HOME DEVELOPMENT MUTUAL FUND
(Pag-IBIG Fund)
STATEMENTS OF FINANCIAL POSITION
December 31, 2021 and 2020
(In Philippine Peso)

	Note	2021	2020
ASSETS			
Current assets			
Cash and cash equivalents	3	**10,499,298,874**	7,298,383,765
Investments	4	**44,382,446,701**	9,172,594,756
Receivables	5	**214,596,229,554**	226,357,556,306
Other current assets	6	**361,874,251**	297,777,694
		269,839,849,380	243,126,312,521
Non-current assets held for sale	7	**1,322,468,981**	1,162,211,644
Non-current assets			
Investments	4	**24,238,533,945**	46,374,370,071
Receivables	5	**410,715,731,866**	332,899,337,281
Investment property	8	**16,420,488,858**	17,485,631,715
Property and equipment	9	**1,469,915,606**	1,491,435,922
Right-of-Use-Assets	10	**1,701,109,478**	0
Intangible assets	11	**116,725,522**	88,406,801
Other non-current assets	12	**14,706,626,303**	27,906,664,211
		469,369,131,578	426,245,846,001
TOTAL ASSETS		**740,531,449,939**	670,534,370,166
LIABILITIES AND EQUITY			
Current liabilities			
Financial liabilities	13	**61,262,554,993**	73,810,924,717
Lease Payable	14	**597,295,171**	0
Inter-agency payables	15	**120,195,720**	136,786,420
Trust liabilities	16	**3,199,531,964**	4,783,682,944
Provisions	17	**2,145,238,456**	2,227,516,688
Other payables	18	**19,369,614,809**	18,821,116,907
		86,694,431,113	99,780,027,676
Non-current liabilities			
Financial Liabilities	13	**51,734,827,732**	0
Lease Payable	14	**1,142,620,706**	0
Provisions	17	**389,054,021**	362,335,371
Deferred credits/Unearned income	19	**17,046,498,091**	15,267,902,495
		70,313,000,550	15,630,237,866
TOTAL LIABILITIES		**157,007,431,663**	115,410,265,542

	Note	2021	2020
Equity			
Retained earnings	30	**89,890,336,852**	87,234,365,027
Cumulative changes in fair value	29	**(114,908,136)**	2,669,136,775
Members' equity	28	**493,748,589,560**	465,220,602,822
TOTAL EQUITY		**583,524,018,276**	555,124,104,624
TOTAL LIABILITIES AND EQUITY		**740,531,449,939**	670,534,370,166

The Notes on pages 9 to 71 form part of these financial statements.

Prepared by:

Angelica J. Abuel
OIC - Accountant V

Checked by:

Estrella A. Santos
Department Manager III

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, 2021 and 2020
(In Philippine Peso)

	Note	2021	2020
Income			
Service and business income	20	**43,927,242,418**	38,741,117,085
Gains	21	**9,244,695,003**	7,822,146,301
Other non-operating income	22	**4,544,471,407**	3,102,810,288
		57,716,408,828	49,666,073,674
Expenses			
Personnel services	23	**4,918,022,391**	4,922,123,741
Maintenance and other operating expenses	24	**7,206,089,804**	6,057,026,086
Financial expenses	25	**126,492,968**	24,163,067
Non-cash expenses	26	**10,733,638,009**	6,956,952,356
		22,984,243,172	17,960,265,250
Profit		**34,732,165,656**	31,705,808,424
Net Assistance/Subsidy		**(4,730,000)**	-
Net Income Before Modified Pag-IBIG 2 Returns		**34,727,435,656**	**31,705,808,424**
Investment Contract Benefit Expense	27	**(2,657,815,001)**	**-**
Net Income		**32,069,620,655**	**31,705,808,424**
Other comprehensive income	29	**(2,784,044,911)**	4,772,014,962
Comprehensive Income		**29,285,575,744**	**36,477,823,386**

The Notes on pages 9 to 71 form part of these financial statements.

HOME DEVELOPMENT MUTAL FUND
(Pag-IBIG Fund)
STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2021 and 2020
(In Philippine Peso)

	Cumulative Changes in Fair Value (Note 29)	**Retained Earnings (Note 30)**	**Members' Equity (Note 28)**	**Total**
Balance, January 1, 2021	2,669,136,775	87,234,365,027	465,220,602,822	555,124,104,624
Effect of adoption of PFRS 16	0	(35,060,077)	0	(35,060,077)
Balance, As restated	2,669,136,775	87,199,304,950	465,220,602,822	555,089,044,547
Members' contribution	0	0	63,592,195,414	63,592,195,414
Comprehensive income for the year	(2,784,044,911)	32,069,620,655	0	29,285,575,744
Dividends	0	(29,402,722,423)	29,402,722,423	0
Provident claims	0	0	(17,542,284,865)	(17,542,284,865)
Offsetting of Total Accumulated Value/Other adjustments	0	24,133,670	(46,924,646,234)	(46,900,512,564)
Balance, December 31, 2021	**(114,908,136)**	**89,890,336,852**	**493,748,589,560**	**583,524,018,276**
Balance, January 1, 2020	(2,102,878,187)	86,522,507,589	436,645,292,769	521,064,922,171
Members' contribution	0	0	44,585,931,719	44,585,931,719
Comprehensive income for the year	4,772,014,962	31,705,808,424	0	36,477,823,386
Dividends	0	(31,072,799,783)	31,072,799,783	0
Provident claims	0	0	(12,815,222,102)	(12,815,222,102)
Offsetting of Total Accumulated Value/Other adjustments	0	78,848,797	(34,268,199,347)	(34,189,350,550)
Balance, December 31, 2020	**2,669,136,775**	**87,234,365,027**	**465,220,602,822**	**555,124,104,624**

The Notes on pages 9 to 71 form part of these financial statements.

HOME DEVELOPMENT MUTAL FUND
Pag-IBIG Fund
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2021 and 2020
(In Philippine Peso)

	Note	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash inflows			
Collection of income/Revenue		**38,323,540,950**	31,786,869,542
Collection of receivables		**57,122,627,094**	50,200,138,570
Proceeds from matured investments		**411,430,274,362**	599,973,620,762
Trust receipts		**210,065,931**	232,011,433
Other receipts		**4,175,432,512**	3,930,837,951
Total cash inflows		**511,261,940,849**	686,123,478,258
Cash outflows			
Payment of expenses		**(9,272,451,554)**	(8,613,157,489)
Purchase of inventories		**(134,756,595)**	(124,013,668)
Grant of cash advances		**(9,676,327)**	(29,656,306)
Prepayments		**(16,602,546)**	(23,403,804)
Refund of deposits		**(21,874,513)**	(15,024,850)
Payments of accounts payable		**(46,791,348)**	(46,552,116)
Remittance of personnel benefit contributions and		**(2,743,050,567)**	(2,910,153,543)
Grant of loans		**(122,549,098,010)**	(83,947,025,408)
Purchase/Acquisition of investments		**(419,489,164,569)**	(635,832,206,330)
Other disbursements		**(8,246,357,622)**	(5,232,576,963)
Total cash outflows		**(562,529,823,651)**	(736,773,770,477)
Net cash used in operating activities		**(51,267,882,802)**	(50,650,292,219)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash inflows			
Proceeds from sale/ Disposal of investment property		**1,289,393,815**	762,767,044
Sale of investments		**9,842,260,801**	25,238,989,689
Proceeds from sale of other assets		**0**	1,789,379
Total cash inflows		**11,131,654,616**	26,003,546,112
Cash outflows			
Purchase/Construction of property and equipment		**(187,721,004)**	(259,083,478)
Purchase of investments		**(2,030,460,000)**	(5,831,938,876)
Purchase of intangible assets		**(61,782,895)**	(10,865,375)
Total cash outflows		**(2,279,963,899)**	(6,101,887,729)
Net cash provided by investing activities		**8,851,690,717**	19,901,658,383
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash inflows			
Members' contributions		**63,592,195,414**	44,585,931,719
Cash outflows			
Payment of Lease Payable		**(434,698,939)**	0
Provident benefit claims		**(17,542,284,865)**	(12,815,222,102)
Total cash outflows		**(17,976,983,804)**	(12,815,222,102)
Net cash provided by financing activities		**45,615,211,610**	31,770,709,617
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**3,199,019,525**	1,022,075,781
Effects of Exchange Rate Changes on Cash and		**1,895,584**	(2,372,048)
CASH AND CASH EQUIVALENTS, January 1		**7,298,383,765**	6,278,680,032
CASH AND CASH EQUIVALENTS, December 31	**3**	**10,499,298,874**	7,298,383,765

The Notes on pages 9 to 71 form part of these financial statements.

