HOME DEVELOPMENT MUTUAL FUND
(Pag-IBIG Fund)
STATEMENTS OF FINANCIAL POSITION
As at December 31, 2020 and 2019
(In Philippine Peso)

	Note	2020	2019
ASSETS			
Current Assets			
Cash and Cash Equivalents	3	**7,114,991,126**	6,278,680,032
Investments	4	**9,172,594,756**	4,620,171,602
Receivables	5	**226,357,556,306**	173,200,476,954
Other Current Assets	6	**297,777,694**	284,319,951
		242,942,919,882	184,383,648,539
Non-Current Assets Held for Sale	7	**1,230,326,192**	1,654,507,812
Non-Current Assets			
Investments	4	**46,374,370,071**	54,752,715,863
Receivables	5	**332,899,337,281**	339,437,865,935
Investment Property	8	**16,894,287,588**	20,209,938,559
Property and Equipment	9	**1,491,435,922**	1,531,417,256
Intangible Assets	10	**88,406,801**	270,812,888
Other Non-Current Assets	11	**27,895,227,931**	1,146,285,449
		425,643,065,594	417,349,035,950
TOTAL ASSETS		**669,816,311,668**	603,387,192,301
LIABILITIES AND EQUITY			
Current Liabilities			
Financial Liabilities	12	**65,588,504,919**	67,211,093,829
Inter-Agency Payables	13	**136,786,420**	196,588,046
Trust Liabilities	14	**4,773,752,236**	3,279,816,918
Provisions	15	**2,589,852,059**	2,234,847,544
Other Payables	16	**907,207,105**	893,825,702
		73,996,102,739	73,816,172,039
Non-Current Liabilities			
Deferred Credits/Unearned Income	17	**15,267,902,495**	8,506,098,091
		15,267,902,495	8,506,098,091
TOTAL LIABILITIES		**89,264,005,234**	82,322,270,130
Equity			
Retained Earnings	27	**86,711,135,448**	86,522,507,589
Cumulative Changes in Fair Value	26	**2,669,136,775**	(2,102,878,187)
Members' Equity	25	**491,172,034,211**	436,645,292,769
TOTAL EQUITY		**580,552,306,434**	521,064,922,171
TOTAL LIABILITIES AND EQUITY		**669,816,311,668**	603,387,192,301

Prepared by:

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Noted by:

Yolanda C. Villatura
Vice President - Finance

HOME DEVELOPMENT MUTUAL FUND
(Pag-IBIG Fund)
STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2020 and 2019
(In Philippine Peso)

	Note	2020	2019
Income			
Service and Business Income	18	**38,590,676,371**	45,799,704,732
Gains	19	**7,822,146,301**	6,410,618,498
Other Non-Operating Income	20	**4,926,291,716**	4,685,985,514
		51,339,114,388	56,896,308,744
Expenses			
Personnel Services	21	**4,922,123,741**	4,856,057,786
Maintenance and Other Operating Expenses	22	**6,057,026,086**	6,940,394,973
Financial Expenses	23	**24,163,067**	3,892,319
Non-Cash Expenses	24	**9,153,222,649**	10,719,826,866
		20,156,535,543	22,520,171,944
Profit		**31,182,578,845**	34,376,136,800
Net Assistance/Subsidy		-	(1,439,796)
Net Income		**31,182,578,845**	34,374,697,004
Other Comprehensive Income for the Period	26	**4,772,014,962**	10,298,698,449
Comprehensive Income		**35,954,593,807**	44,673,395,453

HOME DEVELOPMENT MUTAL FUND
Pag-IBIG Fund
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2020 and 2019
(In Philippine Peso)

	Note	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Inflows			
Collection of Income/Revenue		**31,786,869,542**	36,186,088,009
Collection of Receivables		**50,784,684,428**	59,692,738,525
Proceeds from Matured Investments		**599,973,620,762**	615,494,336,333
Trust Receipts		**232,011,433**	429,519,748
Other Receipts		**3,636,593,808**	6,720,761,489
Total Cash Inflows		**686,413,779,973**	718,523,444,104
Cash Outflows			
Payment of Expenses		**(8,730,987,536)**	(9,107,954,368)
Purchase of Inventories		**(124,013,668)**	(111,171,785)
Grant of Cash Advances		**(29,656,306)**	(39,909,108)
Prepayments		**(23,403,804)**	(23,293,293)
Refund of Deposits		**(15,024,850)**	(11,352,660)
Payments of Accounts Payable		**(46,552,116)**	(60,311,832)
Remittance of Personnel Benefit Contributions and Mandatory Deductions		**(2,910,153,543)**	(3,136,102,115)
Grant of Financial Assistance/Subsidy/Contribution		**-**	(556,008)
Grant of Loans		**(83,951,349,478)**	(123,669,887,809)
Purchase/Acquisition of Investments		**(635,832,206,330)**	(620,230,542,732)
Other Disbursements		**(5,232,576,963)**	(5,056,173,265)
Total Cash Outflows		**(736,895,924,594)**	(761,447,254,975)
Net Cash Used by Operating Activities		**(50,482,144,621)**	(42,923,810,871)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Inflows			
Proceeds from Sale/ Disposal of Investment Property		**-**	387,520,938
Sale of Investments		**25,238,989,689**	9,029,352,562
Receipt of Interest Earned		**296,033,522**	2,811,220,540
Receipt of Cash Dividends		**-**	7,506
Proceeds from Sale of Other Assets		**-**	803,545
Total Cash Inflows		**25,535,023,211**	12,228,905,091
Cash Outflows			
Purchase/Construction of Investment Property		**-**	(4,363,294)
Purchase/Construction of Property and Equipment		**(147,716,189)**	(379,816,625)
Purchase of Investments		**(5,831,938,876)**	(6,129,864,436)
Purchase of Intangible Assets		**(5,250,000)**	(91,434,980)
Total Cash Outflows		**(5,984,905,065)**	(6,605,479,335)
Net Cash Provided By Investing Activities		**19,550,118,146**	5,623,425,756
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash Inflows			
Members' Contributions		**44,585,931,719**	50,768,357,471
Total Cash Inflows		**44,585,931,719**	50,768,357,471
Cash Outflows			
Provident Benefit Claims		**(12,815,222,102)**	(16,139,965,166)
Total Cash Outflows		**(12,815,222,102)**	(16,139,965,166)
Net Cash Provided By Financing Activities		**31,770,709,617**	34,628,392,305
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**838,683,142**	(2,671,992,810)
Effects of Exchange Rate Changes on Cash and Cash Equivalents		**(2,372,048)**	(30,823,367)
CASH AND CASH EQUIVALENTS, January 1		**6,278,680,032**	8,981,496,209
CASH AND CASH EQUIVALENTS, December 31	3	**7,114,991,126**	6,278,680,032

HOME DEVELOPMENT MUTAL FUND
(Pag-IBIG Fund)
STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2020 and 2019
(In Philippine Peso)

	Cumulative Changes in Fair Value (Note 26)	**Retained Earnings (Note 27)**	**Members' Equity (Note 25)**	**Total**
Balance, January 1, 2019	(12,401,576,636)	80,390,915,996	408,836,369,030	476,825,708,390
CHANGES IN EQUITY FOR 2019				
Members' Contribution	-	-	50,768,357,471	50,768,357,471
Comprehensive Income for the year	10,298,698,449	34,374,697,004	-	44,673,395,453
Dividends	-	(28,229,448,836)	28,229,448,836	-
Provident Claims	-	-	(16,139,965,166)	(16,139,965,166)
Offsetting of Total Accumulated Value/Other Adjustments	-	(13,656,575)	(35,048,917,402)	(35,062,573,977)
Balance as at December 31, 2019	(2,102,878,187)	86,522,507,589	436,645,292,769	521,064,922,171
CHANGES IN EQUITY FOR 2020				
Members' Contribution	-	-	44,585,931,719	44,585,931,719
Comprehensive Income for the year	4,772,014,962	31,182,578,845	-	35,954,593,807
Dividends	-	(31,072,799,783)	31,072,799,783	-
Provident Claims	-	-	(12,815,222,102)	(12,815,222,102)
Offsetting of Total Accumulated Value/Other Adjustments	-	78,848,797	(8,316,767,958)	(8,237,919,161)
Balance as at December 31, 2020	**2,669,136,775**	**86,711,135,448**	**491,172,034,211**	**580,552,306,434**

HOME DEVELOPMENT MUTUAL FUND
(Pag-IBIG Fund)
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

1. CORPORATE INFORMATION

Incorporation

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 (PD) 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 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 (EO) 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 (IRRs) pertaining to the aforesaid functions. On June 4, 1979, EO 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 PD No. 1530 was amended by PD No. 1752 on December 14, 1980, making it an independent corporation with its own Board of Trustees (BOT).

Shortly after the administration of President Corazon C. Aquino, Pag-IBIG contributions were suspended from May to July 1986. However, on August 1, 1986, former President Aquino issued EO No. 35 directing the resumption of mandatory Pag-IBIG membership under more liberal terms. The contribution rate was reduced from three per cent to one per cent of fund salary for employees earning over P1,500. 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 to P5,000.

January 1, 1987 marked the return of Pag-IBIG membership to a voluntary program under EO 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 (RA) No. 7742, which reverted Pag-IBIG membership back to mandatory effective January 1, 1995.

On July 21, 2009, then President Gloria Macapagal-Arroyo signed into law RA No. 9679, otherwise known as the "Home Development Mutual Fund Law of 2009." The new law and its IRR took effect on August 27, 2009 and November 3, 2009, respectively. It repealed PD Nos. 1530 and 1752 as well as EO 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 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 restoring tax exemption privileges.

Section 19 of RA No. 9679 states that all laws to the contrary notwithstanding, the Fund and all its assets and properties, all contributions collected and all accruals thereto and income or investment earning therefrom, as well as all supplies, equipment, papers or documents shall be exempt from any tax, assessment, fee, charge, or customs or import duty; and all benefit payments made by the Pag-IBIG Fund shall likewise be exempt from all kinds of taxes, fees, charge, and shall not be liable to attachments, garnishments, levy or seizure by or under any legal or equitable process whatsoever, either before or after receipt by the person or person entitled thereto, except to pay any debt of the member to the Fund. No tax measure of whatever nature enacted shall apply to the Fund, unless it expressly revokes the declared policy of the State in Section 2 of RA No. 9679 granting tax exemption to the Fund. Any tax assessment against the Fund shall be null and void.

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.

At present, the Fund has its Corporate Headquarters (CHQ) at the Petron MegaPlaza Building, 358 Senator Gil J. Puyat Avenue, Makati City and it operates in 11 Housing Business Centers (HBCs), 18 Technical and Administrative Support (TAS), 102 Branches and 39 Member Services Offices (MSOs) throughout the country.

Approval of Financial Statements

The financial statements of the Fund as at and for the year ended December 31, 2020, including the comparative financial statements as at December 31, 2019, were authorized for issue by the BOT through Special Board Meeting No. 2021-01 dated February 18, 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation of financial statements

a. Statement of compliance

The financial statements of the Fund have been prepared in accordance with the Philippine Financial Reporting Standards. The Fund likewise adhered to the Commission on Audit (COA) Circular No. 2017-004 dated December 13, 2017. which lays down the guidelines on the preparation of financial statements and other financial reports and implementation of the PFRS by Government Corporations classified as Government Business Enterprises (GBE).

The International Public Sector Accounting Standards Board (IPSASB) and International Accounting Standards Board (IASB), which promulgate the International Public Sector Accounting Standards (IPSAS) and International Financial Reporting Standards (IFRS), respectively, acknowledge the right of governments and national standards-setters to establish their respective accounting standards and guidelines for financial reporting in their jurisdictions.

b. Presentation of financial statements

The financial statements are presented in accordance with Philippine Accounting Standards (PAS) 1, Presentation of Financial Statements. The Fund presents all items of income and expenses in a single Statement of Comprehensive Income (SCI).

c. Basis of consolidation

The Fund has no consolidated financial statements because it has no controlled subsidiaries and entities. Moreover, the Fund has no debt or equity securities traded in organized financial market and is not in the process of filing its financial statements with the Securities and Exchange Commission or other regulatory organization for the purpose of issuing any class of instruments in an organized financial market. Its equity consists of members' contributions, the members being the owners of Pag-IBIG Fund, employers' counterpart for employed members and the accumulated dividends.

The financial statements presented include the combined financial statements and transactions of the CHQ and its offices nationwide. All inter-branch transactions and balances have been eliminated and reconciled in the consolidation.

d. Functional and presentation currency

The combined financial statements are presented in Philippine Peso, which is the Fund's functional and presentation currency. All values are rounded to the nearest peso, except when otherwise indicated.

e. Adoption of the COA Revised Chart of Accounts (RCA)

In compliance with COA Circular No. 2016-006 dated December 29, 2016 and COA Circular No. 2020-002 dated January 28, 2020 "Adoption of the Updated Revised Chart of Accounts for Government Corporations (2019)", the Fund adopted the RCA in its trial balance for years 2020 and 2019. General Ledger (GL) and Subsidiary Ledger (SL) accounts were carefully analyzed and manually mapped to the RCA.

f. Deployment of Provident Fund Management System (PFMS) and Short Term Loans Management System (STLMS)

Two components of the Integrated Information Systems Project (IISP) – the PFMS and STLMS have been deployed in all branches before the end of CY 2017.

Under the said systems, operational and accounting processes have been automated, thus, more efficient with due regard for accuracy and sound internal control.

For control purposes, collections under the PFMS are electronically posted to the ledger of members with Member's Identification (MID) Number. On the other hand, collections under the STLMS are electronically posted to the ledger of member-borrowers using the STL application number as reference. Collections not supported by the mandatory information are temporarily parked in Undistributed Collections (UC). During transition, collections pertaining to accounts not yet migrated to the IISP are, likewise, lodged to UC. Completion of the mandatory information and migration of data to the IISP systems are actively being pursued corporate wide.

