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Meralco Employees Savings and Loan Association, Inc.

(A Non-stock Savings and Loan Association)

Financial Statements
As at and for the years ended December 31, 2020 and 2019

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Isla Lipana & Co.

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, 2020 and 2019, 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, 2020 and 2019;
- the statements of total comprehensive income for the years ended December 31, 2020 and 2019;
- the statements of changes in members' equity for the years ended December 31, 2020 and 2019;
- the statements of cash flows for the years ended December 31, 2020 and 2019; 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.

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 5, 2021, 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 January 21, 2023

Makati City
March 30, 2021

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

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

	Notes	2020	2019
ASSETS			
Cash and cash equivalents	2	1,743,174,637	663,844,973
Loans and receivables, net	3	5,877,357,341	5,827,279,787
Investment securities at amortized cost, net	4	6,135,636,262	5,898,770,644
Investment securities at fair value through other comprehensive income	5	296,459,000	322,671,610
Investment properties, net	6	1,949,335	1,969,605
Property and equipment, net	7	9,415,803	7,258,059
Computer software, net	8	28,346,560	23,711,855
Other assets		5,303,323	6,114,838
		14,097,642,261	12,751,621,371
LIABILITIES AND MEMBERS' EQUITY			
Liabilities			
Deposit liabilities	10	9,046,376,311	8,199,040,872
Accrued expenses and other liabilities	11	183,666,570	146,792,653
Retirement liability	13	1,576,834	12,066,155
Total liabilities		9,231,619,715	8,357,899,680
Members' equity			
Capital contributions	12	4,189,557,675	3,694,990,390
Surplus free	12	492,979,587	621,711,092
Surplus reserve	12	178,014,889	73,899,808
Accumulated other comprehensive income	12	5,470,395	3,120,401
Total members' equity		4,866,022,546	4,393,721,691
Total liabilities and members' equity		14,097,642,261	12,751,621,371

(The notes on pages 1 to 42 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, 2020 and 2019
(All amounts in Philippine Peso)

	Notes	2020	2019
Interest income on:			
Loans and receivables, net	3	407,414,169	410,450,599
Cash and cash equivalents and debt securities	2,4	291,499,707	306,535,647
		698,913,876	716,986,246
Interest expense	10,11	(170,937,671)	(157,075,586)
Net interest income		527,976,205	559,910,660
Provision for credit and impairment losses	9	(13,834,278)	(13,248,210)
Net interest income after impairment losses		514,141,927	546,662,450
Other income, net	16	22,193,448	27,811,613
		536,335,375	574,474,063
Operating expenses	15	(68,933,762)	(88,237,508)
NET INCOME		467,401,613	486,236,555
OTHER COMPREHENSIVE INCOME			
Items that will not be subsequently reclassified to profit or loss			
Remeasurement (loss) gain on retirement liability	12,13	(4,669,896)	577,311
Unrealized gain on fair value changes on financial assets at fair value through other comprehensive income	5,12	7,019,890	23,472,405
		2,349,994	24,049,716
TOTAL COMPREHENSIVE INCOME		469,751,607	510,286,271

(The notes on pages 1 to 42 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, 2020 and 2019
(All amounts in Philippine Peso)

	Capital contributions (Note 12)	Surplus free (Note 12)	Surplus reserve (Note 12)	Accumulated other comprehensive income	Total
Balances at January 1, 2019	3,231,497,995	640,417,218	64,629,960	(20,929,315)	3,915,615,858
Comprehensive income					
Net income	-	486,236,555	-		486,236,555
Other comprehensive income	-	-	-	24,049,716	24,049,716
Total comprehensive income for the year	-	486,236,555	-	24,049,716	510,286,271
Transactions with members					
Transfer from surplus free to surplus reserve	-	(9,269,848)	9,269,848	-	-
Capital contributions	602,418,590	-	-	-	602,418,590
Capital withdrawals	(138,926,195)	-	-	-	(138,926,195)
Dividends declared	-	(496,151,994)	-	-	(496,151,994)
	463,492,395	(505,421,842)	9,269,848	-	(32,659,599)
Other movements (Note 5)	-	479,161	-	-	479,161
Balances at December 31, 2019	3,694,990,390	621,711,092	73,899,808	3,120,401	4,393,721,691
Comprehensive income					
Net income	-	467,401,613	-	-	467,401,613
Other comprehensive income	-	-	-	2,349,994	2,349,994
Total comprehensive income for the year	-	467,401,613	-	2,349,994	469,751,607
Transaction with members					
Transfer from surplus free to surplus reserve	-	(104,115,081)	104,115,081	-	-
Capital contributions	675,613,171	-	-	-	675,613,171
Capital withdrawals	(181,045,886)	-	-	-	(181,045,886)
Dividends declared	-	(492,018,037)	-	-	(492,018,037)
	494,567,285	(596,133,118)	104,115,081	-	2,549,248
Balances at December 31, 2020	4,189,557,675	492,979,587	178,014,889	5,470,395	4,866,022,546

(The notes on pages 1 to 42 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, 2020 and 2019
(All amounts in Philippine Peso)