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.

The Fund, together with the other housing agencies namely National Housing Authority (NHA), National Home Mortgage Finance Corporation (NHMFC) and Social Housing Finance Corporation (SHFC), is under the administrative supervision of the Department of Human Settlements and Urban Development (DHSUD). DHSUD was formed by virtue of RA No. 11201, which was signed into law on February 14, 2019 and through the consolidation of the Housing and Urban Development Coordinating Council (HUDCC) and the Housing and Land Use Regulatory Board (HLURB). It shall act as the primary national government entity responsible for the management of housing, human settlement and urban development. DHSUD is currently headed by Secretary Eduardo D. Del Rosario, who is also one of the members of the Board of Trustees of the Fund.

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), 17 Technical and Administrative Support (TAS), 105 Branches and 42 Member Services Offices (MSOs) throughout the country.

<u>Approval of Financial Statements</u>

The financial statements of the Fund as at and for the year ended December 31, 2021, including the comparative financial statements as at and for the year ended December 31, 2020, were authorized for issue by the BOT on _________.

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 with Philippine Financial Reporting Standards (PFRS)

The financial statements of the Fund have been prepared in accordance with the PFRS. 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 Commercial Public Sector Entities (CPSE), previously known 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 2021 and 2020. 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.

The 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 (Phases 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 at December 31, 2021, 99.63 per cent of the total 63,980 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 No. 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 which include the following:

- 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.

Adoption of New and Amended Standards and Interpretations

a. *Effective in CY 2021 that are relevant to the Fund:*

i. Amendments to PFRS 16, Leases – *COVID-19 Related Rent Concessions beyond June 30, 2021* (Effective from April 1, 2021). The amendments provide relief to lessees for accounting for rent concessions from lessors specifically arising from COVID-19 pandemic. They permit the lessee to apply the practical expedients to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022. The application of these amendments had no significant impact on the Fund's financial statements.

b. *Effective in CY 2021 that are not relevant to the Fund*

i. Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform* – Phase 2 (effective from January 1, 2021). The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

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:

i. Amendments to PFRS 3, *Business Combination – Reference to the* Conceptual *Framework* (effective from January 1, 2022). The amendments update an outdated reference to the Conceptual Framework in PFRS 3 without significantly changing the requirements in the standard.

ii. Amendments to PAS 16, *Property, Plant and Equipment – Proceeds Before Intended Use* (effective from January 1, 2022). The amendments prohibit the entities from deducting from the cost of an item of property, plant and equipment any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

iii. Amendments to PAS 37, *Onerous Contracts – Cost of Fulfilling a Contract* (*effective* from January 1, 2022). The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

iv. *Annual* Improvements to PFRS 2018 - 2020 Cycle. The following amendments, which are effective from January 1, 2022, are relevant to the Fund:

- PFRS 9, *Financial Instruments – Fees in '10 per cent' test for derecognition of financial liabilities*. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

- Illustrative Examples accompanying PFRS 16, *Leases – Lease Incentives.* The amendment removes the illustration of payments from lessor relating to leasehold improvements in illustrative example accompanying PFRS 16 to resolve any potential confusion regarding the treatment of lease incentives.

The following improvements are not relevant to the Fund:

- PFRS 1, *First-time Adoption of PFRS – Subsidiary as a first-time adopter*. The amendment simplifies the application of PFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.

- PAS 41, *Agriculture – Taxation in fair value measurements*. The amendment removed a requirement to exclude cash flows from taxation when measuring fair value of assets within the scope of PAS 41.

v. Amendments to PAS 1, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective January 1, 2023). The amendments aim to promote consistency in applying the requirements by helping entities determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current.

vi. PFRS 17, *Insurance Contracts* (effective January 1, 2023). The new standard which will replace PFRS 4, *Insurance Contracts* upon effectivity, will set out the principles for the recognition, measurement, presentation and disclosure of insurance contracts within its scope.

The overall objective of the standard is to provide an accounting model for insurance contracts that is more useful and consistent for insurers.

This new standard requires a current measurement model where estimates are remeasured in each reporting period. Moreover, contracts are measured using the building blocks of:

- discounted probability-weighted cash flows;
- an explicit risk adjustment; and
- a Contractual Service Margin (CSM) representing the unearned profit of the contract which is recognized as revenue over the coverage period.

vii. Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates* (effective January 1, 2023). Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognized as income or expense in the current period. The effect, if any, on future periods is recognized as income or expense in those future periods.

viii. Amendments to PAS 12, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (Effective January 1, 2023). The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The proposed amendments will typically apply to transactions such as leases and decommissioning obligations

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.

The Fund's financial assets totaled P704.432 billion or 95.13 per cent of its Total Assets for CY 2021, to wit:

Particulars	Amount
FA at Amortized Cost	
Cash and cash equivalents	**10,499,298,874**
Investment in time deposits	**18,477,497,849**
Investment securities	**21,007,049,568**
Receivables – net	**625,311,961,420**
FA at Fair Value through Other Comprehensive Income (FVOCI)	**24,238,533,945**
FA at Fair Value through Profit or Loss (FVTPL)	**4,897,899,284**
	704,432,240,940

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.

Classification, Measurement and Reclassification of Financial Assets

The classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification and measurement of financial assets are described below and in the succeeding pages.

The Fund initially measures a financial asset at its fair value plus or minus, for an item not at an FVTPL, transaction costs that are directly attributable to its own acquisition or use.

i. Financial Assets at Amortized Cost

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Fund's business model whose objective is to hold financial assets in order to collect contractual cash flows ("held to collect"); and

- the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments

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:

	2021	2020
Cash and cash equivalents (Note 3)	**10,499,298,874**	7,298,383,765
Investment in time deposits (Note 4)	**18,477,497,849**	4,008,722,247
Investment securities (Note 4)	**21,007,049,568**	500,000,000
Receivables – net (Note 5)	**625,311,961,420**	559,256,893,587
	675,295,807,711	571,063,999,599

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

HDMF accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective is to hold to collect the associated cash flows and sell ("hold to collect and sell"); and,

- the contractual terms of the financial assets give rise to cash flows that are SPPI on the principal amount outstanding.

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.	**1,003,390,814**
BDO Unibank, Inc. – Trust and Investments Group	**930,484,969**
Philequity Management, Inc.	**1,063,160,269**
Metropolitan Bank and Trust Company	**1,025,468,658**
ATRAM Trust Corporation	**875,394,574**
	4,897,899,284

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.

Impairment of Financial Assets

The Fund recognizes the amount that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized in accordance with PFRS 9.

On December 17, 2018, the Management Committee (ManCom) approved to revise the 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 Expected Credit Loss (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.

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:

- 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 No. 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 conservatism which tend to deprive members of additional benefits.

- Complementary rate of the recovery rate based on the Asset Pricing Model (APM) for housing loan accounts over 5 years past due applying the following formula:

  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.

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
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

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.

Classification and Measurement of Financial Liabilities

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Fund designated a financial liability at FVTPL.

The Fund's financial liabilities include Accounts Payable, Insurance/Reinsurance Premium Payable and Due to Officers and Employees, which are subsequently measured at amortized cost.

Financial Liabilities are derecognized in the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

Financial Liabilities include Modified Pag-IBIG II (MP2), a special savings facility with a 5-year maturity, designed for Pag-IBIG Fund members who wish to save more and earn even higher dividends, in addition to their Pag-IBIG Regular Savings. The program is also open to pensioners and retirees who were former Pag-IBIG Fund members.

<u>Cash and cash equivalents</u>

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.

<u>Investments</u>

Investments include Financial Assets at Amortized Cost, Fair Value through Other Comprehensive Income and Fair Value through Profit or Loss. They include equities and 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.

<u>Receivables</u>

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.

<u>Other Current Assets</u>

a. Prepayments

   Prepayments include amounts advanced/deposited for registration fees, leases/rentals, supplies, software subscriptions, 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.

c. Inventories – Semi-Expendable Items

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

Non-Current Assets Held for Sale (NCAHS)

NCAHS consists of 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 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)

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.

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.

<u>Intangibles</u>

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.

<u>Leases</u>

COA Resolution No. 2020-033 dated December 2, 2020 was issued prescribing the mandatory adoption of PFRS 16 – Leases effective for periods beginning January 1, 2020. The HDMF requested deferment on the adoption of PFRS 16 in a letter dated March 3, 2021 and the COA, in its reply dated April 12, 2021, interposed no objection.