TAS shall continue with the clean-up activities until the non-migratable accounts that remained in the old system (legacy system) are migrated to the PFMS and STLMS. After exhausting all efforts to clean up the accounts in the old system, any remaining non-migratable accounts shall be disposed of in accordance with business rules/policies setting the threshold for such.

g. Deployment of Real and Other Properties Acquired (ROPA) System

Core components of the IISP-ROPA System (Phase I and II) have been fully deployed in all operational and accounting units of HBCs before the end of CY 2018.

Phase I of the said system encompasses automation of the recurring operational and accounting processes such as acquisition, depreciation, impairment testing, while Phase II covers i) reversal of returned accounts, ii) disposal related transactions such as allocation of reservation fees, bid bonds, down/partial/full payments, classification to NCAHS and derecognition, iii) set-up of Short-Term Installment (STI) and posting of installment payments, and iv) generation of Statement of Accounts, ledgers, schedules and reports.

Migrated ROPA accounts were assigned a unique identification number referred to as ROPA ID. Such ID is utilized to extract all related transactions that occurred on a certain property which is far more efficient compared to the previous system. As of December 31, 2020, 96 per cent of the total 63,516 accounts has been migrated to the system.

On November 27, 2020, recording of the accounting transactions for ROPA was centralized at CHQ through the issuance of AMO 2020-013 *Accounting for Centralization of Investment Property – Real and Other Properties Acquired (IP-ROPA) and Non-Current Assets Held for Sale (NCAHS)*.

h. Deployment of Tellering System

To further the progress of IISP, the Tellering System has been fully deployed before the end of year 2019. The said system accommodates new procedures on remittance of members' contributions, payment of loan amortizations and other amounts due to the Fund through Over-the-Counter (OTC). The new system emphasizes the accountability of employees involved on collection transaction by recognizing journal entries related to cash shortage and overage. Significant change has been effected in the recording of transactions and reconciliation activities, which are now being handled by the Corporate Headquarters.

Imus Branch, being the pilot user, had successfully introduced the system to their collection activities in July 2019. This paved the way to the system's deployment to other regional branches in November 2019, and final deployment to NCR branches in December 2019.

This system introduced new processes that strengthened the Fund's OTC collection internal control – related activities include:

- Assignment/re-assignment of Pag-IBIG Fund Official Receipt (PFOR) to concerned branch;
- Proper turnover of PFOR and Change Fund;
- Receipt of remittance for MC/payment of loan amortizations and other amounts due to the Fund;
- Transfer and deposit of end-of-day Cash/Check collections; and
- Cancellation of PFOR.

<u>Adoption of New and Amended Standards and Interpretations</u>

a. Effective in CY 2020 that are relevant to the Fund:

i. 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 definition 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.

ii. Amendments to PRFS 16, Leases – *COVID-19 Related Rent Concessions*. The amendments provide relief to lessees from applying PFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would accounting for the change under IFRS 16, if the change was not a lease modification.

b. *Effective in CY 2020 that are not relevant to the Fund*

i. Amendments to PFRS 3, *Business Combinations – Definition of a Business*. The amendment clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs.

ii. Amendments to PFRS 7, PFRS 9 and PAS 39, *Interest Rate Benchmark Reform*. The amendments provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

iii. Amendments to References to Conceptual Framework in PRFS Standards. The revised Conceptual Frameworks includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. This will affect those entities which developed their accounting policies based on the Conceptual Framework.

c. *New Standards, Amendments and Interpretations Not Yet Adopted*

Other Standards and Amendments that are not yet effective and have not been adopted early by the Fund include:

New Standards or Amendments	**Effective date**
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 1, 2021
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) Annual Improvements to IFRS Standards 2018–2020 Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) Reference to the Conceptual Framework (Amendments to IFRS 3)	January 1, 2022
Classification of Liabilities as Current or Non-current (Amendments to IAS 1) IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts	January 1, 2022

Under the prevailing circumstances, the Fund is currently assessing the financial impact, which includes, among others, the material effect of above stated new and amended standards on its financial statements.

Significant Accounting Judgments and Estimates

In the process of applying the Fund's accounting policies, Management exercised judgment and estimates in determining the amounts recognized in the financial statements, with the most significant as follows:

a. Presentation of financial statements

The Fund applies materiality considerations to all parts of its financial statements. Each material class of similar items is presented separately and dissimilar items that are individually immaterial are aggregated. Materiality considerations are applied even when standard requires a specific disclosure and information is not obscured by aggregating or by providing immaterial information.

Notes to financial statements are presented in a systematic manner that considers the effect on understandability and comparability. Each item in the financial statements is cross-referred to any related information in the notes.

b. Financial instruments

The Fund adopted the applicable provisions of PFRS 9 – Financial Instruments, which superseded PAS 39 – Financial Instruments: Recognition and Measurement.

Financial assets and financial liabilities are recognized when the Fund becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expired.

The Fund shall classify its financial assets on the basis of both:

a) the business model for managing the financial assets; and
b) the contractual cash flow characteristics of the financial assets.

The Fund's financial assets totaled P621.919 billion or 92.85 per cent of its Total Assets for CY 2020, to wit:

Particulars	Amount
FA at Amortized Cost	
Cash and cash equivalents	7,114,991,126
Investment in Time Deposits	4,008,722,247
Investment Securities	500,000,000
Receivables – net	559,256,893,587
FA at Fair Value through Other Comprehensive Income (FVOCI)	46,374,370,071
FA at Fair Value through Profit or Loss (FVTPL)	4,663,872,509
	621,918,849,540

Investment accounts are mapped and grouped to the most appropriate accounts in the COA RCA and disclosed as Financial Assets in accordance with PFRS 9. Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Fund provides money, goods, or services directly to a debtor with no intention of trading the receivable. Interest earned on such receivables is reported as interest income.

The Fund initially measures a financial asset or financial liability at its fair value plus or minus, for an item not at an FVPTL, transaction costs that are directly attributable to its own acquisition or use. Transaction costs on purchases of financial instruments in the amount of two per cent and below of the amount of the financial instrument purchased is not capitalized and considered as outright expense.

After initial recognition, measurement of financial instruments depends on their categories, to wit:

i. Financial Assets at Amortized Cost

After initial measurement, receivables are subsequently measured at amortized cost using effective interest method, less allowance for impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition that are an integral part of the effective interest rate. The amortization is included in the "Service and Business Income" section of SCI. Assets in this category are included in current assets except for those with maturities greater than 12 months after reporting period, which are classified as non-current assets.

These include the following accounts:

	2020	2019
Cash and cash equivalents (Note 3)	**7,114,991,126**	6,278,680,032
Investment in Time Deposits (Note 4)	**4,008,722,247**	200,000,000
Investment Securities (Note 4)	**500,000,000**	-
Receivables – net (Note 5)	**559,256,893,587**	512,638,342,889
	570,880,606,960	519,117,022,921

ii. Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)

Investments under this category are subsequently measured at fair values. The unrealized gains and losses arising from fair valuation of these investments are excluded from reported income and are reported as 'Cumulative Changes in Fair Value in the equity section of the Statement of Financial Position (SFP). The effective yield component of debt securities, as well as the impact of restatement of foreign currency-denominated debt securities, is reported in the SCI.

When the debt securities are disposed of, cumulative gains or losses previously recognized in equity, under Other Comprehensive Income, are recognized as trading and investment securities gains (losses) in the SCI. Investments are included under non-current assets unless the Fund intends to dispose of the investments within 12 months after the end of reporting period.

iii. Financial Assets at Fair Value through Profit or Loss (FVTPL)

Financial assets at FVTPL are subsequently measured at fair value. The unrealized gains and losses, and dividend income are recognized directly in the SCI.
These accounts include investments under the Local Equity Fund Managers (Note 4), to wit

	Market Value
BPI Asset Management and Trust Corp.	981,293,784
BDO Unibank, Inc. – Trust and Investments Group	902,839,264
Philequity Management, Inc.	1,005,132,017
Metropolitan Bank and Trust Company	945,094,010
ATRAM Trust Corporation	829,513,434
	4,663,872,509

Day 1 difference is recognized where the transaction price in a non-active market is different from the fair value from other observable current market transactions for the same instruments or valuation technique where variables include data from observable market only. The Fund considers its interest rates as the market rates for housing loans in respect to the mandate of the government. As such, its nominal/stated rates are the same as the effective interest rates.

Fair Value Measurement

The method and assumptions used by the Fund in estimating the fair value of the financial instruments are:

i. Fair value of financial assets

- Debt securities – Fair values are generally based on quoted market prices. If the market prices are not readily available, fair values are estimated using adjusted quoted market prices of comparable investments.
- Equity securities – Fair values are based on quoted prices published in markets.
- Receivables – Carrying amounts are net of provisions for impairment.
- Short-term investments – Carrying amounts are approximately at fair values.
- Cash and cash equivalents – Carrying amounts are approximately at fair values.

If the financial assets are not listed in an active market, the fair value is determined using appropriate valuation techniques which include recent arm's length market transactions, comparison to similar instruments for which market observable prices exists, and other relevant valuation models

ii. Fair value hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. PFRS 13, *Fair Value Measurement*, establishes a framework for measuring fair value. It provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under the standard are described as follows:

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Fund has access into.

Level 2

Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observed for substantially the full term of the asset or liability.

Level 3

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Fair value of debt and equity security investments of the Fund are measured using Level 1 methodology, Level 2 measurement of fair value is applied to Receivables and Level 3 technique is used for measurement of investment properties.

c. Impairment

The Fund employed the following impairment rates on receivables depending on the age of the loan:

	Rate (in per cent)
Mortgage / Sales Contract Receivables	
Current	0.45
1 – 30 days past due	0.45
31 – 60 days past due	10.00
61 – 90 days past due	10.00
91 – 120 days past due	15.00

	Rate (in per cent)
121 – 180 days past due	25.00
181 – 270 days past due	25.00
271 – 365 days past due	25.00
Over 1 year	50.00
Over 2 years	50.00
Over 3 years	50.00
Over 5 years	50.00
Referred to foreclosure	50.00
With extra-judicial foreclosure	50.00

On December 17, 2018, the Management Committee (ManCom) approved to revise Expected Loss Rate (ELR) for Current and one to 30 days past due (dpd) buckets to 0.45 per cent. The impairment rate was the result of the assessment made by the Risk Management Task Force based on its Expected Loss Model with probability of default and loss given default as its components which were both approved by the Board of Trustees. With the adoption of ECL, the objective evidence or loss event is no longer a trigger to recognize impairment loss, rather, future losses are factored in at trade or commitment date. Thus, ECL rates are applied to newly taken out accounts to align with PFRS 9.

On December 11, 2020, the Board of Trustees approved the adoption of BSP rates on Allowance for Credit Losses (ACL) for housing loans as follows:

- Continue the use of Expected Loss Rate Model for current to 30 days past due accounts as contained in the framework approved by the BOT on December 20, 2016.

- Adopt impairment rates for 31 to 365 days past due and Over 1 year to 5 years pursuant to BSP Circular 1011 and BSP Memorandum No. M-2020-061. This is to align the Fund's Expected Credit Losses for these accounts with the standards set by the BSP to address issues on over conservativism which tend to deprive members of additional benefits.

- Adopt the complementary rate of the recovery rate based on the Asset Pricing Model for housing loan accounts over 5 years past due applying the following formula:

Allowance for Credit Losses (ACL) Rate = 1 - recovery rate based on APM

The Fund reviews its financial assets periodically or upon incurrence of loss events to assess whether the impairment provisioning is sufficient to cover credit risks and absorb losses incurred on the loan portfolio and other risky assets or an impairment loss should be recognized or reversed in the SCI.

Cash and cash equivalents

Cash includes cash on hand and in banks, both foreign and local. Cash in banks earn interest at the respective bank deposit rates. Cash equivalents, on the other hand, 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.

Investments

Financial Assets include Financial Assets at Amortized Cost, Fair Value through Other Comprehensive Income and Fair Value through Profit or Loss. They include equities and bonds and other debt instruments, which are not intended for trading in the short-term period of not more than 90 days but may be sold in response to liquidity requirements or changes in market conditions. Included under this category are Treasury Notes/Bonds and Philippine Dollar Denominated Bonds issued by the Bureau of the Treasury (BTr) and Republic of the Philippines, Government Banks and Philippine Corporations.

A regular way purchase or sale of financial assets is recognized and derecognized by the Fund, as applicable, using settlement date accounting. The method is applied consistently for all purchases and sales of financial assets that belong to the same category of financial asset.

Investment in Bonds and Other Debt Instruments are carried at current market value. Cost of Bonds and Other Debt Instruments sold are accounted for using specific identification method.

Local Equity under Fund Managers (LEFM) consists of managed equity investments which are carried at current market value. The market value of investments is adjusted every end of the month and any increase or decrease from valuation is recognized in the SCI.

Investment in stocks includes Philippine Long Distance Telephone (PLDT) Company shares listed in the Philippine Stock Exchange which are carried at current market value. The market value of the stocks is adjusted every end of the month. If the market value is more or less than the cost, the difference is treated as unrealized gains (losses) on mark-to-market and is presented as equity portion of the SFP and addition/reduction in the SCI.

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

Other Investments consist of short-term placements with maturities of 91 days but not more than one year from the date of acquisition and are unrestricted as to withdrawal and earns interest at the respective bank deposit rates.

Receivables

Receivables are carried at book value, net of allowance for impairment losses, if any. They are classified into current and non-current.

Current portion refers to the aggregate principal amortizations due for the entire year succeeding the reporting year and those pertaining to the entire balance of receivables in arrears, over three months.

