Publishing, Inc.*
8. *Advance Telecommunications, Inc.*
9. *Asian Eye Institute*
10. *B. P. Insurance Agency, Inc.*
11. *Cis Bayad Center, Inc.*
12. *Clark Electric Distribution Corp.*
13. *Corporate Info. Solutions, Inc.*
14. *Creative Programs, Inc.*
15. *E-MERALCO Ventures, Inc.*
16. *Eugenio Lopez Foundation, Inc.*
17. *FGP Corporation*
18. *First Gas Holdings Corporation*
19. *First Gas Power Corporation*
20. *First Gen Renewables, Inc.*
21. *First Philec Corporation*
22. *First Philippine Holding Corp.*
23. *First Philippine Industrial Corp.*
24. *First Philippine Industrial Park, Inc.*
25. *Indra Philippines, Inc.*
26. *Knowledge Channel*
27. *Lopez Holdings Corporation*
28. *Lopez, Inc.*
29. *MERALCO*
30. *MERALCO Employees Fund for Charity, Inc.*
31. *MERALCO Employees Savings & Loan Association, Inc.*
32. *MERALCO Energy, Inc.*
33. *MERALCO Financial Services*
34. *MERALCO Industrial Engineering Services Corp.*
35. *MERALCO Mutual Aid & Benefits Association, Inc.*
36. *MFI Polytechnic Institute, Inc.*
37. *MIESCOR Builders, Inc.*
38. *MIESCOR Logistics, Inc.*
39. *Philippine Commercial Capital, Inc.*
40. *Pilipino Cable Corp. (SVSC)*
41. *Rockwell Land Corporation*
42. *Sky Cable Corporation*
43. *Trans Service Corporation*
44. *TV Food Chef, Inc.*

SECTION 3. The individual primary members of the Association are the active and retired employees of the corporate members.

Hands up for a BIGGER FAMILY!

MESALA is now accepting membership application up to second degree of affinity.

NEW ELIGIBILITY

Relatives of the Primary Members up to the second degree of consanguinity and second degree of affinity.

- Parents
- Siblings
- Children
- Spouse
- Grandparents
- Grandchildren

- Parents-in-law
- Siblings-in-law
- Children-in-law
- Grandparents-in-law
- Grandchildren-in-law

REQUIREMENTS

- Minimum age requirement is seven (7) years old.
- Compliance to the "Know-Your-Member" policy of Anti-Money Laundering Act may be flexible to accepting digital/electronic or virtual face-to-face once approved by the Regulators
- Proof of relationship (Birth Certificate, Marriage Certificate, etc.)
- Accomplished Membership Form endorsed by the Primary Member
- 2x2 Picture
- Valid ID
- Proof of billing (Utility bills showing permanent address)
- Minimum cash out of P1,400

For further inquiries, please email membersservices@mesala.com.ph

Hands up for a BIGGER FAMILY!

FREQUENTLY ASKED QUESTIONS

1. Who among our relatives within the 2nd degree of affinity are qualified to become Dependents of Mesala? (Sino sa aking mga kaanak ang maaaring maging miyembro ng Mesala?)

a) Children-in-law (Manugang)
b) Parents-in-law (Biyenan)
c) Siblings-in-law (HIpag / Bayaw) – Should be at least 7 years of age
d) Grandparents-in-law (Lolo/Lola ng asawa)
e) Grandchildren-in-law (Asawa ng Apo)

2. What documents are required to be presented to Mesala upon enrollment? (Anong mga dokumento ang kailangan ipakita sa Mesala kapag nag-enrol?)

a) Duly accomplished membership application form (Kumpleto at pirmadong membership form)

b) 2" x 2" picture which was taken within the last six (6) months from the date of application (2"x2" na larawan na kuha sa loob ng anim na buwan bago ang pag-aaply ng membership)

c) Copy of proof of billing (Meralco / PLDT / Maynilad / Cable / Etc.) (Kopya ng katunayan ng address o tirahan na nakasulat sa membership form)

d) Copy of at least one government-issued valid ID (Kopya ng isang ID na isyu o bigay ng gobyerno)

e) Copy of government-issued identification document/s proving the relationship with the primary member (Kopya ng Marriage Certificate at Birth Certificate na magpapatunay ng relasyon sa Primary member)

Original copies of the documents shall be presented to the Members Services personnel of MESALA for authentication of the photocopies for submission.
(Ang orihinal na kopya ng mga ibibigay na dokumento ay ipapakita sa Members Services personnel para masuri at maihambing sa mga ibibigay na kopya)

3. What type of document proving relationship to a Primary member should be presented? (Anong uri ng dokumento ang magpapatunay ng relasyon sa Primary member ang dadalhin?)

Either a PSA-issued Birth Certificate or Marriage Certificate or both documents. These documents should establish the connection of the relationship of the applying member to the Primary member.

(Kahit anuman sa Birth Certificate o Marriage Certificate o parehong dokumento. Ang mga dokumentong ito ang magpapatunay ng koneksyon ng relasyon ng aplikante sa Primary member)

4. What are the fees to be paid ? (Ano ang mga dapat bayaran kapag nagpa-miyembro?)

The total amount to be paid upon application of membership is One Thousand Four Hundred (P1,400.00) Pesos, to be distributed as : (Ang kabuuan ng babayaran ay Isang Libo at Apat na daang Piso at hahatiin sa mga sumusunod):

a)Capital Contribution	P 1,000.00
b)Savings Deposit	300.00
c)Membership Fee	100.00

Applicant may have the option to deposit more than the P300 pesos initial requirement on his/her Savings Deposit.
(Ang aplikante ay maaaring mag deposito ng higit sa P300 sa kanyang Savings)

5. Do we need to apply personally ? (Kailangan bang pumunta sa Mesala para mag-apply?)

In compliance with the Anti-Money Laundering Act, acceptance of new members must be done through a face-to-face procedure along with the submission of the copies of the required documents.

(Alinsunod sa patakaran ng Anti-Money Laundering Act, ang pagtanggap ng bagong miyembro ay dapat isagawa nang harapan kasabay ang pagbibigay ng mga kopya ng mga kinakailangang dokumento).

In consideration of the restrictions brought about by the Pandemic, we are inquiring from Bangko Sentral ng Pilipinas (BSP) if face-to-face procedure may be done through other form of technology. However, copies of the required documents will still be submitted either through a registered courier or Mesala drop boxes located at Meralco Center gate.

(Bilang pagsunod sa mga ipinagbabawal na hatid ng Pandemya, kasalukuyan naming itinatanong sa Bangko Sentral ng Pilipinas (BSP) kung ang pagtanggap ng miyembro nang harapan ay maaaring isagawa sa pamamagitan ng ibang anyo ng teknolohiya. Samantala, ang mga kopya ng mga hinihinging dockumento ay kailangan pa ring ibigay sa pamamagitan ng mga rehistradong courier o mga drop boxes na makikita sa Meralco Center gate).

Mesala's Financial Assistance In Case of Death of an Enrolled Member

FEATURES	ABULOY PROGRAM
1. HOW TO ENROLL	Enrollment form may be downloaded from Mesala website and to be submitted to **Mesala Members Services Personnel**
2. PARTICIPATION	Voluntary
3. AGE ELIGIBILITY	No Minimum / Maximum age requirement
4. CONTRIBUTION PER MEMBER	**P10 per deceased member to be deducted from member's RSD account.** Enrolled dependent must have available Regular Savings account.
5. FREQUENCY OF CONTRIBUTION	Upon Death of an Enrolled Member .
6. AMOUNT OF BENEFIT	Dependent on number of enrolled members.
7. DISQUALIFICATION TO THE PROGRAM	3 Successive Months of No Contribution
8. REINSTATEMENT	Enrollment form, after lapse of 60 days
9. DOCUMENTARY REQUIREMENTS FOR CLAIM	** Death Certificate ** Claimant Form ** ID of Claimant

Mesala is regulated by Bangko Sentral ng Pilipinas (BSP) I (02)-8708-7087 I consumeraffairs@bsp.gov.ph

Mesala's Financial Assistance In Case of Death of an Insured Member

DEATH BENEFIT PROGRAM

FEATURES	
1. HOW TO ENROLL	Submission of Enrollment form to Philam Representative assigned to MESALA. Form may be downloaded from MESALA website
2. PARTICIPATION	Voluntary
3. AGE ELIGIBILITY	18- 64 years old. Coverage is up to 99 years old
4. CONTRIBUTION PER MEMBER	**P100 per month; Enrolled dependent must have available Regular Savings account.**
5. FREQUENCY OF CONTRIBUTION	Monthly
6. AMOUNT OF BENEFIT	P85,000.00 (effective Nov 28, 2021)
7. DELISTING FROM THE PROGRAM	Non-payment of one month premium after 30-day grace period
8. REINSTATEMENT	Enrollment form, up to age 64 y.o only
9. DOCUMENTARY REQUIREMENTS FOR CLAIM	**PSA-Certified Death Certificate **PSA-Certified Proof of Relationship **Death Claim Statement **Attending Physician's Statement **ID's

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Mesala on Wheels

Nurturing Relationships, Building Trust

It's time to engage and connect with all.
Build relationships that stand so tall.
You and MESALA, still going strong.
Creating a community where we all belong.

MESALA ON WHEELS

- Membership and Loan Product Orientation
- Acceptance of Membership Application, Updating and Loan Application Forms
- Distribution of Membership IDs

Listening closely with open ears,
we hope to wipe away any doubts and fears.
We'll support our members on their
financial needs.
In every endeavor, we pray they succeed.

You Need Us

Ready When

Reaching out to you is what we hold dear in our hearts.
'Coz working with our members is like a work of art.
And whenever the year comes to a close,
It's our dividend that we look forward the most.

Nurturing Relationships, Building Trust

Nurturing Relationships, Building Trust

February 22, 2022 – PARANAQUE SECTOR

April 1, 2022 – MERALCO HR : HR KAMUSTAHAN PART 1

May 11, 2022 – BALINTAWAK SECTOR

May 12, 2022 – MERALCO HR : HR KAMUSTAHAN PART 2

May 25, 2022 – SKY CABLE

May 31, 2022 – MANILA SECTOR

June 16, 2022 – MALABON BUSINESS CENTER

June 17, 2022 – CALOOCAN BUSINESS CENTER

July 13, 2022 – BATANGAS BUSINESS CENTER

July 14, 2022 – VALENZUELA BUSINESS CENTER

July 20, 2022 – KAMUNING-ROOSEVELT

July 26, 2022 – ALABANG BUSINESS CENTER

August 4, 2022 – MERALCO HR – #TLC: An Orientation on Employee Benefits and Services Batch 3

August 17, 2022 – LUCENA BUSINESS CENTER

August 26, 2022 – TUTUBAN & ESPANA BUSINESS CENTER

Nurturing Relationships, Building Trust

September 1, 2022 - BACOOR BUSINESS CENTER

September 12, 2022 - BALAGTAS BUSINESS CENTER

September 15, 2022 - CALAMBA & LOS BANOS BC

September 16, 2022 - MARIKINA BC

September 28, 2022 - COMMONWEALTH & BALAGTAS BC'S

October 27, 2022 - MERALCO HR - #TLC: An Orientation on Employee Benefits and Services Batch 4

October 27, 2022 - ANGONO BUSINESS CENTER

November 3, 2022 - ABS CBN FILM PRODUCTION INC

November 11, 2022 - MANDALUYONG BC

November 17, 2022 - MAKATI BC

November 18, 2022 - PASIG BC

November 24, 2022 - MALOLOS BC

November 25, 2022 - SAN PABLO BC

November 29, 2022 - ANTIPOLO, CAINTA & MASINAG BC

December 30, 2022 - MERALCO HR - #TLC: An Orientation on Employee Benefits and Services Batch 5

Corporate Social Responsibility

Giving and sharing is our way of life in MESALA...

MESALA had its first Corporate Social Responsibility (CSR) activity for the year 2022 on July 07, 2022 as thanksgiving for our Anniversary.

We donated 50 sets of Hygiene Essentials & gave cash donations amounting to PhP92,631.25 to Deaf-Ed Training & Assessment Center. Their representative visited us, very delighted and provided us with plaque showing a hand sign that represents *their* language that means "I love you"

Corporate Social Responsibility

Giving and sharing is our way of life in MESALA...

MESALA, INC.