The Fund adopted PFRS 16 effective January 1, 2021 using the Modified Retrospective Approach. This allows the Fund not to restate its prior year's financial statements but recognizes the cumulative effect of initial application as an adjustment to the opening balance of Retained Earnings. The impact of the adoption of PFRS 16 resulted in the decrease of balance of Retained Earnings as at December 31, 2021 amounting to P35.060 million.

The Fund accounts for its leases as follows:

a. The Fund as a Lessor

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.

The Fund recognizes costs, including depreciation, incurred in earning the lease income as an expense.
Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognize those costs as an expense over the lease term on the same basis as the lease income.

Lease Modification

The Fund accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

b. The Fund as a Lessee

Accounting for Leases in Accordance with PRFS 16 (2021)

At the inception date, the Fund evaluates whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At lease commencement date, the Fund recognizes a right-of-use (ROU) asset and a lease liability in its statement of financial position. The ROU asset is measured at cost, which comprises the initial measurement of the lease liability, any lease payments made at or before the commencement date (net of any incentives received), any initial direct costs incurred by the Fund, and an estimate of costs to dismantle and remove the underlying asset at the end of the lease. ROU asset is subsequently measured at cost less any accumulated depreciation and accumulated impairment losses, subject to adjustment for any remeasurement of the lease liability.

If the lease transfers ownership of the underlying asset to the Fund by the end of the lease term or if the cost reflects that the Fund will exercise a purchase option, the Fund shall depreciate the ROU asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Fund shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term.

On the other hand, the Fund measures the lease liability at the present value of the lease payments unpaid at the commencement date discounted using the interest rate implicit in the lease if that rate is readily available. Otherwise, the Fund's incremental borrowing rate is used.

Lease payments include fixed payments less any lease incentive receivable, variable lease payments based on an index or a rate initially measured using the index or rate as at the commencement date, amounts expected to be payable by the Fund under residual value guarantees, the exercise price of a purchase option if the Fund is reasonably certain to exercise that option and payments of penalties for terminating the lease if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequently, the Fund measures the lease liability by:

a. increasing the carrying amount to reflect interest on the lease liability;
b. reducing the carrying amount to reflect the lease payments made; and
c. remeasuring the carrying amount to reflect any reassessment or lease modifications.

After the commencement date, the Fund recognizes the interest on the lease liability and variable lease payments not included in the measurement of the lease liability in the period in which the event or condition that triggers those payments occur in its profit or loss, unless the costs are included in the carrying amount of another asset applying other applicable Standards.

When the lease liability is remeasured, the corresponding adjustment is reflected in the ROU asset, or profit or loss if the ROU asset is already reduced to zero.

The Fund has elected to account for short-term leases and low-value leases using the practical expedients. The payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

Accounting for Leases in Accordance with PAS 17 (2020)

The Fund classifies rental payments as operating lease. Periodic rental is recognized as rent expense on a straight-line basis over the lease term.

Determining the appropriate discount rate in measuring lease liabilities

The Fund measures its lease liabilities at present value of the lease payments unpaid at the commencement date. The lease payments were discounted using the interest rate implicit in the lease if readily available or the Fund's incremental borrowing rate. The said borrowing rate shall be the base rate of the Fund's approved Full Risk-Based Pricing Model. The base rate is the higher of funding cost and market.

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.

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

On December 07, 2020, the Fund issued guidelines implementing the Pag-IBIG Health and Education Loan Program (Pag-IBIG HELPs) thru HDMF Circular No. 445. Pag-IBIG HELPs is loan program which aims to provide additional benefits to members by extending financial assistance in payment for educational and health-related expenses of the member and/or his beneficiaries. The loan shall be charged with an interest of 10.50% per annum, aligned with the prevailing guidelines on STL.

The Pag-IBIG HELPs, MPL and/or Calamity Loan Program shall be treated as separate and distinct from each other.

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 2021 are as follows:

Fixing Period	Rate (in per cent)
	January 1, 2021 to December 31, 2021
End-user financing (Regular)	
1-year Fixing	5.750
3-year Fixing	6.250
5-year Fixing	6.500
10-year Fixing	7.250
15-year Fixing	7.875
20-year Fixing	8.500
25-year Fixing	9.125
30-year Fixing	9.875

For end-user loans outstanding prior to January 1, 2021 prevailing interest rates are as follows:

Fixing Period	Rate (in per cent)			
	Jul 1, 2020 to Dec 31, 2020	**Jan 1, 2020 to Jun 30, 2020**	**Jul 1, 2019 to Dec 31, 2019**	**Jan 1, 2019 to Jun 30, 2019**
End-user financing (Regular)				
1-year Fixing	5.375	5.375	5.375	5.375
3-year Fixing	6.125	6.375	6.375	6.375
5-year Fixing	6.500	6.875	6.875	7.270
10-year Fixing	7.125	7.500	7.500	8.035
15-year Fixing	7.750	8.125	8.125	8.585
20-year Fixing	8.375	8.875	8.875	8.800
25-year Fixing	9.125	9.500	9.500	9.050
30-year Fixing	9.750	10.125	10.125	10.000

Pursuant to the approval of BOT last July 9, 2020, the interest rates under the EUF program have been reduced to 4.985 per cent and 5.375 per cent for 1-year and 3-year fixing period, respectively. The promotional interest rates shall apply to new housing loan take outs 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.

The implementation of the promotional rates is extended until March 2021 subject to the guidelines issued by the Fund.

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

Interest rate for the Non-Performing Asset Resolution Program for Retail Accounts (1-Year Fixing) is at 7.125 per cent effective April 5, 2021. This was superseded on November 5, 2021 at 8.375%.

Nominal interest rate for the Special Housing Loan Restructuring II Program (1-Year Fixing) is at 6.375 per cent effective October 16, 2021.

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

Operative Dates	HDMF Circular No.	Description
		Construction Loan Program
October 16, 2020	439	Guidelines on the Pag-IBIG Fund Special Housing Loan Restructuring Program
July 22, 2021	446	Guidelines on the Pag-IBIG Fund Home Equity Appreciation Loan (HEAL) Program
October 16, 2021	453	Guidelines on the Pag-IBIG Fund Special Housing Loan Restructuring II 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.

HDMF Circular No. 446, “Guidelines on the Pag-IBIG Fund Home Equity Appreciation Loan (HEAL) Program”, was issued to allow existing housing loan borrowers/installment buyers to avail another loan to finance their home improvement and other needs of the home and family, effective on July 22, 2021. The HEAL shall be charged with an interest rate based on the Fund's Full Risk-Based Pricing Framework and shall be repriced periodically depending on the chosen repricing period of the borrower over a maximum term of 30 years, subject to the Fund’s existing rules and regulations.

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. 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 for membership matured as of year-end and maturing within one year from statement of financial position date (Note 13), offsetting of member’s short-term or housing loans and withdrawal of savings.

3. CASH AND CASH EQUIVALENTS

This account is composed of the following:

	2021	2020
Cash on hand	**124,779,334**	271,186,506
Cash in bank – local currency	**4,288,494,500**	3,233,292,663
Cash in bank – foreign currency	**32,515,804**	21,419,196
Cash equivalents	**6,053,509,236**	3,772,485,400
	10,499,298,874	7,298,383,765

Bank deposits on foreign currencies at December 31, 2021 were revalued based on the following rates as at December 31, 2021: BAP Weighted Average Rate US$1 = P50.974 and Reuters' CAD$1 = US$0.791 for third currency conversion from Canadian to US Dollar. Interest rates from cash equivalents with maturity of 90 days and below range from 0.40 to 1.80 per cent for local currency and 0.010 to 0.105 per cent for foreign currency.

4. INVESTMENTS

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

	2021	2020
Current		
Financial assets designated at FVPL	**4,897,899,284**	4,663,872,509
Investment in time deposits	**18,477,497,849**	4,008,722,247
Investment securities at amortized cost	**21,007,049,568**	500,000,000
	44,382,446,701	9,172,594,756
Non-Current		
Financial assets at FVOCI	**24,238,533,945**	46,374,370,071
	68,620,980,646	55,546,964,827

Financial Assets Designated at Fair Value Through Profit or Loss

The Fund outsourced, through Public Bidding-Consultancy Services, the management of its P5 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 billion total equity portfolio shall be equally divided into five lots amounting to P1 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 at December 31, 2021, total investment stood at P5.0 billion with a market value of P4.898 billion. Net gain of P234.027 million was recognized in 2021 while net losses of P256.299 million in 2020.