Other Current Assets

a. Prepayments

Prepayments include amounts advanced/deposited for registration fees, leases/rentals and insurance premiums of the Fund's property and equipment used in day-to-day operations. These are carried at cost and are expected to be realized or consumed within twelve months after the end of the reporting period.

b. Inventories - Inventory Held for Consumption

Inventories are stated at the lower of cost or Net Realizable Value (NRV). Cost is determined by 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 (PE), and items eventually treated as expense upon issuance are also included in this account.

c. Inventories – Semi-Expendable Items

This includes tangible items that are below the capitalization threshold of P15,000.

Non-Current Assets Held for Sale (NCAHS)

NCAHS consists of IP–ROPA that the Fund intends to sell within one year from the date of reclassification as held for sale. The Fund classifies an asset as NCAHS if its carrying amount will be recovered principally through a sale transaction rather than continuing use.

NCAHS is initially recognized at lower of carrying amounts immediately prior to its classification as assets held for sale or its fair value less cost to sell. The Fund recognizes an impairment loss for any initial and subsequent write-down of the asset to fair value less cost to sell. Gain on any subsequent increase in fair value less cost to sell an asset is recognized to the extent of the cumulative impairment loss previously recognized. NCAHS is not subject to depreciation.

If the Fund has classified an asset as held for sale, but the criteria for it to be recognized as held for sale are no longer satisfied, the Fund shall cease to classify the asset as such. If the sale of the asset is extended beyond one year, the extension of the period required to complete the sale on the asset does not preclude an asset from being classified as held for sale if the delay is caused by events or circumstances beyond the Fund's control and there is sufficient evidence that it remains committed to sell the asset.

Investment Property (IP)

Real and Other Properties Acquired (ROPA), consisting of collaterals of cancelled Contracts to Sell (CTS) and foreclosed properties with registered Certificate of Sale, but still under the redemption period, as well as those with titles already consolidated in favor of the Fund, are classified as IPs. These are initially measured at their fair value, net of discount rate based on Asset Pricing Model (APM), as the deemed cost at foreclosure date and subsequently valued using the cost model.

Based on the cost model approach, depreciable amount (cost, net of residual value) of ROPA is allocated using straight line method over the remaining useful life as disclosed in the Appraisal Report, but not to exceed the prescribed life span as follows:

Type	Estimated Useful Life
Predominantly wood	10 years
Predominantly mixed	20 years
Concrete	30 years

On November 24, 2017, the ManCom approved the use of the APM as a valuation methodology to determine the discount rate, which will be the basis for the initial recognition of the ROPA in the Fund's books of accounts.

IP–ROPA is presented net of Allowance for Impairment Losses and Accumulated Depreciation as shown in Note 8.

Property and Equipment (PE)

Pursuant to AMO No. 2016-012, *Property and Equipment* dated December 23, 2016 and AMO No. 2019-007, *Amended AMO – Property and Equipment* issued on September 2, 2019, the Fund adopted the cost model as its measurement policy for PE where the entire class of PE is carried at cost less accumulated depreciation and accumulated impairment loss, if any.

An item of PE is recognized as an asset if: (1) it is probable that future economic benefits associated with the asset will flow to the Fund; and (2) the cost of the item can be measured reliably. Future economic benefits occur when the risks and rewards of the asset's ownership have passed to the Fund and the asset will be used in its operation for more than one year from the date of issuance of Certificate of Acceptance or Receiving and Inspection Report.

PE is initially recognized at cost, which is its cash price equivalent at acquisition date. The initial cost of the asset includes its purchase price, including import duties and non-refundable purchase taxes after deducting trade discounts, trade-in discounts and rebates, any cost directly attributable to bringing the asset to the location and condition necessary for it to operate in the manner intended by management, and the initial estimate of the costs of dismantling and removing the item as well as restoring the site on which it is located.

The cost of an item of PE shall exclude cost of opening a new facility, cost of introducing a new product or service, cost of doing business in a new location and administrative and other general overhead costs.

Other expenditures subsequent to acquisition of PE, such as repairs and maintenance and relocation, are charged to expense as incurred.

Replacement of parts shall be recognized as PE if the recognition criteria are met while cost of the parts replaced should be derecognized.

Depreciation is calculated on straight-line basis over the estimated and/or remaining useful life of the asset. Residual value of PE is set at ten per cent of the acquisition cost.

As applicable, PE such as Leased Asset Improvements shall be depreciated over the useful life of the improvement or the lease term, whichever is shorter. The lease term would include any renewal option periods where extension of the lease is expected. Method of depreciation, useful life and residual value is reviewed at least every financial year-end to assess whether there has been significant change in expected pattern of consumption of future economic benefits embodied in the asset or expectations differ from previous estimates. Any change is accounted for as change in accounting estimates in accordance with AMO No. 2014-012, *Accounting Policies, Changes in Accounting Estimates and Errors.*
The estimated useful life of PE are as follows:

Land Improvement	10 years or the useful life of the improvement if significantly shorter
Leased Assets Improvement	
Land	10
Building, Mixed	40
Building, Concrete	50
Building and Other Structures	
Mixed	40
Concrete	50
Machinery and Equipment	
Office Equipment	5
Information and Communication Technology Equipment	5
Communication Equipment	5
Medical Equipment	10
Printing Equipment	5
Sports Equipment	10
Technical and Scientific Equipment	5
Other Machinery and Equipment	5
Transportation Equipment	
Motor Vehicles	7
Other Transportation Equipment	10
Furniture, Fixtures and Books	
Furniture and Fixtures	10
Books	5
Other Property, Plant and Equipment	5

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 SCI.

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, net of residual value, are amortized over its useful life on a straight-line basis. The useful life is based on the nature of the asset acquired, which shall not exceed the period of contractual or other legal rights over the asset.

Maintenance costs associated with maintaining the computer software program is recognized as expense when incurred.

Leases

The Fund as a lessor classifies rental income as operating lease. Rentals received are recognized as income on a straight-line basis over the lease term. Assets held for operating leases are presented in Note 8. Likewise, the Fund as a lessee classifies rental payments as operating lease. Periodic rental is recognized as rent expense on a straight-line basis over the lease.

Interest income recognition

Interest income on housing loans is recognized on accrual basis at month end. Interest on Calamity Loans under HDMF Circular Nos. 322, 375, 418 and 426, and interest on Multi-Purpose Loans (MPL) under HDMF Circular Nos. 323, 374, 419 and 425 are computed on a daily basis but recorded at month end. Recording of accrual stops once an account is over 90 days past due. Interest on existing MPL covered by HDMF Circular No. 56-I is capitalized and recognized as income regularly at end of month and upon receipt of monthly amortization.

a. Interest on multi-purpose loans/calamity loans

The policies adopted in setting the interest rates on short-term loans are set out as follows:

Operative Dates	HDMF Circular No.	Description	Interest Rate (in per cent)
February 3, 2017	374	Revised Guidelines on the Pag-IBIG MPL Program under the Short-Term Loans Management System of the Integrated Information Systems Project (STLMS – IISP)	10.50
February 28, 2017	375	Revised Guidelines on the Pag-IBIG Fund Calamity Loan Program	5.95

b. Interest on wholesale loan

Effective March 5, 2020, the nominal interest rates for Wholesale Loan Program are as follows:

Product	Rate (in per cent)
1-Year Fixing	6.000
2-Year Fixing	6.125
3-Year Fixing	6.250

Prior to March 5, 2020, prevailing interest rate, in force by virtue of HDMF Circular No. 330, “Adoption of Full Risk-Based Pricing Framework for all Pag-IBIG Fund Wholesale Loan (WL) Programs,” are as follows:

Product	Rate (in per cent)*
1-year term, fixed	6.125
2-year term, fixed	6.750
3-year term, fixed	7.875

**Effective January 01, 2015*

c. Interest on housing loans

Nominal interest rates for the End-User Home Financing (EUF) Program for CY 2020 are as follows:

Fixing Period	Rate (in per cent)	
	January 1, 2020 to June 30, 2020	July 1, 2020 to December 31, 2020
End-user financing (Regular)		
1-year Fixing*	5.375	5.375
3-year Fixing*	6.375	6.125
5-year Fixing	6.875	6.500
10-year Fixing	7.500	7.125
15-year Fixing	8.125	7.750
20-year Fixing	8.875	8.375
25-year Fixing	9.500	9.125
30-year Fixing	10.125	9.750

Pursuant to the approval of BOT last July 9, 2020, the interest rates under the EUF program have been reduced to 4.985% and 5.375% for 1-year and 3-year fixing period, respectively. The promotional interest rates shall apply to new housing loan takeouts starting July 1, 2020 until December 29, 2020. Said interest rates shall also apply to ROPA installment accounts with signed Deed of Conditional Sale (DCS) starting July 1, 2020 until December 29, 2020

For end-user loans outstanding prior to January 1, 2020 prevailing interest rates are as follows:

Fixing Period	Rate (in per cent)			
	Jul 1, 2019 to Dec 31, 2019	Jan. 1, 2019 to Jun 30, 2019	Feb. 14, 2018 to Dec. 31, 2018	Jan. 1, 2018 to Feb. 13, 2018
End-user financing (Regular)				
1-year Fixing	5.375	5.375	5.375	5.500
3-year Fixing	6.375	6.375	6.375	6.500
5-year Fixing	6.875	7.270	7.270	7.270
10-year Fixing	7.500	8.035	8.035	8.035
15-year Fixing	8.125	8.585	8.585	8.585
20-year Fixing	8.875	8.800	8.800	8.800
25-year Fixing	9.500	9.050	9.050	9.050
30-year Fixing	10.125	10.000	10.000	10.000

Nominal interest rates for Housing Loan Restructuring Program effective November 15, 2019 are as follows:

Fixing Period	Rate (in per cent)
Housing Loan Restructuring Program	
1-year Fixing	7.750
3-year Fixing	8.000
5-year Fixing	8.250
10-year Fixing	8.875
15-year Fixing	9.500
20-year Fixing	10.250
25-year Fixing	10.875
30-year Fixing	11.500

The following policies adopted the Full Risk-Based Pricing Model:

Operative Dates	HDMF Circular No.	Description
July 24, 2014	344	Guidelines Implementing the Pag-IBIG Fund Take-Out Mechanism for Developer-Assisted Housing Program
August 2, 2017	385	Revised Guidelines Implementing the Pag-IBIG Fund Home Rehabilitation/Reconstruction Loan Program
August 30, 2017	389	Revised Guidelines on the Conversion to Full-Risk Based Pricing Program
January 9, 2018	396	Modified Guidelines on the Pag-IBIG Fund End-User Home Financing Program
May 23, 2018	403	Modified Guidelines on the Pag-IBIG Fund Affordable Housing Program
September 14, 2018	410	Adjustment on the Socialized Housing Loan Ceiling
October 24, 2018	413	Extended Application of the Subsidized Interest Rates Under the Pag-IBIG Fund Affordable Housing Program
December 18, 2018	414	Amended Guidelines on the Pag-IBIG Fund Housing Loan Restructuring Program
October 23, 2019	429	Revised Guidelines on the Implementation of the Pag-IBIG Non-Performing Asset Resolution Program for Retail Loans
July 10, 2020	437	Guidelines on the Pag-IBIG Fund Rental Housing Construction Loan Program
October 16, 2020	439	Guidelines on the Pag-IBIG Fund Special Housing Loan Restructuring Program

HDMF Circular No. 396, “Modified Guidelines on the Pag-IBIG Fund End-User Home Financing Program,” repealing HDMF Circular Nos. 310, 349, 353 and 361 took effect on January 24, 2018. The circular prescribes comprehensive guidelines that cover all retail and developer-assisted housing loan accounts that will be processed and taken out upon its effectivity.

Pursuant to HDMF Circular No. 396, interest rates on retail housing loans were based on a pricing framework approved by the BOT on June 6, 2012. Said interest rates shall be re-priced periodically depending on the re-pricing period chosen by the borrower whether every 3, 5, 10 or 15 years. Under HDMF Circular No. 317, "Program on the Conversion to Full Risk-Based Pricing Model", all borrowers with housing loans taken out under HDMF Circular No. 247, "Guidelines on the Pag-IBIG Fund End-User Home Financing Program" or earlier circulars with interest rates above the prevailing market rates may avail of interest rate reduction under the Full Risk Based Pricing Program, subject to its terms and conditions. The program was amended by virtue of HDMF Circular No. 389.