Since 1934

ONE MERALCO FOUNDATION

Through One Meralco Foundation (OMF), we were able to provide our aid to the victims of Typhoon Paeng. We as an Association, was able to provide at least 200 relief packs to the families affected.

In addition, as we believe in the vision of OMF, we donated PhP50,000 for solar lamps for school children in unelectrified areas.

DREAM CAR COME TRUE

Years ago I was planning to buy something for myself, something that would make me and my loved ones happy and satisfied. - that is a brand new car. Back then, it was not ok because of my financial status.

Late last year I decided to pursue this dream, so I looked at different car dealers and ask SRP for a particular car model, which I prefer to be a midsize vehicle; either a small crossover or an SUV.

When I finally decided what model should I get, I inquired with MESALA.

What a coincidence because the car dealer has tie up with MESALA so I got additional cash discount for the unit.

The next day, I applied to MESALA for car loan.

Their staff were accommodating. They provided the necessary requirements for the loan. They even gave me the best option on how can i pay the loan more conveniently and note that based on comparison to other major banks, their interest rates are low.

The loan was approved in two days and upon completion of all the requirements, I was able to get the car in less than one (1) week.

To MESALA, good job and more power. You always find a way.

Thank you.

Franklin A. Esteban
Strategic Account Manager
MERALCO MPower

For inquiries on our Car Loan facility, please email sales@mesala.com.ph

TESTIMONIALS

MESALA: May KWENTO o May KWENTA?

- ✓ Former Active Employee member, now a Retiree member.
- ✓ Bayantel nagsimula maging member, retired working bilang Mesala employee,
- ✓ 31 years na miyembro.

Making my long story short, sa paulit-ulit na pag-avail ko ng Educational Loan at Consumption Loan, napagtapos namin ang 3 anak namin, 2 doctor at isang CommArts graduate. And not too long ago, dahil sa Business Loan, naipatayo ang Clinic ng anak ko, at kahati ng isa kong anak, naipa-renovate namin ang aming 3 door apartment, sa pag-avail ng Home Improvement Loan – a self liquidating loan sa Mesala, and sa kaunting natitira from the rental income, supporting the day-to-day expenses naming mag-asawa bilang retirees, not to mention the Interest na kinikita ng aming maliit na naipon sa Mesala both sa savings and capital.

Hindi man naging marangya ang buhay, pero ang pinakamahalaga, naitawid namin ang pag-aaral ng mga anak namin, napagyaman ang munting pag-aari, salamat Mesala.

So uulitin ko yung tanong ko: MAY KWENTO BA OR MAY KWENTA ANG MESALA? Sa pamilya namin, OO NAMAN. Mahalaga at Malaki ang naitulong ni Mesala. Maraming kwento (sa pag-lo-loan pa lang 😊) at sa totoo, sobrang may KWENTA sa buhay namin ang Mesala!

At sana sa magbabasa, pilitin mo'ng magkaroon ng kwento at kwenta sa pamilya nyo ang Mesala!

Ollie

MESALA and Me | From 20s to 50s and Beyond

By Amor Llanes Avendaño
Meralco Retiree Former Senior AVP, Meralco and COO – General Manager, Customer Frontline Solutions, Inc.

At my daughter's DMCI condo

MESALA – Meralco Savings & Loan Association.
To me, MESALA is more than a name. MESALA is my trusted go-to-financial partner.

In my 35 years and 9 months of working with Meralco, MESALA saw me through my financial needs. From consumption loan, stock loan, car loan, realty loan, among others. It witnessed how I was able to fulfill my dreams little by little. It was there for my firsts in life. From my twenties to my fifties and onwards…

20s. My first car was a second-hand blue shiny Toyota Liftback bought from Meralco colleagues through a MESALA car loan in 1990. I realized I wanted a car when one day, after work, I rode a bus, and the man seated in front of me didn't give up his seat even if I was pregnant then. I promised myself right there and then that I would buy myself a car. Haha! At 25 years old, I didn't mind paying for the monthly amortizations. It was like forced savings for me. And the convenience and safety of being in my own car was well worth it. My Papa taught me how to drive and he would drive for me to and from Meralco with my eldest child and second baby in tow before my Papa passed away at a young age of 52 two years later. That first car will be unforgettable.

30s. Our first home in Taytay, my family was able to build partly through MESALA too. I was 34 years old and undergoing the Branch Head Training Program. This is where we happily raised our four wonderful children and I brought my dearest Mom to live with us. It has been fully paid, thanks to my work in Meralco.

TESTIMONIALS


I and our 4 grown-up children at DMCI Flair Towers roof deck

40s. Our first condo. I was forced to get a condominium in 2014 because of the over 2-hour long traffic from Rizal to the Metro. Two of my children were studying in distant schools then - my bunso at De La Salle University-Taft and our only daughter at UP-Diliman. This condo allowed us less stress in our daily commute and serves as our family's second home.

50s. I learned from Robert Kiyosaki that real estate investing is one of the best ways to grow your assets and to hedge against inflation. With relatively low interest rates, and loans secured by Mortgage Redemption Insurance, we can safely invest knowing that our assets will increase in value over ,me. And we have something to pass on to our children when our ,me comes. And now, my dependents are enjoying their MESALA membership too. Our 2 bunsos recently got their own first condo through MESALA's real estate loan. By God's grace, all our properties have appreciated in value now, thanks to MESALA.

My bunso at his balcony in his DMCI condo overlooking BGC bridge and Pasig River.

60s and Beyond. I am not yet in my 60. I still had 3 years to go before 60 when I retired from Meralco last September 2022. I look forward to growing not only the assets I was able to acquire through MESALA, but also the savings I have through the dividends coming in so I can pay off my remaining loans. I also am starting my own realty business so I may help many realize their property investment dreams too. We members are blessed that MESALA is here to protect us all from life's surprises. Through these years, I have always been confident in dealing with MESALA because of its people. The leaders and staff who cared to understand my and my family's needs and offered their solutions, cheerfully served us even beyond their working hours, patiently replied to emails, SMS, Viber and Messenger, and graciously accommodated us when we came to visit. Hindi ka mahihiyang lumapit sa kanila. They are the ones who make MESALA a truly caring one-stop-shop trusted financial partner. Special shout-out to MESALA's gems, the ever-reliable and indefatigable charming team of Ms. Ermy Macasero, Ms. Lovely Acle, Sir Norman Cunanan, and Sir Dan dela Peña. They are so supportive! I will never forget their kindness all these decades. Kudos also to all the tellers, staff and officers, all the past and present leaders and Directors, MESALA's providers, and of course, Manong guard! ***May you all continue to provide the personal caring touch that I and my family know even as you grow bigger and stronger.*** Thank you for inviting me to share my MESALA story. **May you continue to touch many more lives.** God bless and congratulations! More power to MESALA!

Meralco Employees Savings and Loan Association, Inc. (MESALA) was incorporated on July 3, 1934 with the primary purpose of fostering, promoting and cultivating the habit of thrift and savings among its members. In 1962, Don Eugenio H. Lopez, bought Meralco from its American owners with his belief that the Filipino is as good as any American in running a company as complex and financially demanding as Meralco (Lopez Link).

In 1986, Manuel M. Lopez, took over the management of Meralco and launched a campaign called "Malasakit sa Kumpanya," a style of management that incorporates care and concern for employees as a way of ensuring care and concern for customers (Meralco Book, A Century of Service).

Salamat...

Ambassador MML

AMML's support to Mesala was one of the ways he showed his care and concern for the employees. Through the years, he guided the Association's

management on what is important in running a financial institution, 'Expertise' but with a 'Heart'. He wanted our members to be able to build home for their families, ensure the education of their children and enjoy the fruits of their hard work.

AMML would always send his greetings during the Association's special events and at times, personally visit Mesala to inspire employees to manifest the value of Malasakit and remind them of their role in fulfilling the needs of members. He would invite Mesala to corporate events to market loan and deposit products because he knew this will benefit the members and the Association.

Ambassador Manuel M. Lopez was the guest of honor during the Gala Night of the Grand Reunion of the Association of Former Meralco Employees (AFME) held at Brea, California. Former Mesala EVP and CEO, Ms. Leonor Acuar and Loans Processing Supervisor, Ms. Ermy Macasero were invited to attend this event to provide an update on the products and services of Mesala and answer inquiries from members.

AMML would discuss with Mesala Trustees, plans and programs and give his valuable advice and insights. Just last December 2022, AMML met our Trustees, CorSec and CEO.

Sadly, this would be the last.......

Paalam at Salamat

Ambassador MML

You were truly the ***wind beneath our wings***…
Godspeed!

Left is *Mesala Chairman, Atty. H.E. M. Bona;* Right, *Mesala President Engr. A.M. Abuel Jr. with some Mesala members during the wake of Ambassador MML* www.pwc.com/ph

Meralco Employees Savings and Loan Association, Inc.

(A Non-stock Savings and Loan Association)

Financial Statements
As at and for the year ended December 31, 20212 and 2021)

pwc

Isla Lipana & Co.

pwc

Isla Lipana & Co.

Independent Auditor's Report

To the Board of Trustees and Members of
Meralco Employees Savings and Loan Association, Inc.
(A Non-stock Savings and Loan Association)
Operations Building, Meralco Center
Ortigas Avenue, Pasig City

Report on the Audits of the Financial Statements

Our Opinion

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

What we have audited

The financial statements of the Association comprise:

- the statements of financial position as at December 31, 2022 and 2021;
- the statements of total comprehensive income for the years ended December 31, 2022 and 2021;
- the statements of changes in members' equity for the years ended December 31, 2022 and 2021;
- the statements of cash flows for the years ended December 31, 2022 and 2021; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for Opinion

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

We 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 Association in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and Code of Ethics.

Isla Lipana & Co.

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Isla Lipana & Co.

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under BSP Circular No. 1075 in Note 23 and BIR Revenue Regulations Nos. 15-2010 and 34-2020 in Note 24 to the financial statements is presented for the purposes of filing with the BSP and the BIR, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of management of the Association. 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.

Ruth F. Blasco
Partner
CPA Cert No. 112595
P.T.R. No. 0018519, issued on January 9, 2023, Makati City
SEC A.N. (individual) as general auditors 112595-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 235-725-236
BIR A.N. 08-000745-133-2020, issued on June 5, 2020; effective until June 4, 2023
BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
April 4, 2023

Meralco Employees Savings and Loan Association, Inc.
(A Non-stock Savings and Loan Association)

Statements of Financial Position
December 31, 2022 and 2021
(All amounts in Philippine Peso)

	Notes	2022	2021
ASSETS			
Cash and cash equivalents	2	1,738,693,340	2,087,362,866
Loans and receivables, net	3	5,093,546,989	5,605,183,610
Investment securities at amortized cost, net	4	7,925,633,874	7,379,620,320
Investment securities at fair value through other comprehensive income	5	222,558,960	254,891,290
Investment properties, net	6	4,195,600	3,607,437
Property and equipment, net	7	6,945,533	7,837,930
Computer software, net	8	26,167,383	29,818,971
Other assets		18,871,739	7,354,304
Total assets		15,036,613,418	15,375,676,728
LIABILITIES AND MEMBERS' EQUITY			
Deposit liabilities	10	9,193,955,776	9,768,417,825
Accrued expenses and other liabilities	11	209,567,271	264,719,720
Retirement liability, net	13	6,903,401	3,973,051
Total liabilities		9,410,426,448	10,037,110,596
Members' equity			
Capital contributions	12	4,739,984,608	4,528,712,956
Surplus free	12	795,305,304	716,639,671
Surplus reserve	12	94,799,692	90,574,259
Accumulated other comprehensive (loss) income	12	(3,902,634)	2,639,246
Total members' equity		5,626,186,970	5,338,566,132
Total liabilities and members' equity		15,036,613,418	15,375,676,728

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

Meralco Employees Savings and Loan Association, Inc.
(A Non-stock Savings and Loan Association)

Statements of Total Comprehensive Income
For the years ended December 31, 2022 and 2021
(All amounts in Philippine Peso)