	Principal Value	Market Value
BPI Asset Management and Trust Corp.	1,000,000,000	**1,003,390,814**
BDO Unibank, Inc. – Trust and Investments Group	1,000,000,000	**930,484,969**
Philequity Management, Inc.	1,000,000,000	**1,063,160,269**
Metropolitan Bank and Trust Company	1,000,000,000	**1,025,468,658**
ATRAM Trust Corporation	1,000,000,000	**875,394,574**
	5,000,000,000	**4,897,899,284**

Investment in Time Deposits

This account consists of Investment in Time Deposits, which is a local currency, fixed-term placement for a period of 90 days and below earns interest from 0.40 to 1.80 per cent while 91 days but less than one year earns interest from 1.00 to 2.30 per cent.

Investment Securities at Amortized Cost

Amortized Cost is composed of investment in bonds and other debt instruments issued by the National Government (BTr) and Domestic Private Corporations that was reclassified from FVOCI, details follow:

	2021	2020
Treasury notes/bonds	**9,696,925,169**	500,000,000
Corporate bonds	**6,237,361,186**	-
Dollar denominated bonds	**5,072,763,213**	-
	21,007,049,568	500,000,000

Included in this account group are Treasury notes/bonds and Dollar denominated bonds for Member's Savings Reserve Fund (MSRF) with face value of P15.93 billion and US$99.08 million (Note 12), 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.

Interest rates for investment in bonds and other debt instruments range from 1.38 to 7.125 per cent with maturity dates from CYs 2022 to 2042.

Fair Value through Other Comprehensive Income (FVOCI)

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

	2021	2020
Treasury notes/bonds	**24,237,443,129**	33,504,549,415
Corporate bonds	**0**	6,301,895,965
Dollar denominated bonds	**0**	3,424,469,864
Treasury bills	**0**	3,142,553,684
Investment in stocks	**1,090,816**	901,143
	24,238,533,945	46,374,370,071

Included in this account group are Treasury notes/bonds for Member's Savings Reserve Fund (MSRF) with face value of P23.234 billion and market value of P23.498 billion (Note 12), 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.

Interest rates for investment in bonds and other debt instruments range from 2.375 to 8.00 per cent with maturity dates from CYs 2022 to 2040.

Investment in Stocks includes PLDT common shares converted from PLDT preferred shares carried at current market value amounting to P726,612.

5. RECEIVABLES

	2021	2020
Mortgage/sales contracts receivable	**597,274,924,769**	524,146,362,490
Loans receivable	**57,644,504,200**	59,389,363,036
Interests receivable	**5,888,558,831**	6,155,380,742
Accounts receivable	**1,187,660,033**	1,520,836,770
Other receivables	**5,730,322,465**	7,353,533,096
	667,725,970,298	598,565,476,134
Allowance for impairment loss	**(42,414,008,878)**	(39,308,582,547)
	625,311,961,420	559,256,893,587
Current receivables	**214,596,229,554**	226,357,556,306
Non-current receivables	**410,715,731,866**	332,899,337,281

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 P172.040 billion and P182.303 billion for years 2021 and 2020, respectively, include past due accounts, zero to three months in arrears of P45.719 billion and P74.386 billion, respectively, which are immediately due and demandable.

Loan Sale and Purchase Agreement (LSPA) Between HDMF and NHMFC

On June 18, 2019, HDMF 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 and interest rate of 4.50 per cent

- 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

The HDMF and NHMFC also entered a separate Servicing and Accounts Management Agreement (SAMA) 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 20. Total purchase price for the covered accounts is P1.058 billion.

A second tranche of LSPA was entered into by the HDMF 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 60 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 was not subjected to SAMA.

Loans Receivables account consists of receivables from STL, Calamity Loans and Other Government Corporations in the total amount of P57.645 billion and P59.389 billion for CY 2021 and 2020, respectively. Further, these include past due accounts, zero to three months in arrears, of P13.395 billion and P13.848 billion for CYs 2021 and 2020, 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 end of year. 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 (CAs) are receivables from CAs 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 P0.583 million 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:

	2021	2020
Other receivables - Bayanihan Act	**5,446,395,914**	7,087,873,554
Insurance claims receivable	**172,463,830**	155,051,197
Due from officers and employees	**62,706,620**	54,858,269
Receivables-disallowances/charges	**1,187,149**	5,537,758
Others	**47,568,952**	50,212,318
	5,730,322,465	7,353,533,096

Other Receivables – Bayanihan Act consist of accrued interests on Short Term Installments (STI), Institutional Loans (IL), HL and STL accounts that fall due within the M/ECQ period covered by the grant of mandatory grace period under Bayanihan I and Bayanihan II. Included in these 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.

Due from Officers and Employees include zero-interest loans amounting to P48.897 million availed through the HDMF Car Plan. The loans were covered by promissory notes and granted to qualified officers of the Fund.

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

	Balance January 1, 2021	**Additional Impairment Loss**	**Recovery from Impairment Loss**	**Recognition of ROPA & other adjustments**	**Balance December 31, 2021**
Current					
MCR/SCRs	36,160,776,751	7,181,621,730	1,763,740,528	1,910,518,699	39,668,139,254
ARs	604,246,752	34,390,590	63,367,995	(1,656,027)	576,925,374
Int. Rec.	1,255,819,113	247,804,704	306,350,565	251,023,123	946,250,129
LR	1,287,739,931	14,605,043	209,960,157	(130,309,304)	1,222,694,121
	39,308,582,547	**7,478,422,067**	**2,343,419,245**	**2,029,576,491**	**42,414,008,878**

6. OTHER CURRENT ASSETS

These consist of the following:

	2021	2020
Prepayments	**261,617,683**	213,581,917
Inventories held for consumption	**98,823,556**	82,247,179
Inventories semi expendable Items	**1,239,012**	1,948,598
Advances	**194,000**	0
	361,874,251	297,777,694

Bulk of the prepayments pertains to prepaid supplies and other prepaid expenses.

Prepaid supplies amounting to P26.304 million are purchases of office supplies paid in advance to the Department of Budget and Management - Procurement Services then reclassified to specific supplies inventory account upon delivery of related items.

Other prepaid expenses amounting to P133.750 million pertain to subscriptions of various software licenses essential for the Fund's day-to-day operation, which are expected to be amortized until November 2022.

7. NON-CURRENT ASSETS HELD FOR SALE

This account consists of:

	2021	2020
Balances at beginning of year	**1,162,211,644**	1,654,507,812
Additions	**5,027,673,730**	4,391,720,402
Disposal	**(4,237,340,026)**	(4,208,562,800)
Adjustments/Cancellations	**(630,076,367)**	(675,453,770)
Balances at end of year	**1,322,468,981**	1,162,211,644

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 CY 2021, the P7.376 billion gains arising from the sale of assets held for sale is presented as part of Gains (Note 21). On the other hand, the P150.330 million loss from sale is presented under Non-Cash Expenses-Losses (Note 26).

8. INVESTMENT PROPERTY

Investment Property (IP) 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 other land and land improvements being held for rental and capital appreciation.

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

As at December 31, 2021

	Land and Land Improvement	Building	Total
Cost			
Balances at beginning of year	8,299,140,784	11,668,228,838	19,967,369,622
Additions	1,403,960,796	1,887,734,858	3,291,695,654
Reclassification to NCAHS	(892,155,594)	(4,723,701,488)	(5,615,857,082)
Reversals/Adjustments	(613,537,881)	1,045,948,633	432,410,752
Balances at end of year	8,197,408,105	9,878,210,841	18,075,618,946
Accumulated depreciation			
Balances at beginning of year	639,950	1,163,877,797	1,164,517,747
Additions	121,896	393,444,768	393,566,664
Reversals/Adjustments	0	(371,139,240)	(371,139,240)
Balances at end of year	761,846	1,186,183,325	1,186,945,171
Allowance for impairment			
Balances at beginning of year	1,044,396,596	272,823,564	1,317,220,160
Additions	175,778,298	394,172,937	569,951,235
Reversals/Adjustments	(1,131,293,497)	(287,692,981)	(1,418,986,478)
Balances at end of year	88,881,397	379,303,520	468,184,917
Carrying amount, end of year	**8,107,764,862**	**8,312,723,996**	**16,420,488,858**

As at December 31, 2020

	Land and Land Improvement	Building	Total
Cost			
Balances at beginning of year	7,404,958,567	15,456,076,524	22,861,035,091
Additions	1,138,343,870	1,695,693,066	2,834,036,936
Reclassification to NCAHS	(2,056,767,539)	(2,707,538,428)	(4,764,305,967)
Reversals/Adjustments	1,812,605,886	(2,776,002,324)	(963,396,438)
Balances at end of year	8,299,140,784	11,668,228,838	19,967,369,622
Accumulated depreciation			
Balances at beginning of year	518,055	1,027,735,145	1,028,253,200
Additions	121,895	492,008,457	492,130,352
Reversals/Adjustments	0	(355,865,805)	(355,865,805)
Balances at end of year	639,950	1,163,877,797	1,164,517,747
Allowance for impairment			
Balances at beginning of year	43,569,581	1,579,273,751	1,622,843,332
Additions	303,799,007	482,654,819	786,453,826
Reversals/Adjustments	697,028,008	(1,789,105,006)	(1,092,076,998)
Balances at end of year	1,044,396,596	272,823,564	1,317,220,160
Carrying amount, end of year	7,254,104,238	10,231,527,477	17,485,631,715

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.

