REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Corporate Government Sector
Cluster A - Financial

INDEPENDENT AUDITOR'S REPORT

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THE BOARD OF TRUSTEES
Home Development Mutual Fund
Petron Mega Plaza
Makati City

We have audited the accompanying financial statements of Home Development Mutual Fund (Pag-IBIG Fund), which comprise the statement of financial position as at December 31, 2011, statement of comprehensive income, statement of changes in net worth and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

As discussed in item no. 1 of the Observations and Recommendations portion of the audit report, the balances between the subsidiary and general ledgers of four major accounts, namely: the Members Equity, Multi-Purpose Loan, Mortgage Contracts Receivable, and Sales Contracts Receivable have been unreconciled. The variances as at December 31, 2011 amounted to P2.380 billion, P1.317 billion, P143.104 million, and P8.468 million, respectively, or totaling P3.545 billion, due to the uncompleted clean-up and reconciliation process of the Fund. The existence of unreconciled balances between the controlling and subsidiary accounts created doubt on the accuracy and validity of the balances of the accounts affected and might adversely affect the quality of service to the members of the Fund.

Qualified Opinion

In our opinion, except for the possible effects of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Home Development Mutual Fund (Pag-IBIG Fund) as at December 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

COMMISSION ON AUDIT

FIDELA M. TAN
State Auditor V
Supervising Auditor

25 June 2012

HOME DEVELOPMENT MUTUAL FUND
STATEMENT OF FINANCIAL POSITION
December 31, 2011
(In Philippine Peso)

	Notes	2011	2010
A S S E T S			
Current Assets			
Cash and cash equivalents	4	9,072,776,142	5,730,064,911
Held for trading/Available-for-sale	5	1,583,631,421	389,876,255
Loans and receivables, net	6	93,025,091,085	89,745,002,806
Other current assets	7	463,211,707	301,460,020
		104,144,710,355	96,166,403,992
Non-Current Assets			
Available-for-sale investments, net	8	24,639,330,324	20,368,424,826
Loans and receivables, net	9	166,768,945,496	153,799,816,803
Property and equipment, net	10	1,186,217,437	1,355,920,194
Investment properties	11	5,775,472,213	5,971,436,171
Intangible assets	12	218,468,511	244,788,923
Other assets	13	114,267,554	84,074,566
		198,702,701,535	181,824,461,483
TOTAL ASSETS		**302,847,411,890**	**277,990,865,475**
LIABILITIES AND NET WORTH			
Current Liabilities			
Accounts payable - members	14	7,488,760,616	6,972,820,086
Accounts payable and accrued expenses	15	9,881,358,480	9,503,717,123
Loans payable	16	5,000,000,000	3,576,733,551
Bonds payable	17	2,000,000,000	-
Other current liabilities	18	20,682,039,406	20,107,065,056
		45,052,158,502	40,160,335,816
Non-current Liabilities			
Loans payable	16	5,000,000,000	7,162,750,817
Bonds payable	17	11,669,526,891	13,577,404,557
		16,669,526,891	20,740,155,374
TOTAL LIABILITIES		61,721,685,393	60,900,491,190
NET WORTH		241,125,726,497	217,090,374,285
TOTAL LIABILITIES AND NET WORTH		**302,847,411,890**	**277,990,865,475**

The notes on pages 7 to 31 form part of these financial statements.

HOME DEVELOPMENT MUTUAL FUND
STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended December 31, 2011
(In Philippine Peso)

	Notes	2011	2010
INTEREST INCOME			
Loans and receivables	19	19,670,350,485	18,463,551,401
Trading and investment securities	20	1,604,634,622	1,056,015,816
Deposits with banks and others	21	158,665,779	202,383,060
		21,433,650,886	19,721,950,277
INTEREST EXPENSE			
Bonds payable	22	791,773,399	883,788,285
Loans payable	22	551,401,064	656,719,254
		1,343,174,463	1,540,507,539
NET INTEREST INCOME		20,090,476,423	18,181,442,738
Service fees	23	1,575,003,895	1,471,650,054
Trading and investment securities gains, net	24	1,211,914,070	564,548,449
Foreign exchange gains, net	25	10,791,591	-
Miscellaneous	26	565,646,098	637,537,944
TOTAL OPERATING INCOME		23,453,832,077	20,855,179,185
OTHER EXPENSES			
Compensation and fringe benefits	27	2,726,981,449	2,996,014,511
Provision for impairment and other losses	28	5,912,652,981	3,907,770,699
Depreciation and amortization	28	393,909,620	272,146,812
Foreclosure and acquired asset management costs	29	144,441,090	106,574,091
Occupancy and equipment-related costs	30	440,110,184	373,584,388
Miscellaneous	31	1,876,507,274	2,097,497,238
TOTAL OPERATING EXPENSES		11,494,602,598	9,753,587,739
NET INCOME FOR THE YEAR		**11,959,229,479**	**11,101,591,446**
OTHER COMPREHENSIVE INCOME (LOSS)			
Available-for-sale investments - Equity securities		(1,923,433)	74,551,504
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**11,957,306,046**	**11,176,142,950**

The notes on pages 7 to 31 form part of these financial statements.

HOME DEVELOPMENT MUTUAL FUND
STATEMENT OF CHANGES IN NET WORTH
For the Year Ended December 31, 2011
(In Philippine Peso)

	Members' Equity	**Reserve for Losses**	**Donated Surplus**	**Retained Earnings**	**Total**
Notes	32	33	34	35	
January 1, 2010, as restated	172,539,655,588	156,443,725	250,890	26,560,162,216	199,256,512,419
Collections	19,246,878,727	-	-	-	19,246,878,727
Dividends	8,533,340,903			(8,533,340,903)	-
Comprehensive income	-	-	-	11,176,142,950	11,176,142,950
Net movement of HFC/dormant accounts/	-	-	-	-	-
prior years' correction of error	-	3,994,067	-	3,082,217	7,076,284
Provident claims/ TAV offsetting	(8,919,454,397)	-	-	-	(8,919,454,397)
Projected 20-year maturing TAVs					
Reclassified to accounts payable-members	(3,676,781,698)	-	-	-	(3,676,781,698)
December 31, 2010	**187,723,639,123**	**160,437,792**	**250,890**	**29,206,046,480**	**217,090,374,285**
January 1, 2011	187,723,639,123	160,437,792	250,890	29,206,046,480	217,090,374,285
Collections	21,908,450,488	-	-	-	21,908,450,488
Dividends	7,882,129,926	-	-	(7,882,129,926)	-
Comprehensive income	-	-	-	11,957,306,046	11,957,306,046
Net movement of HFC/dormant accounts/	-	-	-	-	-
prior years' correction of error	-	1,141,293	-	102,781	1,244,074
Provident claims/ TAV offsetting	(9,315,707,866)	-	-	-	(9,315,707,866)
Projected 20-year maturing TAVs	-	-	-	-	-
Reclassified to accounts payable-members	(515,940,530)	-	-	-	(515,940,530)
December 31, 2011	**207,682,571,141**	**161,579,085**	**250,890**	**33,281,325,381**	**241,125,726,497**

The notes on pages 7 to 31 form part of these financial statements.