	Notes	2022	2021
Interest income on:			
Loans and receivables	3	381,823,879	417,794,685
Cash and cash equivalents and debt securities	2,4	384,451,858	305,436,904
		766,275,737	723,231,589
Interest expense	10,11	(152,587,626)	(180,170,333)
Net interest income		613,688,111	543,061,256
Reversal of (provision for) credit and impairment losses	9	12,674,098	(34,026,493)
Net interest income after impairment losses		626,362,209	509,034,763
Other income, net	16	20,946,976	21,285,480
		647,309,185	530,320,243
Operating expenses	15	(86,589,687)	(76,511,575)
NET INCOME		560,719,498	453,808,668
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will not be subsequently reclassified to profit or loss			
Remeasurement gain on retirement liability	12,13	785,450	1,311,561
Unrealized loss on fair value changes on financial assets at fair value through other comprehensive income	5,12	(7,327,330)	(4,142,710)
		(6,541,880)	(2,831,149)
TOTAL COMPREHENSIVE INCOME		554,177,618	450,977,519

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

Meralco Employees Savings and Loan Association, Inc.
(A Non-stock Savings and Loan Association)

Statements of Changes in Members' Equity
For the years ended December 31, 2022 and 2021
(All amounts in Philippine Peso)

	Capital contributions (Note 12)	Surplus free (Note 12)	Surplus reserve (Note 12)	Accumulated other comprehensive income (loss)	Total
Balances at January 1, 2021	4,189,557,675	492,979,587	178,014,889	5,470,395	4,866,022,546
Comprehensive income					
Net income	-	453,808,668	-	-	453,808,668
Other comprehensive loss	-	-	-	(2,831,149)	(2,831,149)
Total comprehensive income (loss) for the year	-	453,808,668	-	(2,831,149)	450,977,519
Transactions with members					
Transfer from surplus free to surplus reserve	-	(6,783,106)	6,783,106	-	-
Release of other reserve	-	94,223,736	(94,223,736)	-	-
Capital contributions	629,743,815	-	-	-	629,743,815
Capital withdrawals	(290,588,534)	-	-	-	(290,588,534)
Dividends declared	-	(317,589,214)	-	-	(317,589,214)
	339,155,281	(230,148,584)	(87,440,630)	-	21,566,067
Balances at December 31, 2021	4,528,712,956	716,639,671	90,574,259	2,639,246	5,338,566,132
Comprehensive income					
Net income	-	560,719,498	-		560,719,498
Other comprehensive loss	-	-	-	(6,541,880)	(6,541,880)
Total comprehensive income (loss) for the year	-	560,719,498	-	(6,541,880)	554,177,618
Transaction with members					
Transfer from surplus free to surplus reserve	-	(4,225,433)	4,225,433	-	-
Capital contributions	516,502,071	-	-	-	516,502,071
Capital withdrawals	(305,230,419)	-	-	-	(305,230,419)
Dividends declared	-	(477,828,432)	-	-	(477,828,432)
	211,271,652	(482,053,865)	4,225,433	-	(266,556,780)
Balances at December 31, 2022	4,739,984,608	795,305,304	94,799,692	(3,902,634)	5,626,186,970

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

Meralco Employees Savings and Loan Association, Inc.
(A Non-stock Savings and Loan Association)

Statements of Cash Flows
For the years ended December 31, 2022 and 2021
(All amounts in Philippine Peso)

	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income		560,719,498	453,808,668
Adjustments for:			
(Reversal of) provision for allowance for impairment losses	9	(12,674,098)	34,026,493
Dividend income	5,16	(13,376,945)	(15,086,694)
Depreciation and amortization	15	8,098,765	7,411,893
Retirement benefits	13	3,715,800	3,707,778
Loss on sale of investment properties	6	530,250	364,907
Loss on retired property and equipment	7	-	1,042,449
Operating income before working capital changes		547,013,270	485,275,494
(Increase) decrease in:			
Loans and receivables, net		(101,941,758)	234,789,347
Other assets		(11,517,433)	(2,050,982)
Investment property		(2,048,130)	(2,845,795)
(Decrease) increase in:			
Deposit liabilities		(574,462,048)	722,041,513
Accrued expenses and other liabilities		(54,378,198)	81,803,882
Net cash (used in) from operating activities		(197,334,297)	1,519,013,459
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Investment securities at amortized cost	4	(2,616,273,749)	(5,393,733,742)
Computer software	8	(737,935)	(5,419,880)
Property and equipment	7	(2,670,019)	(2,929,000)
Proceeds from:			
Maturity/redemption of investment securities at amortized cost	4	2,060,890,063	4,153,107,576
Maturity/redemption of investment securities at fair value through other comprehensive income	5	25,005,000	37,425,000
Maturity/redemption of unquoted debt security	3	636,000,000	-
Sale of investment properties	6	405,500	822,786
Dividends received from investment securities at fair value through other comprehensive income	5	13,376,942	15,086,694
Net cash from (used in) investing activities		115,995,802	(1,195,640,566)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipt of capital contributions		516,502,071	629,743,815
Dividends paid	12	(305,230,419)	(317,589,214)
Withdrawals of capital contributions		(477,828,432)	(290,588,534)
Payment of principal and interest portion of lease liabilities	11	(774,252)	(750,731)
Net cash (used in) from financing activities		(267,331,032)	20,815,336
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(348,669,526)	344,188,229
JANUARY 1		2,087,362,866	1,743,174,637
DECEMBER 31	2	1,738,693,340	2,087,362,866

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

Notes to the Financial Statements
As at and for the years ended December 31, 2022 and 2021
(In the notes, all amounts are in Philippine Peso unless otherwise stated)

1 General information

Meralco Employees Savings and Loan Association, Inc. (the "Association") is a non-stock savings and loan association (NSSLA) established in the Philippines and registered with the Securities and Exchange Commission (SEC) on July 3, 1934.

The Association is operating under Republic Act (R.A.) No. 8367, Revised Non-Stock Savings and Loan
Association Act of 1997, to encourage industry, frugality and the accumulation of savings and judicious utilization of credit primarily for the benefit and interest of its members. The activities of the Association are regulated by the Bangko Sentral ng Pilipinas (BSP).

The Association, established prior to the effectivity of R.A. No. 8367, is allowed to continue its existing membership coverage, unless otherwise disallowed by the Monetary Board of the BSP.

As provided under R.A. No. 8367, the Association 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 and not related to the savings and loan activities are taxable.

The registered office address of the Association, which is also its principal place of business, is at Operations Building, Meralco Center, Ortigas Avenue, Pasig City.

As at December 31, 2022, the Association has 49 employees (2021 - 49).

Coronavirus pandemic

The pandemic which broke out in March 2020 forced governments all over the world, including the Philippines, to implement community lockdowns and quarantines to mitigate the spread of the virus. Unfortunately, these lockdowns caused the demands for goods and services to plummet which ultimately led to the contraction of both the global and domestic economies.
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 simply the "Bayanihan Act 1") was enacted in March 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. In September 2020, Republic Act (RA) No. 11494, known as "Bayanihan Act 2" or "Bayanihan to Recover as One Act" was also enacted to further augment the country's COVID-19 response to accelerate the recovery and bolster the resiliency of the Philippine economy.
In 2021, the pandemic remains the topmost concern of the government 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 commenced in the first quarter of 2021 and has been hoped to slow down and contain the spread of the virus and boost confidence among businesses and consumers.
As at reporting date, 2022, while the pandemic still poses some risk and uncertainties, the Association operated much normal compared to 2021 and 2020. The government stopped implementing lock-downs which makes the on-site operation of the Association regular. The Association, although the level of business is not yet back to the pre-pandemic levels, remains confident on its ability to absorb some conceivable financial shocks that may arise due to volatile economic conditions.

Authorization of financial statements

The financial statements of the Association have been approved and authorized for issue by the Board of Trustees (BOT) as recommended by the Audit Committee on April 4, 2023.

2 Cash and cash equivalents

The account as at December 31 consists of:

	2022	2021
Cash on hand	2,005,000	2,005,000
Cash in banks	61,522,566	49,862,836
Short-term investments	1,675,165,774	2,035,495,030
	1,738,693,340	2,087,362,866

Cash in banks earn interest at prevailing bank deposit rates and are currently available for use in the current operations. Short-term investments include time deposits which bear nominal annual interest rates of 4.63% to 5.75% in 2022 (2021 - 1.25% to 1.45%).

Interest earned from cash and cash equivalents for the year ended December 31, 2022 amounts to P41.55 million (2021 - P18.14 million).

3 Loans and receivables, net

This account consists of:

	Note	2022	2021
Loans to members		4,125,099,856	4,022,767,090
Unquoted debt securities		910,000,000	1,546,000,000
Accrued interest		104,805,042	105,297,043
Others		22,672,944	22,571,995
		5,162,577,842	5,696,636,128
Unamortized discount		-	(44)
		5,162,577,842	5,696,636,084
Allowance for impairment losses	9	(69,030,853)	(91,452,474)
		5,093,546,989	5,605,183,610

Unquoted debt securities represent long-term certificates of time deposits.

Other receivables include advances to members on expected dividends, advances to officers and employees and sales contract receivable.

The major classifications of loans to members as at December 31 are as follows:

a. Loans to members classified as to purpose/credit concentration/industry

	2022		2021	
	Amount	%	Amount	%
Individual:				
Real estate	2,109,875,615	51%	2,032,638,433	51%
Consumption	1,522,701,576	37%	1,457,896,921	36%
Capital	302,447,533	7%	312,366,076	8%
Car	143,652,884	4%	174,763,210	4%
Salary/education	1,177,332	-	1,520,250	-
Others	10,392,265	-	8,729,549	-
	4,090,247,205	99%	3,987,914,439	99%
Corporate:				
Real estate	34,852,651	1%	34,852,651	1%
	4,125,099,856	100%	4,022,767,090	100%

Under the existing BSP rules and regulations, there is credit concentration when the loan exposure to a particular industry exceeds 30% of the total loan portfolio. Majority of the Association's loan exposure arises from real estate and consumption loan products. As at December 31, 2022 and 2021, the Association does not have concentration of credit risk to particular industries.

Corporate loans due from Corfarm Grains, Inc. (Corfarm) was fully provided with allowance for impairment loss since 2005 amounting to P34.9 million until December 31, 2017. On September 6, 2018, a Sheriff's Return has been issued to implement the Sheriff's Final Notice, Writ of Execution and other attachments to execute the proper deed to effect dacion en pago of properties on the loan in favor of the Association. With this, the Association reversed a portion of the previously recognized allowance for impairment loss amounting to P8.71 million. In 2020, the court ordered the Registry of Deeds to effect the conveyance of the properties to the Association. With this, the Association reversed additional allowance for impairment loss amounting to P9.89 million in 2021 and P9.20 million in 2022. The allowance for impairment loss on corporate loans amounts to P7.05 million as at December 31, 2022
(2021 - P16.25 million)

b. Loans to members classified as to collateral

	2022	2021
Secured:		
Real estate	2,109,875,615	2,032,638,433
Chattel	143,652,884	174,763,210
Others	312,839,798	321,095,625
	2,566,368,297	2,528,497,268
Unsecured	1,558,731,559	1,494,269,822
	4,125,099,856	4,022,767,090

Real estate loans are secured by mortgages on real properties and due in one (1) to twenty-five (25) years with annual interest ranging 5.00% to 15.00% in 2022 and 2021.

Car loans are secured by mortgages on motor vehicles and due in one to five years with annual interest rates of 7.00% to 8.75% in 2022 and 2021.

Other collateralized loans are secured by capital contribution hold-outs and due in less than a year to five years with annual interest ranging from 4.00% to 11.00% in 2022 and 2021.

The total fair market value of real and personal properties mortgaged as collateral as at December 31, 2022 amounts to P5.46 billion (2021 - P5.4 billion).

Unsecured loans are loans with no collateral but are guaranteed by co-makers who are also members of the Association. These loans are due in less than a year to five (5) years with annual interest ranging from 4.00% to 12.75% in 2022 and 2021.

c. Loans to members classified as to maturity

	2022	2021
Due in one year or less	483,341,550	475,833,083
Due beyond one year		
Over one year to five years	1,650,459,147	1,633,951,070
Over five years	1,991,299,159	1,912,982,937
	4,125,099,856	4,022,767,090

Interest earned on loans and receivables amounts to P381.82 million in 2022 (2021 - P417.79 million).