Effective July 14, 2018, HDMF Circular No. 402, "Determination of Loanable Amount Based on Capacity to Pay and Loan-To-Appraised Value Ratio Under Pag-IBIG Fund End-User Home Financing Program" was issued to determine the ratio of the loan amount to the appraised value of the collateral which shall not exceed the following:

Loan Amount	**Loan-to-Appraisal Value Ratio (in per cent)**
Up to the Economic Housing Limit*	95
Over the Economic Housing Limit up to P6,000,000	90

* *For developer-assisted housing loans up to the prevailing maximum limit for socialized housing loan, the LTV ratio shall be 100 per cent; provided, the developer's License to Sell is for a socialized housing project and the loan purpose is for the purchase of a residential unit.*

To further enhance the benefits of housing loan borrowers, HDMF Circular No. 379, was issued covering all accounts of eligible borrowers processed and taken out beginning May 1, 2017. However, effective on June 7, 2018, for the Affordable Housing Program (AHP), HDMF Circular No. 403, "Modified Guidelines on the Pag-IBIG Fund Affordable Housing Program" prevails. HMDF Circular No. 379 and memoranda, rules, regulations, and other issuances inconsistent with HDMF Circular No. 403 are repealed. The new guidelines cover all AHP retail and developer-assisted housing loan applications received by the Fund upon its effectivity. Under this Circular, the ratio of the loan amount to the appraised value of the collateral shall not exceed the following:

Loan Amount	**Loan-to-Appraisal Value Ratio (in per cent)**
Up to the Socialized Housing Loan Ceiling	100
Over the Socialized Housing Loan Ceiling up to P750,000	95

It provides that for the first five or ten years of the loan, borrowers under each specific income cluster shall be charged with affordable interest rate as follows:

Details		**Maximum Gross Monthly Income/Cluster Limit**	
Income Cluster	Cluster 1 (NCR)	Up to P15,000	Up to P17,500
	Cluster 2 (Other Regions)	Up to P12,000	Up to P14,000

Loan Amount	Loans up to P450,000	Loans up to P750,000
Interest Rate	3.0%	6.5%

By virtue of HDMF Circular No. 340, “Socialized Housing Price Ceiling Adjustment,” the maximum loanable amount under the socialized housing program was raised to P450,000 from the previous limit of P400,000. At the end of the ten-year period, the interest rates shall be re-priced either based on the prevailing market rates using the Fund’s pricing framework or increased by two per cent, whichever is lower. The borrower shall also be given the option to choose the succeeding re-pricing period, whether it will be every three, five, ten or 15 years. HDMF Circular No. 351, “Amended Guidelines on the Implementation of the Pag-IBIG Non-Performing Asset Resolution Program (NPARP)” amending HDMF Circular No. 311 took effect on November 26, 2014. The circulars are intended to enable highly delinquent borrowers to maintain their possession or use of the property under modified terms and conditions and to immediately dispose of non-performing assets at the highest value possible through cash, installment sale for a period of six months or 12 months, or through housing loan. Nominal interest rate for installment plan is set at 10.250 per cent.

Discounts are provided depending on the chosen mode of settlement as follows:

Mode of Settlement	**Discount (in per cent)**
Cash	30
Six-month installment	20
12-month installment	10
Housing loan revaluation	5

HDMF Circular No. 429, “Revised Guidelines on the Implementation of the Pag-IBIG Non-Performing Asset Resolution Program for Retail Loans” took effect on October 23, 2019, which was intended to update and enhance the guidelines set in the HDMF Circular No. 351.

HDMF Circular No. 437, “Guidelines on the Pag-IBIG Fund Rental Housing Construction Loan Program” was issued on July 10, 2020, which is intended to engage the participation and involvement of project proponents in rental housing as an alternative mode of shelter provision, through site development and house construction on land owned and/or provided by the project proponent and encourage project proponents to construct housing units on their fully developed lots, thus, creating ready inventories of residential housing units for rent. Interest rate shall be based on the prevailing rates in the Fund’s Full Risk-Based Pricing Framework for wholesale loan programs.

d. Other Updates

HDMF Circular 432, “Guidelines on the Grant of Moratorium on Short-Term Loan (STL) Amortization and Housing Amortization/Installment Payments to Pag-IBIG Fund Borrowers/Buyers Affected by the Management of the Corona Virus Disease (COVID-19)” was issued on March 27, 2020. This is in pursuant to Proclamation Nos. 929 and 922, Declaring a State of Calamity and State of Public Health Emergency, and further reiterated in Joint Resolution Nos. 11 and 12 (s.

2020) of the Inter-Agency Task Force for the Management of Emerging Infectious Diseases and Republic Act No. 11469, otherwise known as the “Bayanihan to Heal as One” Act.

For approved applications, STL amortization and/or Housing amortization/ installment payments of borrowers shall be suspended from March 16, 2020 to June 15, 2020 at no additional cost to the borrower/buyer. Thus, no penalty or additional interest shall be charged during the moratorium period. For HL accounts that are subject to staggered releases, interest shall still be deducted for every release.

Pursuant to RA 11469, HDMF Circular No. 433 “Guidelines on the Grant of Mandatory 30-Day Grace Period on All Loans Affected by Enhanced Community Quarantine (ECQ)” took effect on April 6, 2020.

On June 26, 2020, HDMF Circular Nos. 435 “Extended Deadline of Payment of Housing Loan Amortization Due Within the Modified/Enhanced Community Quarantine Period on All Retail, Developer-Assisted and Institutional Loans” and 436 “Extended Deadline of Employer Remittance of Monthly Savings (MS) and Short-Term Loan (STL) Amortization Payments Due Within the Modified/ Enhanced Community Quarantine (M/ECQ) Period were issued.

Pursuant to RA No. 11494, “Bayanihan to Recover as One” Act, HDMF Circular 438 “Guidelines on the Grant of the 60-Day Grace Period on Short-Term Loan and Housing Accounts under the Bayanihan II” was issued on October 14, 2020.

On October 16, 2020, HDMF Circular No. 439, “Guidelines on the Pag-IBIG Fund Special Housing Loan Restructuring Program” was issued for all interested Pag-IBIG Fund housing loan borrowers/installment buyers, but excluding accounts that are more than 12 months in arrears as of August 31, 2020.

All arrearages, foreclosure expenses, unpaid balances and any other amount advanced by the Fund shall form part of the Interest-Bearing principal. Also, the applicable interest from the date of application up to scheduled date of first amortization/installment due shall be included in the computation thereof. The unpaid accrued interests within the Grace Period under the Bayanihan I and II shall be part of the non-interest bearing principal.

All outstanding penalties shall be condoned as of the date of application for the restructuring of the housing loan/installment account.
The restructured amount shall be charged with interest based on the three-year Fixing Period under the Full Risk-Based Pricing Framework for retail accounts. However, the interest rates for socialized housing loan/installment accounts with rates lower than 6.375% shall be retained with the remaining subsidized period. Thereafter, the repricing scheme provided in the prevailing guidelines prior to the application for the restructuring program shall still be applied.

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 SCI. Pursuant to AMO No. 2019-005, US Dollar-denominated transactions are initially translated into the functional currency using the Spot Exchange Rate (SER) between the foreign currency and the functional currency on the date of transaction. SER is the exchange rate for the immediate delivery based on the weighted average rate of the previous business day as published by Bankers Association of the Philippines (BAP). All other foreign currency-denominated transactions are translated to US Dollar currency first using the exchange rates published by Reuters before translating the same to Philippine peso.

Members' equity

Members' equity comprises of members' contributions, employers' counterpart for employed members and the accumulated dividends of the members as owners of Pag-IBIG Fund. It is credited for contributions collected and share in declared dividends and debited for set-up of Accounts Payable (AP)–Pag-IBIG 1 Members for membership maturing within one year from statement of financial position date (Note 12), offsetting of member's short-term or housing loans and withdrawal of savings.

Reclassifications

The Fund has reclassified certain accounts in the December 31, 2019 financial statements and supporting note disclosures to conform to the current year presentation as follows:

	Previously reported	After reclassification	Movement
Statement of Financial Position			
Current Assets			
Receivables	173,199,429,785	173,200,476,954	(1,047,169)
Other Current Assets	285,367,120	284,319,951	1,047,169
Statement of Comprehensive Income			
Expenses			
Personnel Services	4,843,165,220	4,856,057,786	(12,892,566)
Maintenance and Other Operating Expenses	6,953,287,539	6,940,394,973	12,892,566

a. Certain accounts amounting to P1.047 million, previously presented as part of Other Current Assets, were reclassified and presented under Other Receivables to conform to the current year presentation.

b. Certain expense accounts amounting to P12.893 million were reclassified from Maintenance and Other Operating Expenses to Personnel Services to conform to the more appropriate current year presentation. The reclassification has no impact on the statements of comprehensive income for the year ended December 31, 2019.

3. CASH AND CASH EQUIVALENTS

This account is composed of the following:

	2020	2019
Cash on Hand	**271,186,506**	380,995,539
Cash in Bank – Local Currency	**3,049,900,024**	2,781,066,377
Cash in Bank – Foreign Currency	**21,419,196**	18,243,475
Cash Equivalents	**3,772,485,400**	3,098,374,641
	7,114,991,126	6,278,680,032

Bank deposits on foreign currencies at December 31, 2020 were revalued based on the following rates as at December 29, 2020: BAP Weighted Average Rate US$1 = P48.036 and Reuters' CAD$1 = US$0.7769 for third currency conversion from Canadian to US Dollar. Interest rates from cash equivalents with maturity of 90 days and below range from 0.90 to 1.83 per cent for local currency and 0.01 to 0.45 per cent for foreign currency.

4. INVESTMENTS

This account consists of investment in treasury notes/bonds and equity securities which includes the following:

	2020	2019
Current		
Financial Assets Designated at Fair Value Through Profit or Loss	**4,663,872,509**	4,420,171,602
Investment in Time Deposits	**4,008,722,247**	200,000,000
Investment Securities at Amortized Cost	**500,000,000**	-
	9,172,594,756	4,620,171,602
Non-Current		
Financial Assets at Fair Value through Other Comprehensive Income	**46,374,370,071**	54,752,715,863
	55,546,964,827	59,372,887,465

Financial Assets Designated at Fair Value Through Profit or Loss

The Fund outsourced, through Public Bidding-Consultancy Services, the management of its P5.000 billion equity investments to five well-established, technically, legally and financially competent and qualified fund managers taking into consideration the requirements for safety, liquidity and growth. As part of risk mitigating measures, the P5.000 billion total equity portfolio shall be equally divided into five lots amounting to P1.000 billion each.

The Board, in its meeting on July 5, 2018, approved the Terms of Reference and Budget for the Contract for the Engagement of Local Equity under Fund Managers (LEFMs) under the Board Resolution No. 3293, series of 2018.

Last January 25, 2019, the Fund started investing in LEFMs. As of December 31, 2020, total investment stood at 5.000 billion with a market value of P4.664 billion. Net losses recognized in 2020 and 2019 amounted to P256.299 million and P79.828 million, respectively.

	Principal Value	**Market Value**
BPI Asset Management and Trust Corp.	1,000,000,000	981,293,784
BDO Unibank, Inc. – Trust and Investments Group	1,000,000,000	902,839,264
Philequity Management, Inc.	1,000,000,000	1,005,132,017
Metropolitan Bank and Trust Company	1,000,000,000	945,094,010
ATRAM Trust Corporation	1,000,000,000	829,513,434
	5,000,000,000	**4,663,872,509**

Investment in Time Deposits

This account consists of Investment in Time Deposit, which is a local currency, fixed-term placement for a period of 91 days but less than one year and earns interest from 1.73 to 2.30 per cent.

Investment in Treasury Bills – FVOCI

This account consists of government securities issued by the Bureau of the Treasury purchased at a discount with a tenor of 364 days and interest rate of 1.78 to 3.84 per cent.

Investment in Treasury Bonds at Amortized Cost

This pertains to 1-year Premyo Bonds, which are investment securities issued by the Republic of the Philippines with a quarterly interest coupon payment of 1.25 per cent, maturing on December 16, 2021.

Fair Value through Other Comprehensive Income (FVOCI)

FVOCI is composed of investment in bonds and other debt instruments and investment in stocks, details follow:

	2020	2019
Treasury notes/bonds	**33,504,549,415**	45,203,766,692
Corporate bonds	**6,301,895,965**	6,052,064,674
Dollar denominated bonds	**3,424,469,864**	3,496,124,105
Treasury bills	**3,142,553,684**	-
Investment in stocks	**901,143**	760,392
	46,374,370,071	54,752,715,863

Included in this account group are Treasury notes/bonds for Member's Savings Reserve Fund (MSRF) face value of P19.033 billion and with a market value of P20.615 billion, the setting up of which was covered by HDMF AMO No. 2015-005. This is to ensure efficient liquidity management for benefit claims and return of members' equity upon maturity, pursuant to Section 1(k), Rule III of the IRR and Section 4 (j) of the HDMF Charter, RA No. 9679.

Investment in Stocks includes PLDT common shares converted from PLDT preferred shares carried at current market value amounting to P536,939.

Interest rates for investment in bonds and other debt instruments range from 3.00 to 8.00 per cent with maturity dates from CYs 2022 to 2042.

5. RECEIVABLES

	2020	2019
Mortgage/Sales Contracts Receivable	**524,146,362,490**	476,549,329,505
Loans Receivable	**59,389,363,036**	68,086,271,145
Interests Receivable	**6,155,380,742**	4,893,110,617
Accounts Receivable	**1,520,836,770**	2,225,184,477
Other Receivables	**7,353,533,096**	266,911,255
	598,565,476,134	552,020,806,999
Allowance for Impairment Loss	**(39,308,582,547)**	(39,382,464,110)
	559,256,893,587	512,638,342,889
Less: Current Receivables	**226,357,556,306**	173,200,476,954
Non-Current Receivables	**332,899,337,281**	339,437,865,935

Mortgage/Sales Contracts Receivable (M/SCR) represent loans to Pag-IBIG members that are backed-up by REMs/CTS under the various home lending programs of the Fund. The current M/SCRs of P182.303 billion and P123.051 billion for years 2020 and 2019, respectively, include past due accounts, zero to three months in arrears of P74.385 billion and P32.415 billion, respectively, which are immediately due and demandable.

Loan Sale and Purchase Agreement (LSPA) Between Pag-IBIG Fund and National Home Mortgage Finance Corporation (NHMFC)

On June 18, 2019, Pag-IBIG Fund and NHMFC entered into a LSPA covering the sale, transfer, assignment and conveyance to the latter, all the rights, obligations, titles and interests to 2,925 residential housing loan accounts originating from various socialized housing units that meet the following criteria as of April 30, 2019, the agreed cut-off date:

- Documented through Real Estate Mortgage (REM)
- Seasoned for at least 24 months from date of takeout
- Current in status of up to three months in arrears as of cut-off date
- With loan term not exceeding 30 years from date of takeout, and with remaining loan term of at least five years as of cut-off date
- With original loan amount of up to P450,000
- With interest rate of 4.50 per cent
- With loan-to-appraised value ratio not exceeding 100 per cent as of takeout date
- Properties covered by the sale must be house and lot or condominium unit

Total purchase price for the covered accounts is P1.058 billion.