HOME DEVELOPMENT MUTUAL FUND
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2011
(In Philippine Peso)

	Note	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,150,438,339	758,742,739
Paid to suppliers and employees		(7,813,449,740)	(5,528,102,471)
Interest paid		(1,344,553,500)	(1,351,112,261)
Net cash used in operating activities		(8,007,564,901)	(6,120,471,993)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of AFS investments		194,395,170,679	485,246,856,995
Loan repayment – MPL		45,685,546,342	39,053,443,023
Loan repayment – retail housing		25,761,394,951	23,953,121,455
Loan repayment – institutional loans		1,675,246,877	2,745,349,609
Fund Transfer to/ from Banks		38,600,000	8,200,000
Dividends received		1,367,572	11,385,318
Proceeds from sale of property and equipment		994,170	611,001
Purchase of property and equipment		(125,853,587)	(74,642,294)
Loan releases – institutional loans		(338,444,090)	(2,504,823,102)
Loan releases – retail housing		(29,345,618,955)	(38,773,183,460)
Loan releases - MPL		(45,386,650,033)	(35,967,805,840)
Acquisition of AFS Investments/roll-over		(197,181,031,136)	(483,876,561,353)
Net cash used in investing activities		(4,819,277,210)	(10,178,048,648)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from members' contributions		22,201,945,918	19,785,240,896
Provident benefit claims		(5,292,908,208)	(4,944,155,190)
Proceeds from long-term borrowings		5,000,000,000	11,602,963,559
Repayment of long-term borrowings		(5,739,484,368)	(7,487,296,504)
Net cash provided by financing activities		16,169,553,342	18,956,752,761
NET INCREASE IN CASH AND CASH EQUIVALENTS		3,342,711,231	2,658,232,120
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		5,730,064,911	3,071,832,791
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	**9,072,776,142**	**5,730,064,911**

The notes on pages 7 to 31 form part of these financial statements.

HOME DEVELOPMENT MUTUAL FUND
NOTES TO FINANCIAL STATEMENTS
(All amounts in Philippine Peso unless otherwise stated)

1. BACKGROUND

The Home Development Mutual Fund (HDMF), also known as the Pag-IBIG Fund, or the Fund, was created on June 11, 1978 by virtue of Presidential Decree No. 1530 to address two of the country's basic needs: generation of savings and provision of shelter for the Filipino workers.

Under this decree, two agencies administered the Pag-IBIG Fund namely: (a) Social Security System (SSS) for the funds from private employees and (b) Government Service Insurance System (GSIS) for the funds from government workers. To meet the urgent need to consolidate all long-term, low-interest housing funds under the administration of a single agency to support the National Shelter Program of the then Ministry of Human Settlements, Executive Order No. 527 was issued on March 1, 1979, transferring the administration of Pag-IBIG Fund to National Home Mortgage Finance Corporation (NHMFC). As such, NHMFC took care of the administration, custody, disposal and utilization of the funds, including the authority to promulgate implementing rules and regulations pertaining to the aforesaid functions. On June 4, 1979, Executive Order No. 538 was issued merging the two funds into what is now known as Pag-IBIG Fund, which stands for Pagtutulungan sa Kinabukasan: Ikaw, Bangko, Industriya at Gobyerno. It remained under the administration of the NHMFC until Presidential Decree No. 1530 was amended by PD 1752 on December 14, 1980, making it an independent corporation with its own Board of Trustees.

Shortly after the administration of President Corazon C. Aquino came to power, Pag-IBIG contributions were suspended from May to July 1986. However, on August 1, 1986, former President Aquino issued Executive Order No. 35 directing the resumption of mandatory Pag-IBIG membership under more liberal terms. Contribution rate was reduced from three per cent to one per cent of fund salary for employees earning over P1,500.00. Employer share was cut from three per cent to a fixed rate of two per cent while the maximum fund salary was raised from P3,000.00 to P5,000.00.

January 1, 1987 marked the return of Pag-IBIG membership to a voluntary program under Executive Order No. 90. The next eight years witnessed the growth of Pag-IBIG Fund as a voluntary fund. On June 17, 1994, then President Fidel V. Ramos signed Republic Act 7742 which reverted Pag-IBIG membership to mandatory effective January 1, 1995.

On July 21, 2009, then President Gloria Macapagal-Arroyo signed into law Republic Act 9679, otherwise known as the "Home Development Mutual Fund Law of 2009". The new law and its Implementing Rules and Regulations (IRR) took effect on August 27, 2009 and November 3, 2009, respectively. It effectively repealed Presidential Decree No. 1530, Presidential decree No. 1752; and Executive Order Nos. 35 and 90. Its landmark provisions are those expanding the mandatory coverage of the Pag-IBIG Fund to include all employees compulsorily covered by the SSS and GSIS as well as Filipinos employed by foreign-based employer; exempting Pag-IBIG Fund employees from the coverage of the Salary Standardization Law; and restoration of tax exemption privileges.

Through the years, Pag-IBIG Fund has become the prime government financial institution tasked to continually perform two of the nation's basic concerns: generation of savings and provision of access to home financing to the workers. As such, it mobilizes an efficient, dynamic, regular and integrated nationwide savings system and at the same time enables low and middle-income families to realize their dream of having decent shelter.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements have been prepared in accordance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS), where practicable.

2.2 Basis of Consolidation

The consolidated financial statements include the transactions of the Corporate Headquarters, and 40 branches in Luzon, Visayas, Mindanao and the National Capital Region.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All inter-branch balances and transactions have been eliminated in the consolidation.

2.3 Changes in Accounting Policies

The following accounting standards under IAS/IFRS have been adopted to the extent that they are applicable:

- IAS 1: Presentation of Financial Statements

The Pag-IBIG Fund members' Total Accumulated Value (TAV) consisting of total accumulated savings and dividends net of withdrawals, are accounted as equity instruments pursuant to the provision of Section 10 of RA 9679 which states that "The Fund shall be private in character, owned wholly by the members, administered in trust and applied exclusively for their benefit."

However, TAVs in the accumulated amount of P7.489 billion pertaining to members whose membership terms shall have matured by end of Year 2012, was reclassified into a liability account on December 31, 2011, in accordance with Paragraph 60 of the Accounting Standards. The standard requires reclassification of a payable into current liability when it is expected to be settled in the entity's normal operating cycle, is due to be settled within 12 months after the balance sheet date and the entity does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

- IAS 38: Intangibles

Information Technology Software costs are capitalized on the basis of the cost incurred to acquire and bring to use the specific software. These costs are amortized on a straight line basis. Costs associated with maintaining the computer software program is recognized as expense when incurred.

- IAS 39: Financial Instruments: Recognition and Measurement:

  - Effective July 31, 2010, Investment accounts were classified in accordance with IFRS categorization except for the adjustments pertaining to their valuation factored by the shift in amortization of premium/discounts from straight line to effective interest rate, mark to market valuation and impairment of debt and equity securities.

  - On December 30, 2010, as per Resolution No. 2855, series of 2011 provision of impairment losses for Mortgage/Sales Contracts Receivables and Institutional Loans using the Expected Loss Model of Basel II was adopted. Allowance for Impairment Loss as at December 31, 2011 amounted to P13.854 billion and P1.719 billion, respectively.

  - Impairment of Accounts Receivable Developers (AR-Developers) and Items Under Litigation recognized in accordance with IAS 39 amounted to P 1.660 billion and P6.946 billion, respectively.