The aging analysis of loans and receivables is as follows:

	2022		2021	
	Gross Amount	Impairment	Gross Amount	Impairment
Current	4,941,908,080	38,720,589	5,325,008,246	42,941,226
Past Due				
One to 30 days	17,185,850	120,466	131,874,656	2,293,635
31 to 90 days	29,706,470	207,886	59,277,875	361,145
Over 91 days	173,777,442	29,981,912	180,475,307	45,856,468
	5,162,577,842	69,030,853	5,696,636,084	91,452,474

The fair values of loans and receivables are estimated based on the discounted cash flow method using the Association's current incremental lending rates for similar types of loans and receivables.

Discount rates used range from 4% to 19% in 2022 and 2021. The fair value measurement for loans and receivables has been categorized under Level 2 of the fair value hierarchy.

4 Investment securities at amortized cost, net

Investment securities at amortized cost as at December 31 consist of:

		2022		2021	
	Note	Interest rates	Amount	Interest rates	Amount
Corporate bonds		3.09% to 6.29%	5,016,791,105	2.46% to 7.60%	4,624,802,333
Government debt securities		2.375% to 4.75%	2,923,633,184	1.25% to 8.00%	2,760,238,270
			7,940,424,289		7,385,040,603
Allowance for impairment loss	9		(14,790,415)		(5,420,283)
			7,925,633,874		7,379,620,320

Movements in Investment securities at amortized cost for the years ended December 31 are summarized as follows:

	2022	2021
At January 1	7,385,040,603	6,144,414,437
Additions	2,616,273,749	5,393,733,742
Maturities	(2,043,483,748)	(4,155,873,742)
Net unamortized (discount) premium	(17,406,315)	2,766,166
At December 31	7,940,424,289	7,385,040,603

Interest income earned from Investment securities at amortized cost amounts to P342.90 million in 2022 (2021 - P287.30 million).

5 Investment securities at fair value through other comprehensive income (FVOCI)

Details and movements in the account for the years ended December 31 are summarized as follows:

	Notes	2022 Quoted equity securities	Unquoted equity securities	Total
Balances at beginning of the year		254,891,290	4,113,045	259,004,335
Maturities		(25,005,000)	-	(25,005,000)
Other comprehensive loss:				
Unrealized fair value loss	12	(7,327,330)	-	(7,327,330)
Balances at end of year		222,558,960	4,113,045	226,672,005
Allowance for impairment losses	9	-	(4,113,045)	(4,113,045)
Carrying amount		222,558,960	-	222,558,960

	Notes	2021 Quoted equity securities	Unquoted equity securities	Total
Balances at beginning of the year		296,459,000	4,113,045	300,572,045
Maturities		(37,425,000)	-	(37,425,000)
Other comprehensive loss:				
Unrealized fair value loss	12	(4,142,710)	-	(4,142,710)
Balances at end of year		254,891,290	4,113,045	259,004,335
Allowance for impairment losses	9	-	(4,113,045)	(4,113,045)
Carrying amount		254,891,290	-	254,891,290

Quoted equity securities

Investments in quoted equity securities pertain to various cumulative, non-convertible, non-participating, and non-voting preferred shares of companies listed in the Philippine Stock Exchange. These preferred shares earn annual dividends ranging from 5.09% to 6.48% for a period of five (5) to ten (10) years.

Dividend income from investments in quoted equity securities amounts to P13.38 million in 2022 (2021 - P15.09 million) (Note 16).

Unquoted equity securities

As at December 31, 2022 and 2021, the unquoted equity securities pertain to redeemable preferred shares of Advent Capital and Finance Corporation (ACFC) aggregating 309,843 shares. The investment in ACFC is fully provided with allowance for impairment losses as at December 31, 2022 and 2021.

6 Investment properties, net

Details and movements in this account are as follows:

	Note	2022 Land	2022 Land improvements	2022 Motor vehicle	2022 Total
Cost					
Balances at beginning of year		2,745,631	1,405,236	-	4,150,867
Additions		-	407,739	829,391	1,237,130
Disposals		(124,750)	(128,924)	-	(253,674)
Balances at end of year		2,620,881	1,684,051	829,391	5,134,323
Accumulated depreciation					
Balance at beginning of year		-	344,717	-	344,717
Disposals		-	(128,924)	-	(128,924)
Depreciation		-	146,826	-	146,826
Balances at end year		-	362,619	-	362,619
Allowance for impairment losses	9	-	198,713	377,391	576,104
Net book value		2,620,881	1,122,719	452,000	4,195,600

	Note	2021 Land	2021 Land improvements	2021 Motor vehicle	2021 Total
Cost					
Balances at beginning of year		2,148,048	477,131	-	2,625,179
Additions		1,785,276	1,060,519	-	2,845,795
Disposals		(1,187,693)	(132,414)	-	(1,320,107)
Balances at end of year		2,745,631	1,405,236	-	4,150,867
Accumulated depreciation					
Balance at beginning of year		-	477,131	-	477,131
Disposals		-	(132,414)	-	(132,414)
Depreciation		-	-	-	-
Balances at end year		-	344,717	-	344,717
Allowance for impairment losses	9	-	198,713	-	198,713
Net book value		2,745,631	861,806	-	3,607,437

The investment properties represent foreclosed collaterals in settlement of loans and receivables.

Disposals of investment properties in 2022 resulted in a gain of P530,250 (2021 - P364,907 loss). The gain (loss) on disposals is recognized under Other income, net (Note 16).

The fair values of investment properties as at December 31 are as follows:

	2022	2021
Land	5,004,000	8,344,324
Land improvements	3,546,320	684,520
Motor vehicle	452,000	-
	9,002,320	9,028,844

The Company uses the market approach in determining the fair values of its investment properties which 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. Appropriate adjustments are made to valuations taking into consideration the specific circumstances of the properties. The fair values of the Company's investments properties fall under Level 3 of the fair value hierarchy. The main Level 3 inputs used by the Company pertain to marketability and size.

7 Property and equipment, net

Details and movements in this account are as follows:

	Computer equipment	Transportation equipment	Building improvements	Furniture, fixtures, and office equipment	Leased premises	Total
Cost						
At January 1, 2021	22,345,021	2,694,026	5,623,484	2,541,644	2,606,120	35,810,295
Additions	294,578	-	67,000	348,774	2,218,648	2,929,000
Retirement	-	-	-	(14,025)	(2,606,120)	(2,620,145)
December 31, 2021	22,639,599	2,694,026	5,690,484	2,876,393	2,218,648	36,119,150
Additions	1,947,640	-	15,630	706,749	-	2,670,019
At December 31, 2022	24,587,239	2,694,026	5,706,114	3,583,142	2,218,648	38,789,169
Accumulated depreciation						
At January 1, 2021	17,515,377	2,305,159	3,283,515	2,039,503	1,250,938	26,394,492
Depreciation	1,314,662	245,598	847,757	373,898	682,509	3,464,424
Retirement	-	-	-	(14,024)	(1,563,672)	(1,577,696)
At December 31, 2021	18,830,039	2,550,757	4,131,272	2,399,377	369,775	28,281,220
Depreciation	1,546,647	143,266	837,298	295,656	739,549	3,562,416
At December 31, 2022	20,376,686	2,694,023	4,968,570	2,695,033	1,109,324	31,843,636
Carrying amount						
At December 31, 2021	3,809,560	143,269	1,559,212	477,016	1,848,873	7,837,930
At December 31, 2022	4,210,553	3	737,544	888,109	1,109,324	6,945,533

In 2022, no item of property and equipment was disposed or retired.

The cost of fully depreciated assets still being used in operations amounts to P22.85 million as at December 31, 2022 (2021 - P21.66 million).

8 Computer software, net

Movements in this account are as follows:

	2022	2021
Balance at beginning of year	29,818,971	28,346,560
Additions	737,935	5,419,880
Amortization	(4,389,523)	(3,947,469)
Balance at end of year	26,167,383	29,818,971

9 Allowance for impairment losses

The summary of allowance for impairment losses is presented as follows:

	Loans and receivables (Note 3)	Investment securities at FVOCI (Note 5)	Investment securities at amortized cost (Note 4)	Investment properties (Note 6)	Total
At January 1, 2021	56,160,580	4,113,045	8,778,175	198,713	69,250,513
Transfer	(2,092,491)	-	-	-	(2,092,491)
Provision (reversal)	37,384,385	-	(3,357,892)	-	34,026,493
At December 31, 2021	91,452,474	4,113,045	5,420,283	198,713	101,184,515
(Reversal) provision	(22,421,621)	-	9,370,132	377,391	(12,674,098)
At December 31, 2022	69,030,853	4,113,045	14,790,415	576,104	88,510,417

In 2021, transfer pertains to the allowance for impairment losses on loans where collaterals were foreclosed in settlement of the balance. The carrying amounts of the defaulted loans and the allowance for impairment losses amounting to P829,391 were transferred as carrying amounts of the assets acquired.

The Association has assessed that the allowance for impairment losses as at December 31, 2022 and 2021 is adequate to cover any losses that may arise from non-collection or non-realization of the Association's financial and non-financial assets.

10 Deposit liabilities

This account consists of:

	2022	2021
Regular savings	7,263,932,076	7,547,705,325
Special savings	-	676,210,000
Time deposits	1,930,023,700	1,544,502,500
	9,193,955,776	9,768,417,825

Annual fixed interest rates on deposit liabilities are as follows:

	2022	2021
Regular savings	0.75%	1.50%
Special savings	-	1.50%
Time deposits	1% to 4%	3% to 4.25%

Interest expense on deposit liabilities amounts to P152.54 million in 2022 (2021 - P180.12 million).

11 Accrued expenses and other liabilities

This account consists of:

	2022	2021
Payable to ex-members	166,316,763	209,829,477
Accounts payable	27,580,254	33,039,880
Accrual for:		
Employee benefits	2,379,132	2,661,892
Others	2,814,476	1,421,049
Lease liabilities	1,134,248	1,862,583
Withholding taxes	1,088,349	926,368
Others	8,254,049	14,978,471
	209,567,271	264,719,720

Payable to ex-members, which are due upon demand, pertains to deposit liabilities, which were reclassified as part of "Accrued expenses and other liabilities" account.

Accounts payable are non-interest bearing and expected to be settled within one year.

Others pertain to liability for repairs and maintenance charges, stale checks, unidentified bank deposits from members and provision for employee bonus, which are payable in the next reporting year.

There are no assets pledged as security for any liabilities of the Association as at December 31, 2022 and 2021.

The Association has a lease agreement covering its data recovery center for a period of three years. Upon expiration of the term in June 2021, the Association renewed the lease for another three (3) years until June 2024.

The movements in the Association's lease liabilities for the years ended December 31 follow:

	2022	2021
Beginning of the year	1,862,583	1,523,666
Additions	-	1,037,869
Interest expense	45,917	51,779
Payments for the year	(774,252)	(750,731)
	1,134,248	1,862,583

The classification of the Association's lease liabilities as to maturity as at December 31 follows:

	2022	2021
Current (within 12 months)	750,487	728,334
Non-current (over 12 months)	383,761	1,134,249
	1,134,248	1,862,583

The lease agreement does not impose any covenants other than the security interests in the leased asset that are held by the lessor. Leased asset cannot be used as security for borrowing purposes.

(i) *Amounts recognized in the statement of total comprehensive income*

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

	2022	2021
Depreciation expense - Leased premises (Note 7)	739,549	682,509
Expense relating to variable lease payments not included in lease liabilities (included in rent expense)	91,854	241,320
Interest expense	45,917	51,779
	877,320	975,608

The total cash outflow for leases for the year ended December 31, 2022 is P774,252 (2021 - P750,731)

(ii) *Discount rate*

Payments for lease of property is discounted using the lessee's incremental borrowing rate, being the rate that the 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.

The Association's incremental borrowing rate applied to the lease liabilities is 3.00%.

(iii) *Extension and termination options*

Extension and termination options are included in the property lease of the Association. This is used to maximize operational flexibility in terms of managing the asset used in the Association's operations. The extension and termination options held are exercisable only by the Association and not by the lessor.

12 Members' equity

Members' equity is composed of the following:

a. *Capital contributions*

The capital contributions of members represent their ownership interest in the Association. Every member is required to contribute a fixed capital of at least P1,000, which shall be considered as the minimum capital contribution.

Members' capital contribution is classified as fixed capital contribution (FCC) or, formerly, non-withdrawable capital and capital contribution buffer (CCB), or formerly withdrawable capital. FCC refers to the portion of members' capital contributions that must be maintained and once increased and recorded, cannot be reduced for the duration of membership except upon termination of membership. CCB refers to the capital contributions in excess of the FCC, which should not exceed ten times (10x) of the capital contributions. This may be withdrawn partially by members provided that said amount is not subject of any encumbrance in favor of the Association.