The Fund and NHMFC also entered a separate Servicing and Accounts Management Agreement for certain scope of services to the accounts covered by the LSPA, including collection of payments and remittance to NHMFC, effective for the period of one year from cut-off date, for a servicing fee of 1.27 per cent of the total purchase price. Service fee earned is included as part of Other Service Income presented in Note 18.

A second tranche of sale and purchase agreement was entered into by the Fund and NHMFC on December 17, 2019, for an agreed price of P463.365 million. This covers 1,228 accounts that pass the refined criteria as of August 31, 2019 agreed cut-off date, as follows:

- REM accounts under HDMF
- Account's status is current or 0-3 months in arrears for the last 12 months
- Seasoned to not less than 12 months from take-out date
- Original loan equivalent to socialized loan limits
- Original loan term should not be more than 360 months
- Remaining term must not be less than sixty months as of cut-off date
- Minimum interest rate of three per cent
- Maximum initial loan value ratio of 100 per cent
- House and lot or condominium unit

Housing loan accounts covered by the second tranche of LSPA was not subjected to servicing arrangement.

Loans Receivables consists of receivables from Short Term Loans, Calamity Loans and Other Government Corporations in the total amount of P59.389 billion. Further, these include past due accounts, zero to three months in arrears, of P13.848 billion and P16.030 billion for CYs 2020 and 2019, respectively, which are immediately due and demandable.

Interest Receivable includes interest earned by the Fund on its investments and loans receivable but not yet collected as at December 31, 2020. The Fund recognizes interest receivable on loans for up to three months of delinquency for accounts with monthly amortization schedule. For accounts with quarterly, semi-annual and annual amortization schedule, accrual ceases on the first month after due date.

Accounts Receivable (AR) consists of:

a. AR–Developers are receivables representing collection of loan amortizations by developers for remittance to the Fund, which are within the float period of one week as embodied in the collection servicing agreement. They likewise include the buyback value of past due Sales Contract Receivable (SCR) and SCRs covered by CTS which the developer failed to convert to Real Estate Mortgages (REM), as well as deficiencies on conversion fees withheld from takeout proceeds.

b. AR–Borrowers consist of receivables from housing loan borrowers for advances made by the Fund for renewal of insurance coverage of delinquent accounts and remaining balance of short term loans after deducting their Total Accumulated Value (TAV) upon withdrawal or claim.

c. AR–Collecting Agents are receivables from collecting agents representing collection of Members' Contributions and/or loan amortizations due for remittance to the Fund, which are within the float period as embodied in the collection agreements.

d. AR–Others include, among others, the P582,940 remaining balance of unremitted overseas collections from a former employee pursuant to Notice of Finality of Decision issued by the COA on January 18, 2011.

Other receivables consist of the following:

	2020	2019
Other Receivables - Bayanihan Act	**7,087,873,554**	-
Insurance Claims Receivable	**155,051,197**	130,189,524
Due from Officers and Employees	**54,858,269**	47,098,083
Receivables-Disallowances/Charges	**5,537,758**	5,665,125
Others	**50,212,318**	83,958,523
	7,353,533,096	266,911,255

Other Receivables – Bayanihan Act consists of accrued interests on Short Term Installments (STI), Institutional Loans, Housing Loans and Short-Term Loans (STL) accounts that fall due within the M/ECQ period covered by the grant of mandatory grace period under Bayanihan I and Bayanihan II, pursuant to HDMF Circular Nos. 432, 433, 435, 438, and 439. (Refer to Note 2.d).

Included in Other Receivable accounts are non-interest bearing restructured amount relating to unpaid accrued interest within the grace period under the Bayanihan I and II.

The restructured amount, which comprised of total arrearages, foreclosure expenses, unpaid balances and any amount advanced by the Fund, shall be interest bearing and lodged to its corresponding receivable account.

Movements in Allowance for Impairment Loss of receivables are as follows:

	Balance January 1, 2020	**Additional Impairment Loss**	**Recovery from Impairment Loss**	**Recognition of ROPA & other adjustments**	**Balance December 31, 2020**
Current					
MCR/SCRs	36,849,474,376	4,519,142,379	3,897,498,034	1,310,341,970	36,160,776,751
ARs	700,199,469	815,598	69,317,311	27,451,004	604,246,752
Int. Rec.	544,513,084	863,311,688	131,620,079	20,385,580	1,255,819,113
LR	1,288,277,181	49,956,981	77,722,928	(27,228,697)	1,287,739,931
	39,382,464,110	**5,433,226,646**	**4,176,158,352**	**1,330,949,857**	**39,308,582,547**

6. OTHER CURRENT ASSETS

These consist of the following:

	2020	2019
Prepayments	**213,581,917**	200,605,455
Inventories held for consumption	**82,247,179**	79,251,738
Inventories semi expendable Items	**1,948,598**	4,462,758
	297,777,694	284,319,951

7. NON-CURRENT ASSETS HELD FOR SALE

	2020	2019
Cost		
Balance, January 1	**1,654,507,812**	2,270,778,038
Additions	**4,391,720,402**	5,437,791,505
Disposal	**(4,208,562,800)**	(5,639,322,985)
Adjustments/Cancellation	**(607,339,222)**	(414,738,746)
Balance, December 31	**1,230,326,192**	1,654,507,812

IP–ROPA is reclassified to NCAHS upon payment of reservation fee by the buyer. They are derecognized from the books upon full payment of contract price and execution of Deed of Absolute Sale for cash purchase, upon execution of Deed of Conditional Sale for installment sale, and upon loan take out for housing loan. NCAHS is presented at the lower between carrying amount and fair value less cost to sell. For the year 2020, the additions of P4.392 billion is net of P112.722 million and P259.863 million allowance for impairment loss and accumulated depreciation, respectively.

The gain arising from the sale of assets held for sale is presented as part of Gains and loss from sale is presented under Non-Cash Expenses-Losses. For CY 2020, gains amounted to P3.525 billion (Note 19) while losses amounted to P3.331 million (Note 24).

8. INVESTMENT PROPERTY

Investment Property is composed of real and other properties acquired with Transfer Certificate of Title still for consolidation in favor of the Fund as well as properties under the name of the Fund and 18 lots and land improvements being held for rental and capital appreciation in the amount of P19.705 billion and P303.986 million, respectively, as of December 31, 2020.

The movements for real and other properties acquired are as follows:

	2020	2019
Cost		
Balance, January 1	**22,861,035,091**	20,797,573,798
Additions	**2,834,036,936**	7,216,770,054
Reclassification to NCAHS	**(4,764,305,967)**	(5,654,757,191)
Adjustments	**(921,881,568)**	501,448,430
Balance, December 31	**20,008,884,492**	22,861,035,091

	2020	2019
Accumulated Depreciation		
Balance, January 1	**1,028,253,200**	728,018,730
Additions	**441,099,908**	530,567,993
Reversals	**(279,150,396)**	(230,333,523)
Balance, December 31	**1,190,202,712**	1,028,253,200
Allowance for Impairment Loss		
Balance, January 1	**1,622,843,332**	2,349,560,827
Addition	**786,453,826**	25,575,396
Reversals	**(484,902,966)**	(752,292,891)
Balance, December 31	**1,924,394,192**	1,622,843,332
Carrying Amount	**16,894,287,588**	20,209,938,559

Fair value is based on valuation performed by in-house appraisers. The Fund employed the following appraisal methods: (a) Market Data for the lot, and (b) Cost Approach for the house component of the property. As a matter of policy, ROPA is initially recognized at appraised value net of discount per APM and is subject to re-appraisal at least once every two years until its eventual disposal. The status of appraisals as of December 31, 2020 is shown below:

	No. of Accounts	Book Value	Appraised Value*
With valid appraisal	52,338	16,979,179,750	35,351,577,047
With lapsed appraisal	8,888	3,029,704,741	6,072,191,887
	61,226	**20,008,884,492**	**41,423,768,934**

**Appraised value excludes applicable discount under APM.*

For accounts with lapsed appraisal as at December 31, 2020, units concerned are continuously exerting efforts to fully migrate the remaining ROPA accounts to the ROPA System.

ROPA System has been fully deployed in CY 2018. Said system is an efficient tool in recording ROPA transactions specifically geared towards volume of portfolio, complexity of the transactions and reasons, revaluation and computation of impairment and depreciation.

Total rental income on IP-ROPA for CY 2020 and CY 2019 amounted to P3.672 million and P8.323 million, respectively.

IP - Land consists of the following:

	Land	Land Improvements	Total
Cost			
January 1, 2020	**302,632,050**	**1,354,392**	**303,986,442**
Addition	**-**	**-**	**-**
December 31, 2020	**302,632,050**	**1,354,392**	**303,986,442**
Accumulated Depreciation			
January 1, 2020	**-**	**518,055**	**518,055**
Addition	**-**	**121,895**	**121,895**
December 31, 2020	**-**	**639,950**	**639,950**

	Land	Land Improvements	Total
Carrying Amount			
December 31, 2020	**302,632,050**	**714,442**	**303,346,492**

	Land	Land Improvements	Total
Cost			
January 1, 2019	302,632,050	1,354,392	303,986,442
Addition	-	-	-
December 31, 2019	302,632,050	1,354,392	303,986,442
Accumulated Depreciation			
January 1, 2019	-	396,160	396,160
Addition	-	121,895	121,895
December 31, 2019	-	518,055	518,055
Carrying Amount			
December 31, 2019	302,632,050	836,337	303,468,387

Manila Harbour

The pieces of property being held for rental and capital appreciation are located at the Manila Harbour Central Business District, Tondo, Manila. These consist of 18 lots with total area of 17,293.26 square meters acquired in December 1996 in exchange for the matured Smokey Mountain Project Participation Certificates as approved under Board Resolution No. 1234, series of 1996. The book value is inclusive of real property tax paid upon acquisition.

All the 18 lots are on lease as follows:

Lessee	Block/Lot No.	Qty	Contract Period	Area (in Sq.M.)	Rent per Sq.M.
SL Harbour Bulk Terminal Corp.	B15, L1-6	6	Dec. 2019 – Dec. 2021	4,368.23	P274.05
SL Harbour Bulk Terminal Corp.	B15, L7	1	Dec. 2019 – Dec. 2021	5,167.53	274.05
Moreta Shipping Lines Inc.	B18, L5-7	3	Aug. 2020 – Aug. 2022	2,125.48	271.50
Moreta Shipping Lines Inc.	B21, L5-12	8	Dec. 2019 – Dec.2021	5,632.02	274.05
		18		**17,293.26**	

Total rent/lease income on the properties for CY 2020 totaled P47.649 million, while expenses incurred, including real property taxes and depreciation expenses on the installed water distribution system, amounted to P2.871 million.

The estimated minimum future annual rentals of the Fund are as follows:

	2020	2019
Within one year	**53,793,165**	54,051,173
More than one year but not more than five years	**4,241,523**	53,572,281
	57,034,688	107,623,454

On June 29, 2020, the appraisal value of the 18 lots was at P640.762 million as determined by the in-house appraisers.

Fiesta World Mall – Building A

The Fiesta World Mall – Building A located in Barangay Marauoy, Lipa, Batangas was acquired by the Fund through Deed of Dacion en Pago in 2018. It consists of a two-story mall with a total lot area of approximately 6,408 square meters. It has a book value of P151.268 million with an appraised value of P329.173 million on land, building and machineries.

Club Balai Isabel Condotel Units

The 11 Club Balai Isabel condotel units were transferred to the Fund by way of Dation in Payment Agreement in January 2016. These properties are located in Club Balai Isabel Resort in Sta. Maria, Talisay, Batangas, with floor area ranging from 33.10 to 68.32 square meters.

The consolidated book value of these units is P22.344 million which have a market value of P53.347 million. All units are being held for lease until December 2020 by Club Balai Isabel, Inc. (CBII) at P10,000.00 per unit per month for a total monthly rental of P110,000.00. With the approval of CBII's request for waiver on lease payments due to Taal Volcano eruption and COVID 19 pandemic, the total rental income earned in CY2020 amounted to P220,000.00.