As a practical relief to the ongoing disruption to economic activity being caused by the COVID-19 pandemic, the Fund relaxed the validity of appraised value of acquired assets to qualify endorsement to Acquired Assets Management Group. Nevertheless, the Property Valuation Department shall update Appraisal Reports not later than March 31, 2022.

Status of appraisal is shown below:

	No. of Accounts	Book Value	Appraised Value*
With valid appraisal	43,967	14,692,966,810	33,815,442,993
With lapsed appraisal	8,170	2,639,340,267	5,834,079,673
	52,137	**17,332,307,077**	**39,649,522,666**

Appraised value excludes applicable discount under APM.

For accounts with lapsed appraisal as at December 31, 2021, 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 2021 and CY 2020 amounted to P4.201 million and P3.672 million, respectively.

Included in the IP are the following properties held for rental by the Fund:

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	285.08
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 2021 totaled P56.950 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:

	2021	2020
Within one year	**54,462,042**	53,793,165
More than one year but not more than five years	**62,090,824**	4,241,523
	116,552,866	58,034,688

In 2021, the average appraisal value of the 18 lots was P1.023 billion as determined by in-house appraiser and two external 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. The Fund has collected a total of P14.478 million as lease income.

Club Balai Isabel Condotel Units

The 11 Club Balai Isabel condotel units were transferred to the Fund by way of Dacion 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 per unit per month for a total monthly rental of P110,000.

However, HDMF received an honorarium for the use of the units as quarantine facility amounting to P0.158 million for the Y2021.

9. PROPERTY AND EQUIPMENT, NET

This account consists of the following:

As at December 31, 2021

	Land	Land Improve-ments	Buildings and Other Structures	Machinery and Equipment	Total
Cost:					
Balances at beginning of year	109,025,990	1,588,428	1,484,237,659	2,410,314,063	4,005,166,140
Additions	878,004	160,000	68,852,806	117,482,911	187,373,721
Disposals	0	0	(1,542,436)	(29,983,831)	(31,526,267)
Reclassifications/Adjustments	437,706	0	7,627,873	(62,461,405)	(54,395,826)
Balances at end of year	110,341,700	1,748,428	1,559,175,902	2,435,351,738	4,106,617,768
Accumulated Depreciation					
Balances at beginning of year	0	876,009	1,012,147,459	1,500,706,750	2,513,730,218
Additions	0	148,190	72,270,389	203,228,137	275,646,716
Disposals	0	0	(1,542,436)	(25,171,878)	(26,714,314)
Reclassifications/Adjustments	0	125,856	(61,250,118)	(64,836,196)	(125,960,458)
Balances at end of year	0	1,150,055	1,021,625,294	1,613,926,813	2,636,702,162
Carrying Amount, end of year	**110,341,700**	**598,373**	**537,550,608**	**821,424,925**	**1,469,915,606**

As at December 31, 2020

	Land	Land Improve-ments	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	0	0	34,379,282	224,704,196	259,083,478

	Land	Land Improve-ments	Buildings and Other Structures	Machinery and Equipment	Total
Disposals	0	0	(1,849,151)	(35,573,415)	(37,422,566)
Reclassifications/Adjustments	147,078	0	(33,540,788)	(57,510,883)	(90,904,593)
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	0	701,335	971,808,227	1,370,483,003	2,342,992,565
Additions	0	174,674	47,017,506	198,465,279	245,657,459
Disposals	0	0	(1,601,512)	(33,393,453)	(34,994,965)
Reclassifications/Adjustments	0	0	(5,076,762)	(34,848,079)	(39,924,841)
Balances at end of year	0	876,009	1,012,147,459	1,500,706,750	2,513,730,218
Carrying Amount, end of year	109,025,990	712,419	472,090,200	909,607,313	1,491,435,922

10. RIGHT-OF-USE ASSETS

Movements of this account are as follows:

	Buildings	Other Right-of-Use Assets	Total
Cost:			
Balances at beginning of year	0	0	0
Additions	2,729,643,531	5,429,907	2,735,073,438
Balances at end of year	2,729,643,531	5,429,907	2,735,073,438
Accumulated Depreciation			
Balances at beginning of year	0	0	0
Additions	1,031,964,564	1,999,396	1,033,963,960
Balances at end of year	1,031,964,564	1,999,396	1,033,963,960
Carrying Amount, end of year	1,697,678,967	3,430,511	1,701,109,478

11. 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:

	2021	2020
Cost		
Balance, January 1	**165,780,037**	332,644,094
Addition	**93,992,995**	10,865,375
Derecognition	**(32,439,220)**	(177,729,432)
Balance, December 31	**227,333,812**	165,780,037
Accumulated Amortization		
Balance, January 1	**77,373,236**	61,831,206
Amortization	**33,416,742**	33,758,778
Derecognition	**(181,688)**	(18,216,748)
Balance, December 31	**110,608,290**	77,373,236
Carrying amount, December 31	**116,725,522**	88,406,801

The Fund made a total acquisition of P93.993 million worth of Information Technology Software for the CY2021. P54.000 million if this amount were dedicated to appliance based secure web gateways and application delivery controllers to strengthen and secure the Fund's networks of database to prevent hacking. Also, further assessments led to the reclassification of P32.439 million to other accounts classification, with details as follows:

- IT Development Costs directly attributable to the design, development and implementation of the IISP were recognized as Intangible Assets when the following criteria were met: it is technically feasible to complete the development so that it will be available for use; it is probable that it will generate future economic benefits; its development can be reliably measured. The Fund made a 30% partial payment amount P6.300 million for the User Acceptance Testing (UAT) sign-off which includes integration, performance, security acceptance and compliance to BIR's requirements for FAS and CMS modules.
- The remaining P24.139 million were software licenses that were initially capitalized based on the costs incurred to acquire and bring to use the specific software. Based on evaluation, licenses cover only one-year subscription thus those previously capitalized had to be reversed in CY2021.

12. OTHER NON-CURRENT ASSETS

This classification comprises the following:

	2021	2020
Restricted funds	**14,401,339,154**	27,634,551,546
Deposits	**242,208,453**	221,644,790
Other assets	**63,078,696**	50,467,875
	14,706,626,303	27,906,664,211

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

	2021	2020
Time Deposit - Local Currency and MSRF	**13,420,546,474**	26,617,950,725
Funds Held In Trust	**253,641,627**	292,217,099
Contingency Trust Fund	**727,151,053**	724,383,722
	14,401,339,154	27,634,551,546

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. Balance as at December 31, 2021 is at P20,202.

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.

On June 30, 2020, part of Investment on Government Securities Debt Instruments classified as MSRF were sold, the proceeds of which were reinvested in government banks Time Deposit - Local Currency for less than one year to ensure efficient liquidity management for benefit claims. As at December 31, 2021, Time Deposit-MSRF amounted to P13.421 billion.

Aside from the above LBP Atrium Current Account and Time Deposits, this MSRF also includes designated investments in treasury notes/bonds (Note 3), which are readily convertible to cash as needed.

Total MSRF balance as at December 31, 2021 amounted to P49.649 billion (Note 4).

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 at June 30, 2019, balance of CTF2 before distribution/liquidation amounted to P554.598 million.

On July 8, 2019, the Management Committee 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.

CTF1 and CTF2 accounts as at December 31, 2021 amounted to P584.839 million and P142.312 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 Chief Executive Officer 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, 2021, the balance of TOLF is at P253.642 million with a reported income of P10.610 million from the administration of the fund for the year 2021.

Deposits consist of rental and other guaranty payments while *Other assets* include the unexpended portion amounting to P43.351 million as at December 31, 2021 on the 50 per cent share of the Fund on motor vehicles purchased through the HDMF Car Plan.

13. FINANCIAL LIABILITIES

This account consists of the following:

	2021	2020
Current:		
Accounts payable	**57,140,480,817**	69,954,254,556
Insurance/Reinsurance premium payable	**4,114,071,767**	3,848,292,474
Due to officers and employees	**8,002,409**	8,377,687
	61,262,554,993	73,810,924,717
Non-Current:		
Accounts payable - MP2	**51,734,827,732**	0
	112,997,382,725	73,810,924,717

Accounts Payable includes amount due to members at P100.464 billion and P61.318 billion for the years ending December 31, 2021 and 2020, 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.