	Notes	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income		467,401,613	486,236,555
Adjustments for:			
Dividend income	5	(17,172,880)	(21,850,918)
Provision for allowance for impairment losses	9	13,834,278	13,248,210
Depreciation and amortization	15	4,590,698	3,010,120
Retirement benefits	13	3,655,330	4,603,356
Loss on retired property and equipment	7	11,029	-
Gain on disposal of investment properties	16	-	(1,290,777)
Operating income before working capital changes		472,320,068	483,956,546
(Increase) decrease in:			
Loans and receivables, net		(235,307,458)	(259,851,779)
Other assets		811,515	1,011,514
Increase in:			
Deposit liabilities		847,335,439	576,727,194
Accrued expenses and other liabilities		37,575,126	24,491,714
Cash from operations		1,122,734,690	826,335,189
Contributions to retirement plan	13	(18,814,547)	-
Net cash from operating activities		1,103,920,143	826,335,189
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Investment securities	4	(1,639,500,000)	(1,182,984,739)
Computer software	8	(5,823,898)	(23,648,635)
Property and equipment	7	(5,550,008)	(1,623,624)
Proceeds from:			
Maturity/redemption of investment securities at amortized cost	4	1,574,030,008	821,403,156
Maturity/redemption of investment securities at fair value through other comprehensive income	5	33,232,500	5,800,000
Sale of investment securities at fair value through other comprehensive income	5	-	71,349,159
Sale of investment properties	6	-	1,900,000
Dividends received from investment securities at fair value through other comprehensive income	5	17,172,880	21,850,918
Net cash used in investing activities		(26,438,518)	(285,953,765)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipt of capital contributions		675,613,171	602,418,590
Dividends paid	12	(492,018,037)	(496,151,991)
Withdrawals of capital contributions		(181,045,886)	(138,926,195)
Payment of principal and interest portion of lease liabilities	11	(701,209)	(510,000)
Net cash from (used in) financing activities		1,848,039	(33,169,596)
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,079,329,664	507,211,828
CASH AND CASH EQUIVALENTS			
JANUARY 1		663,844,973	156,633,145
DECEMBER 31	2	1,743,174,637	663,844,973

(The notes on pages 1 to 42 are an integral part of these financial statements.)

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

Notes to the Financial Statements
As at and for the years ended December 31, 2020 and 2019
(In the notes, all amounts are 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 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, 2020, the Association has 41 employees (2019 - 42).

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

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

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

The Association implemented this by giving moratorium to members on loan payments due during the period March 31, 2020 to May 31, 2020. Options were provided to members on their preferred mode of payment with loan extension or without extending the loan term.

Under Bayanihan II, financial institutions were directed to implement a mandatory one-time sixty (60)-day grace period for the payment of all existing, current and outstanding loans falling due on or before December 31, 2020, without incurring interest on interest, penalties, fees, or other charges. The amounts falling due within the 60-day grace period may be settled in full after the 60-day grace period, or on a staggered basis until December 31, 2020, or as may be agreed upon by the parties. To comply with the Act, the Association did not collect interest during the 60-day grace period. Accrued interests were collected in two (2) equal installments immediately after the grace period. This effectively extended the term of the loan, however, members who do not want to extend their loan were given the chance to pay the unpaid amortization based on the terms agreed with the Association.

The Association complied with the Bayanihan Acts I and II and has seen majority of its members availed of the grace period for the payment of the loan. The Association continued to accrue interest and collect it in accordance with the payment schemes offered to its members. No interest on interest, penalties and fees were charged to its members.

The Association has observed an increase in defaults during the year as a result of the COVID-19 pandemic. This was factored in the Association's ECL model and resulted in an increase in impairment provision for loans to members (Note 3).

While the pandemic still poses some risk and uncertainties, the Association, however, remains confident on its ability to absorb some conceivable financial shocks that may rise 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 March 30, 2021.

2 Cash and cash equivalents

The account as at December 31 consists of:

	2020	2019
Cash on hand	2,005,000	2,005,000
Cash in banks	75,169,637	32,839,973
Short-term investments	1,666,000,000	629,000,000
	1,743,174,637	663,844,973

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 1.30% to 4.00% in 2020 (2019 - 2.85% to 4.00%).

Interest earned from cash and cash equivalents for the year ended December 31, 2020 amounts to P11.53 million (2019 - P31.11 million).

3 Loans and receivables, net

This account consists of:

	Note	2020	2019
Loans to members		4,215,812,508	4,015,629,791
Unquoted debt securities		1,546,000,000	1,723,000,000
Accrued interest		147,632,900	90,950,990
Others		24,072,617	45,629,847
		5,933,518,025	5,875,210,628
Unamortized discount		(104)	(165)
		5,933,517,921	5,875,210,463
Allowance for impairment losses	9	(56,160,580)	(47,930,676)
		5,877,357,341	5,827,279,787

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*

	2020		2019	
	Amount	%	Amount	%
Individual:				
Real estate	2,059,812,987	49%	1,803,841,626	45%
Consumption	1,648,538,243	39%	1,685,588,245	42%
Car	208,306,969	5%	244,650,013	6%
Capital	253,530,955	6%	238,391,525	6%
Salary/education	3,664,364	-	4,289,842	-
Others	7,106,339	-	4,015,889	-
	4,180,959,857	99%	3,980,777,140	99%
Corporate:				
Real estate	34,852,651	1%	34,852,651	1%
	4,215,812,508	100%	4,015,629,791	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, 2020 and 2019, the Association does not have concentration of credit risk to particular industries. The Association's consumption loan product does not cover a specific industry.

Corporate loans due from Corfarm Grains, Inc. (Corfarm) was fully provided with allowance for impairment loss since 2005 amounting to P34.85 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 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. The allowance for impairment loss amounts to P26.14 million as at December 31, 2020 and 2019.

b. *Loans to members classified as to collateral*

	2020	2019
Secured:		
Real estate	2,059,812,987	1,803,841,626
Chattel	208,306,969	244,650,013
Others	260,637,293	238,391,525
	2,528,757,249	2,286,883,164
Unsecured	1,687,055,259	1,728,746,627
	4,215,812,508	4,015,629,791

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 17.00% in 2020 and 2019.

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 2020 (2019 - 7.50% to 8.75%).