Details of the Association's member count and capital contributions as at December 31 are as follows:

	2022	2021
Number of members	22,305	21,888
Capital contributions	4,739,984,608	4,528,712,956

b. Surplus free

On February 4, 2022, the Association declared dividends of 11.00%% equivalent to P477.83 million, as approved by the BSP on January 28, 2022, and distributed to members on February 7, 2022.

On February 18, 2021, the Association declared dividends of 7.58% equivalent to P300.9 million, as approved by the BSP on February 17, 2021, and distributed to members on March 1, 2021.

On July 5, 2021, the Association declared additional dividends of 0.42% equivalent to P16.69 million to complete the approved BSP dividend rate of 8.00%, and was distributed to members on July 6, 2021.

c. Surplus reserve

In compliance with the BSP regulations, the Association maintains a withdrawable surplus reserve equivalent to 2% of the aggregate capital contributions of the members. The reserve should first be adjusted before the Association declares and pays dividends at any time of the year. The Association should not distribute to its members any portion of its net income if the withdrawable surplus 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 pursuant to Sections 122-S and 123-S of the Manual of Regulations for Non-Banks Financial Institutions (MORNBFI). The withdrawable surplus reserves are invested in debt instruments classified under investment securities at amortized cost.

In 2020, the Association made an additional appropriation of surplus amounting to P94.22 million to cover future contingencies. This appropriation was already released in 2021.

d. Other comprehensive income (OCI)

Movements in OCI for the years ended December 31 are as follows:

	Notes	2022	2021
Cumulative remeasurement gain (loss) on retirement asset			
Balance at beginning of year		260,956	(1,050,605)
Remeasurement gain (loss)	13	785,450	1,311,561
Balance at end of year		1,046,406	260,956
Cumulative net unrealized gain on fair value changes of financial assets			
Balance at beginning of year		2,378,290	6,521,000
Unrealized fair value (loss) gain	5	(7,327,330)	(4,142,710)
Balance at end of year		(4,949,040)	2,378,290
		(3,902,634)	2,639,246

13 Retirement benefits

The Association has a funded, non-contributory defined benefit retirement plan covering all of its regular officers and employees. The retirement benefits are based on years of service and compensation on the last year of employment as determined by an external actuary. The latest actuarial report as at December 31, 2022 has been prepared by an independent actuary.

The retirement benefits recorded as part of "Salaries, wages, and employee benefits" under "Operating expenses" account in the statement of total comprehensive income are as follows:

	2022	2021
Service cost	3,544,959	3,660,473
Net interest expense	170,841	47,305
	3,715,800	3,707,778

Details of remeasurement gain (loss) recognized in OCI are as follows:

	2022	2021
Experience adjustments	358,006	(1,673,532)
Changes in financial assumptions	3,933,622	4,415,931
Actual return	(3,506,178)	(1,430,838)
	785,450	1,311,561

The funded status and amounts recognized in the statement of financial position for the retirement liability are presented as follows:

	2022	2021
Present value of retirement liability	49,482,862	50,434,420
Fair value of plan assets	(42,579,461)	(46,461,369)
Retirement liability	6,903,401	3,973,051

Changes in the fair value of plan assets are as follows:

	2022	2021
Balance at beginning of year	46,461,369	46,976,810
Interest income	1,997,839	1,409,304
Actual return	(3,506,178)	(1,430,838)
Benefits paid	(2,373,569)	(493,907)
Balance at end of year	42,579,461	46,461,369

Changes in the present value of retirement liability are as follows:

	2022	2021
Balance at beginning of year	50,434,420	48,553,644
Service cost	3,544,959	3,660,473
Remeasurement losses (gains) recognized in OCI		
Experience adjustments	(358,006)	1,673,532
Changes in financial assumptions	(3,933,622)	(4,415,931)
Interest expense	2,168,680	1,456,609
Benefits paid	(2,373,569)	(493,907)
Balance at end of year	49,482,862	50,434,420

Plan assets consist of the following:

	2022	2021
Investments in		
Unit investment trust fund	99.80%	99.80%
Equity instruments	0.20%	0.20%
	100.00%	100.00%

The plan is exposed to interest rate risk, changes in the life expectancy of qualified employees and salary rates.

Interest rate risk. The present value of defined benefit retirement obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bond will increase the defined benefit retirement obligation.

Longevity and salary risks. The present value of defined benefit retirement obligation is calculated by reference to the best estimates of: (1) the mortality of plan participants and (2) the future salaries of the plan participants. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the defined benefit retirement obligation.

The principal assumptions used in determining the retirement liability of the Association are shown below:

	2022	2021
Discount rate	6.60%	4.30%
Expected rate of salary increase	5.00%	5.00%

Sensitivity analysis on the defined benefit obligation in 2022 and 2021 are as follows:

	2022		2021	
	Assumption	Effect on retirement liability	Assumption	Effect on retirement liability
Discount rate	+1.00%	(1,473,020)	+1.00%	(1,669,318)
	-1.00%	1,608,920	-1.00%	1,839,545
Salary increases	+1.00%	1,620,585	+1.00%	1,810,842
	-1.00%	(1,467,356)	-1.00%	(1,631,022)

The sensitivity analysis has been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting year.

Shown below is the maturity profile of the undiscounted benefit payments as at December 31:

	2022	2021
Less than one year	38,611,473	38,454,907
More than one year to five years	5,950,709	3,390,679
More than five years to ten years	17,092,832	17,111,785
More than ten years to fifteen years	25,912,261	26,052,331
More than fifteen years to twenty years	20,240,820	14,927,472

The weighted average duration of the defined benefit obligation in 2022 is 5.8 years (2021 - 6.4 years).

There is no expected contributions to the plan for the year 2023.

14 Related party transactions and balances

Related party transactions consist of loans and other transactions with the Association's trustees, officers and related interests (TORI). Under the Association's policy, these loans and other transactions are made substantially on the same terms as with other individuals and businesses of comparable risk. In aggregate, the loans should not exceed 20% of the total capital contributions of the Association.

Under the BSP regulations, the Association may grant loans to members not exceeding the amount deposited and/or contributed by the member-borrower plus the members' 12-month salary plus guaranteed bonuses and allowances or retirement pension from employment, or up to 70% of the fair market value of any property acceptable as collateral, whichever is higher.

The information on loans to TORI included under "Loans and receivables, net" account in the statement of financial position follows:

		2022		2021		
Relationship	Nature of Transaction	Amounts of transactions	Outstanding balance	Amounts of Transactions	Outstanding balance	Terms and conditions
Key officers and employees	Loans Interest income on loans	3,145,000 267,657	12,227,989 803,344	3,800,820 492,377	11,371,856 698,573	- Secured and unsecured - Interest bearing at 4% to 12.25% - Payable upon maturity within 1 to 25 years in cash at gross amount
Trustees	Loans Interest income on loans	28,503,100 1,580,252	36,174,315 2,103,831	7,745,704 514,835	8,767,309 601,785	- Secured and unsecured - Interest bearing at 5.5% to 12.25% - Payable upon maturity within 1 to 20 years in cash at gross amount
Related interest	Loans Interest income on loans	8,509,600 485,084	13,839,431 821,960	4,851,790 290,186	9,082,107 514,127	- Secured and unsecured - Interest bearing at 5.5% to 7.5% - Payable upon maturity within 2 to 5 years in cash at gross amount
			65,970,870		31,035,757	

Key management personnel compensation

Details of compensation of key management personnel are as follows:

Relationship	Nature of transaction	2022	2021
Key officers and employees	Salaries, wages and employee benefits	18,073,495	15,613,079
Trustees	Short term benefits	3,249,671	3,349,781
		21,323,166	18,962,860

15 Operating expenses

The account for the years ended December 31 consists of:

	Notes	2022	2021
Salaries, wages, and employee benefits		57,990,593	54,553,779
Depreciation and amortization	6,7,8	8,098,765	7,411,893
Repairs and maintenance		7,209,624	5,029,691
Outside services		3,955,146	3,572,978
Communication		1,364,427	1,196,284
Representation and entertainment		1,235,505	991,326
Membership fees and dues		580,000	514,600
Insurance		549,818	491,461
Office supplies		974,780	450,599
Rent	11	91,854	241,320
Donations and charitable contributions		235,943	200,366
Taxes and licenses		2,875,520	90,086
Others		1,427,712	1,767,192
		86,589,687	76,511,575

16 Other income, net

The account for the years ended December 31 consists of:

	Note	2022	2021
Dividend income	5	13,376,942	15,086,694
Operating fees		1,662,840	1,452,559
Maintenance fees		1,458,295	1,337,958
Others, net		4,448,899	3,408,269
		20,946,976	21,285,480

Others include membership fees, loss on retirement of property and equipment and gain (loss) on disposals of investment properties.

17 Financial risk management

Risk management framework

The BOT has overall responsibility for the establishment and oversight of the Association's risk management framework. The BOT created a Risk Management Committee to develop, monitor and evaluate the Association's financial risk in line with the strategies, policies and limits set by the BOT.

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

The Association's Audit Committee is responsible for monitoring compliance with the Association's risk management policies and procedures and for reviewing the adequacy of the risk management framework. The Audit Committee is assisted in these functions by the Internal Audit and Compliance Office. Internal Audit undertakes both regular and ad-hoc reviews of risk management policies and procedures, the results of which are reported to the Audit Committee.

(a) Credit risk and concentration limit

Credit risk is the risk of financial loss to the Association when a counterparty to a financial instrument fails to meet its contractual obligations, especially those arising from the Association's lending activities. Concentration limits for the Association are set by types of borrowers and loan classifications.

For risk management reporting purposes, the Association considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country, and sector risk) based on the existing BSP regulations.

Loans are granted by the Association based on the financial strength and payment history of potential borrowers. Corporate guarantees and surety agreements also affect the loan granting decision. The Association uses an Internal Credit Risk Rating System to objectively determine the credit worthiness of potential borrowers. This system has been embedded into its loan disbursement process pursuant to the requirements of the BSP.

The analysis of the concentration of credit risk by loan type as at December 31, 2022 and 2021 is disclosed in Note 3 to financial statements.

As at December 31, the Association's maximum exposure to credit risk before collateral held or other credit enhancements is as follows:

	Notes	2022	2021
Cash and cash equivalents*	2	1,736,688,340	2,085,357,866
Loans and receivables, net**	3	5,096,165,715	5,607,815,510
Investment securities at amortized cost, net	4	7,925,633,874	7,379,620,320
		14,758,487,929	15,072,793,696

**Excluding cash on hand amounting to P2.00 million in 2022 (2021 - P2.00 million)*
***Including dividend receivables presented under other assets amounting to P2.62 million in 2022 (2021 – P2.63 million).*

Loans and receivables, net can be classified either as unsecured or secured by real estate, chattel, or hold-out of capital contribution (Note 3).

The Association holds collateral against certain loans and receivables, net in the form of mortgage interest over property and capital contribution hold-outs. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and generally are not updated except when a loan is individually assessed as impaired.

Fair values of mortgage interest over property are determined by the Association's internal appraisers or by accredited external appraisers. Normally, there are three approaches available to the Association in arriving at the value of collateral (i.e., real estate and chattel) which are the: (1) cost approach; (2) market approach; and (3) income approach. The Association utilizes the appraisal values determined through the market approach.

The Association acquires real estate properties by taking possession of collateral held as security as settlement of loans and receivables, net. Foreclosed properties are classified in the statement of financial position as investment properties (Note 6).

Credit quality of cash and cash equivalents and investment securities at amortized cost

The Association maintains its main banking activities with highly rated universal banks. The Association's investment securities at amortized cost pertain to investments in bonds and government securities.