The account also includes 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.

Modified Pag-IBIG II (MP2)

As a result of the Fund's PFRS 9 consultative engagement with SGV and Co., CPAs, it was assessed that Modified Pag-IBIG 2 (MP2) portfolio qualifies as a financial liability rather than an equity because of its withdrawability feature. During the Board Audit Committee meeting held on February 9, 2022, Management presented the accounting treatment of MP2 and informed the body that it will comply with the standard and effect the reclassification effective December 31, 2021.

Current portion of MP2 portfolio are AP-MP2 which includes the matured and maturing TAV in the amount of P5.993B and AP MP2 Amortized Cost of P2.033B computed based on the average of previous 3 years' pre-termination availment rate multiplied by 200%.

14. LEASE PAYABLE

This account pertains to the present value of the lease payments payable over the lease term discounted using the interest rate implicit in the lease or the prevailing borrowing rate.

Set out below, are the carrying amounts of this account and the movements during the period:

	2021
Balance at beginning of year	0
Additions	2,629,484,313
Interest	68,968,762
Lease Payments	(958,537,198)
Balance at end of year	1,739,915,877
Less: Current Portion of lease liabilities	597,295,171
	1,142,620,706

The interest expense relative to the lease payables for CY2021 is presented in Note 25 – Financial Expenses.

15. INTER-AGENCY PAYABLES

This account consists of the following:

	2021	2020
Due to BIR	**80,213,838**	72,536,576
Due to Other Government Corporations	**36,716,427**	46,534,291
Due to GSIS	**1,460,643**	12,238,545
Due to NGAs	**1,454,766**	1,454,766
Due to PhilHealth	**43,385**	1,544,065
Due to Pag-IBIG	**42,170**	852,658
Due to LGUs	**264,491**	64,564
Due to SSS	**0**	1,560,955
	120,195,720	136,786,420

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 2021 to be remitted in January 2022.

Due to Other Government Corporations includes collections for the Servicing and Accounts Management Agreement that are due for remittance to NHMFC, which amounted to P2.313 million as at December 31, 2021. 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 2021 to be remitted in January 2022.

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 2021 to be remitted in January 2022.

16. TRUST LIABILITIES

The account consists of the following:

	2021	2020
Customers' deposits payable	**2,179,128,134**	3,761,361,927
Trust liabilities	**857,728,754**	879,083,126
Guaranty/security deposits payable	**162,675,076**	143,237,891
	3,199,531,964	4,783,682,944

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 P584.839 million, Trust Liabilities – Head Office in the amount of P222.432 million, and Trust Liabilities – POP Members in the amount of P48.229 million as at December 31, 2021.

Trust Liabilities-POP Members refer 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.

17. PROVISIONS

	2021	2020
Current:		
Leave benefits payable	**563,175,891**	496,262,598
Other provisions	**1,582,062,565**	1,731,254,090
	2,145,238,456	2,227,516,688
Non-current:		
Leave benefits payable	**389,054,021**	362,335,371
	2,534,292,477	2,589,852,059

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 PAS 1.

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.

18. OTHER PAYABLES

The details of this classification are as follows:

	2021	2020
Conversion cost	**15,159,307,290**	13,981,808,462
Developers undertaking	**3,741,289,146**	3,638,566,002
Undistributed collections	**304,701,521**	426,818,503
Borrowers undertaking	**97,261,885**	115,314,153
Developers' retention	**67,054,967**	658,609,787
	19,369,614,809	18,821,116,907

Conversion cost pertains to amount deducted from take-out proceeds of the developer to defray cost to be incurred in the conversion of CTS to REM.

Developers undertaking includes amount deducted from take-out proceeds of developer-assisted housing loan accounts representing cash retention for allowable undertakings of 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.

Borrowers undertaking pertains to deductions from take-out proceeds of retail housing loan accounts representing cash retention for allowable undertakings of borrower.

Developers' retention account was created in CY 2020 for easier monitoring of retention fee over and above the security or retention value deducted from the take-out proceeds of the developer during the community quarantine due to COVID-19 pandemic.

19. DEFERRED CREDITS/UNEARNED INCOME

This account is composed of:

	2021	2020
Deferred credits	**15,944,489,724**	14,467,305,720
Unearned revenue/income	**1,102,008,367**	800,596,775
	17,046,498,091	15,267,902,495

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 2021, Deferred interest income amounting to P8.808 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 (Notes 5 and 32).

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 and interest portion of advance amortization on housing loans posted to borrowers' ledger.

20. SERVICE AND BUSINESS INCOME

The account consists of the following:

	2021	2020
Service income		
Processing fees	**288,371,422**	202,853,681
Fees and commissions income	**277,846,023**	229,720,517
Other service income	**48,088,457**	23,840,259
	614,305,902	456,414,457
Business Income		
Interest income	**39,897,004,736**	35,448,808,330
Income from acquired/foreclosed assets	**1,689,538,235**	1,298,199,193
Fines and penalties	**1,546,770,937**	1,417,037,228
Rent/lease income	**73,787,365**	57,068,226
Dividend income	**38,589**	163,030

	2021	2020
Other business income	**105,796,654**	63,426,621
	43,312,936,516	38,284,702,628
	43,927,242,418	38,741,117,085

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 within 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.

21. GAINS

	2021	2020
Gain on sale of investment property/NCAHS	**7,653,925,067**	4,016,746,005
Gain from changes in fair value of financial instruments	**1,176,971,374**	1,413,377,950
Gain on foreign exchange (forex)	**379,759,503**	17,481,285
Gain on sale of property and equipment	**2,022,027**	1,622,112
Gain on sale/redemption/transfer of investments	**1,141,055**	2,342,191,837

	2021	2020
Other gains		
Gain on revalued MCR	**21,167,281**	16,132,712
Gain from redemption of auctioned properties	**9,703,696**	11,799,367
Gain on revalued SCR	**5,000**	1,924,799
Gain on restructuring	**0**	797,534
Others	**0**	72,700
	9,244,695,003	7,822,146,301

22. OTHER NON-OPERATING INCOME

	2021	2020
Reversal of impairment loss		
Receivables	**2,343,419,245**	2,352,676,925
Others	**949,690,028**	384,235,117
Miscellaneous income	**1,251,362,134**	365,898,246
	4,544,471,407	3,102,810,288

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.

23. PERSONNEL SERVICES

	2021	2020
Salaries and wages		
Salaries and wages-regular	**1,800,841,456**	1,812,849,072
Other compensation		
Bonuses and Incentives	**1,044,623,425**	1,036,104,891
Health Maintenance Insurance	**98,049,996**	97,478,644
Personnel economic relief allowance	**89,804,443**	90,169,088
Transportation allowance	**48,518,817**	48,632,891
Representation allowance	**47,128,765**	47,633,047
Clothing/uniform allowance	**22,661,441**	22,656,626
Cash gift	**18,752,750**	18,851,750
Longevity pay	**18,122,232**	17,546,369
Overtime and night pay	**10,706,135**	36,897,888
Quarters allowance	**10,334,490**	10,924,502
Others	**237,266,113**	221,617,428
	1,645,968,607	1,648,513,124
Personnel benefit contributions		
Provident/welfare fund contributions	**810,921,507**	816,962,219
Retirement and life insurance premiums	**216,099,745**	217,786,186
PhilHealth contributions	**25,722,562**	25,854,962
Pag-IBIG contributions	**4,500,053**	4,517,839
Employees compensation insurance premiums	**4,498,471**	4,503,421
	1,061,742,338	1,069,624,627

	2021	2020
Other personnel benefits		
Terminal leave benefits	**174,851,902**	165,539,145
Other personnel benefits	**234,618,088**	225,597,773
	409,469,990	391,136,918
	4,918,022,391	4,922,123,741

24. MAINTENANCE AND OTHER OPERATING EXPENSES

This expense classification consists of:

	2021	2020
Professional services	**3,239,532,682**	2,084,384,075
General services	**775,639,025**	664,476,237
Rent/Lease expenses	**648,076,456**	1,006,369,456
Subscription expenses	**337,006,508**	432,847,555
Supplies and materials expenses	**324,860,590**	248,490,988
Litigation/acquired assets expenses	**324,246,271**	681,339,687
Communication expenses	**245,369,239**	165,834,694
Confidential, intelligence and extraordinary expenses	**238,295,182**	51,781,635
Members' benefits	**221,769,448**	130,603,032
Utility expenses	**216,855,939**	188,728,373
Repairs and maintenance	**173,201,381**	119,093,857
Taxes, insurance premiums and other fees	**26,624,276**	41,527,554
Traveling expenses	**24,592,905**	24,494,775
Printing and publication expenses	**20,462,187**	16,631,313
Survey, research and development expenses	**6,848,822**	10,880,632
Training and scholarship expenses	**4,222,286**	5,966,280
Other maintenance and operating expenses	**378,486,607**	183,575,943
	7,206,089,804	6,057,026,086

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.