  - Accounts receivable, other than Accounts Receivable-Developers aging two years or more are provided with 100 per cent provision for impairment loss.

  - Allowance for impairment loss is set up to absorb potentially uncollectible receivables associated with the lending operations of the Pag-IBIG Fund.

- IAS 40: Investment Property

Pursuant to the standard, collective impairment loss was calculated for the acquired assets.

Real and Other Properties Acquired classified as Investment Property are presented at the amount recoverable from its sale. The difference between its carrying value and the amount recoverable from its sale represents impairment allowance which stood at P2.534 billion as at December 31, 2011.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Cash and Cash Equivalents

Cash includes cash on hand and in banks, both foreign and local. Cash equivalents also include highly liquid investments acquired three months or less before maturity and subject to insignificant risk of change in value resulting from change in interest rates.

3.2 Receivables

Receivables are carried at book value minus provision for impairment, if any. They are classified into current, past due and non-current.

Current portion refers to the aggregate principal amortizations due for the entire year succeeding the reporting year, zero to three months in arrears.

The past due portion refers to the principal balance of receivables over three months in arrears.

The non-current portion refers to the aggregate principal amortizations net of current and past due portion of receivable accounts.

3.3 Inventories

Inventories are carried at cost and accounted for using the First-In-First-Out (FIFO) method. Tangible assets with serviceable life of more than one year but small enough to be considered as Property and Equipment, and items eventually treated as expense upon issuance are also included in this account.

3.4 Property and Equipment (PE)

In compliance with the provisions of Commission On Audit (COA) Circular Nos. 2003-007, 2004-003 and 2005-002 dated December 11, 2003, October 4, 2004 and April 14, 2005, respectively, Accounting Memorandum Order No. 2006-012 and 2008-03 were issued pertaining to the accounting of PE as follows:

PE are carried at cost less accumulated depreciation and amortization. Land is carried at cost.

The initial cost of the asset includes its purchase price and any incidental costs necessary in bringing the asset to working condition and location for its intended use.

Property under construction is stated at cost which covers cost of construction and other direct costs, lodged to the Unused Materials Charged to Capital Outlay account. It is subsequently booked as PE upon completion of construction. The asset is not depreciated until such time it is completed and substantially available for its intended use.

Major repairs and improvements, renewals, and betterment which extend the useful life of the PE are recognized in the carrying amount of the property and depreciated accordingly. All other costs of repairs and maintenance are charged to operations as incurred.

Residual value of PE is set at ten per cent of the acquisition cost.

Depreciation and amortization are calculated on straight-line basis over the estimated and/or remaining useful life of the asset.

When an item of PE is sold or retired, its cost and accumulated depreciation and amortization are dropped from the books and any gain or loss resulting from the disposal is reported in the statement of comprehensive income.

Penalty for late delivery of PE purchased is accounted for as a reduction from the cost of PE.

Relative to the adoption of IAS and IFRS, Information Technology Software account is treated in accordance to IAS 38 Intangible Assets.

3.5 Interest income recognition

Interest income on housing-related loans is recognized on accrual basis except in the case of non-performing loans where it is recognized as current income upon realization.

Interest due on Multi-purpose Loan is capitalized and recognized as income upon amortization.

3.6 Interest rate on institutional loans

Developmental Loan Program – The loan bears interest rate defined as the prevailing market rate (on Friday preceding the date of release of proceeds) of either of the following for which the developer may select: three-year Treasury Notes plus three per cent; or 91-day Treasury Bills plus five per cent. The Philippine Dealing System Treasury-Fixing (PDST-F) yield is also used as an alternative basis in determining interest rate of Treasury Notes.

Medium/High-Rise Condominium Building (MHRB) and Pag-IBIG City Projects-The loan bears interest rate defined as the prevailing market rate (on Friday preceding the date of release of proceeds) of two-year Treasury Notes, plus three per cent during the six months marketing period, and five per cent thereafter.

Group Land Acquisition and Development (GLAD) Program - The interest rate on the total loan of the community association for land acquisition and site development is nine per cent per annum. Once the loan share of the community association’s member is converted into lot purchase loan, the interest rate is adjusted to rates under housing loan guidelines prevailing at the time of loan availment.

For projects including house construction, the interest rate is based on the individual beneficiary’s total loan entitlement in accordance with the rates prevailing per housing loan guidelines at the time of housing loan availment. This rate is charged once loan releases for house construction are effected.

House Construction Financing Line - The loan bears interest rate defined as the prevailing market rate (on Friday preceding the date of release of proceeds) of two-year Treasury Notes, plus three per cent. The PDST-F yield rate may be used as an alternative basis to Treasury Notes in determining interest rates.

Pag-IBIG Local Government Housing Program - The loan bears interest rate of nine per cent per annum.

Developers' Credit Facility - The developers are charged the interest at the rate of 14 per cent per annum.

Interest rates for institutional loans are in accordance with the rates prescribed in the respective programs. In no case, however, shall the said interest rates fall below the rate of eight and a half per cent.

3.7 Interest rate on housing loans

The prevailing interest rate, in force by virtue of Circular 247, "Amended Guidelines on the Pag-IBIG Fund End-User Home Financing Program" effective April 1, 2009, are as follows:

Loan Amount	Interest Rate
Up to 400,000	6%
Over 400,000 to 750,000	7%
Over 750,000 to 1,000,000	8.5%
Over 1,000,000 to 1,250,000	9.5%
Over 1,250,000 to 2,000,000	10.5%
Over 2,000,000 to 3,000,000	11.5%

HDMF Circular No. 285, "Extended Implementation of the Good Payor Incentive Program", effective June 1, 2010, offers a two per cent discount or reduction on applicable interest rate for amortizations on housing loans paid on time as well as for accounts with past due amortization from one to six months that were updated until December 31, 2007. Under HDMF Circular 290, the policy is effective until May 31, 2012. Pursuant to HDMF Circular 280, "Prompt Payment Discount for Updated Housing Loan Accounts That Underwent Loan Term Adjustment", covered accounts shall continue to enjoy the benefits of prompt payment discount should borrowers avail of loan term adjustment, unless rendered ineligible by defaulting on monthly payment.

To provide an affordable housing loan program as well as promote home ownership by extending financial support to beneficiaries, HDMF Circular No. 277, "Amended Guidelines Implementing the Pag-IBIG Interest Subsidy Program for Socialized Housing Loan Borrowers" was issued covering loan take outs from July 1, 2009 to June 30, 2014. Five hundred beneficiaries chosen monthly by raffle draw from among the qualified borrowers shall be entitled to an interest subsidy of one and a half per cent per annum for five years from the due date of first amortization after the raffle draw.

Further, with the occurrence of various calamities and other force majeure, the Pag-IBIG Fund has issued several circulars to alleviate its members from its financial burden by granting moratorium on their housing loan payments. These include HDMF Circular No. 288 "Special Assistance Program for OFW Members Repatriated from Middle East and North Africa" which was issued on March 15, 2011, HDMF Circular No. 291 "Special Assistance for Pag-IBIG Members Affected by the Calamities Japan" which was issued on June 23, 2011, HDMF Circular No. 295 "Moratorium on HL Amortization Payments for Pag-IBIG Borrowers Affected by Typhoons Pedring and Quiel" and HDMF Circular No. 296 "Expanded Area of Coverage for HDMF Circular 295" which were issued on October 10 and 18, 2011, respectively.