9. PROPERTY AND EQUIPMENT, NET

This account consists of the following:

As at December 31, 2020

	Land	**Land Improvements**	**Buildings and Other Structures**	**Machinery and Equipment**	**Total**
Cost:					
Balances at beginning of year	**108,878,912**	**1,588,428**	**1,485,248,316**	**2,278,694,165**	**3,874,409,821**
Additions	**-**	**-**	**34,379,282**	**228,720,430**	**263,099,712**
Disposals	**-**	**-**	**(1,849,151)**	**(37,238,645)**	**(39,087,796)**
Reclassifications/Adjustments	**147,078**	**-**	**(33,540,788)**	**(59,861,887)**	**(93,255,597)**
Balances at end of year	**109,025,990**	**1,588,428**	**1,484,237,659**	**2,410,314,063**	**4,005,166,140**
Accumulated Depreciation					
Balances at beginning of year	**-**	**701,335**	**971,808,227**	**1,370,483,003**	**2,342,992,565**
Additions	**-**	**174,674**	**47,017,506**	**198,465,280**	**245,657,460**
Disposals	**-**	**-**	**(1,601,512)**	**(31,639,259)**	**(33,240,771)**
Reclassifications/Adjustments	**-**	**-**	**(5,076,762)**	**(36,602,274)**	**(41,679,036)**
Balances at end of year	**-**	**876,009**	**1,012,147,459**	**1,500,706,750**	**2,513,730,218**
Carrying Amount, December 31, 2020	**109,025,990**	**712,419**	**472,090,200**	**909,607,313**	**1,491,435,922**

As at December 31, 2019

	Land	Land Improvements	Buildings and Other Structures	Machinery and Equipment	Total
Cost:					
Balances at beginning of year	104,212,774	842,296	1,404,045,145	2,086,119,414	3,595,219,629
Additions	-	-	105,110,895	348,250,606	453,361,501
Disposals	-	-	(8,402,914)	(78,238,187)	(86,641,101)

	Land	Land Improvements	Buildings and Other Structures	Machinery and Equipment	Total
Reclassifications/Adjustments	4,666,138	746,132	(15,504,810)	(77,437,668)	(87,530,208)
Balances at end of year	108,878,912	1,588,428	1,485,248,316	2,278,694,165	3,874,409,821
Accumulated Depreciation					
Balances at beginning of year	-	457,048	935,492,032	1,299,904,637	2,235,853,717
Additions	-	104,387	42,270,067	201,558,844	243,933,298
Disposals	-	-	(7,439,738)	(72,458,757)	(79,898,495)
Reclassifications/Adjustments	-	139,900	1,485,866	(58,521,721)	(56,895,955)
Balances at end of year	-	701,335	971,808,227	1,370,483,003	2,342,992,565
Carrying Amount, December 31, 2019	108,878,912	887,093	513,440,089	908,211,162	1,531,417,256

10. INTANGIBLE ASSETS

Intangibles include various software licenses used in the day-to-day operations of the Fund. Changes in the costs of intangible assets are as follows:

	2020	2019
Cost		
Balance, January 1	**332,644,094**	314,491,467
Addition	**10,865,375**	96,354,980
Derecognition	**(177,729,432)**	(73,282,353)
Adjustment	**-**	(4,920,000)
Balance, December 31	**165,780,037**	332,644,094
Accumulated Amortization		
Balance, January 1	**61,831,206**	92,943,038
Amortization	**33,758,778**	42,170,521
Derecognition	**(18,216,748)**	(73,282,353)
Balance, December 31	**77,373,236**	61,831,206
Carrying amount, December 31	**88,406,801**	270,812,888

11. OTHER NON-CURRENT ASSETS

This classification comprises the following:

	2020	2019
Restricted Funds	**27,623,115,266**	953,735,641
Deposits	**221,644,790**	148,195,147
Other Assets	**50,467,875**	44,354,661
	27,895,227,931	1,146,285,449

Restricted funds consist of reserves of money that can only be used for specific purposes:

a. Member Savings Reserve Fund (MSRF) and Time Deposit – Local Currency

   On February 16, 2015, the Fund opened MSRF Land Bank of the Philippines (LBP) bank account with initial deposit of P20,000 to provide for benefit claims and return of members' equity upon maturity.

   On April 10, 2015, the Fund issued AMO No. 2015-005 to cover the set-up and operations of the MSRF. The MSRF was established as a liquidity provision with funds restricted/designated for the settlement of maturing members' contributions.

   Aside from the above LBP Atrium Current Account, this MSRF also includes designated investments in treasury notes/bonds and time deposits, which are readily convertible to cash as needed.

b. A life and non-life insurance coverage as Contingency Trust Fund (CTF)1 and CTF2, were established to cover for Mortgage Redemption Insurance (MRI)/Sales Redemption Insurance (SRI) and Fire and Allied Perils Insurance (FAPI) for loan releases of the Fund and pertinent collaterals for the loans. Initial set-up of CTF1 and CTF2 was at P890.970 million and P90.371 million, respectively.

   As an interim measure, the monies collected from the borrowers for MRI/SRI premium shall be placed in the trust fund administered by a trustee bank and all claims relating to the same shall be paid out of the fund.

   On October 28, 2014, the Fund formally entered into brokerage agreement with the new insurance, for yearly renewable term MRI/SRI coverage of housing loan borrowers starting November 1, 2014, effectively terminating CTF1. Based on the Fund's Board approval, the P523.801 million remaining balance as at December 31, 2016, shall be distributed among active housing loan borrowers, after settlement of all claims covered by the interim period.

   The Fund formally entered anew into brokerage agreement with the same insurance provider, the winning bidder, on January 11, 2018, for a five-year non-life insurance coverage of insured property starting January 12, 2018, effectively terminating also CTF2.

   As of June 30, 2019, CTF1 and CTF2 amounted to P554.598 million and P1.096 billion, respectively.
   On July 8, 2019, the ManCom approved the liquidation of CTF2, which includes the withdrawal of the funds to be distributed to the borrowers and only the amount of P137 million earmarked for the alleged claim of HDMF Non-Life Insurance Pool should be left in the trust fund account. This caused the major decrease in restricted fund in 2019.

   On October 30, 2019, the Fund renewed its brokerage agreement for MRI/SRI coverage of housing loan borrowers for a period of five years beginning November 1, 2019.

CTF2 account as at December 31, 2020 and December 31, 2019 amounted to P139.473 million and P121.483 million, respectively.

c. Funds Held in Trust-Trustee and Officers Liability Fund (TOLF) was created and established on May 8, 2014 pursuant to and in compliance with the requirements of Governance Commission for GOCCs (GCG) Memorandum Circular (MC) No. 2012-10 (Re-issued). Its objective is to provide the Fund, the members of its governing board and its officers, the means to pursue their fiduciary duties and obligations to always act in the best interest of the Fund and with utmost good faith. It allows them the proper recovery of the costs of litigation and judgment liability imposed on them when they are sued on matters within their official functions and capacity and on matters where business judgment has been exercised in good faith. A Trust Fund Committee composed of officers of the Fund headed by the CEO was constituted, primarily to oversee the HDMF TOLF. A government financial institution was also constituted as TOLF Trustee pursuant to Item V of the aforementioned GCG MC. Initially set up at P244 million, the Committee shall replenish the trust fund in case usage thereof at any given time exceeds 20 per cent of the initial amount. As at December 31, 2020, the balance of TOLF is at P292.217 million with a reported income of P14.177 million from the administration of the fund for the year 2020.

Deposits consist of rental and other guaranty payments.

12. FINANCIAL LIABILITIES

	2020	2019
Accounts Payable	**61,733,340,330**	63,287,458,609
Insurance/Reinsurance Premium Payable	**3,846,786,902**	3,918,290,102
Due to Officers and Employees	**8,377,687**	5,345,118
	65,588,504,919	67,211,093,829

Accounts Payable includes amount due to members at P35.367 billion and P38.699 billion for the years ending December 31, 2020 and 2019, respectively. These totals represent TAV which have reached their maturity at SFP date but have not been withdrawn, as well as those that will mature in the succeeding year.

Accounts Payable also includes amount due to developers/borrowers representing the amount deducted from their loan take out proceeds to defray expenses to be incurred in the conversion of CTSs to REMs. Similarly, it also consists of accrual of expenses, charges and taxes already incurred at year-end but have not yet been paid.

Insurance/Reinsurance Premium Payable represents insurance premiums for housing loans initially deducted from housing loan proceeds and subsequently collected as part of the monthly amortizations representing insurance premium prepayments for remittance to the insurance provider.

13. INTER-AGENCY PAYABLES

This account consists of the following:

	2020	2019
Due to BIR	**72,536,576**	121,477,708
Due to Other Government Corporations	**46,534,291**	53,375,352
Due to GSIS	**12,238,545**	16,349,091
Due to SSS	**1,560,955**	1,417,375
Due to PhilHealth	**1,544,065**	1,437,648
Due to NGAs	**1,454,766**	1,461,821
Due to Pag-IBIG	**852,658**	919,875
Due to LGUs	**64,564**	149,176
	136,786,420	196,588,046

Due to BIR consists of liability for income taxes withheld from employees' compensation and for taxes withheld from payment to suppliers for the account of the BIR for the month of December 2020 to be remitted in January 2021.
Due to Other Government Corporations includes collections for the Servicing and Accounts Management Agreement that are due for remittance to NHMFC, which amounted to P11.353 million as at December 31, 2020. This account also includes housing loan amortization payments for the account of NHMFC.

Due to GSIS, Due to Pag-IBIG and Due to PhilHealth comprise of amortization of loan availments, life and retirement insurance premiums payable to GSIS, contributions and amortization of loan availments payable to Pag-IBIG Fund, and medical insurance premiums payable to PhilHealth deducted from the salary of the Fund's regular employees and the employer's counterpart for the month of December 2020 to be remitted in January 2021.

Due to SSS pertains to the Job Order employees' premium payments and other payables withheld for the account of Social Security System (SSS) for the month of December 2020 to be remitted in January 2021.

14. TRUST LIABILITIES

	2020	2019
Customers' deposits payable	**3,761,361,927**	2,290,299,070
Trust liabilities	**869,152,418**	839,824,996
Guaranty/security deposits payable	**143,237,891**	149,692,852
	4,773,752,236	3,279,816,918

Customers' deposits payable represents advance housing and multi-purpose loan amortization to be allocated when they fall due.

Trust liabilities include Housing Contingency Fund in the amount of P573.474 million, Trust Liabilities – Head Office in the amount of P233.963 million, and Trust Liabilities – POP Members in the amount of P58.454 million as at December 31, 2020.

Trust Liabilities-POP Members refers to long outstanding membership contributions that remain unposted for the following reasons:

- Invalid payor's ID and different membership type;
- No available records with Pag-IBIG International Operations Group (PIOG);
- Discrepancy in the payor's name; and
- Lack of over-the-counter daily collection report.

Set-up of Trust Liabilities–POP Members was made on May 25, 2015 in the amount of P58.807 million. Through various initiatives, e.g. strengthening the "one ID system" for each member, encoding/editing of ID numbers and period covered, verifying whether the unallocated accounts have been claimed already and coordinating with the manning agencies/OFW members for the submission of lacking collection lists, contributions lodged to Trust Liabilities–POP Members were posted/adjusted so that these can be debited from Trust Liabilities account. Undistributed Collections (UC)-Housing Loan (HL) in the amount of P217.192 million representing dormant balances left by the defunct Billing and Ledgering Department (BLD)–MCR in the books of the CHQ after the decentralization of accounts in CY 1992, and Unidentifiable Collections in the amount of P6.818 million which includes collections of closed banks, were reclassified to Trust Liability account on December 29, 2016 after reconciliation activities proved to be futile due to absence of supporting documents. These shall be gradually reduced upon request by operating units for transfer of payment records, triggered by the borrowers' presentation of Pag-IBIG Fund Receipts (PFRs) covering previous payments.

Guaranty/security deposits payable pertains to suppliers' deposits on bids and performance guarantee deposits.

15. PROVISIONS

	2020	2019
Leave Benefits Payable	**858,597,969**	747,376,242
Other Provisions	**1,731,254,090**	1,487,471,302
	2,589,852,059	2,234,847,544

In CY 2018, the cumulative leave credits and benefits previously recorded under Accounts Payable were reclassified to Leave Benefits Payable effective June 26, 2018, pursuant to AMO No. 2018-011.

Pursuant to AMO No. 2019-018, *"Accounting for Accrued and Deferred Expenses,"* the remaining balances of accrued expenses accounts for both prior and current period were reclassified to Other Provisions, effective December 27, 2019.

16. OTHER PAYABLES

The details of this classification are as follows:

	2020	2019
Developers' Retention	**658,609,788**	-
Undistributed collections	**248,597,317**	878,994,272
Unclaimed balances	**-**	14,831,430
	907,207,105	893,825,702

Developers' Retention pertains to retention fee over and above the security or retention value deducted from the take-out proceeds of the developer.

Undistributed collections (UC) include collections of members' contributions, short term loans and housing loan repayments which have not been allocated to the specific members'/borrowers' accounts and collections under PFMS and STLMS due to absence of MID Number and STL Application Number. These also include collections which at month-end are still in transit for transfer to the branches carrying the account/s, thus, remain floating in the Due to/from accounts. The Posting Clearing Account (PCA) which falls under UC covers daily collections and checks subject to one day clearing period prior to allocation and posting to the members'/borrowers' subsidiary ledger within five days from receipt of the journal ticket by the operating unit concerned.

Unclaimed balances represent checks dated over six months payable to members/borrowers/suppliers which have not been presented to bank for payment.

17. DEFERRED CREDITS/UNEARNED INCOME

	2020	2019
Deferred Credits	**14,467,305,720**	7,829,334,386
Unearned Revenue/Income	**800,596,775**	676,763,705
	15,267,902,495	8,506,098,091

Deferred credits account represents the capitalized interest income on restructured housing loans which are credited to interest income and penalties upon amortization every month-end and rental payments on foreclosed properties under the redemption period or rent-to-own arrangement.

In 2020, Deferred Interest Income amounting to P7.166 billion was recognized from STI, Institutional Loans, Housing Loans and STL accounts that fall due within the period covered by the grant of mandatory grace period under Bayanihan I and Bayanihan II.

Special Housing Loan Restructuring Program

Deferred Credits for the interest-bearing portion of the restructured amount shall be amortized based on the principal payments over the corresponding outstanding balance portion.

Deferred Credits for the non-interest bearing portion of the restructured amount shall be credited to Interest Income in proportion to the received payment.

Unearned revenue/income includes capitalized origination fees on loans processed prior to May 30, 2001, being amortized and credited as income over the term of the loan.

18. SERVICE AND BUSINESS INCOME

The account consists of the following:

	2020	2019
Service income		
Fees and commissions income	**229,720,517**	375,487,609
Processing fees	**202,853,681**	286,956,170
Other service income	**23,840,259**	90,530,346
	456,414,457	752,974,125
Business Income		
Interest income	**35,448,808,330**	39,935,511,567
Fines and Penalties	**1,417,037,228**	1,598,232,674
Income from acquired/foreclosed assets	**1,147,758,479**	3,451,442,355
Rent/lease income	**57,068,226**	57,452,456
Dividend income	**163,030**	192,744
Other business income	**63,426,621**	3,898,811
	38,134,261,914	45,046,730,607
	38,590,676,371	45,799,704,732

Service income

Fees and commissions income includes insurance service fees that are administrative fees collected from the insurance provider equivalent to 0.02 per cent of the total amount insured, deducted from the remittances of premiums to the broker. It also includes sales administration fee and mortgage origination fee that are collected as part of the monthly amortization of housing loan borrowers who availed of loans under HDMF Circular Nos. 147 and 148, respectively, fees for appraisal services on properties offered as collateral for loan with the Fund, forfeited commitment fee from developers, handling fee, pre-termination fee and Housing Contributory Fund.