The breakdown of the financial assets as to credit quality are as follows (amounts in thousands of Pesos):

	2022			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Due from other local banks	61,523	-	-	61,523
Cash equivalents	1,675,166	-	-	1,675,166
Loans to members	3,904,430	46,892	173,778	4,125,100
Unquoted debt securities	910,000	-	-	910,000
Accrued interest	104,805	-	-	104,805
Dividend receivables	2,619	-	-	2,619
Others	22,673	-	-	22,673
	6,681,216	46,892	173,778	6,901,886
Investment securities at amortized cost	7,940,424	-	-	7,940,424
	14,621,640	46,892	173,778	14,842,310
Allowance for impairment losses				
Specific	-	-	7,047	7,047
Collective	53,618	207	22,949	76,774
	53,618	207	29,996	83,821
	14,568,022	46,685	143,782	14,758,489

	2021			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Due from other local banks	49,863	-	-	49,863
Cash equivalents	2,035,495	-	-	2,035,495
Loans to members	3,651,170	191,153	180,444	4,022,767
Unquoted debt securities	1,546,000	-	-	1,546,000
Accrued interest	105,297	-	-	105,297
Dividend receivables	2,632	-	-	2,632
Others	22,572	-	-	22,572
	7,413,029	191,153	180,444	7,784,626
Investment securities at amortized cost	7,385,041	-	-	7,385,041
	14,798,070	191,153	180,444	15,169,667
Allowance for impairment losses				
Specific	-	-	16,247	16,247
Collective	48,362	2,655	29,609	80,626
	48,362	2,655	45,856	96,873
	14,749,708	188,498	134,588	15,072,794

The aging analysis of loans and receivables, net, is presented in Note 3.

(b) Liquidity risk

Liquidity risk is the risk that the Association will encounter difficulty in meeting obligations associated with its financial liabilities. The Association ensures that sufficient liquid assets are available to meet short-term funding and regulatory requirements. In addition, the Association has contingency plans to ensure that it will have sufficient liquidity to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Association's reputation.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

2022	Carrying amount	Contractual cash flows On demand	Less than one year	Total
Financial liabilities at amortized cost:				
Deposit liabilities	9,193,955,777	9,193,955,777	-	9,193,955,777
Accrued expenses and other liabilities*	208,380,032	208,380,032	-	208,380,032
	9,402,335,809	9,402,335,809	-	9,402,335,809

**Excluding withholding taxes amounting to P1.09 million and payable to government agencies amounting to P0.10 million.*

2021	Carrying amount	Contractual cash flows On demand	Less than one year	Total
Financial liabilities at amortized cost:				
Deposit liabilities	9,768,417,825	9,768,417,825	-	9,768,417,825
Accrued expenses and other liabilities*	263,715,300	263,715,300	-	263,715,300
	10,032,133,125	10,032,133,125	-	10,032,133,125

**Excluding withholding taxes amounting to P0.93 million and payable to government agencies amounting to P0.08 million.*

The following presents the maturity profiles of financial instruments (amounts in thousands):

	2022 Within one year	One to two years	Two to three years	Three to four years	Four to five years	More than five years	Total
Cash and cash equivalents*	1,736,688	-	-	-	-	-	1,736,688
Loans and receivables	1,020,820	482,980	553,220	440,899	673,360	1,991,299	5,162,578
Dividend receivables	2,619	-	-	-	-	-	2,619
Investment securities at amortized cost	1,033,410	1,410,794	1,954,646	1,423,096	844,900	1,273,578	7,940,424
Deposit liabilities	(9,193,956)	-	-	-	-	-	(9,193,956)
Accrued expenses and other liabilities**	(208,380)	-	-	-	-	-	(208,380)
	(5,608,799)	1,893,774	2,507,866	1,863,995	1,518,260	3,264,877	5,439,973

**Excluding cash on hand amounting to P2.00 million.*
***Excluding withholding taxes amounting to P1.09 million and payable to government agencies amounting to P0.10 million.*

	2021 Within one year	One to two years	Two to three years	Three to four years	Four to five years	More than five years	Total
Cash and cash equivalents*	2,085,358	-	-	-	-	-	2,085,358
Loans and receivables	1,274,555	699,948	655,631	611,658	541,861	1,912,983	5,696,636
Dividend receivables	2,632	-	-	-	-	-	2,632
Investment securities at amortized cost	894,545	1,196,525	1,311,210	1,854,796	1,424,297	703,668	7,385,041
Deposit liabilities	(9,768,418)	-	-	-	-	-	(9,768,418)
Accrued expenses and other liabilities**	(263,715)	-	-	-	-	-	(263,715)
	(5,775,043)	1,896,473	1,966,841	2,466,454	1,966,158	2,616,651	5,137,534

**Excluding cash on hand amounting to P2.00 million.*
***Excluding withholding taxes amounting to P0.93 million and payable to government agencies amounting to P0.08 million.*

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices and foreign exchange rates, will affect the Association's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return on risk.

Interest rate risk

Interest rate risk refers to the possibility that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest.

The primary source of the Association's interest rate risk relates to cash and cash equivalents, investments in fixed income securities, loans and receivables and deposit liabilities.

As at December 31, 2022 and 2021, the Association does not have any financial instrument with variable interest carried at amortized cost nor any debt instruments measured at fair value.

The fixed interest rates for the interest-bearing financial instruments are as follows:

	2022					
	Within one year	One to two years	Two to three years	Three to four years	Four to five years	More than five years
Cash and cash equivalent	0.63% - 5.75%	-	-	-	-	-
Loans and receivables	4%-19%	4%-13%	4%-13%	5.5%-13%	5.5%-12.25%	5%-11.5%
Investment securities at amortized cost	2.38%-6.25%	2.38%-6.25%	2.63%-6.08%	3.73%-8%	4.63%-5.59%	3.75%-7.53%
Deposit liabilities	0.75%-4%	-	2%-3.5%	2.5%-2.75%	3%-3.25%	-

	2021					
	Within one year	One to two years	Two to three years	Three to four years	Four to five years	More than five years
Cash and cash equivalent	1.25%-1.45%	-	-	-	-	-
Loans and receivables	3.25%-19%	3.5%-15%	5.37%-13%	4%-13%	5.5%-13%	5%-13%
Investment securities at amortized cost	2.5%-6.94%	2.38%-6.25%	2.38%-6.25%	2.63%-6.08%	3.73%-8.0%	4.0%-5.92%
Deposit liabilities	1.5%-4.25%	3%	-	-	-	-

The following tables demonstrate the sensitivity to a reasonable possible change in interest rate of the Association's net interest income with all other variables held constant (amounts in millions):

	2022			
	Increase (decrease) by			
	5%	10%	(5%)	(10%)
Changes in net interest income				
Cash and cash equivalents	2.08	4.15	(2.08)	(4.15)
Loans and receivables	19.09	38.18	(19.09)	(38.18)
Investment securities at amortized cost	17.15	34.29	(17.15)	(34.29)
Deposit liabilities	(7.63)	(15.26)	7.63	15.26

	2021			
	Increase (decrease) by			
	5%	10%	(5%)	(10%)
Changes in net interest income				
Cash and cash equivalents	0.91	1.81	(0.91)	(1.81)
Loans and receivables	20.39	41.78	(20.39)	(41.78)
Investment securities at amortized cost	14.37	28.73	(14.37)	(28.73)
Deposit liabilities	(9.01)	(18.02)	9.01	18.02

18 Fair value measurement

The following table presents the carrying amounts and fair values of the Association's assets measured at fair value and for which fair values are disclosed, and the corresponding fair value hierarchy (amounts in thousands):

			Fair value		
2022	Notes	Carrying amount	Quoted price in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value					
Investment securities at FVOCI	5	222,559	222,559	-	-
Assets for which fair value are disclosed					
Investment properties	6				
Land		2,621	-	-	5,004
Land improvements		1,123	-	-	3,546
Motor vehicle		452	-	-	452
		4,196	-	-	9,002
		226,755	222,559	-	9,002

			Fair value		
2021	Notes	Carrying amount	Quoted price in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value					
Investment securities at FVOCI	5	254,891	254,891	-	-
Assets for which fair value are disclosed					
Investment properties	6				
Land		3,607	-	-	8,344
Land improvements		-	-	-	685
		3,607	-	-	9,029
		258,498	254,891	-	9,029

There were no transfers between any levels in the fair value hierarchy for 2022 and 2021.

19 Capital risk management

The primary objectives of the Association for capital management are to ensure its ability to continue as a going concern, to maintain a strong credit rating and quality ratios, to ensure compliance with BSP regulations, and to provide returns and benefits to its members.

The BOT is responsible for managing the Association's capital structure and makes necessary adjustments to adapt to changes in economic conditions and regulatory requirements.

The Association considers the members' equity as its capital. This consists of the following:

	2022	2021
Capital contributions	4,739,984,608	4,528,712,956
Surplus free	795,305,304	716,639,671
Surplus reserve	94,799,692	90,574,259
	5,630,089,604	5,335,926,886

The Association, being a non-stock savings and loan association, is regulated by the BSP and is subject to the following capital requirements:

a. Each member should maintain minimum capital contributions during his membership;

b. The combined capital accounts of the Association shall not be less than an amount equal to 10% of its risk assets; and

c. The Association shall create an amount of withdrawable surplus reserve which shall consist of 2% of the total capital contributions of the members. Such amount shall be invested in bonds or evidences of indebtedness of the Republic of the Philippines or its subdivisions, agencies or instrumentalities and evidences of indebtedness of the BSP.

Management also ensures that all the required ratios set by the BSP are being complied with and has set maximum limit to high-risk investments.

The Association's risk assets as at December 31, 2022 amount to P12.03 billion (2021 - P12.55 billion). The combined accounts of the Association as at December 31, 2022 amount to P5.6 billion (2021 - P5.30 billion), which exceeded the 10% of risk assets by P4.39 billion (2021 - P4.05 billion).

As at December 31, 2022 and 2021, the risk-based capital adequacy ratio as submitted to the BSP are as follows:

	2022	2021
Total assets (as reported to BSP)	14,958,963,042	15,320,256,905
Risk assets	12,026,585,601	12,549,632,647
Combined capital accounts	5,563,568,061	5,299,982,266
Total combined capital account to:		
Total assets	37.19%	34.59%
Risk assets	46.26%	42.23%

The withdrawable surplus reserve is adjusted for increases and decreases in capital contributions. As at December 31, 2022, the balance of withdrawable surplus reserve amounts to P94.80 million (2021 - P90.57 million). These amounts were invested in government securities classified under investment securities at amortized cost.

There were no changes in the Association's approach to capital management in 2022 and 2021.

20 Critical accounting judgment, estimates, and assumptions

The preparation of financial statements requires the Association to exercise judgment, make estimates, and use assumptions that affect the amounts reported in the financial statements and related notes. The judgment and estimates used in the financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the financial statements. While the Association believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates.

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.

20.1 Critical accounting judgment

Determination of the lease term (Note 11)

In determining the lease term, the Association 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 Association included extension period for leases which the Association has expressed its intention to extend with the lessor as at assessment date.

20.2 Estimates and assumptions

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future periods if the revision affects both current and future years.

(a) Measurement of expected credit loss (ECL) under PFRS 9 (Note 3)

The measurement of ECL allowance for financial assets measured at amortized cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

The assumptions used in the measurement of ECL are based on a number of factors and actual results may differ, resulting in future changes to the allowances.

(b) Estimating useful lives of investment properties, property and equipment and computer software (Notes 6, 7 and 8)

The Association estimates the useful lives of investment properties, property and equipment, and computer software for purposes of computing depreciation and amortization based on the year over

which the assets are expected to be available for use and are updated if expectations differ from previous estimates due to physical wear and tear and technical and commercial obsolescence.
The useful lives and depreciation and amortization method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from items of investment properties, property and equipment, and computer software.

There is no change in the estimated useful lives of investment properties, property and equipment and computer software in 2022 and 2021.

(c) Determination of incremental borrowing rate (Note 11)

To determine the incremental borrowing rate for leases, the Association made reference to specific rates from its interest offered for time deposits, and equated this to what they would have to pay to borrow, over a similar term, the funds necessary to obtain an asset of a similar value to the cost of the right-of-use asset in a similar economic environment. The discount rate applied by the Association is disclosed in Note 11.

(d) Assessing impairment losses on non-financial assets

The Association assesses impairment on non-financial assets such as investment properties, property and equipment, and computer software, whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be recoverable. The factors that the Association considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

In determining the present value of the estimated future cash flows expected to be generated from the continued use of the assets, the Association is required to make estimates and assumptions on the timing and amount of cash flows that can materially affect the financial statements.

For investment properties, fair value is determined using the valuation made by independent appraisers using the market approach for land and land improvements. In the absence of an appraisal report, reference is made to the market listing or selling price of the property set by the Association.