3.8 Interest rate on Multi-Purpose Loans

The loan bears interest at the rate of 10.75 per cent per annum for the duration of the loan term.

3.9 Foreign currency transactions

Foreign currency transactions are recorded based on the exchange rate on the date of transaction. Exchange rate difference arising from the settlement of monetary items or from reporting of foreign currency monetary items at rates other than the rate applied in recording the transaction or the rate adopted in previous financial statements are reported in the statement of comprehensive income.

As assets maintained in foreign currencies are revalued, members' equity in foreign currencies are also revalued. Revaluation of accounts in foreign currencies as of year-end was based on the following rates as at December 29, 2011: US$43.928 and CAN$42.9318.

4. CASH AND CASH EQUIVALENTS

This account is composed of the following:

	2011	2010
Cash on hand	236,205,799	253,407,008
Cash in banks [\a]	1,930,505,499	5,122,688,037
Time deposit	6,906,064,844	353,969,866
	9,072,776,142	**5,730,064,911**

[\a] Cash in bank includes cash equivalent and short term investments maturing ninety days and below. The carrying amounts are at fair values due to the relatively short-term maturities of these investments.

5. HELD FOR TRADING/ AVAILABLE-FOR-SALE INVESTMENTS

	2011	2010
Held for trading investments [\a]	1,562,076,408	231,383,932
Available-for-sale investments [\b]	21,555,013	158,492,323
	1,583,631,421	**389,876,255**

[\a] Held for Trading include investments in Treasury Bonds/Notes issued by the Bureau of the Treasury and Available for Sale investments are bonds issued by other government agencies as well as investments in US$ dollar denominated bonds issued by the Republic of the Philippines and other Philippine corporations.

[b] Investments in Bonds and Other Debt Instruments are carried at cost. Cost of bonds and other debt instruments sold are accounted for using the specific identification method.

6. LOANS AND RECEIVABLES, NET

	2011	2010
Loans receivable [a]	34,633,850,899	33,796,182,909
Impairment loss	(1,350,958,825)	(778,560,622)
	33,282,892,074	33,017,622,287
Mortgage contracts receivable [b]	39,942,692,545	35,521,261,221
Impairment loss	(8,595,650,886)	(5,740,424,059)
	31,347,041,659	29,780,837,162
Sales contracts receivable [c]	27,821,639,655	23,056,055,632
Impairment loss	(2,937,085,154)	(1,992,494,378)
	24,884,554,501	21,063,561,254
Unquoted debt securities classified as Loans [d]	20,000,000	49,542,353
Accounts receivable [e]		
Developers	4,010,264,114	6,289,913,735
Borrowers	922,407,474	789,833,616
Others	174,194,012	180,171,541
Employers	131,689,952	148,043,005
Collecting agents	39,783,084	37,529,197
Officers and employees	10,924,846	10,861,452
Advances to officers and employees	170,168	1,005,320
Impairment loss	(1,798,830,799)	(1,623,918,116)
	3,490,602,851	5,833,439,750
	93,025,091,085	**89,745,002,806**

[a] Current portion of Loans Receivable are those collectible within the next accounting period, inclusive of past due accounts which are immediately due and demandable.

Past Due portion of Loans Receivable for CYs 2011 and 2010 amounted to P 9,414,466,700 and P 9,189,163,051, respectively.

[b] Mortgage Contracts Receivable - represents loans to Pag-IBIG members that are backed-up by real estate mortgages (REM) under the various home lending programs of the Fund. Current portion of Mortgage Contracts Receivable are those collectible within the next accounting period, inclusive of past due accounts which are immediately due and demandable.

Past Due portion of Mortgage Contracts Receivable for CYs 2011 and 2010 amounted to P28,251,091,025 and P22,725,933,859, respectively.

[c] Sales Contracts Receivable - This account has two categories:

Sales Contracts Receivable (SCR) I pertains to high yielding receivables purchased from various developers intended to provide them with liquidity mechanism. The purchase is with recourse, substitution, buy-back feature and a cash flow guarantee that ensures full remittance of the monthly interest and principal.

Sales Contract Receivable II consists of receivables from borrowers under the home lending program using the Contract to Sell (CTS) as primary debt instrument.

Current portion of SCR are those collectible within the next accounting period, inclusive of past due accounts which are immediately due and demandable.

Past due portion of SCR for CYs 2011 and 2010 amounted to P16,472,059,937 and P14,222,510,753, respectively.

[\d] Unquoted Debt Securities Classified as Loans pertains to Benpres Bonds. Through firm negotiations, Pag-IBIG Fund was able to clean its books with a long outstanding investment in Philippine Dollar-denominated Benpres bonds. The full principal of US$650,000, capitalized interest of US$23,177 and the remaining 50 per cent accrued interest amounting to US$ 83,949 was fully settled and the proceeds was credited to the HDMF dollar account with PNB on December 27, 2011. Since this is treated off books, this will be an additional income for the Fund.

[\e] Accounts Receivable - These include various receivables which are expected to be collected within the next accounting period.

7. OTHER CURRENT ASSETS

This account consists of the following:

	2011	2010
Time Deposits [\a]	322,883,871	162,898,940
Inventories [\b]	96,728,236	98,298,101
Prepaid Expenses [\c]	42,711,968	39,190,883
Prepaid Tax	-	182,803
Claims from Disallowed Payments	464,043	465,704
Claims from Accountable Officers	423,589	423,589
	463,211,707	**301,460,020**

[\a] Time deposits include those that mature over ninety days but less than one year.

[\b] Inventories include postage stamps, stationery and office supplies, computer supplies, maintenance materials and supplies, printed forms, medicine/ medical supplies and other stocks of goods which are held for administrative purposes.

[\c] The Prepaid Expenses include prepayments expected to benefit the Fund at a future period but not beyond one year, to be amortized monthly.

8. AVAILABLE-FOR-SALE INVESTMENTS, NET

	2011	2010
Bond and other debt instruments	24,629,601,761	20,192,794,626
Stocks/equity securities, net of allowance for decline in market value [a]	8,569,173	174,470,810
Stock/securities of service enterprises	1,159,390	1,159,390
	24,639,330,324	**20,368,424,826**

[a] Investments in Stocks

Investments in Stocks are carried at the lower of cost or market value. The market value of the stocks are computed every end of the month. If the market value is less than the cost, the difference is treated as temporary decline in the market value of non-current equity securities and is presented as reduction in Statement of Comprehensive Income. These include investments in shares of stocks of listed companies in the Philippine Stock Exchange (PSE).

Cost of stocks sold is computed using the weighted average cost method.