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 5.00% to 11.00% in 2020 (2019 - 5.50% to 11.00%).

The total fair market value of real and personal properties mortgaged as collateral as at December 31, 2020 amounts to P3.90 million (2019 - P4.81 million).

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 15.00% in 2020 (2019 - 4.00% to 15.00%).

c. *Loans to members classified as to maturity*

	2020	2019
Due in one year or less	290,704,746	250,831,423
Due beyond one year		
Over one year to five years	1,999,174,722	2,097,139,739
Over five years	1,925,933,040	1,667,658,629
	4,215,812,508	4,015,629,791

Loans and receivables as at December 31, 2020 and 2019 earn interest based on the annual interest rates ranging from 4.00% to 17.00%.

Interest earned on loans and receivables, net amounts to P 407.41 million in 2020 (2019 - P410.45 million).

The aging analysis of loans and receivables, net is as follows:

	2020		2019	
	Gross Amount	Impairment	Gross Amount	Impairment
Current	5,685,979,712	4,901,816	5,811,442,024	21,731,730
Past Due				
One to ten days	7,884,388	410,613	28,515	385
11 to 30 days	141,585,263	8,704,565	1,338,319	18,067
31 to 90 days	32,948,835	1,563,074	2,560,769	33,886
Over 91 days	65,119,723	40,580,512	59,840,836	26,146,608
	5,933,517,921	56,160,580	5,875,210,463	47,930,676

Fair values of loans and receivables, net 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 4.00% to 19.00% in 2020 and 2019. The fair value measurement for loans and receivables, net has been categorized under Level 2 of the fair value hierarchy.

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

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

4 Investment securities at amortized cost, net

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

		2020		2019	
	Note	Interest rates	Amount	Interest rates	Amount
Corporate bonds		2.50% to 7.60%	3,752,484,423	3.91% to 7.60%	4,010,583,691
Government debt securities		1.25% to 8.00%	2,391,930,014	2.86% to 8.00%	1,891,360,754
			6,144,414,437		5,901,944,445
Allowance for impairment loss	9		(8,778,175)		(3,173,801)
			6,135,636,262		5,898,770,644

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

	2020	2019
At January 1	5,901,944,445	5,570,362,860
Additions	1,639,500,000	1,152,984,741
Maturities	(1,395,604,741)	(836,442,860)
Net unamortized (discounts) premiums	(1,425,267)	15,039,704
At December 31	6,144,414,437	5,901,944,445

Interest income earned from Investment securities at amortized cost amounts to P279.97 million in 2020 (2019 - P275.42 million).

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

Details and movements in the account are summarized as follows:

		2020		
	Note	Quoted equity securities	Unquoted equity securities	Total
Balances at beginning of the year		322,671,610	4,113,045	326,784,655
Maturities		(33,232,500)	-	(33,232,500)
Other comprehensive income:				
Unrealized fair value gains		7,019,890	-	7,019,890
Balances at end of year		296,459,000	4,113,045	300,572,045
Allowance for impairment losses	9	-	(4,113,045)	(4,113,045)
Carrying amount		296,459,000	-	296,459,000

	Note	2019 Quoted equity securities	Unquoted equity securities	Total
Balances at beginning of the year		375,869,205	4,113,045	379,982,250
Disposals		(76,670,000)	-	(76,670,000)
Other comprehensive loss:				
Unrealized fair value losses		23,472,405	-	23,472,405
Balances at end of year		322,671,610	4,113,045	326,784,655
Allowance for impairment losses	9	-	(4,113,045)	(4,113,045)
Carrying amount		322,671,610	-	322,671,610

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 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 P17.17 million in 2020 (2019 - P21.85 million) (Note 16).

There are no disposals of investment securities at FVOCI for the year ended December 31, 2020. In 2019, the Association disposed of investments in preference shares with a cost of P76.67 million, which resulted in a gain of P0.48 million. These gains were directly recorded in equity.

Unquoted equity securities

As at December 31, 2020 and 2019, 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 an allowance for impairment losses as at December 31, 2020 and 2019.

6 Investment properties, net

Details and movements in this account are as follows:

	Note	2020 Land	Land improvements	Total
Cost				
Balances at beginning of year		2,148,048	477,131	2,625,179
Disposals		-	-	-
Balances at end of year		2,148,048	477,131	2,625,179
Accumulated depreciation				
Balance at beginning of year		-	456,861	456,861
Disposals		-	-	-
Depreciation		-	20,270	20,270
Balances at end year		-	477,131	477,131
Allowance for impairment losses	9	198,713	-	198,713
Net book value		1,949,335	-	1,949,335

	Note	2019 Land	Land improvements	Total
Cost				
Balances at beginning of year		2,582,220	1,282,778	3,864,998
Disposals		(434,172)	(805,647)	(1,239,819)
Balances at end of year		2,148,048	477,131	2,625,179
Accumulated depreciation				
Balance at beginning of year		-	1,003,511	1,003,511
Disposals		-	(630,596)	(630,596)
Depreciation		-	83,946	83,946
Balances at end year		-	456,861	456,861
Allowance for impairment losses	9	198,713	-	198,713
Net book value		1,949,335	20,270	1,969,605

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

There are no disposals of investment properties in 2020. Disposals of investment properties in 2019 resulted in a gain of P1.29 million.