25. FINANCIAL EXPENSES

This account consists of:

	2021	2020
Management supervision/Trusteeship fees	**69,967,175**	22,430,488
Interest Expense - Lease	**55,117,118**	0
Bank charges	**1,408,675**	1,732,579
	126,492,968	24,163,067

26. NON-CASH EXPENSES

This account consists of:

	2021	2020
Impairment loss	**7,725,398,670**	3,783,754,777
Losses	**1,738,317,692**	2,400,428,744
Depreciation	**1,236,686,594**	737,787,811
Amortization	**33,235,053**	33,758,778
Discounts and rebates	**0**	1,222,246
	10,733,638,009	6,956,952,356

The provision for impairment is intended to absorb the potential future losses on the Funds' receivables, investment properties, and properties and equipment. Details of impairment loss are as follows:

	2021	2020
Receivables	**7,478,422,067**	3,609,745,219
Investment Property	**246,976,603**	173,866,614
Property and Equipment	**0**	142,944
	7,725,398,670	3,783,754,777

Breakdown of Losses for the periods ended December 31, 2021 and 2020 are as follows:

	2021	2020
Loss from Changes in Fair Value of Financial Instruments	**942,307,024**	1,669,677,044
Loss on Sale of Investment Property	**152,926,110**	8,215,821
Loss on Foreign Exchange	**151,961,892**	220,264,698
Loss on Property and Equipment	**3,391,532**	2,897,786
Other Losses	**487,731,134**	499,373,395
	1,738,317,692	2,400,428,744

Depreciation expenses for the periods ended December 31, 2021 and 2020 are as follows:

	2021	2020
Right-of-Use Assets	**548,460,507**	0
Depreciation on Investment Property	**408,864,943**	492,130,352
Depreciation on Property and Equipment	**279,361,144**	245,657,459
	1,236,686,594	737,787,811

27. INVESTMENT CONTRACT BENEFIT EXPENSE

The Fund provides dividends to Modified Pag-IBIG 2 (MP2) accounts. It is equivalent to flexible dividend rates higher than that of Pag-IBIG I accounts. Said dividends pertain to returns that are being lodged to this account.

Commencing this year, MP2 is being classified as a financial liability (Note 13). Consequently, the Fund accrued an estimated P2.658B as returns to member-savers and is recognized as Investment Contract Benefit Expense in the Statement of Comprehensive Income.

28. MEMBERS' EQUITY

This account reflects the equity of the members as owners of Pag-IBIG Fund amounting to P493.749 billion in CY 2021 and P465.221 billion in CY 2020, 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.

29. CUMULATIVE CHANGES IN FAIR VALUE

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

	2021	2020
Bonds and other debt instruments	**(11,196,865)**	1,080,708,550
Bonds and other debt instruments – MSRF	**(103,786,211)**	1,576,839,677
Stocks/equity securities	**(173,906)**	11,588,548
Trustees and Officers Liability Fund (TOLF)	**248,846**	0
	(114,908,136)	2,669,136,775

The net unrealized losses in CY 2021 is caused by the decrease in the marking to market revaluation of Investments at Fair Value Through Other Comprehensive Income. The unfavorable market conditions due to the increase in BSP's interest rates affected the Fund's fixed income investment portfolio.

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

	2021	2020
Net unrealized losses, January 1	**2,669,136,775**	(2,102,878,187)
Unrealized gains:		
Recognized during the year	**6,256,659,049**	20,984,808,854
Realized during the year	**(1,141,055)**	(2,337,016,150)
Net unrealized gains	**6,255,517,994**	18,647,792,704
Unrealized losses:		
Recognized during the year	**(9,039,562,905)**	(13,875,777,742)
Realized during the year	**0**	0
Net unrealized losses	**(9,039,562,905)**	(13,875,777,742)
Net unrealized gains (losses), December 31	**(114,908,136)**	2,669,136,775

30. RETAINED EARNINGS

Retained Earnings (RE) consists of accumulated earnings of the Fund not paid out as dividends. RE amounting to P89.890 billion as at December 31, 2021, includes appropriations, and net income for CY 2021 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, 2021, the account has an outstanding balance of P17.824 million.

Appropriated and Unclaimed Balance

Pursuant to AMO No. 2018-013 issued last August 28, 2018, the long outstanding accounts payables 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, 2021, approved reclassification to Retained Earnings – Appropriated and Retained Earnings – Unclaimed Balances amounted to P113.092 million and P63.092 million, respectively.

Dividends

For year 2021, dividends in the amount of P29.862 billion were appropriated from RE representing 86.56 per cent of the corresponding net income before MP2 returns for the year in the amount of P34.500 billion excluding net foreign exchange gain of P227.798 million.

In consonance with the reclassification of MP2 to financial liabilities, the return on MP2 of P2.658B is charged as Expense and shown separately as Investment Contract Benefit Expense in the Statement of Comprehensive Income.

For prior years, dividends in the amount of P29.403 billion and P31.073 billion were appropriated from RE representing 92.15 per cent and 90.00 per cent of the corresponding net income for the year in the amount of P31.909 billion and P34.525 billion excluding net foreign exchange loss of P202.783 million and P150.636 million, for years 2020 and 2019, respectively.

31. LEASES

The Fund as a lessee

In CY 2021, the Fund recognized lease commitments reflected as ROU assets under Note 10 and Lease Payable under Note 14. The lease term ranges from two to five years.

Other lease commitments entered into by the Fund which were expensed as incurred are as follows:

- Short-term leases with lease term of 12 months or less at the commencement date and do not contain a purchase option
- Low-value leases
- Variable lease payments not included in the measurement of lease liabilities

In 2021, amounts recognized in the SCI are as follows:

	2021
Interest Expense – Lease	55,117,118
Expense relating to short-term leases	12,706,136
Expense relating to variable lease payments not included in the measurement of lease liabilities	224,820,987
	292,644,241

The Fund as a lessor

Rent/lease income pertains to the income earned from lessees of the Fund's properties at Manila Harbour Centre, Fiesta World Mall and Club Balai Isabel Resort.

32. IMPACT OF COVID-19 PANDEMIC

The Corona Virus Disease - 2019 (COVID-19) Pandemic has amped up risk management, forcing the Fund to adapt and learn new technologies and find different ways to continue services to the members and customers. Never before has a health risk impacted the Fund and its workforce at a rapid, enterprise-wide level. True enough, the COVID-19 Pandemic is a highly contagious disease that continue to spread among countries, globally, and can be fatal.

Business Continuity Management presentation in 2019 EVRA write-shops discussed pandemics as being highly contagious diseases that necessitate work from home (WFH) arrangement for employees. COVID-19 lead to the focus on business continuity.

National and international preventive measures, including lockdowns and other restrictions were not excuses for the Fund to shirk from performing mandated duties to its members. The Fund adapts controls to minimize the impact of COVID-19 on operations, health and safety, liquidity, and even data protection.

Health and other safety protocols were strictly observed, and decisions were based on rigorous study of the nature and effects of COVID-19, as well as the guidance of a seasoned epidemiologist hired as a consultant of the Fund. Employees, including agency-hired and job orders, were provided health kits consisting of surgical masks, face shield, alcohol, cleaning rugs, disinfectant, and shuttle service from home to office and vice versa, and restricted employee movements exclusively to their respective floors. Covid-19 Response includes telemed, disinfection, quarantine, isolation, COVID-19 updates, and daily health self-assessment. In 2021, from crisis management measures to minimize the negative impact of COVID on the Fund, these COVID responses have likewise become preventive measures as well to minimize, if not avoid, exposure to COVID-19. Alternative work arrangements (AWA) were set based on a determination of activities that would continue face-to-face or WFH that required provision of office laptops and connectivity. The types of AWA adopted have been modified several times to adjust to declarations of changes in community quarantine status or alert levels and discovery of new strains of COVID-19. Zoom meetings continue to replace meetings of Pag-IBIG units and various levels of management.

Employees have been encouraged to avail of vaccine and booster shots provided by local government units. Consequently, most of COVID-19 cases have been mild to moderate, and incidence of hospital confinement and/or death due to COVID-19 has decreased.