Housing Contributory Fund represents a portion of the loan amortization on housing loans extended by the NHMFC to HDMF member-borrowers, subsequently assigned to the Fund in CY 1992. This was based 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 future borrowers who are likely to borrow at a time when long term funds and prevailing rates then may no longer be available.

Processing fees of P3,000 are collected from borrowers availing of loans under HDMF Circular Nos. 312, 385, and 396 and conversion to Full Risk-Based Pricing Model under HDMF Circular No. 317.

Business income

Interest income includes interest earned from housing loans, multi-purpose loans and investment in bonds.

Income from acquired/foreclosed assets includes income from acquired/foreclosed property and income from repurchase of dacioned assets which are redeemed by the owners with the redemption period.

Fines and penalties are fees imposed on late remittances of HDMF contributions, amortizations of short-term loans and mortgage contracts receivable, and other housing related loans.

19. GAINS

	2020	2019
Gain on sale of investment property	**4,016,746,005**	5,798,807,879
Gain on sale/redemption/transfer of investments	**2,342,191,837**	160,265,608
Gain from changes in fair value of financial instruments	**1,413,377,950**	9,768,203
Gain on foreign exchange (forex)	**17,481,285**	214,687,159
Gain on sale of property and equipment	**1,622,112**	3,836,520
Other gains		
Gain on revalued MCR	**16,132,712**	190,945,992
Gain from redemption of auctioned properties	**11,799,367**	10,615,872
Gain on revalued SCR	**1,924,799**	20,166,493
Gain on restructuring	**797,534**	-
Gain on revalued wholesale loans	**-**	1,524,772
Gain on sale on disposal of items under litigation	**72,700**	-
	7,822,146,301	6,410,618,498

20. OTHER NON-OPERATING INCOME

	2020	2019
Reversal of impairment loss		
Receivables	**4,176,158,352**	2,771,856,200
Others	**384,235,117**	835,543,660
Miscellaneous income	**365,898,247**	1,078,585,654
	4,926,291,716	4,685,985,514

Reversal of impairment loss pertains to recovery from provision of impairment losses due to improvement in the quality of the loan portfolio and other housing-related assets of the Fund. Details for reversal of impairment loss are included in Notes 7 and 9.

Miscellaneous income includes a 600,000 square-meter parcel of land located at Carig, Tuguegarao City, Cagayan conveyed to the Fund through Memorandum of Agreement entered into with the Department of Public Works and Highways (DPWH).

21. PERSONNEL SERVICES

	2020	2019
Salaries and wages		
Salaries and wages-regular	**1,812,849,072**	1,804,312,942
Other compensation		
Bonuses and Incentives	**1,036,104,891**	1,053,880,268
Health Maintenance Insurance	**97,478,644**	84,326,271
Personnel economic relief allowance	**90,169,088**	89,406,669
Transportation allowance	**48,632,891**	47,458,172
Representation allowance	**47,633,047**	47,539,943
Overtime and night pay	**36,897,888**	81,012,247
Clothing/uniform allowance	**22,656,626**	22,818,577
Cash gift	**18,851,750**	18,713,250
Longevity pay	**17,546,369**	17,047,505
Quarters allowance	**10,924,502**	11,763,829
Others	**221,617,428**	197,084,462
	1,648,513,124	1,671,051,193
Personnel benefit contributions		
Provident/welfare fund contributions	**816,962,219**	814,075,997
Retirement and life insurance premiums	**217,786,186**	216,927,056
PhilHealth contributions	**25,854,962**	21,070,466
Pag-IBIG contributions	**4,517,839**	4,487,869
Employees compensation insurance premiums	**4,503,421**	4,424,457
	1,069,624,627	1,060,985,845
Other personnel benefits		
Terminal leave benefits	**165,539,145**	104,097,297
Other personnel benefits	**225,597,773**	215,610,509
	391,136,918	319,707,806
	4,922,123,741	4,856,057,786

22. MAINTENANCE AND OTHER OPERATING EXPENSES

This expense classification consists of:

	2020	2019
Professional services	**2,084,384,075**	2,501,774,177
Rent/Lease Expenses	**1,006,369,456**	734,934,336
Litigation/acquired assets expenses	**681,339,687**	937,697,900
General services	**664,476,237**	576,135,656
Subscription Expenses	**432,847,555**	282,042,397
Supplies and materials expenses	**248,490,988**	292,221,232
Utility expenses	**188,728,373**	222,293,302
Communication expenses	**165,834,694**	182,326,009

	2020	2019
Members' benefits	**130,603,032**	175,998,494
Repairs and maintenance	**119,093,857**	93,301,656
Confidential, Intelligence and Extraordinary Expenses	**51,781,635**	400,314,182
Taxes, insurance premiums and other fees	**41,527,554**	21,793,507
Traveling expenses	**24,494,775**	95,152,559
Printing and publication expenses	**16,631,313**	23,420,606
Survey, research and development expenses	**10,880,632**	25,517,297
Training and scholarship expenses	**5,966,280**	48,279,821
Other maintenance and operating expenses	**183,575,943**	327,191,842
	6,057,026,086	6,940,394,973

Professional services include costs incurred for legal, auditing, consultancy, and other professional services.

General services consist of expenses incurred for environment/sanitary services, janitorial services, security services and other general services contracted by the Fund not otherwise classified under any of the specific general services accounts.

Litigation/acquired assets expenses account pertains to expenses incurred for litigation proceedings and registration/consolidation of ownership of acquired assets, as well as those incurred in their preservation/maintenance and expenses related to disposal of acquired assets.

Other maintenance and operating expenses include expenses incurred in relation to advertising, promotional and marketing activities, representation, transportation and delivery and other expenses.

23. FINANCIAL EXPENSES

	2020	2019
Management supervision/Trusteeship fees	**22,430,488**	1,967,342
Bank charges	**1,732,579**	1,924,977
	24,163,067	3,892,319

24. NON-CASH EXPENSES

	2020	2019
Impairment loss	**6,208,878,486**	8,085,213,859
Losses	**2,208,473,161**	1,817,941,195
Depreciation	**700,889,978**	774,501,291
Amortization	**33,758,778**	42,170,521
Discounts and rebates	**1,222,246**	-
	9,153,222,649	10,719,826,866

The provision for impairment is intended to absorb the potential future losses on the Funds' receivables, investment properties, and properties and equipment. Impairment loss on receivables amounted to P5.433 billion (Note 5) and P7.892 billion in CYs 2020 and 2019, respectively.

Losses include loss on acquisition of ROPA amounting to P0.299 billion and P1.281 billion in CYs 2020 and 2019, respectively.

25. MEMBERS' EQUITY

This account reflects the equity of the members as owners of Pag-IBIG Fund amounting to P491.172 billion in CY 2020 and P436.645 billion in CY 2019, corresponding to members' contributions, employers' counterpart for employed members and the accumulated dividends. The account is reduced by the provident claims of members and offsetting of loans against the TAVs.

26. CUMULATIVE CHANGES IN FAIR VALUE

Cumulative changes in fair value comprise of net unrealized gains (losses) from marking to market of financial assets through fair value at other comprehensive income. The net changes for each year are as follows:

	2020	2019
Bonds and other debt instruments	**1,080,708,550**	(1,178,171,564)
Bonds and other debt instruments – MSRF	**1,576,839,677**	(924,202,293)
Stocks/equity securities	**11,588,548**	(504,330)
	2,669,136,775	(2,102,878,187)

The net unrealized gain in CY 2020 is caused by the increase in the marking to market revaluation of AFS investments. The favorable market conditions improve the inflation rate as well as BSP's interest rates which favorably affected the Fund's investment portfolio.

The net unrealized gains (losses) are broken down as follows:

	2020	2019
Net unrealized gains (losses), January 1		(12,401,576,636)
Unrealized gains:		
Recognized during the year		14,750,397,842
Realized during the year		(677,305,041)
Net unrealized gains		14,073,092,801
Unrealized losses:		
Recognized during the year		(4,447,983,070)
Realized during the year		673,588,718
Net unrealized losses		(3,774,394,352)
Net Unrealized Gains (Losses), December 31		(2,102,878,187)

The realized gains and realized losses during the year amounting to P0.677 billion and P0.674 billion, respectively, were recorded as part of gain from sale/redemption and loss from sale/redemption of FVOCI investments.

27. RETAINED EARNINGS (RE)

Retained Earnings consists of accumulated earnings of the Fund not paid out as dividends. RE amounting to P86.711 billion as at December 31, 2020, includes appropriations, and net income for CY 2020 pending dividend declaration.

Reserve for future claims

Pursuant to BOT approval per Resolution No. 2998 dated January 31, 2013, account reconciling items in the amount of P1.826 billion were lodged to this account. The set-up is intended for the settlement of valid future claims, subject to pertinent provisions of Rule XI, Section 1, Unclaimed Savings/Dividends of the IRR of RA No. 9679. As provided therein, any amount standing to the credit of any member for a period of one year after termination of membership shall be regarded as unclaimed savings and shall be reclassified as an account payable to the former member of the Fund. If any such amount standing to the credit of such person remains unclaimed for a period of more than ten years, the same shall be reverted to the Fund's retained earnings. As at December 31, 2020, the account has an outstanding balance of P18.307 million.

Appropriated and Unclaimed Balance

Pursuant to AMO No. 2018-013 issued last August 28, 2018, Long Outstanding Accounts Payable aged two years but not more than ten years are reclassified to Retained Earnings – Appropriated while payables aged more than ten years are reclassified to Retained Earnings – Unclaimed Balances accounts. As at December 31, 2020, approved reclassification to Retained Earnings – Appropriated and Retained Earnings – Unclaimed Balance amounted to P91.422 million and P57.583 million, respectively.

Dividends

For year 2020, dividends in the amount of P29.403 billion were appropriated from RE representing 93.68 per cent of the corresponding net income for the year in the amount of P31.385 billion excluding net foreign exchange loss of P202.783 million.

For prior years, dividends in the amount of P31.073 billion and P28.229 billion were appropriated from RE representing 90.00 per cent and 85.63 per cent of the corresponding net income for the year in the amount of P34.525 billion and P32.967 billion excluding net foreign exchange loss of 150.636 million and net foreign exchange gain of P205.207 million, for years 2019 and 2018, respectively.

28. SUPPLEMENTARY INFORMATION

In compliance with the requirements set forth in Revenue Regulation No. 15-2010, hereunder, are the information on taxes, duties and licenses paid or accrued during the taxable year.

The components of taxes, duties and license fees paid and accrued during the year are as follows:

	2020	2019
Taxes, duties and fees		
Taxes and licenses – ROPA	**322,133,036**	516,455,951
Real estate taxes – ROPA	**51,964,801**	83,262,877
Real estate taxes – Properties	**6,064,935**	2,968,430
Others	**18,326,917**	3,164,224
	398,489,689	605,851,482
Withholding taxes		
Tax on compensation and benefits	**399,102,766**	404,677,413
Creditable withholding taxes	**275,887,933**	313,932,751
Final withholding taxes	**267,082**	2,072,912
	675,257,781	720,683,076
	1,073,747,470	1,326,534,558

On September 28, 2011, BIR Revenue Memorandum Circular No. 43-2011 circularizing Section 19 of RA No. 9679 was issued highlighting the Fund's exemption from tax payments relative to the said law. It also states the Fund's exemption from the documentary stamp tax imposed under Title VII of the National Internal Revenue Code of 1997.

The President of the Philippines signed into law the Package 1 of the Tax Reform Acceleration and Inclusion Law on December 19, 2017, otherwise known as the "TRAIN Law" under RA No. 10963. One of the salient features of the Train Law is the increase of the non-taxable personal income to P250,000 per year for compensation income earners and self-employed and/or professional. The result of which is the decrease in monthly withholding tax for employees compensation as shown above. This act took effect starting in January 2018.

The taxes paid for ROPA, which cover tax assessment not paid by the borrowers prior to foreclosure of their properties, were assumed by the Fund to facilitate consolidation of title.

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

29. RELATED PARTY DISCLOSURES

Key management compensation

The compensation of key management personnel consists of short term benefits amounted to P47.249 million and P48.179 million for the year ending December 31, 2020 and 2019, respectively. Key management compensation forms part of the accounts under the Personnel Services and Maintenance and Other Operating Expenses (Notes 21 and 22). Salaries and allowances received, and expenses incurred by the key officers in the conduct of their official functions are as follows:

Particulars	2020	2019
Personnel services		
Salaries and wages	**22,789,109**	22,515,622
Other compensations	**2,616,775**	2,313,905
Personnel benefits contributions	**10,255,099**	10,132,030

Particulars	2020	2019
Other personnel benefits	**8,197,951**	7,769,712
	43,858,934	42,731,269
Maintenance and other operating expenses		
Survey, research, exploration and development expenses	**1,967,890**	1,987,197
Amortization	**1,295,970**	1,334,235
Supplies and materials expenses	**126,291**	484,311
Other maintenance and operating expenses	**-**	1,641,794
	3,390,151	5,447,537
	47,249,085	48,178,806

Co-ownership of Atrium of Makati Condominium Building

The Fund owns 84 units of the 177 total condominium units and 83 slots of the 204 total parking slots of the Atrium of Makati Condominium Building, equivalent to 14,865.80 square meters or 52.73 per cent ownership of the 28,193.48 total floor area. The property is located along Makati Avenue, Urdaneta Village, Makati City.