The fair values of land and land improvements as at December 31 are as follows:

	2020	2019
Land	4,558,124	4,558,124
Land improvements	1,986,410	1,986,410
	6,544,534	6,544,534

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 the valuations taking into consideration the specific circumstances of the properties. The fair values of the Company's investment 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, 2019	16,591,685	2,694,026	5,197,755	3,494,225	1,995,212	29,972,903
Additions	1,462,598	-	31,965	129,061	-	1,623,624
Balances at December 31, 2019	18,054,283	2,694,026	5,229,720	3,623,286	1,995,212	31,596,527
Additions	4,290,738	-	393,764	254,598	610,908	5,550,008
Retirement	-	-	-	(1,336,240)	-	(1,336,240)
At December 31, 2020	22,345,021	2,694,026	5,623,484	2,541,644	2,606,120	35,810,295
Accumulated depreciation						
At January 1, 2019	15,472,678	1,819,559	1,683,689	2,538,835	-	21,514,761
Depreciation	951,549	242,400	759,072	391,835	478,851	2,823,707
At December 31, 2019	16,424,227	2,061,959	2,442,761	2,930,670	478,851	24,338,468
Depreciation	1,091,150	243,200	840,754	434,044	772,087	3,381,235
Retirement	-	-	-	(1,325,211)	-	(1,325,211)
At December 31, 2020	17,515,377	2,305,159	3,283,515	2,039,503	1,250,938	26,394,492
Carrying amount						
At December 31, 2019	1,630,056	632,067	2,786,959	692,616	1,516,361	7,258,059
At December 31, 2020	4,829,644	388,867	2,339,969	502,141	1,355,182	9,415,803

In 2020, certain office equipment with a carrying amount of P11.03 thousand were retired. The loss on retirement is recognized under Other income, net (Note 16).

The cost of fully depreciated assets still being used in operations amounts to P19.75 million as at December 31, 2020 (2019 - P20.63 million).

8 Computer software, net

Movements in this account are as follows:

	2020	2019
Balance at beginning of year	23,711,855	9,950,558
Additions	5,823,898	23,648,635
Amortization	(1,189,193)	(102,467)
Impairment	-	(9,784,871)
Balance at end of year	28,346,560	23,711,855

In 2014, the Association engaged the services of a professional institution for its business process review in preparation for the acquisition of its new banking and accounting software. Upon completion of the review, the Association purchased the computer software from a system provider. The cost of the computer software and the cost of business process review were capitalized in the books. The computer software, however, was not fully installed, made operational and available for use as at December 31, 2017 due to certain issues encountered. The system provider then refunded portion of the cost of the computer software on March 23, 2018. For the year ended December 31, 2019, the Association opted to fully impair the remaining cost of the said software and charged also the cost of the business process review to profit or loss (Note 9).

9 Allowance for impairment losses

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

	Loans and receivables, net (Note 3)	Investment securities at FVOCI (Note 5)	Investment securities at amortized cost (Note 4)	Investment properties (Note 6)	Computer software (Note 8)	Total
At January 1, 2019	46,346,722	4,113,045	1,294,416	198,713	-	51,952,896
Provision	1,583,954	-	1,879,385	-	9,784,871	13,248,210
Write-off	-	-	-	-	(9,784,871)	(9,784,871)
At December 31, 2019	47,930,676	4,113,045	3,173,801	198,713	-	55,416,235
Provision	8,229,904	-	5,604,374	-	-	13,834,278
Write-off	-	-	-	-	-	-
At December 31, 2020	56,160,580	4,113,045	8,778,175	198,713	-	69,250,513

The Association has assessed that the allowance for impairment losses as at December 31, 2020 and 2019 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:

	2020	2019
Regular savings	6,543,545,714	5,273,349,572
Special savings	740,088,597	856,470,000
Time deposits	1,762,742,000	2,069,221,300
	9,046,376,311	8,199,040,872

Annual fixed interest rates on deposit liabilities are as follows:

	2020	2019
Regular savings	1.50%	1.50%
Special savings	1.50%	1.50%
Time deposits	3% to 4.25%	3% to 4.25%

Interest expense on deposit liabilities amounts to P170.94 million in 2020 (2019 - P157.08 million).

11 Accrued expenses and other liabilities

This account consists of:

	2020	2019
Payable to ex-members	132,606,258	109,342,193
Accounts payable	30,062,720	21,645,393
Accrual for:		
Employee benefits	2,421,112	3,820,281
Others	897,856	1,132,543
Lease liabilities	1,523,666	1,538,826
Withholding taxes	973,965	583,613
Others	15,180,993	8,729,804
	183,666,570	146,792,653

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 mainly pertains to unreleased checks, stale checks and unidentified bank deposits from members that are non-interest bearing and expected to be settled within one year.

Others pertain to liability for repairs and maintenance charges and payable to government agencies, 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, 2020 and 2019.

The Association has a lease agreement covering its data recovery center for a period of three years commencing on March 1, 2017 to February 28, 2020. Upon expiration of the term in 2020, the Association renewed for another three (3) years until February 28, 2023.

On January 1, 2019, the Association adopted PFRS 16 and recognized lease liabilities of P2.00 million, related to its existing lease agreement.

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

	2020	2019
Beginning of the year	1,538,826	1,995,212
Additions	610,908	-
Interest expense	75,141	53,614
Payments for the year	(701,209)	(510,000)
	1,523,666	1,538,826

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

	2020	2019
Current (within 12 months)	690,950	510,095
Non-current (over 12 months)	832,716	1,028,731
	1,523,666	1,538,826

The lease agreement does not impose any covenants other than the security deposits 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 year ended December 31 shows the following amounts relating to leases:

	2020	2019
Depreciation expense		
Leased premises (Note 7)	772,087	478,851
Interest expense	75,141	53,614
Expense relating to variable lease payments not included in lease liabilities (included in rent expense)	85,279	89,200
	932,507	621,665

The total cash outflow for leases for the year ended December 31, 2020 is P701,209 (2019 - P510,000)

(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 contributions are classified as fixed capital contribution (FCC), formerly, non-withdrawable capital, and capital contribution buffer (CCB), 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. Members' capital may be partially withdrawn provided that the following terms and conditions are complied with:

- The amount to be withdrawn shall not be equal to or more than the FCC; and
- The said amount is not subject to any encumbrance in favor of the Association.