There is no indication that property and equipment and computer software may be impaired. As at December 31, 2022, the allowance for impairment losses on investment properties amounts to P576,104 (2021 - P198,713) (Note 9).

The carrying amounts of investment properties, property and equipment and computer software are as follows:

	Notes	2022	2021
Investment properties	6	4,195,600	3,607,437
Property and equipment, net	7	6,945,533	7,837,930
Computer software, net	8	26,167,383	29,818,971

(e) Measurement of retirement liability (Note 13)

The determination of the obligation and cost of retirement benefits is dependent on the assumptions used by the actuary in calculating such amounts. These assumptions include, among others, discount rates, expected rates of return on plan assets and salary increase rates. Actual results that differ from the Association's assumptions are recognized in OCI and therefore, generally affect the recorded obligation in future years.

As at December 31, 2022, the carrying amount of retirement liability amounts to P6.90 million (2021 - P3.97 million). Retirement benefits recognized in profit or loss amount to P3.72 million in 2022 (2021 - P3.71 million).

21 Summary of significant accounting policies

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

21.1 Basis of preparation

The financial statements of the Association have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs). The term PFRSs in general includes all applicable PFRSs, Philippine Accounting Standards (PAS), and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.
The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income.

The preparation of these financial statements in conformity with PFRSs requires the use of certain accounting estimates. It also requires management to exercise its judgment in the process of applying the Association's accounting policies. The areas involving a higher degree of judgment or complexity and accounting estimates are disclosed in Note 20.

Changes in accounting policy and disclosures

(a) Amendments to existing standards adopted by the Association

The Association has adopted the following amendments to existing standards effective January 1, 2022:

• *Amendments to PAS 16, 'Property, Plant and Equipment'*

The amendment prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling the items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset.

• *Amendment to PAS 37, 'Provisions, Contingent Liabilities and Contingent Assets'*

The amendment clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling the contract. Before recognizing a separate provision for an onerous contract, the entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract.

• *Annual Improvements to PFRSs 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 above amendments did not have an impact on the financial statements of the Association.

Other new standards, amendments to existing standards and interpretations which are effective for the financial year beginning on January 1, 2022 are considered not relevant or material to the Association's financial statements.

(b) Amendments to existing standards not yet adopted by the Association

The following amendments to existing standards are not mandatory for December 31, 2022 reporting period and have not been early adopted by the Association:

• *Amendments to PAS 1, 'Presentation of Financial Statements'*

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 (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what PAS 1 means when it refers to the 'settlement' of a liability.

In addition, PAS 1 requires entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

• *Amendment to PAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors'*

The amendment clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

There are no other new standards, amendments to existing standards or interpretations effective subsequent to December 31, 2022 that may be considered relevant or would be expected to have a material impact on the financial statements of the Association.

21.2 Cash and cash equivalents

Cash and cash equivalents include deposits held at call with local banks and short-term highly liquid investments with maturities of three months or less from the date of acquisition.

21.3 Financial assets

A financial asset is any asset that is (a) cash; (b) an equity instrument of another entity; or (c) a contractual right to receive cash or another financial asset from another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the Association.

The Association recognizes a financial asset in the statement of financial position when it becomes a party to the contractual provisions of a financial instrument. Regular way purchases and sales of financial assets are recognized on trade date, the date on which the Association commits to purchase or sell the financial asset.

21.3.1 Classification and subsequent measurement

The Association classifies its financial assets in the following measurement categories: at fair value through other comprehensive income (FVOCI), at fair value through profit or loss (FVTPL) and at amortized cost.

The classification depends on the Association's business model for managing the financial assets and the contractual terms of the cash flows.

At initial recognition, the Association measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether Association has made an irrevocable election at the time of initial recognition to account for the equity investments at FVOCI.

The Association reclassifies debt investments when and only when its business model for managing those assets changes.

In the determination of the business model, the Association considers its past experience on how the cash flows for these assets were collected, how the assets' performance is evaluated and how risks are assessed and managed.

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 Association's business model for managing the asset and the cash flow characteristics of the asset.

Based on these factors, the Association classifies its debt instruments into one of the following 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 fair value through profit or loss, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method. As at December 31, 2022 and 2021, the Association's financial assets at amortized cost include cash and cash equivalents, loans and other receivables and investment securities at amortized cost.

• *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 fair value through other comprehensive income. 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, if any, which are recognized in the statement of total 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. As at December 31, 2022 and 2021, the Association has no debt instruments under the FVOCI category.

• *FVTPL*

Assets that do not meet the criteria for amortized cost or FVOCI and the collection of contractual cash flows is only incidental to achieving the Association's business model objective are measured at fair value through profit or loss. A gain or loss on debt securities that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented in the statement of total comprehensive income under Net gains (losses) on financial assets at fair value through profit or loss in the period in which it arises. As at December 31, 2022 and 2021, the Association has no financial assets under the FVTPL category.

Business model: The business model reflects how the Association manages the assets in order to generate cash flows. That is, whether the Association'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 fair value through profit or loss. Factors considered by the Association 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 Association assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Association 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 fair value through profit or loss.

The Association 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 investments

Equity investments 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 Association subsequently measures all equity investments at fair value through other comprehensive income. At initial recognition, the Association irrevocably designates an equity investment at FVOCI. 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 Association's right to receive payments is established. Unrealized gains or losses on fair value changes on equity investments at FVOCI are included in the statement of total comprehensive income.

As at December 31, 2022 and 2021, investment securities at FVOCI are composed of quoted and unquoted equity securities.

21.3.2 Impairment

The Association assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortized cost. The Association recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Credit impaired financial assets

Financial assets are assessed for credit impairment at each reporting date and more frequently when circumstances warrant further assessment. Evidence of credit-impairment may include indications that the debtor is experiencing significant financial difficulty, probability of bankruptcy or other financial reorganization, as well as measurable decrease in the estimated future cash flows evidenced by the adverse changes in the payment status of the debtor or economic conditions that correlate with defaults. An asset that is in Stage 3 will move back to Stage 2 when, as at reporting date, it is no longer considered to be credit-impaired. The asset will transfer back to Stage 1 when its credit risk at the reporting date is no longer considered to have increased significantly from initial recognition, and when there is sufficient evidence to support full collection of principal and interest due. Prior to the transfer to Stage 1, the asset should have exhibited both the quantitative and qualitative indicators of probable collection.

When a financial asset has been identified as credit-impaired, expected credit losses are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the instrument's original effective interest rate. For impaired financial assets with drawn and unwithdrawn components, expected credit losses also reflect any credit losses related to the portion of the loan commitment that is expected to be drawn down over the remaining life of the instrument.

Impairment of other financial assets

The Association applies the simplified approach as permitted by PFRS 9 in measuring expected credit losses which uses a lifetime expected loss allowance for other financial assets.

To measure the expected credit losses, other financial assets have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of receivables over a period of 60-month and 36-month before December 31, 2022 and 2021, respectively, and corresponding historical credit losses experienced within these periods. The forward-looking information on macroeconomic factors are considered insignificant in calculating impairment of other financial assets.

21.3.3 Derecognition

Financial assets, or a portion thereof, are derecognized when the contractual rights to receive the cash flows from the assets have ceased, or when they have been transferred and either (i) the Association transfers substantially all the risks and rewards of ownership, or (ii) the Association neither transfers nor retains substantially all the risks and rewards of ownership and the Association has not retained control. Related gains and losses at the time of derecognition are recognized in profit or loss.

21.4 Financial liabilities

21.4.1 Classification and measurement of financial liabilities

The Association classifies its financial liabilities in the following categories: financial liabilities at FVTPL and other financial liabilities at amortized cost.

The Association does not have financial liabilities that are measured at FVTPL as at December 31, 2022 and 2021.

Other financial liabilities

Financial liabilities are classified in this category if these are not held for trading or are not designated at FVTPL upon the inception of the liability. Other financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any related issue costs and discount or premium on the issue. Gains and losses are recognized in profit or loss when the liabilities are derecognized or impaired, or through the amortization process.

As at December 31, 2022 and 2021, deposit liabilities and accrued expenses and other liabilities (excluding withholding taxes) are classified under this category.

21.4.2 Derecognition of financial liabilities

Financial liabilities are derecognized when they have been redeemed or otherwise extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

21.5 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 measurement date.

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.

Financial instruments

The Association classifies its fair value measurements using a 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. (PDEX), 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 over-the-counter (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 Association considers relevant and observable market prices in its valuations where possible.

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

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 PDEX and 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, FX rates, volatilities and counterparty spreads) existing at reporting date. For these financial instruments, inputs into models are generally market observable.

Non-financial assets or liabilities

The Association 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 are 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.

As at December 31, 2022, the fair values of the Association's investment properties approximate P9.00 million (2021 - P9.03 million). The fair value of the investment properties was determined by an independent external appraiser using the market approach, which considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison. In general, a property being valued (a subject property) is compared with sales of similar properties that have been transacted in the market. Appropriate adjustments are made to the valuations taking into consideration the specific circumstances of the properties. The fair values of the Association's foreclosed assets (shown as Investment Properties) fall under Level 3 of the fair value hierarchy. The Level 3 inputs used include, but are not limited to, marketability, size and location.

21.6 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement 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 Association or the counterparty.

As at December 31, 2022 and 2021, there are no financial assets and liabilities that have been offset.

21.7 Investment properties

Investment properties consist of real properties acquired in settlement of loans. An investment property acquired through an exchange transaction is measured at fair value, unless the fair value of the asset cannot be measured, in which case the investment property acquired is measured at the carrying amount of the asset given up. Non-refundable capital gains tax, documentary stamps tax, and other transfer taxes incurred in connection with the foreclosure are capitalized as part of the carrying amounts of the foreclosed properties, provided that such carrying amounts do not exceed the appraised values. Subsequent to initial recognition, investment properties, except land, are carried at cost less accumulated depreciation and any impairment losses. Land is carried at cost less any accumulated impairment losses and is not subject to depreciation.

Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance, are normally recognized in profit or loss when incurred.

Amortization on land improvements is calculated on a straight-line basis over the estimated average useful life of 10 years from the date of foreclosure.

The estimated useful lives and amortization method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefit from items of investment properties.

Investment properties are derecognized when these have either been disposed of or permanently withdrawn from use, and no future economic benefit is expected from their disposal. Any resulting gain or loss, which is the difference between net disposal proceeds and the carrying amount of the property, is recognized in profit or loss in the year of derecognition.

21.8 Other assets

Other assets pertain to other resources that are controlled by the Association as a result of past events. These are recognized at cost in the financial statements when it is probable that the future economic benefits will flow to the Association and the asset has a cost or value that can be measured reliably. These are amortized and derecognized in the statement of financial position through passage of time or upon delivery of goods or the rendering of services.

Other assets mainly consist of prepaid expenses.

21.9 Property and equipment, net

Property and equipment are carried at cost less accumulated depreciation and any impairment losses.

Initially, an item of property and equipment is measured at its cost, which comprises its purchase price and any directly attributable cost of bringing the asset to the location and condition for its intended use. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance, are normally charged to profit or loss. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of the property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Depreciation is calculated using the straight-line method over the following estimated useful lives of the assets:

Asset category	Number of years
Computer equipment	3 to 5
Transportation equipment	5
Building improvements	2 to 10 or the term of the lease, whichever is shorter
Furniture, fixtures, and office equipment	3 to 5

Right-of-use asset, which refers to the leased premises, is depreciated over the remaining lease term of 36 months from July 1, 2021, on a straight-line basis.

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

Fully depreciated assets are retained in the accounts until these are no longer in use.

When these assets are disposed of, or are permanently withdrawn from use and no future economic benefits are expected from their disposal, the cost and accumulated depreciation and any impairment losses are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is recognized in profit or loss in the year of derecognition.

21.10 Computer software

Computer software acquired is measured on initial recognition at cost, including direct costs of bringing the software into use. Subsequent to initial recognition, computer software is carried at cost less accumulated amortization and any impairment losses. Internally-generated computer software, excluding capitalized development costs, is not capitalized and expenditure is charged against profit or loss in the year in which the expenditure is incurred.