30. RISK MANAGEMENT

Pending the creation of a formal risk management structure and approval by the GCG, a Risk Management Task Force (RMTF) was created. On December 29, 2015, a Special Order (SO) reassigning the Investment Risk Management Division (IRMD) staff, complemented by a staff from the Legal and General Counsel Group, to the RMTF was issued.

Per SO, the RMTF shall handle priority activities for the following functions:

- Design and deployment of the overall risk management framework to ensure that the Fund's exposures to its various risk-taking activities are appropriately identified, measured, monitored, reported, and managed across the organization covering credit risk, liquidity risk, market risk and operational risk;

- Monitoring of business unit's adherence to framework and strategy;

- Compilation of data on risk across operating units and escalation of risk and control issues to ManCom/Board Risk and Capital Committee (BRCC);

- Aggregated risk reporting; and

- Recommendation on risk management decisions/mitigating activities to the business units, ManCom, BRCC and BOT .

The Enterprise Risk Management Policy (ERMP) was approved by the BOT on July 6, 2017. The ERMP is the overarching framework for the overall direction and strategies of the Fund on enterprise risk management. It shall serve as guide for systems and procedures for risk assessment, monitoring, and communication and shall define the context for risk management activities.

In CY 2019, the RMTF started updating the ManCom, BRCC and the full Board on the financial risks (credit, market and liquidity) associated with the Fund's operations by reporting to them monthly the Financial Risk Highlights (FRH). The FRH includes all the risk measurement tools/models/templates adopted by the Fund to calculate/compute market, credit and liquidity risks.

<u>Credit risk</u>

Credit risk is the risk of loss arising from the borrowers' failure to fulfill their contractual obligations. To mitigate this risk, the Fund has adopted the following initiatives:

a. Implementation of the Borrower Evaluation System (BES)

    The Fund has formulated the BES, a credit quality assessment process for the determination of the creditworthiness of housing loan borrowers which also factors in borrowers' equity adjustments .

    The assessment of the credit quality of housing portfolio taken out prior to July 2012 is based on the flow rate or payment behavior of the borrowers.

b. Adoption of the Single Borrower's Limit (SBL) for Wholesale Loans (WL) (HDMF Circular No. 306 dated April 10, 2012)

    This aims to mitigate risks and limit the losses in the event of default by the borrower/s and avoid a situation where a single loss will adversely affect the profitability/financial condition of the Fund.

    The total amount of loans, credit accommodations and guarantees that may be extended to any person, partnership, association, corporation or other entity shall, at any point in time, not exceed 25 per cent of the Free RE of the Fund. Free RE refers to the RE after declaration of dividends for the preceding year and net of the total capital valuation accounts.

c. Conversion to Full Risk Based Pricing Model (HDMF Circular No. 317, dated August 8, 2012)

    A pricing framework was adopted where a market based and full risk-based pricing of housing loans shall cover the Fund's costs, its risks in terms of expected loss on defaults and reasonable spread .

    In support to the pricing framework, the Fund formulated models for the Probability of Default (PD) and Loss Given Default (LGD), which are components of the ELR. ELR is defined as the product of PD and LGD. These models will be applied to various loan programs and subjected to periodic review for the required modifications to firm-up the models.

d. Credit Risk Management Policy

    The Board approved the Credit Risk Management Policy on July 6, 2017. It was patterned from pertinent provisions of BSP Circular No. 855 series of 2014, Guidelines on Sound Credit Risk Management Practices.

e. Prepayment Rate Model (PRM) for End-User

This was presented to and approved by the ManCom and BRCC last July 29, 2019 and August 30, 2019, respectively. The Model aims to determine and monitor the Prepayment Rate of the End-User Financing Portfolio. Since its approval, it has formed part of the Financial Risk Highlights, a monthly report.

f. Model Risk Management Policy

The ManCom and BRCC approved the Model Risk Management Policy (MRMP) last December 9, 2019 and December 17, 2019, respectively. The MRMP shall enable proactive assessment, prioritization, and management of Model Risks to support the Fund's vision, mission, and objectives. It is patterned from different guidelines from European and US banks. This shall be implemented by phase and will form part of the Risk Management Manual.

g. Delinquency Rate and Roll Rate Models

Delinquency rate refers to the percentage of loans within a financial institution's loan portfolio whose payments are delinquent. The roll rate is the percentage of borrowers that roll from one category of delinquency to the next.

The Delinquency Rate and Roll Rate Models were presented to and approved by the MFT-Housing, Credit Risk Sub-Committee, and Management Committee on June 22, 2020, July 9, 2020 and July 27, 2020, respectively.

They aim to determine the credit quality of the Housing Loans Portfolio, provide information on the payment behavior of the housing loan borrowers, and predict credit losses.

h. Concentration Risk

This was presented to and approved by the Credit Risk Sub-Committee and Management Committee on October 23, 2020 and October 27, 2020, respectively. Concentration Risk can be defined as any single, direct and/or indirect, exposure or group of exposures with the potential to produce losses large enough to threaten an institution's health or ability to maintain its core business.

<u>Liquidity risk</u>

Liquidity risk is defined as the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. It may arise because of the possibility that the Fund may be unable to meet its payment obligations when they fall due under both normal and stress circumstances. The Liquidity Risk Management Policy (LRMP) was approved by the BOT on July 6, 2017.
The Fund ensures liquidity through a combination of active management of liabilities, a liquid asset portfolio composed substantially of deposits in government securities and securing of money market lines. The Funding and Liquidity Risk Framework (FLRF) and Contingency Funding Plan (CFP) Template were approved by the BOT on November 9, 2017.

Maturity Analysis

As at December 31, 2020, the Fund has no outstanding long-term liabilities. The amounts disclosed below are the contractual undiscounted cash flows of current liabilities in respect of balances due within 12 months. These generally equal their carrying amounts in the SFP as the impact of discounting is not significant.

Liabilities	On demand up to three months	More than three months up to 12 months
Accounts payable	25,988,498,120	35,744,842,210
Customers' Deposits Payable	3,761,361,927	-
Provisions	2,589,852,059	-
Insurance/Reinsurance Premium Payable	961,696,726	2,885,090,177
Trust liabilities	869,152,418	-
Other payables	658,609,787	-
Guaranty/Security Deposits Payable	143,237,891	-
Inter-agency payables	136,786,420	-
Due to officers and employees	8,377,687	-

To meet maturing obligations, aside from cash generated from operations, the Fund earmarks funds and invests in assets readily convertible into cash, such as time/special savings deposits, treasury bills, notes, bonds, both local and foreign denominated, and equity securities. As at December 31, 2020, balances of these assets are as follows:

	Balance
Cash and cash equivalents	7,114,991,126
Investments	55,546,964,827

Of the total Investments, P20.615 billion is assigned to MSRF.

Operational risk

Operational risk refers to the risk of loss caused by inadequate or failed internal processes, people, and systems, or from external events (including legal risk). It is inherent in all activities, products and services, and cuts across multiple activities and operating units within the Fund. When controls fail to perform, operational risk can cause damage to reputation, have legal or regulatory implications, or lead to financial loss.

The Fund cannot be expected to avoid all operational risks but endeavors to manage these risks through control measures embedded in its processes. These controls, which are measures to ensure achievement of objectives, include effective segregation of duties, access-authorization, computer-generated sequential pre-numbering of documents and forms, and reconciliation procedure, staff training and assessment process, as well as activities of the Internal Audit Services Group.

The Operational Risk Management Policy (ORMP) and Reputational Risk Management Policy (RRMP) were approved by the Board last July 6, 2017. These are patterned from pertinent provisions of BSP Circular No. 900, Series of 2016, Guidelines on Operational Risk Management and “Designing Enterprise Risk Management in Organizations”, an

Asia Risk Management Institute (ARIMI) module, and BSP Circular No. 747, Series of 2012, Revised Guidelines on Compliance, and articles of other authorities on Reputational Risk Management.

The Social Media Risk Management Policy, adapted from BSP Circular No. 949, and Business Continuity Management Policy, adapted from BSP Circular No. 951, were both approved on March 13, 2018.

The Asia Risk Management Institute's (ARIMI's) Enterprise Value Risk Assessment (EVRA) was the basis for EVRA risk assessment process for the Fund's operational risks. The Fund's EVRA was approved by the ManCom on March 26, 2018 and presented to the BRCC and the full Board for information purposes on April 24 and May 18, 2018, respectively.

The typical risk control self-assessment process identifies risks directly as internal and external factors affecting the organization. This approach does not provide assurance that risks needing prioritizing are identified.

EVRA uses Organizational Context Analysis to determine the parameters within which the organization operates and can operate. Customer Analysis and Business Model Analysis identify key processes and resources critical to answering the needs of the customer in a competitive manner while making a profit and sustaining operations over time. Risk Tree Analysis identifies the causes and effects of a disruption to key processes and resources and determines crisis management and preventive measures. Only the risks that affect the key processes and resources, as well as Black Swans, or catastrophic losses, and Blue Swans, or unexpected opportunities, are identified, and measured in terms of likelihood and severity, and studied for other characteristics. Risk evaluation and treatment are based on a one-to-five scoring for risk likelihood and one-to-five scoring for risk severity.

EVRA Cascading is conducted to raise awareness for the risk assessment process and proper filling out of Risk Management forms.

It was one of the bases for the determination of the Fund's 2020 Top Operational Risks that were analyzed and presented to the ManCom, during the Strategic Planning for 2020, and to the BRCC .

Sessions of EVRA technical assistance were likewise conducted in preparation for audits and to address specific Pag-IBIG unit concerns.

The Cyber Risk Management Policy was approved in October 2020. It adopted the National Institute of Science and Technology's (NIST's) Cybersecurity Framework and identified the roles of the Board, Management, specific Pag-IBIG units and individual units.

Market risk

Market risk is brought about by adverse movements in factors that affect the market value of instruments, products, and transactions in an institutions' overall portfolio. It arises from market marking, dealing, and position-taking in interest rate, foreign exchange and equity markets.

The Fund's adoption of the Full Risk-Based Pricing Model is also intended to provide an objective pricing model, reflective of the market .

The following market risk reports are being currently generated:

a. Mark-to-market – reports the fair value of financial instruments based on market prices.

b. Value-at-Risk (VaR) – measures the worst loss of the investment portfolio over a one-month horizon at 95 per cent confidence level.

c. Liquidity report – shows the cash flow from the investment portfolio grouped in different time buckets.

d. Duration – shows the percentage change in the value of the investment portfolio for a 100 basis point change in interest rates.

e. Stress test – reports the worst-case loss in the value of portfolio using scenario based on extremely probable market developments.

Market Risk Management Policy (MRMP) was approved by the Board on July 6, 2017. This is patterned from pertinent provisions of BSP Circular No. 544, series of 2006, Guidelines on Market Risk Management.

<u>Capital Management Policy (CMP)</u>

The adoption of the Capital Adequacy Framework established the minimum capital requirement in determining the amount of dividends to be declared. The Fund also manages its liquidity by maintaining Capital Adequacy Ratio (CAR) of not less than 16 per cent as directed by the BOT during its December 21, 2011 Board meeting.

On December 20, 2016 Board meeting, the BOT approved the inclusion of operational risk provisions in determining CAR. This is to ensure that the Fund's level of capital is commensurate to its exposure to credit, market, and operational risks. To compute the Risk-Weighted Asset (RWA) equivalent for operational risk, the Basic Indicator Approach was approved with a modified rate of 12 per cent. Now, the approved maintaining minimum CAR level of the Fund is at least 17.50 per cent, recommended for Systemically Important Financial Institutions (SIFIs).

To supplement the CAR, the Fund is currently developing policies to improve risk management, governance and ability to absorb shocks arising from financial and economic stress via the adoption of Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR).

The CMP shall guide the Fund in managing its Capital 1 (Members' Contributions) and Capital 2 (Retained Earnings) using applicable provisions of Basel Accord on Capital Adequacy Ratio (CAR)–the ratio of capital to risk-weighted exposures.

The Fund shall maintain a minimum of 17.50 per cent CAR based on Capital 2 and at least 100 per cent Expanded CAR based on Capital 1 and 2, as recommended for SIFIs.

Formula:

$CAR = Capital\ 2 / (RWA_{CMP} + RWA_{ORP})$
$Expanded\ CAR = (Capital\ 1 + Capital\ 2) / (RWA_{CMP} + RWA_{ORP})$
where,

RWA_{CMP} – risk-weighted assets for credit and market risk provisions
RWA_{ORP} – risk-weighted assets equivalent for operational risk provision

The RWA of the Fund for market and credit risks shall be determined by converting its assets using the Board approved risk weights. The RWA for operational risk shall use the Basic Indicator Approach at 12 per cent provision.

The maintenance of minimum CAR and Expanded CAR level will ensure sustainable operations that prioritize the safety of Members' Savings and capital commensurate to risk exposures: liquidity, market, credit, and operational risks.

On April 4, 2019, the Board approved the lowering of the minimum CAR level, from 17.50 per cent to 12.50 per cent.

31. EVENTS AFTER BALANCE SHEET DATE

Dividend Declaration

On February 18, 2021, the BOT approved the declaration of dividends for the year 2020 in the amount of P29.403 billion or 93.68 per cent of the Fund's audited net income of P31.385 billion, excluding P202.783 million net foreign exchange loss, to be credited proportionately to the Members' TAV. The dividend rate is equivalent to 5.62 per cent for Pag-IBIG 1 and 6.12% for the Modified Pag-IBIG 2 program.

Legal and other cases filed by or against HDMF

The impact on the financial statements of the legal and other cases filed by or against HDMF as at December 31, 2020 is not yet determined pending resolution by the proper courts.

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