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

	2020	2019
Number of members	22,050	22,205
Capital contributions	4,189,557,675	3,694,990,390

b. Surplus free

On March 6, 2020, the Association declared dividends of 14.00% equivalent to P492.02 million, as approved by the BSP on March 6, 2020, and distributed to members on March 9, 2020.

On February 28, 2019, the Association declared dividends of 16.00% equivalent to P496.2 million, as approved by the BSP on February 28, 2019 and distributed to members on March 1, 2019.

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 also made an appropriation of surplus amounting to P94.22 million to cover future contingencies.

d. Other comprehensive income (OCI)

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

	Notes	2020	2019
Cumulative remeasurement gain on retirement asset			
Balance at beginning of year		3,619,291	3,041,980
Remeasurement (loss) gain	13	(4,669,896)	577,311
Balance at end of year		(1,050,605)	3,619,291
Cumulative net unrealized loss on fair value changes of financial assets			
Balance at beginning of year		(498,890)	(23,971,295)
Unrealized fair value gains		7,019,890	23,472,405
Balance at end of year		6,521,000	(498,890)
		5,470,395	3,120,401

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 was as at December 31, 2020, as 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:

	2020	2019
Service cost	3,112,353	3,925,740
Net interest expense	542,977	677,616
	3,655,330	4,603,356

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

	2020	2019
Experience adjustments	(2,861,366)	590,323
Changes in financial assumptions	(2,687,227)	(2,238,693)
Actual return	878,697	2,225,681
	(4,669,896)	577,311

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

	2020	2019
Present value of retirement liability	48,553,644	43,455,793
Less: Fair value of plan assets	46,976,810	31,389,638
Retirement liability	1,576,834	12,066,155

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

	2020	2019
Balance at beginning of year	31,389,638	34,391,226
Interest income	1,412,534	1,888,636
Actual return	878,697	2,225,681
Benefits paid	(5,518,606)	(7,115,905)
Contributions to retirement plan	18,814,547	-
Balance at end of year	46,976,810	31,389,638

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

	2020	2019
Balance at beginning of year	43,455,793	42,431,336
Service cost	3,112,353	3,925,740
Remeasurement losses (gains) recognized in OCI		
Experience adjustments	2,861,366	(590,323)
Changes in assumptions	2,687,227	2,238,693
Interest expense	1,955,511	2,566,252
Benefits paid		
Retirement plan	(5,518,606)	(7,115,905)
Balance at end of year	48,553,644	43,455,793

Plan assets consist of the following:

	2020	2019
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 and changes in the life expectancy of qualified employees.

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:

	2020	2019
Discount rate	3.00%	4.50%
Expected rate of salary increase	6.00%	6.00%

Sensitivity analysis on the defined benefit obligation in 2020 and 2019 are as follows:

	2020		2019	
	Assumption	Effect on retirement liability	Assumption	Effect on retirement liability
Discount rate	+1.00%	(46,716,643)	+1.00%	(42,088,527)
	-1.00%	50,594,814	-1.00%	44,968,292
Salary increases	+1.00%	50,517,105	+1.00%	44,931,888
	-1.00%	(46,791,235)	-1.00%	(42,106,353)

The sensitivity analysis have 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:

	2020	2019
Less than one year	33,734,871	34,826,905
More than one year to five years	2,789,404	2,336,145
More than five years to ten years	19,296,519	11,884,503
More than ten years to fifteen years	28,875,914	24,546,373
More than fifteen years to twenty years	11,168,848	17,585,775

The weighted average duration of the defined benefit obligation in 2020 is 7.2 years (2019 - 6.6 years).

There is no expected contribution to the plan for the year2021.

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 the "Loans and receivables, net" account in the statement of financial position follows:

Relationship	Nature of Transaction	2020 Amount of transactions	2020 Outstanding balance	2019 Amounts of Transactions	2019 Outstanding balance	Terms and conditions
Key officers and employees	Loans	(958,725)	7,571,036	4,427,600	8,529,761	- Secured and unsecured
	Interest income on loans	443,214	34,623	324,065	70,324	- Interest bearing with rates ranging from 4% to 12.25% - Payable upon maturity within 1 to 25 years in cash at gross amount
Trustees	Loans	3,920,672	1,021,605	20,484,200	56,565,383	- Secured and unsecured
	Interest income on loans	92,153	62,105	208,494	2,147,904	- Interest bearing with rates ranging from 5.5% to 12.25% - Payable upon maturity within 1 to 20 years in cash at gross amount
Related interest	Loans	3,479,266	4,230,317	989,800	751,051	- Secured and unsecured
	Interest income on loans	6,328	266,865	17,544	32,787	- Interest bearing with rates ranging from 5.5% to 7.5% - Payable upon maturity within 2 to 5 years in cash at gross amount
			13,186,551		68,097,210	

Key management personnel compensation

Details of compensation of key management personnel are as follows:

Relationship	Nature of transaction	2020	2019
Key officers and employees	Salaries, wages and employee benefits	12,728,998	9,421,631
Trustees	Short term benefits	2,655,736	3,193,397
		15,384,734	12,891,568

15 Operating expenses

The account for the years ended December 31 consists of:

	Notes	2020	2019
Salaries, wages, and employee benefits		51,021,755	47,365,292
Depreciation and amortization	6,7,8	4,590,698	3,010,120
Repairs and maintenance		3,893,100	4,529,386
Outside services		1,947,933	2,860,076
Taxes and licenses		1,917,233	14,306,119
Representation and entertainment		1,300,771	3,115,084
Office supplies		796,952	1,002,788
Communication		775,852	902,403
Membership fees and dues		582,300	634,600
Insurance		468,037	503,904
Donations and charitable contributions		201,000	6,744,758
Rent	11	85,279	89,200
Others		1,352,852	3,173,778
		68,933,762	88,237,508

16 Other income, net

This account for the years ended December 31 consists of:

	Notes	2020	2019
Dividend income	5	17,172,880	21,850,918
Operating fees		1,670,560	1,945,180
Gain on disposal of investment properties	6	-	1,290,777
Maintenance fees		1,141,954	1,015,345
Others		2,208,054	1,709,393
		22,193,448	27,811,613

Others mainly pertain to membership fees earned by the Association.

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, 2020 and 2019 is disclosed in Note 3 to financial statements.

As at December 31, 2020 and 2019, the Association's maximum exposure to credit risk before collateral held or other credit enhancements is as follows:

	Notes	2020	2019
Cash and cash equivalents*	2	1,741,169,637	661,839,973
Loans and receivables, net**	3	5,880,659,981	5,831,142,022
Investment securities at amortized cost	4	6,135,636,262	5,898,770,644
		13,757,465,880	12,391,752,639

**Excluding cash on hand amounting to P2.00 million in 2020 (2019 - P2.00 million)*
***Including dividend receivables presented under other assets amounting to P3.30 million in 2020 (2019 - P3.86 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):

	2020			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Due from other local banks	75,170	-	-	75,170
Cash equivalents	1,666,000	-	-	1,666,000
Loans to members	3,968,274	182,419	65,120	4,215,813
Unquoted debt securities	1,546,000	-	-	1,546,000
Accrued interest	147,633	-	-	147,633
Dividend receivables	3,303	-	-	3,303
Others	24,072	-	-	24,072
	7,430,452	182,419	65,120	7,677,991
Investment securities at amortized cost	6,144,414	-	-	6,144,414
	13,574,866	182,419	65,120	13,822,405
Allowance for impairment losses				
Specific	-	-	26,139	26,139
Collective	13,482	10,678	14,640	38,800
	13,482	10,678	40,779	64,939
	13,561,384	171,741	24,341	13,757,466

	2019			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Due from other local banks	32,840	-	-	32,840
Cash equivalents	629,000	-	-	629,000
Loans to members	3,951,861	3,928	59,841	4,015,630
Unquoted debt securities	1,723,000	-	-	1,723,000
Accrued interest	90,951	-	-	90,951
Dividend receivables	3,862	-	-	3,862
Others	45,630	-	-	45,630
	6,477,144	3,928	59,841	6,540,913
Investment securities at amortized cost	5,901,944	-	-	5,901,944
	12,379,088	3,928	59,841	12,442,857
Allowance for impairment losses				
Specific	-	-	26,139	26,139
Collective	24,905	52	8	24,965
	24,905	52	26,147	51,104
	12,354,183	3,876	33,694	12,391,753

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:

		Contractual cash flows		
2020	Carrying amount	On demand	Less than one year	Total
Financial liabilities at amortized cost:				
Deposit liabilities	9,046,376,312	9,046,376,312	-	9,046,376,312
Accrued expenses and other liabilities*	182,449,407	182,449,407	-	182,449,407
	9,228,825,719	9,228,825,719	-	9,228,825,719

**Excluding withholding taxes amounting to P0.97 million and payable to government agencies amounting to P0.24 million.*

		Contractual cash flows		
2019	Carrying amount	On demand	Less than one year	Total
Financial liabilities at amortized cost:				
Deposit liabilities	8,199,040,872	8,199,040,872	-	8,199,040,872
Accrued expenses and other liabilities*	146,146,735	146,146,735	-	146,146,735
	8,345,187,607	8,345,187,607	-	8,345,187,607

**Excluding withholding taxes amounting to P0.58 million and payable to government agencies amounting to P0.06 million.*

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

	2020						
	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*	1,741,169	-	-	-	-	-	1,741,169
Loans and receivables	427,553	994,619	969,154	820,872	760,535	1,960,785	5,933,518
Dividend receivables	3,303	-	-	-	-	-	3,303
Investment securities at amortized cost	1,174,461	944,945	1,150,722	811,346	967,500	1,095,440	6,144,414
Deposit liabilities	(9,046,376)	-	-	-	-	-	(9,046,376)
Accrued expenses and other liabilities**	(182,449)	-	-	-	-	-	(182,449)
	(5,882,339)	1,939,564	2,119,876	1,632,218	1,728,035	3,056,225	4,593,579

**Excluding cash on hand amounting to P2.00 million.*
***Excluding withholding taxes amounting to P0.97 million and payable to government agencies amounting to P0.24 million.*

	2019						
	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*	661,839	-	-	-	-	-	661,839
Loans and receivables	540,412	265,400	1,157,975	1,063,214	915,716	1,932,493	5,875,210
Dividend receivables	3,862	-	-	-	-	-	3,862
Investment securities at amortized cost	1,297,791	835,826	694,772	924,506	811,364	1,337,685	5,901,944
Deposit liabilities	(8,199,041)	-	-	-	-	-	(8,199,041)
Accrued expenses and other liabilities**	(146,147)	-	-	-	-	-	(146,147)
	(5,841,284)	1,101,226	1,852,747	1,987,720	1,727,080	3,270,178	4,097,667

**Excluding cash on hand amounting to P2.00 million.*
***Excluding withholding taxes amounting to P0.58 million and payable to government agencies amounting to P0.06 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 equivalents and due from other banks, investments in fixed income securities, loans and receivables and deposit liabilities.