Computer software is amortized over its estimated economic life of eight (8) years and assessed for impairment whenever there is an indication that the computer software may be impaired. The amortization period and method are reviewed at least at each reporting date. Changes in the expected economic life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Gains or losses arising from disposition of computer software, measured as the difference between the disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

21.11 Impairment of non-financial assets

The carrying amounts of investment properties, property and equipment, and computer software are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists and when the carrying amounts exceed the estimated recoverable amounts, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less cost to sell or value-in-use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's-length transaction. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

Recovery of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exists or have decreased. The recovery is recognized in profit or loss. However, the increase in carrying amount of an asset due to a recovery of an impairment loss is recognized to the extent that it does not exceed the carrying amount that would have been determined (net of depreciation and amortization) had no impairment loss been recognized for the asset in prior years.

21.12 Members' equity

Capital contributions

Capital contributions represent contributions by members to the fixed or withdrawable capital of the Association.

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.

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 Association pertains to unrealized gain or loss on fair value changes of financial assets at FVOCI and remeasurement gain or loss on retirement liability.

21.13 Revenue recognition

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

Interest income

Interest income is recognized in profit or loss using the effective interest rate method.

Dividend income

Revenue is recognized when the Association's right to receive the payment is established.

Other income

Other income is recognized when earned.

21.14 Costs and expense recognition

Costs and expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

Interest expense

Interest expense for all interest-bearing financial liabilities is recognized in profit or loss using the effective interest rate method.

Operating expenses

Operating expenses include costs of administering the Association. These are recognized in profit or loss as incurred.

21.15 Retirement liability, net

Retirement liability, net is actuarially determined using the projected unit credit method, which reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Association recognizes service costs, comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements and net interest expense or income in profit or loss. Net interest is calculated by applying the discount rate to the net retirement liability or asset.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit obligation) are recognized immediately in OCI in the year in which these arise. Remeasurements are not reclassified to profit or loss in subsequent year.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Association, nor can they be paid directly to the Association. Fair value of plan assets is based on market price information or is otherwise estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets.

Net retirement asset or liability is the aggregate of the present value of the defined benefit obligation and the fair value of plan assets out of which the obligations are to be settled directly. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability. Actuarial valuations are made with sufficient regularity so that the amounts recognized in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

21.16 Leases

The Association recognizes leases as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use.

Assets and liabilities arising from leases are initially measured on a present value basis. The interest expense is recognized in 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 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 Association's leases, the lessee's incremental borrowing rate is used, being the rate that the Association 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 Association uses recent and available third-party financing received by the Association as a starting point, adjusted to reflect the changes in financing conditions since third party financing was received.

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 lease term on a straight-line basis. If the Association 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 Association 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.

21.17 Related party relationship and transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercises significant influence over the other party in making financial and operating decisions. This includes: (a) individuals who, by owning directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Association; (b) associates; and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Association that gives them significant influence over the Association and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on legal form.

21.18 Provisions

Provisions are recognized when the Association has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Association expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pretax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in provision due to the passage of time is recognized as an interest expense.

21.19 Contingencies

Contingent liabilities are not recognized in the financial statements. These are disclosed in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable.

21.20 Functional and presentation currency

Items included in the financial statements of the Association are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Philippine Peso, which is the Association’s functional currency.

21.21 Events after the reporting date

Post year-end events that provide additional information about the Association's financial position at the reporting date (adjusting events) are reflected in the financial statements when material.

Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

There are no material events after the reporting date that are required to be reflected or to be disclosed in the financial statements.

22 Classification of assets and liabilities

The following table presents the assets and liabilities as at December 31, 2022 and 2021 analyzed according to whether these are expected to be recovered or settled within 12 months or over from the reporting date.

	2022	2021
Current assets		
Cash and cash equivalents	1,738,693,340	2,087,362,866
Loans and receivables, net	969,395,458	1,243,737,381
Investment securities at amortized cost, net	1,028,874,533	893,973,255
Other assets	18,871,739	7,354,304
	3,755,835,070	4,232,427,806
Non-current assets		
Loans and receivables, net	4,124,151,531	4,361,446,229
Investment securities at amortized cost, net	6,896,759,341	6,485,647,065
Investment securities at fair value through other comprehensive income	222,558,960	254,891,290
Investment properties, net	4,195,600	3,607,437
Property and equipment, net	6,945,533	7,837,930
Computer software, net	26,167,383	29,818,971
	11,280,778,348	11,143,248,922
Total assets	15,036,613,418	15,375,676,728
Current liabilities		
Deposit liabilities	9,193,955,776	9,768,417,825
Accrued expenses and other liabilities	209,183,510	263,585,471
	9,403,139,286	10,032,003,296
Non-current liabilities		
Accrued expenses and other liabilities	383,761	1,134,249
Retirement liability, net	6,903,401	3,973,051
	7,287,162	5,107,300
Total liabilities	9,410,426,448	10,037,110,596

23 Supplemental information required under BSP Circular No. 1075

Presented below are the additional information required by BSP Circular No. 1075 issued on January 8, 2020. This information is presented for BSP reporting purposes and is not required in the basic financial statements.

(i) Basic quantitative indicators of financial performance

The key financial performance indicators follow:

	2022	2021
Return on average equity	9.59%	8.89%
Return on average assets	3.56%	3.08%
Net interest margin	4.43%	3.70%
Rate paid on funds	1.27%	1.23%
Minimum liquidity ratio	76.34%	62.86%
Leverage ratio	28.16%	28.14%
Total exposure measure	15,100,682,171	15,476,662,530

Return on equity is determined by dividing net income by the average members' equity. The ratio signifies how efficient the Association is in generating income out of the capital contributions.

Return on assets is determined by dividing net income by the average total assets. This ratio provides information as to the ability of the Association to turn its available assets into profit.

Net interest margin is computed by dividing net interest income over the average total earning assets of the Association. This ratio measures how successful the Association's investment decisions are compared to its debt situation.

Rate paid on funds is computed by dividing total interest expense by average total earning assets. This ratio indicates the rate of interest that the Association is paying out of its assets.

Minimum liquidity ratio is computed by dividing liquid assets over total liabilities and irrevocable obligations. This ratio measures the ability of the Association to pay obligations using its readily available asset.

Leverage ratio is computed by dividing total loans over total deposit liabilities and total capital contributions. This ratio provides information about the Association’s use of funds from members’ deposits as well as to measure the ability of the Association to cover any unforeseen fund requirements.

Total exposure measure is computed as the total of all on-balance sheet assets, gross of allowance for impairment losses on loans and receivables.

(ii) Breakdown of total loans as to (a) security (secured, including type of security, and unsecured); and (b) status (performing and non-performing) per product line

a. Details of loans and receivables portfolio as to security as at December 31 are as follows:

	2022	2021
Secured:		
Real estate	2,144,728,266	2,032,638,433
Chattel	143,652,884	174,763,210
Others	312,839,798	321,095,625
	2,601,220,948	2,528,497,268
Unsecured	1,523,878,908	1,494,269,822
	4,125,099,856	4,022,767,090

Real estate loans are secured by mortgages on real properties and due in one (1) to twenty-five (25) years with annual interest ranging 5.00% to 15.00% in 2022 and 2021.

Car loans are secured by mortgages on motor vehicles and due in one (1) to five (5) years with annual interest rates of 7.00% to 8.75% in 2022 and 2021.

Other collateralized loans are secured by capital contribution hold-outs and due in less than a year to five (5) years with annual interest ranging from 4.00% to 11.00% in 2022 and 2021.

The total fair market value of real and personal properties mortgaged as collateral as at December 31, 2022 amounts to P5.46 billion (2021 - P5.4 billion).

Unsecured loans are loans with no collateral but are guaranteed by co-makers who are also members of the Association. These loans are due in less than a year to five (5) years with annual interest ranging from 4.00% to 12.75% in 2022 and 2021.

b. Details of loans and receivables portfolio as to status as at December 31 are as follows:

2022	Performing	Non-performing
Consumption	1,494,246,966	28,454,611
Real estate	1,959,092,376	185,635,891
Car	140,400,015	3,252,869
Capital	299,930,397	2,517,135
Salary/education	1,031,364	145,968
Others	9,728,975	663,289
	3,904,430,093	220,669,763

2021	Performing	Non-performing
Consumption	1,420,083,471	37,893,391
Real estate	1,748,556,908	318,934,176
Car	165,213,280	9,549,931
Capital	309,926,589	2,439,487
Salary/education	1,247,593	192,716
Others	6,142,592	2,586,956
	3,651,170,433	371,596,657

Total non-performing loans (NPLs) are as follows:

	2022	2021
Secured	193,198,685	333,510,551
Unsecured	27,471,078	38,086,106
	220,669,763	371,596,657

NPLs are:

a. Loans that are still unpaid even after written demand or within one year from the date of grant or renewal, whichever comes earlier;
b. Loans collectible in monthly installments that have one or more installments in arrears;
c. Restructured loans that have payments that are due and remain unpaid; and
d. Loans under litigation, as defined in the Association's Manual of Accounts.

NPLs are not reclassified as performing loans until the interest and principal payments are brought to current status and future payments are assured.

The Association's loan portfolio includes non-risk loans, as defined under the existing BSP regulations, aggregating P302.45 million as at December 31, 2022 (2021 - P321.19 million).

(iii) Breakdown of exposures to Trustees, Officers and their Related Interests (TORI)

The information on loans to TORI included under the Loans and receivables, net account in the statement of financial position follows:

	2022	2021
Outstanding TORI loans and receivable	62,241,735	29,221,272
Percentage of TORI loans to total capital contributions	1.31%	0.65%
Percentage of TORI loans to total loan portfolio	1.51%	0.73%
Percentage of unsecured TORI loans to total TORI loans	7.77%	14.34%
Percentage of past due TORI loans to total TORI loans	0.00%	0.00%
Percentage of non-performing TORI loans to total TORI loans	0.00%	0.00%

No impairment losses have been recognized against outstanding balances with the Association's TORI in 2022 and 2021.

(iv) Secured liabilities and assets pledged as security

There are no loans and receivables at December 31, 2022 and 2021 used as security for any liabilities.

(v) Contingencies and commitments from off-balance sheet items

There are no credit risk exposures relating to off-balance sheet items as at December 31, 2022 and 2021.

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

Revenue Regulations (RR) No. 15-2010

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

(i) Output value-added tax (VAT)

The Association is a non-VAT registered entity engaged in the business of general financing and investing.

(ii) Documentary stamp tax (DST)

The Association incurred DST for new time deposit placement amounting to P12.63 million, of which P0.39 million was accrued as of December 31, 2022.

(iii) All other local and national taxes

All other local and national taxes for the year ended December 31, 2022 consist of:

	Amount
Municipal taxes and mayor's permit	70,689
Community tax	11,000
Others	9,120
	90,809

(iv) Withholding taxes

Withholding taxes paid and accrued/withheld for the year ended December 31, 2022 consist of:

	Paid	Accrued	Total
Withholding tax on compensation	6,569,233	658,072	7,227,305
Expanded withholding taxes	672,566	192,340	864,906
Final withholding taxes	1,696,729	237,937	1,934,666
	8,938,528	1,088,349	10,026,877

As at December 31, 2022, the Association has no creditable withholding taxes.

(v) Tax assessment

The Association has no pending tax assessment as at December 31, 2022

All other information required to be disclosed by the BIR has been included in this note.

RR No. 34-2020

On December 18, 2020, BIR issued 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 Association 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.

MESALA TRANSACTING HOURS

Monday-Friday (except Holidays)

7:30am-4:00pm

Priority lane for the elderly, disabled and pregnant women is being observed on all type of transactions.

MESALA HOTLINE: 1622-6800

LOANS

sales@mesala.com.ph
Local 6079 or
02-84256720
0999-2286195
0917-8427698

MEMBERSHIP

membersservices@mesala.com.ph
Local 6028 or
02- 84255938
0918-9104761

BILLING & COLLECTION

billing@mesala.com.ph
Local 6076 or
02-84255926
0998-5397728

DEPOSIT & WITHDRAWAL

deposit@mesala.com.ph
withdrawal@mesala.com.ph
Local 8604 or
02-84255932
0998-9876238

ADMIN & COLLATERAL MANAGEMENT

collateralmgt@mesala.com.ph
02-84256736

CONSUMER PROTECTION

memberprotect@mesala.com.ph
meralco_sla@mesala.com.ph
Local 6075 or
02-84255942

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Mesala is regulated by Bangko Sentral ng Pilipinas (BSP) I (02)-8708-7087 I consumeraffairs@bsp.gov.ph

MESALA, INC.

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