9. LOANS AND RECEIVABLE, NET

	2011	2010
Loans and receivables (LR) [a]		
Multi-purpose loans	51,059,998,352	47,250,372,614
NHMFC-Unified home lending-RL	1,864,896,387	1,991,081,510
Developers interim financing	1,235,164,100	1,275,725,864
Medium-High rise building	606,771,462	572,263,685
Developmental loans	490,248,765	751,481,371
National Housing Authority	412,500,000	412,500,000
Restructured loans- institutional loans	224,432,100	272,886,795
Group land acquisition and development program	214,946,150	273,126,852
Housing construction facility	36,387,927	117,477,873
Local government units	45,548,165	47,617,892
Developers' credit facility	25,092,498	25,523,251
PAG-IBIG city	23,143,891	141,874,886
Real and other properties acquired	5,396,048	6,553,533
Rental housing construction	-	16,667,582
Provident loans	-	124,900
Miscellaneous	27,721,502	28,492,396
	56,272,247,347	53,183,771,004

LR, current portion	(34,633,850,899)	(33,796,182,909)
Allowance for impairment	(1,054,830,342)	(219,987,802)
	20,583,566,106	19,167,600,293
Mortgage contracts receivable (MCR)	107,444,464,568	94,501,704,052
MCR, current portion	(39,942,692,545)	(35,521,261,221)
Allowance for impairment	(1,905,323,352)	(2,060,863,521)
	65,596,448,671	56,919,579,310
Sales contracts receivable (SCR)	93,264,544,979	91,942,825,987
SCR, current portion	(27,821,639,655)	(23,056,055,632)
Allowance for impairment	(416,389,397)	(578,617,301)
	65,026,515,927	68,308,153,054
Items under litigation	21,168,130,632	14,715,320,947
Allowance for impairment	(6,945,991,230)	(6,710,352,178)
	14,222,139,402	8,004,968,769
Accrued interest receivable	2,123,093,795	1,978,382,198
Allowance for impairment loss	(782,818,405)	(578,866,821)
	1,340,275,390	1,399,515,377
	166,768,945,496	**153,799,816,803**

\a Non-current portion of Loans and Receivables are expected to be collected after the succeeding accounting period which includes accounts in good standing and with no payment deficiency.

10. PROPERTY AND EQUIPMENT, NET

This account consists of the following:

	Land, Building and Improvements	Transportation, Furniture, Fixtures, Equipment, Miscellaneous Assets	Leasehold Rights and Improvements	Total
Cost				
January 1, 2011	1,269,270,045	1,676,617,397	64,983,930	3,010,871,372
Addition	3,223,844	205,745,303	7,156,345	216,125,492
Restatements/ adjustments	(4,419,847)	(49,539,251)	(4,121,342)	(58,080,440)
Disposal	-	(42,595,511)	(511,875)	(43,107,386)
December 31, 2011	1,268,074,042	1,790,227,938	67,507,058	3,125,809,038
Accumulated depreciation				
January 1, 2011	493,155,685	1,122,354,679	39,440,814	1,654,951,178
Restatements/ Adjustments \a	12,013	7,320,094	(2,553,731)	4,778,376
Depreciation	187,889,546	124,525,487	8,405,541	320,820,574
Disposal	-	(40,516,104)	(442,423)	(40,958,527)

December 31, 2011	681,057,244	1,213,684,156	44,850,201	1,939,591,601
Net Book Value				
December 31, 2011	**587,016,798**	**576,543,782**	**22,656,857**	**1,186,217,437**
Net Book Value				
December 31, 2010	**776,114,360**	**554.262,718**	**25,543,116**	**1,355,920,194**

[\a] Restatements/Adjustments refer to reclassification of previous years' transactions which include transfer of PE from one branch to another, head office to other branches or vice versa.

11. INVESTMENT PROPERTIES

	2011	**2010**
Land equity [\a]	302,632,050	302,632,050
Real and other properties acquired [\b]	8,006,902,809	8,202,866,767
Allowance for impairment loss	(2,534,062,646)	(2,534,062,646)
	5,775,472,213	**5,971,436,171**

[\a] Land Equity

The Investment Property is located at the Manila Harbour Central Business District, Tondo, Manila. It. consists of 18 lots with a total area of 17,293.26 square meters which is held for rental yields and capital appreciation. The property is carried at the conversion cost in December 1996 at P17,500 per square meter or a total of P300,632,050 as approved under Board Resolution No. 1234 of Series of 1996.

In 2010, the Committee on Manila Harbour Centre (CMHC) has requested for the appraisal by two independent appraisers for the purpose of determining the new minimum rental rates. The lots were appraised by Professional Asset Valuers Inc. and Royal Asia Appraisal Corporation at total appraised values of P344,320,575 and P221,240,196, respectively. Pag-IBIG Fund shall present the property at fair values upon full adoption of the IFRS.

As at December 31, 2011, 18 lots covering 17,293.26 square meters or 100 per cent are on lease / awarded.

Lots under lease / awarded are as follows:

LESSEE	**BLK/LOT**	**AREA**	**RENTAL (Per Sq. Meter)**
Trans World	B15 L1-6	4,368.23	P 50.00
Trans World	B15 L7	5,167.53	65.50
JT Cargo	B18 L6	506.00	53.00
Sagawa Express	B18 L5	1,200.00	53.00
YM Cargo	B18 L7	419.48	63.00
Moreta Shipping Lines (awardee)	B21L5-12	5,632.02	68.15

Rental Income for Y2011 amounted to P8,604,013, inclusive of Value Added Tax while expenses incurred on properties which generated income included real estate taxes in the amount of P1,001,199.

Real estate taxes pertaining to the properties which did not generate income amounted to P522,195. Locator's fee of P1.00 per square meter accrued on the property and is payable to the Property Manager. Locator's fee accruing for the duration of lease is payable by the lessee.

\b Real and Other Properties Acquired (ROPA)

ROPA consisting of 32,255 accounts pertain to assets acquired through foreclosure or dacion en pago, the titles of which were consolidated in the name of Pag-IBIG Fund and through cancellation of Contract-to-Sell (CTS) of accounts lodged in Sales Contracts Receivable due to default in payment of the monthly installment.

These assets are recorded after consolidation of title in favor of Pag-IBIG Fund or Cancellation of CTS, based on the book value or appraised value, whichever is lower. Book value pertains to the outstanding principal balance, recorded accrued interest, documentary stamps, and capital gains tax. For cases where appraised value is lower than the book value, a loss is recognized for the difference by debiting the Loss on Foreclosure account. Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

12. INTANGIBLE ASSETS

	2011	**2010**
Information technology software	534,860,100	504,761,746
Accumulated amortization	(316,391,589)	(259,972,823)
	218,468,511	**244,788,923**

These include software costs which are capitalized on the basis of the cost incurred to acquire and bring to use the specific software.

13. OTHER ASSETS

This account is comprised of the following:

	2011	**2010**
Rental and other guarantee deposits	84,197,163	50,593,318
Other deferred charges	19,799,244	20,383,563
Investment in joint venture	10,128,682	12,955,220
Miscellaneous	142,465	142,465
	114,267,554	**84,074,566**

These are assets of the Fund which are relatively small in value combined into a single category rather than listing each item separately. These include deposits subject to refund, made to secure or guaranty compliance with certain requirements in a transaction engaged by the Pag-IBIG Fund and investment in the equity instrument of Joint Venture Loan Program. These also cover advance payment for expenses which remain unconsumed or unutilized at the end of the accounting period which cannot be classified under the specific asset accounts.

14. ACCOUNTS PAYABLE - MEMBERS

Accounts Payable–Members includes the reclassified Members' Equity representing Members' Total Accumulated Value (TAV) which have reached the 20-year maturity as at December 31, 2011 but have not been withdrawn and also those that will reach the 20-year maturity by 2012.

15. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

This account consists of the following:

	2011	2010
Accounts payable	7,731,134,519	7,063,883,099
Accrued expenses \a	2,150,223,961	2,439,834,024
	9,881,358,480	**9,503,717,123**

\a Accrued expenses are operating expenses already incurred as of year end but have not yet been paid.

16. LOANS PAYABLE

This account consists of payables to the following:

	2011	2010
Loans payable (LP)		
Development Bank of the Philippines (DBP) \a	5,000,000,000	5,000,000,000
Social Security System (SSS) \b	-	2,739,484,368
Government Service Insurance System (GSIS) \c	5,000,000,000	-
Land Bank of the Philippines (LBP) \d	-	3,000,000,000
	10,000,000,000	10,739,484,368
LP, current portion	(5,000,000,000)	(3,576,733,551)
	5,000,000,000	**7,162,750,817**

\a The P5.000 billion DBP loan availed in 1996 and renewed in 2008 will mature on August 25, 2012. From the fixed rate of 8.75 per cent per annum, the interest rate is now subject to annual repricing based on the one-year Philippine Dealing System Treasury - Fixing Rate plus a spread of 0.7 per cent.

\b The restructured SSS loan with a fixed rate of 7.6151 per cent was prepaid by the Fund on October 26, 2011. This was pursuant to the Fund's thrust of pre-paying high cost debt obligations vis-à-vis the prevailing low interest regime.

\c The Fund availed the P5.000 billion GSIS Loan in December 15, 2011 with fixed interest rate at 4.75 per cent and to mature on December 15, 2031.

\d The P3.000 billion LBP Short Term Loan Line was also prepaid on November 11, 2011 and December 5, 2011 respectively.

17. BONDS PAYABLE

	2011	2010
Bonds payable (BP)	14,000,000,000	14,000,000,000
Bond Issue cost	(330,570,553)	(422,856,192)
Premium on bonds payable	97,444	260,749
	13,669,526,891	13,577,404,557
BP, current portion	(2,000,000,000)	-
	11,669,526,891	**13,577,404,557**

Pag-IBIG Fund continues to explore novel ways to generate funds for its shelter programs and to ensure the steady flow of funds for housing. To date, the Fund has two bond issuances. The P2.000 Billion Pag-IBIG Housing Bonds will mature in March 2012, while the P12.000 billion Pag-IBIG Housing Bonds will mature on March 12, 2015. Both instruments pay a fixed interest of five per cent per annum, payable semi-annually.

18. OTHER CURRENT LIABILITIES

Details of this account are as follows:

	2011	2010
Deferred credits \a	17,423,048,935	17,109,160,020
Undistributed collections \b	1,556,872,217	1,294,461,262
Insurance payable \c	1,005,462,024	1,031,554,568
Vouchers payable	555,608,229	548,127,159
Withholding tax payable	75,741,456	53,566,788
GSIS / Pag-IBIG	14,178,665	12,733,229
Miscellaneous liabilities \d	51,127,880	57,462,030
	20,682,039,406	**20,107,065,056**

\a Deferred credits refer to capitalized interest income on Multi-Purpose Loans and restructured housing loans which are credited to interest income upon amortization every month end. It also includes capitalized origination fees on loans processed prior May 30, 2001, being amortized and credited as income over the term of the loan, unearned income from Housing Related and Real and Other Properties Acquired covering rental prepayments of foreclosed properties, and those collected from Rent-to-Own arrangement on Investment Properties.

\b Inter-office transactions which at month-end are in transit for transfer to the branches carrying the account thus, remain floating in the Due to/from Accounts are temporarily lodged to Undistributed Collections. These transactions are subsequently responded and allocated by the branch of destination. Posting Clearing Accounts are used to record daily collections on Members' Contributions, Multi-Purpose Loans and Housing Loans prior to allocation and posting to the members'/borrowers' account under the provident interim system. The account also includes remittances of Members' Contributions from local and foreign banks which remain unidentified, unallocated or unpostable as of the close of the year. It is the Pag-IBIG Fund's policy that all identified collections must be allocated or posted to the subsidiary ledger within five days from receipt of the journal ticket by the operating unit concerned.

\c The insurance payable account pertains to insurance premiums of housing loan borrowers which were initially deducted from the housing loan proceeds and subsequently collected as part of the monthly amortizations representing insurance premium prepayments for remittance to the insurance pool.

\d Miscellaneous liabilities include payables under the employees provident plan, employees' labor association dues and other refundable deposits required to suppliers.

19. INTEREST INCOME ON LOANS AND RECEIVABLES

	2011	2010
Mortgage contracts receivable	7,627,168,331	6,765,719,013
Sales contracts receivable	6,075,003,201	5,945,255,135
Multi-purpose loan	5,641,523,438	5,110,700,945
Developmental loans	146,425,326	180,289,423
CTS1-wholesale	116,653,653	313,076,340
Loans to NHMFC-UHLP	30,267,842	35,745,953
Medium rise building	15,114,583	45,603,414
Pag-IBIG city	6,788,490	20,686,841
GLAD	6,444,774	15,986,299
Housing construction financing facility	5,578,838	9,678,977
Cooperatives/LGU/other associations	4,779,255	5,240,372
Unquoted debt securities classified as loans	3,862,417	697,796
Rental housing	1,020,000	3,081,464
Developers credit facility	94,904	150,093
Provident loans	7,812	(22)
IL - Restructured loans \a	(10,382,379)	11,639,358
	19,670,350,485	**18,463,551,401**

These include interest income from Mortgage Contracts Receivable, Institutional Loans, Contracts to Sell on house and lots either purchased from developers or with HDMF member-borrowers under the Fund's home lending programs and from Multi-Purpose Loans extended to member-borrowers.

[\a] In 2011, reversal of earned Interest Income on Institutional Loan-Restructured which should have been taken up in 2010 has resulted to negative balance.

20. INTEREST INCOME ON TRADING AND INVESTMENT SECURITIES

	2011	2010
Held for trading	167,310,474	3,440,368
Available-for-sale	1,437,324,148	1,052,575,448
	1,604,434,622	**1,056,015,816**

These include interest income from the Funds' investments in bonds and government securities.

21. INTEREST INCOME ON DEPOSITS WITH BANKS AND OTHERS

These represent interest earned from deposits with local and foreign denominated bank accounts and other depository financial institutions either private or government.

22. INTEREST EXPENSE

These represent charges on the use of money by the Fund such as interest on bonds and borrowings.

23. SERVICE FEES

This account consists of:

	2011	2010
Penalties and other charges [\a]	685,166,383	601,073,266
Insurance service fees [\b]	616,012,510	527,642,419
Processing fees [\c]	149,987,742	206,442,822
Miscellaneous service income [\d]	70,628,438	99,518,561
Mortgage/sale administration origination fees [\e]	53,208,822	36,972,986
	1,575,003,895	**1,471,650,054**

[\a] Penalties and other charges represent penalties imposed on late remittances/payments of contributions/amortizations.

[b] Insurance Service Fees are those collected from the insurance pool/companies by way of withholding from the remittance of insurance premiums for housing loans. A fee equivalent to 30 per cent and 35 per cent of the premiums remitted is deducted for Mortgage Redemption Insurance and Fire Insurance, respectively.

[c] Processing fees are fees collected by the Fund from borrowers upon application or loan take-out.

[d] Miscellaneous service income includes fees for appraisal services on properties offered as collateral to secure the loan with the Fund and forfeited commitment fee.