As at December 31, 2020 and 2019, 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:

	2020					
	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 and due from other banks	1%-1.45%	-	-	-	-	-
Loans and receivables	4.0%-19%	4%-16%	4%-15%	5.5%-13%	5.5%-13%	5%-13%
Investment securities at amortized cost	1.25%-5.30%	2.5%-6.94%	2.38%-6.25%	5.00%-6.25%	2.63%-6.08%	4.2%-8.0%
Deposit liabilities	1.5%-3.2%	1.5%-3.5%	1.5%-4.25%	-	-	-

	2019					
	Within one year	One to two years	Two to three year	Three to four years	Four to five years	More than five years
Cash and cash equivalents and due from other banks	2.85%-4.5%	-	-	-	-	-
Loans and receivables	4.0%-19%	4%-16%	4%-16%	5.5%-15%	5.5%-13%	5%-13%
Investment securities at amortized cost	2.85%-7.75%	3.5%-5.3%	4.5%-6.94%	3.25%-6.25%	5%-6.25%	4.2%-8.0%
Deposit liabilities	1.5%-3.2%	1.5%-3.5%	1.5%-4.25%	-	-	-

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):

	2020			
	Increase (decrease) in basis points			
	50	100	(50)	(100)
Changes in interest income				
Cash and cash equivalents and due from other banks	0.58	1.15	(0.58)	(1.15)
Loans and receivables, net	19.96	39.92	(19.96)	(39.92)
Investment securities at amortized cost	14.00	28.00	(14.00)	(28.00)
Deposit liabilities	(8.55)	(17.09)	8.55	17.09
As a percentage of the net interest income for the year	5.00%	10.00%	(5.00%)	(10.00%)

	2019			
	Increase (decrease) in basis points			
	50	100	(50)	(100)
Changes in interest income				
Cash and cash equivalents and due from other banks	1.56	3.11	(1.56)	(3.11)
Loans and receivables, net	20.52	41.05	(20.52)	(41.05)
Investment securities at amortized cost	13.77	27.54	(13.77)	(27.54)
Deposit liabilities	(7.85)	(15.71)	7.85	15.71
As a percentage of the net interest income for the year	5.00%	10.00%	(5.00%)	(10.00%)

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		
2020	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	296,459	296,459	-	-
Assets for which fair value are disclosed					
Investment properties	6				
Land		1,950	-	-	4,558
Land improvements		20	-	-	1,986
		1,970	-	-	6,544
		298,429	296,459	-	6,544

			Fair value		
2019	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	322,671	322,671	-	-
Assets for which fair value are disclosed					
Investment properties	6				
Land		1,950	-	-	4,558
Land improvements		20	-	-	1,986
		1,970	-	-	6,544
		324,641	322,671	-	6,544

There were no transfers between any levels in the fair value hierarchy for 2020 and 2019.

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:

	2020	2019
Capital contributions	4,189,557,676	3,694,990,390
Surplus free	492,979,585	621,711,092
Surplus reserve	178,014,889	73,899,808
	4,860,552,150	4,390,601,290

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;

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, 2020 amount to P11.39 billion (2019 - P10.83 billion). The combined capital accounts of the Association as at December 31, 2020 amount to P4.82 billion (2019 - P4.37 billion), which exceeded the 10% of risk assets by P3.68 billion (2019 - P3.28 billion).

As at December 31, 2020 and 2019, the risk-based capital adequacy ratio as submitted to the BSP are as follows:

	2020	2019
Total assets	14,062,761,183	12,733,634,115
Risk assets	11,389,131,169	10,830,705,988
Combined capital accounts	4,819,627,765	4,367,751,229
Total combined capital account to:		
Total assets	34.27%	34.30%
Risk assets	42.32%	40.33%

The withdrawable surplus reserve is adjusted for increases and decreases in capital contributions. As at December 31, 2020, the balance of withdrawable surplus reserve amounts to P83.79 million (2019 - P73.90 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 2020 and 2019.

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 2020 and 2019.

(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 may be impaired. In 2019, a portion of computer software was assessed to be impaired amounting to P9.78 million have been written-off as at December 31, 2019. As at December 31, 2020 and 2019, the allowance for impairment losses on investment properties amounts to P0.20 million (Note 9).

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

	Notes	2020	2019
Investment properties	6	1,949,335	1,969,605
Property and equipment, net	7	9,415,803	7,258,059
Computer software, net	8	28,346,560	23,711,855

(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, 2020, the carrying amount of retirement liability amounts to P1.58 million. (2019 - P12.07 million). Retirement benefits recognized in profit or loss amount to P3.66 million in 2020 (2019 - P4.60 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) New amendments to existing standards adopted by the Association

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

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

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

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

- *Revised Conceptual Framework for Financial Reporting*

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

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

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

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

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

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

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

- *Annual improvements to PFRS Standards 2018-2020*

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

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

There are no other standards, amendments to standards or interpretations that are effective subsequent to December 31, 2020 that are considered relevant or would be expected to have a material impact on the Association's financial statements.

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), 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, 2020 and 2019, the Association's financial assets at amortized cost include cash and cash equivalents, loans and other receivables and investment securities at amortized cost.

- *Fair value through other comprehensive income (FVOCI)*

  Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at 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, 2020 and 2019, the Association has no debt instruments under the FVOCI category.

- *Fair value through profit or loss (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, 2020 and 2019, 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, 2020 and 2019, 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 payments 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, 2020 and 2019, 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 realized at the time of derecognition are recognized within Net gains (losses) on financial assets in the statement of total comprehensive income.

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 fair value through profit or loss and other financial liabilities at amortized cost.

The Association does not have financial liabilities that are measured at fair value through profit or loss as at December 31, 2020 and 2019.

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, 2020 and 2019, 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 these 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, LIBOR yield curve, FX rates, volatilities and counterparty spreads) existing at reporting dates. 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, 2020 and 2019, the fair values of the Association's investment properties approximate P6.54 million. The fair value of the Group's 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.

The Association uses 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 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 and size.

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, 2020 and 2019, 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 and dividend receivable.

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, fixture, and office equipment	3 to 5

Right-of-use asset, which refers to the leased premises, is depreciated over the remaining lease term of 50 months from January 1, 2019, 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 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. These are classified as fixed capital contribution (FCC), formerly, non-withdrawable capital, and capital contribution buffer (CCB), formerly withdrawable capital.

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

Retirement liability 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 the 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 considered relevant for the Association 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, 2020 and 2019 analyzed according to whether these are expected to be recovered or settled within 12 months or over from the reporting date.

	2020	2019
Current assets		
Cash and cash equivalents	1,743,174,637	663,844,973
Loans and receivables, net	423,468,550	540,411,926
Investment securities at amortized cost, net	1,172,666,492	1,294,618,357
Investment securities at fair value through other comprehensive income	-	33,214,719
Other assets	5,303,323	6,114,838
	3,344,613,002	2,538,204,813
Non-current assets		
Loans and receivables, net	5,453,888,791	5,286,867,861
Investment securities at amortized cost, net	4,962,969,770	4,604,273,524
Investment securities at fair value through other comprehensive income	296,459,000	289,335,654
Investment properties, net	1,949,335	1,969,605
Property and equipment, net	9,415,803	7,258,059
Computer software, net	28,346,560	23,711,855
	10,753,029,259	10,213,416,558
Total assets	14,097,642,261	12,751,621,371
Current liabilities		
Deposit liabilities	9,046,376,311	8,199,040,872
Accrued expenses and other liabilities	182,833,854	145,763,922
	9,229,210,165	8,344,804,794
Non-current liabilities		
Accrued expenses and other liabilities	832,716	1,028,731
Retirement liability, net	1,576,834	12,066,155
	2,409,550	13,094,886
Total liabilities	9,231,619,715	8,357,899,680

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:

	2020	2019
Return on average equity	9.58%	11.70%
Return on average assets	3.28%	3.98%
Net interest margin	3.85%	4.60%
Rate paid on funds	1.23%	1.29%
Minimum liquidity ratio	31.59%	23.43%
Leverage ratio	31.85%	33.76%
Total exposure measure	14,166,694,061	12,806,838,893

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 situations.

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. 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:

	2020	2019
Secured:		
Real estate	2,059,812,987	1,803,841,626
Chattel	208,306,969	244,650,013
Others	260,637,293	238,391,525
	2,528,757,249	2,286,883,164
Unsecured	1,687,055,259	1,728,746,627
	4,215,812,508	4,015,629,791

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 17.00% in 2020 and 2019.

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 2020 (2019 - 7.50% to 8.75%).

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 5.00% to 11.00% in 2020 (2019 - 5.50% to 11.00%).

The total fair market value of real and personal properties mortgaged as collateral as at December 31, 2020 amounts to P3.90 million (2019 - P4.81 million).

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 15.00% in 2020 (2019 - 4.00% to 15.00%).

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

2020	Performing	Non-performing
Consumption	1,623,446,247	25,091,996
Real estate	1,878,675,897	215,989,741
Car	202,535,685	5,771,284
Capital	253,530,955	-
Salary/education	3,514,688	149,676
Others	6,570,825	535,514
	3,968,274,297	247,538,211

2019	Performing	Non-performing
Consumption	1,641,604,631	4,484,867
Real estate	1,794,705,131	54,623,292
Car	269,353,338	1,643,214
Capital	240,874,869	6
Salary/education	4,294,342	17
Others	4,046,084	-
	3,954,878,395	60,751,396

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

	2020	2019
Secured	222,296,537	56,266,505
Unsecured	25,241,674	4,484,891
	247,538,211	60,751,396

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 arrear;
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 interest and principal payments are brought to current and future payments are assured.

The Association's loan portfolio includes non-risk loans, as defined under the existing BSP regulations, aggregating P260.64 million as at December 31, 2020 (2019 - P238.39 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:

	2020	2019
Outstanding TORI loans and receivable	13,625,190	68,350,951
Percentage of TORI loans to total capital contributions	0.33%	1.78%
Percentage of TORI loans to total loan portfolio	0.32%	1.13%
Percentage of unsecured TORI loans to total TORI loans	22.52%	1.54%
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 2020 and 2019.

(iv) Secured liabilities and assets pledged as security

There are no loans and receivables at December 31, 2020 and 2019 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, 2020 and 2019.

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 paid DST amounting to P1,822,639 for the year ended December 31, 2020. This is lodged under Operating expenses in the statement of total comprehensive income.

(iii) All other local and national taxes

All other local and national taxes for the year ended December 31, 2020 consist of:

	Amount
Municipal taxes and mayor's permit	73,506
Community tax	11,000
Others	10,088
	94,594

(iv) Withholding taxes

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

	Paid	Accrued	Total
Withholding tax on compensation	6,213,588	764,455	6,978,043
Expanded withholding taxes	614,590	183,953	798,543
Final withholding taxes	250,392	25,557	275,949
	7,078,570	973,965	8,052,535

As at December 31, 2020, the Association has no creditable withholding taxes.

(v) Tax assessment

The Association has no pending tax assessment as at December 31, 2020.

The Association's open tax years are 2017, 2018 and 2019.

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.