[e] Mortgage/Sale Administration/Origination fees are equivalent to five per cent of the approved loan collected from borrowers under the Expanded Housing Loan Program (EHLP) while Mortgage/Sales administration fee are collected from certain housing loan borrower at two per cent of loan entitlement under EHLP, Pag-IBIG Good Payor Home Improvement, Pag-IBIG II, POP and Contract-to-Sell scheme.

24. TRADING AND INVESTMENT SECURITIES GAINS, NET

These represent income from sale of stocks/equity based on the difference between selling price and book value of the said stocks/equity. These also represent income from bond swap.

Pag-IBIG Fund participated in the Debt Consolidation Program (or bond swap) of the Republic of the Philippines on July 19, 2011 for government Treasury Bonds with principal value of P10.364 billion.

This resulted in total trading gains of P896.204 million and additional yield of 3.039 per cent on the investment portfolio.

25. FOREIGN EXCHANGE GAINS, NET

These represent foreign exchange differences arising from restatements of foreign currency–denominated assets and liabilities which are credited to or charged against operations in the current year in which the rates change.

26. MISCELLANEOUS INCOME

	2011	**2010**
Income from acquired assets [a]	12,526,773	21,078,908
Housing contributory fund [b]	1,986,155	5,192,174
Other income [c]	551,133,170	611,266,862
	565,646,098	**637,537,944**

[a] Income from acquired assets represents earnings from rental or lease of acquired assets.

[b] Housing contributory fund represents a portion of the loan amortization on housing loan borrowers extended by the National Home Mortgage Finance Corporation (NHMFC) to HDMF members subsequently assigned to the Fund in 1992. This was founded on the premise that the few early borrowers favored by NHMFC's home lending policies should share such favor with future generations as well as the late borrowers who are likely to borrow at a time when long term funds and present prevailing rates are no longer available.

[c] Other income includes gains arising from sale or disposal of the Funds acquired assets wherein the selling price is higher than the carrying value of the asset sold or disposed.

27. COMPENSATION AND FRINGE BENEFITS

	2011	2010
Lending costs– personal services	1,418,531,699	1,456,613,913
Fund administration costs– personal services	1,308,449,750	1,539,400,598
	2,726,981,449	**2,996,014,511**

These cover the basic salary plus cost of living and amelioration allowances and additional benefits of officers and rank and file employees for services rendered.

28. PROVISION FOR IMPAIRMENT AND OTHER LOSSES/ DEPRECIATION AND AMORTIZATION

	2011	2010
Provision for impairment and other losses		
Lending costs	5,912,301,727	3,910,833,064
Fund administration costs	351,254	(3,062,365)
	5,912,652,981	3,907,770,699
Depreciation and Amortization		
Lending costs	55,505,400	67,897,837
Fund administration costs	338,404,220	204,248,975
	393,909,620	272,146,812
	6,306,562,601	**4,179,917,511**

These include the following:

Impairment provision absorbs the potential future losses on the Funds' receivables and investment properties.

Depreciation and amortization represents periodic allocation of the cost, net of residual value, over the estimated useful life of the Funds' depreciable assets. Likewise, these also represent periodic recognition of the decline in the value of the Funds' investment properties.

Other losses include those that arise from sale or derecognition of the Funds' assets and discounts or reduction in interest on the account of eligible member-borrower under prompt payment discounts scheme.

29. FORECLOSURE AND ACQUIRED ASSET MANAGEMENT COSTS

Acquired Assets Management Costs include costs relative to management of the Funds' ROPA such as taxes paid, broker's fees, repairs and maintenance, security services, janitorial services and publications.

Foreclosure expenses pertain to expenditures for properties foreclosed by the Fund such as fees for filing extrajudicial foreclosure petitions, consolidation of title, assessment fees and other related expenses for the acquisition of the property.

30. OCCUPANCY AND EQUIPMENT–RELATED COSTS

	2011	**2010**
Rent and association dues \a		
Lending costs	124,451,927	114,141,449
Fund administration costs	175,597,673	121,617,167
	300,049,600	235,758,616
Water, illumination and power \b		
Lending costs	63,760,310	68,167,715
Fund administration costs	76,300,274	69,658,057
	140,060,584	137,825,772
	440,110,184	**373,584,388**

\a These include costs for rental or lease of office space, warehouse, manager's quarter, staff house, motor vehicles and office equipment used in the operations of the Fund. Likewise, these also include service facility fees as provided in the association by–laws of the building being rented.

\b Water, illumination and power refer to the costs of water and electric power consumption in the business operations of the Fund. This also includes installation cost of water and electric meter.

31. MISCELLANEOUS EXPENSES

Breakdown of miscellaneous expenses are as follows:

	2011	2010
Lending Cost		
Other services	300,773,369	299,878,537
Other lending costs	91,455,553	108,327,800
Extraordinary and miscellaneous	86,952,273	87,138,034
Supplies and materials	83,337,933	70,670,579
Loan collection charges	78,411,316	107,772,908
Communication services	55,504,412	54,151,172
Travelling expenses	13,132,287	16,562,120
Taxes, duties and fees	6,448,366	2,454,132
Interest Subsidy	735,175	317,470
Fund Administration Cost		
Other service	401,250,496	358,858,408
Auditing services	127,611,481	19,035,328
Advertising and publication	91,780,003	90,888,744
Supplies and materials	68,083,688	68,599,071
Travelling expenses	33,694,782	35,624,780
Fidelity bond and insurance premiums	12,231,059	8,779,236
Taxes, duties and fees	3,945,134	7,172,047
Loan collection charges	-	3,468,250
Extraordinary and miscellaneous	119,787,944	131,733,514
Others	184,684,557	122,588,340
Other Expenses	116,687,446	503,476,768
	1,876,507,274	**2,097,497,238**

32. MEMBERS' EQUITY

This account reflects the members' equity as owners of the Pag-IBIG Fund, corresponding to members' contributions and employers' counterpart for employed members as well as the accumulated dividends. The account is reduced by the provident claims of members and offsetting of loans against Total Accumulated Values (TAVs). In 2011, the TAV withdrawal amounted to P5,292,908,209.

33. RESERVE FOR LOSSES

The guarantee insurance premium of National Home Mortgage Finance Corporation (NHMFC) originated accounts such as Folio I, P50 million, Overhang and Bagong Lipunan Sites Services (BLISS) are treated as reserve funds and is presented as part of the Fund's Net Worth.

This shall be used to absorb losses arising from the difference between the book value of the foreclosed account and the appraise value determined at the point of consolidation title, but only up to the extent of the balance of the said account. Any excess shall be charged to the usual Loss on Foreclosure account.

34. DONATED SURPLUS

This account refers to the lot acquired by the Fund through donation from the provincial government of La Union on October 27, 1997 where La Union Branch's office building was erected, recorded in the books at market value at the time of acquisition.

35. DIVIDENDS

The Fund appropriated from its Retained Earnings the amount of P8,491,052,930 or 71 per cent of its Net Income after Tax as dividends for the year 2011, which shall be credited proportionately to the Members' TAV upon declaration. The dividend rate is equivalent to 4.13 per cent of the Fund's average members' equity.

36. FINANCIAL REPORTS

The combined financial statements were presented and noted by the HDMF Board of Trustees in its Special Board Meeting held last February 24, 2012. Further, the Board approved and authorized the issuance of Financial Statements reflecting balances of Net Income, Retained Earnings, Members' Equity and other accounts as adjusted after dividend declaration per Board Resolution No 2922 series of 2012.

37. SUPPLEMENTARY INFORMATION

Pag-IBIG Fund remitted and accrued taxes, duties and license fees, to wit:

	2011	**2010**
Documentary stamp tax on loan instruments	-	79,698,630
Taxes, duties and fees		
Real estate taxes-ROPA	11,354,749	7,294,759
Taxes and licenses-ROPA	5,983,337	25,553,331
Real estate taxes-Properties	2,377,102	4,171,647
Miscellaneous taxes	831,509	2,766,155
Final taxes	-	258,495,403
Withholding taxes		
Tax on compensation and benefits	356,272,738	287,353,509
Creditable withholding taxes	105,948,043	106,250,395
Final withholding taxes	1,805,829	1,606,065
	484,573,307	**773,189,894**

On September 28, 2011, BIR Revenue Memorandum Circular No. 43-2011 Circularizing Section 19 of Republic Act No. 9679 known as the "Home Development Mutual Fund Law of 2009" was issued highlighting the Funds' exemption from tax payments relative to the said law, likewise, it also stated the Funds' exemption from the documentary stamp tax imposed under Title VII of the National Internal Revenue Code of 1997.

Hence, no amount of tax was paid under final taxes and documentary stamp tax on loan instrument in year 2011.

The Fund has no deficiency assessments and tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the Bureau of Internal Revenue.

38. EVENTS AFTER BALANCE SHEET DATE

Status of cases relative to the Globe Asiatique Realty Holdings Corporation (GARHC) Xevera accounts as at July 19, 2012 is as follows:

Criminal Cases

In October 2010, Pag-IBIG Fund and the NBI filed a case for syndicated estafa against Delfin Lee and the other GARCH officers, employees, and agents, in a case entitled NBI/HDMF vs. Globe Asiatique Realty Holdings Corp./Delfin Lee et. al. docketed as NPS No. XVI-INV-10J-00319 for using fake buyers and fraudulent documents to deceive the Fund into releasing loan proceeds to GARHC.

On August 24, 2011, the DOJ Task Force on Securities and Business Scam issued a Review Resolution finding probable cause for syndicated estafa (NPS Docket No. XVI-INV-10J-00319) against Delfin Lee, Dexter Lee, Cristina Salagan, Christina Sagun, and Atty. Alex Alvarez. The syndicated estafa case is pending before the Regional Trial Court, Branch 142, City of San Fernando, Pampanga. The Court already issued Warrants of Arrest against these accused.

On December 10, 2011, several complainants through Pag-IBIG Fund and NBI filed a second syndicated estafa case against Delfin Lee and other GARHC officers and employees in the case entitled NBI/HDMF vs. Globe Asiatique Realty Holdings Corp./ Delfin Lee et. al. docketed as XVI-INV-10L-00363 based on the double sale transaction.

On February 18, 2011, a third syndicated estafa case was filed by Pag-IBIG Fund and NBI. This third syndicated estafa was based on separate complaints filed by several buyers from the Xevera project. The said case is entitled NBI/HDMF vs. Globe Asiatique Realty Holdings Corp /Delfin Lee et. al. docketed as XVI-INV-11B-00063.

On March 25, 2011 another group consisting of eighteen property buyers appeared before the Department of Justice (DOJ) to file a fourth complaint for syndicated estafa constituting economic sabotage defined and penalized under Presidential Decree 1689 in relation to Article 316(2) of the Revised Penal Code against Delfin Lee, president of GARHC, and six other GARHC officers and employees. The case is entitled NBI/HDMF vs. Globe Asiatique Realty Holdings Corp./Delfin Lee et. al. docketed as XVI-INV-IIC-00138.

Civil Case

Globe Asiatique Realty Holdings Corp., et al. vs. Home Development Mutual Fund, et al. (Civil Case No. 10-1120)

Nature and Respondents:

GARHC filed a case for Specific Performance and Damages, Civil Case No. 10-1120 entitled *Globe Asiatique, et al. vs. HDMF, et al.*, currently pending before the Regional Trial Court, Makati City, Branch 58 seeking, among others, for HDMF to still continue with its contractual relations with GARHC.

Status:

In the Resolution dated January 30, 2012, Judge Eugene C. Paras, Presiding Judge, Regional Trial Court, Branch 58, Makati City granted the Motion for Summary Judgment filed by Globe Asiatique Realty Holdings Corporation (GARHC) in the civil case for Specific Performance with Damages filed by GARHC.

The Fund filed a Motion for Reconsideration of the said Resolution within the reglementary period.

GARHC filed a Motion for Execution Pending Appeal dated February 13, 2012, which the Fund opposed in its Comment/Opposition dated February 28, 2012. In the Resolution dated May 30, 2012, the RTC Makati City denied the Motion for Execution Pending Appeal filed by GARHC. In another Resolution also dated May 30, 2012, the Court denied the plea of the Fund for the voluntary inhibition of the Presiding Judge, Judge Eugene Paras.

In the Order dated June 11, 2012, the RTC Makati City resolved to hold in abeyance the disposition of the Motion for Reconsideration on the January 30. 2012 resolution granting summary judgment until the Court of Appeals issues a decision in the case of Atty. Darlene Marie B. Berberabe vs. Hon. Eugene C. Paras, et al., CA G.R. No. 123387.

Administrative Cases

Administrative cases had been filed and resolved against several Pag-IBIG Fund officers of the HDMF Pampanga Branch and Northern Luzon Group. The said administrative cases were appealed by the respondents to the Civil Service Commission (CSC). The CSC dismissed the appeal of one of the respondents.

Housing and Land Use Regulatory Board Case on the Certificate of Registration and License to Sell (CR/LS) for its Xevera-Mabalacat and Xevera-Bacolor Subdivision projects

On November 08, 2010, the Housing and Land Use Regulatory Board (HLURB) Central Office directed its Northern Tagalog Regional Office to evaluate and take appropriate action in view of the existence of grounds to suspend and/or revoke the License to Sell of the Xevera projects in Pampanga. On November 11, 2010, the HLURB suspended the Licenses to Sell of Globe Asiatique covering its Xevera-Mabalacat and Xevera-Bacolor subdivision projects.

Thereafter, a composite team from the HLURB Central Office, Expanded National Capital Region (ENCR) and Northern Tagalog (NTR) was placed in charge of investigating and inquiring into the cause of media reports revealing the involvement of GARHC in fraudulent housing loan transactions perpetrated against the Fund. After investigation, the Composite Team made its recommendations which were adopted by the HLURB.

On April 15, 2011, the HLURB Northern Tagalog Region issued an Order declaring, among others, the revocation of Globe Asiatique's Certificate of Registration and License to Sell (CR/LS) for its Xevera-Mabalacat and Xevera-Bacolor Subdivision projects.

In the Order dated June 22, 2011, the HLURB denied the Motion for Reconsideration filed by GARHC on the said Order dated April 15, 2011.

GARHC appealed the said Order but the same was denied for lack of merit by the HLURB Board of Commissioners in its Decision dated February 24, 2012.

GARHC appealed the said Decision to the Office of the President.