Critical processes for providing shelter finance and short-term loans to members and the corresponding support processes were identified and continued with limited workforce observing health and safety protocols for both employee and transacting members.

Use of Virtual Pag-IBIG by the present and prospective members was continuously encouraged on TV, radio, and social media to avoid physical visits in branches and offices. Aside the filing of applications for Pag-IBIG membership, housing loans, short-term loans, and MP2, and monitoring and review of savings and loans, virtual services have expanded to include applications for provident benefit claims, termination of Pag-IBIG membership, topping up member savings, payment of loans, and claiming savings. Cybersecurity measures continue to be enhanced to protect members' sensitive personal information and Pag-IBIG Fund's database and systems.

Financial stress testing was likewise conducted to study different scenarios of net cash flows and their effects on the Fund's continued operations. Cash flow management continue to ensure availability of funds for loan releases and payment of obligations.

The Fund continues to anticipate and adjust modes of services to adapt to emerging COVID-19 variants to ensure that services are provided to member while safety and health of members and employees, as well as safety of members' sensitive personal information and Pag-IBIG Fund's database and systems are protected.

Resilience remains a thrust, with optimum utilization of Fund resources given the limitations on workforce and transactions with the public, suppliers, and government agencies.

As a support on the government's efforts to lead the nation in fighting the COVID-19, the Fund has introduced a number of programs such as granting of loan moratoria and grace period to qualified members. These programs were introduced through the following circulars issued by the Fund:

- 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)" (March 27, 2020)
- HDMF Circular No. 433 "Guidelines on the Grant of Mandatory 30-Day Grace Period on All Loans Affected by Enhanced Community Quarantine (ECQ)" (April 6, 2020)
- HDMF Circular No. 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" (June 26, 2020)
- HDMF Circular Nos. 436 and 451, both pertaining to "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 (June 26, 2020 and August 4, 2021)
- HDMF Circular No. 438 "Guidelines on the Grant of the 60-Day Grace Period on Short-Term Loan and Housing Loan Accounts under the Bayanihan II" (October 14, 2020)
- HDMF Circular No. 439, "Guidelines on the Pag-IBIG Fund Special Housing Loan Restructuring Program" (October 16, 2020)
- HDMF Circular No. 447 "Guidelines on the PenCon Program on MS Remittances for Financially Distressed Employers due to COVID-19" (May 11, 2021)
- HDMF Circular 448 "Modified Guidelines on the Pag-IBIG Multi-Purpose Loan Program" (August 5, 2021)
- HDMF Circular 449 "Modified Guidelines on the Pag-IBIG Calamity Loan Program" (August 10, 2021)
- HDMF Circular No. 453, "Guidelines on the Pag-IBIG Fund Special Housing Loan Restructuring II Program" (October 16, 2021)

The Fund has utilized P559.357 million of its budget for Operating Expenses as of December 2021 relative to COVID-19 response. The said amount was allocated for the procurement of various personal protective equipment and supplies for Fund employees and contractors, salaries of medical consultants and nurses, and for transportation of employees to and from work stations to lessen their exposure from outside of their residences, and to address the problem of limited public transport.

The Fund's 2021 net income surpassed the P30-billion mark despite the economic slowdown caused by the pandemic. Based on the significant judgment exercised by the Management, it was assessed that there are no material uncertainties that may cast significant doubt on the Fund.

33. COMPLIANCE WITH TAX LAWS

Supplementary Information Required Under Revenue Regulations No. 15-2010

In compliance with the requirements set forth in Revenue Regulations 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:

	2021	2020
Taxes, duties and fees		
Taxes and licenses – ROPA	**87,070,337**	322,133,036
Real estate taxes – ROPA	**59,509,477**	51,964,801
Real estate taxes – Properties	**2,785,326**	6,064,935
Others	**650,274**	18,326,917
	150,015,414	398,489,689
Withholding taxes		
Tax on compensation and benefits	**396,624,951**	399,102,766
Creditable withholding taxes	**393,666,748**	275,887,933
Final withholding taxes	**786,642**	267,082
	791,078,341	675,257,781
	941,093,755	1,073,747,470

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 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.

CREATE Law

On March 26, 2021, RA No. 11534 or the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act was signed into law, which seeks to reduce the corporate income tax rates and to rationalize the current fiscal incentives by making it time-bound, targeted, and performance-based. The law takes effect on April 11, 2021, 15 days after its complete publication.

Salient provisions of CREATE are as follows:

- Amendments to corporate income tax

  Effective July 1, 2020, corporate income tax rate is reduced from 30 per cent to 20 per cent for domestic corporations with net taxable income not exceeding P5 million and with total assets (excluding land where the business entity's office, plant and equipment are situated) not exceeding P100 million and resident foreign corporations will be subject to 25 per cent income tax.

  The Act excluded the Fund from the above-mentioned reforms in the areas of corporate income tax, to wit:

  > *The provisions of existing special or general laws to the contrary notwithstanding, all corporations, agencies, or instrumentalities owned or controlled by the Government, except the GSIS, SSS, HDMF, PHIC, and the local water districts shall pay such rate of tax upon their taxable income as are imposed by this Section upon corporations or associations engaged in similar business, industry, or activity.*

- Amendments to indirect tax and incentives related to COVID-19 prevention, control and treatment and revised fiscal incentives for registered projects and activities

  COVID-19 related tax relief measures to assist taxpayers during the pandemic include the temporary reduction for domestic corporations – from 2 per cent to 1 per cent of the Minimum Corporate Income Tax (MCIT); reduction of percentage tax for non-VAT taxpayers from 3 per cent to 1 per cent starting July 1, 2020 until June 30, 2023; exemption from import duties, taxes, and fees of imported COVID-19 vaccines; and VAT exemption starting January 1, 2021 until December 31, 2021 of drugs for treatment of COVID-19 and equipment, its spare parts, and raw materials for the production of personal protective equipment components for COVID-19 prevention.

34. RELATED PARTY DISCLOSURES

As at December 31, 2021, the composition of the Board of Trustees of the Fund is as follows:

Board Position	Name	Position from Other Agencies
Chairman	Hon. Eduardo D. Del Rosario	Department of Human Settlements and Urban Development

Board Position	Name	Position from Other Agencies
Vice Chairman, Ex-Officio	Sec. Carlos G. Dominguez III	Department of Finance
Chief Executive Officer	Mr. Acmad Rizaldy P. Moti	-
Ex-Officio Member	Sec. Ramon M. Lopez	Department of Trade and Industry
Ex-Officio Member	Sec. Silvestre H. Bello III	Department of Labor and Employment
Ex-Officio Member	OIC-Sec. Tina Rose Marie L. Canda	Department of Budget and Management
Member	Atty. Cornelio P. Aldon	Private Employers' Representative
Member	Mr. Pedrito G. Angeles	Private Employees' Representative
Member	Ms. Mylah R. Roque	Private Employers' Representative
Member	Ms. Ma. Lorelei C. Fajardo	Government Employees' Representative

Key management compensation

The compensation of key management personnel consists of short term benefits amounting to P60.109 million and P55.599 million for the years ended December 31, 2021 and 2020, respectively. Key management compensation forms part of the accounts under the Personnel Services and Maintenance and Other Operating Expenses (Notes 23 and 24). Salaries and allowances received, and expenses incurred by the key officers in the conduct of their official functions are as follows:

Particulars	**2021**	2020
Personnel services		
Salaries and wages	**24,593,190**	22,789,109
Other compensations	**16,918,958**	17,624,059
Personnel benefits contributions	**11,015,879**	10,255,099
Other personnel benefits	**2,610,987**	1,952,970
	55,139,014	52,621,237
Maintenance and other operating expenses		
Supplies and materials expenses	**102,458**	126,291
Other maintenance and operating expenses	**4,867,438**	2,851,413
	4,969,896	2,977,704
	60,108,910	55,598,941

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 square meters total floor area. The property is located along Makati Avenue, Urdaneta Village, Makati City.

35. 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
- 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 Expected Loss Rate (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) on 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. The Model Risk Management Procedure and Forms were approved on July 23, 2021.

g. Roll Rate

   The ManCom approved the Roll Rate Report on July 13, 2020.
   The Roll Rate is the percentage of housing loan (HL) accounts that roll or move from one category of delinquency to the next. It monitors, for a given month, how many HL accounts remained "current", rolled or moved to "1-month in arrears" up to "12-months in arrears", or fully paid.

h. Concentration Risk

This is a risk report approved by ManCom on November 3, 2020.

Concentration Risk. It measures the level of risk in the loan's portfolio that arises from uneven distribution of counterparties in credit or a concentration in business sector, industry/economic, region, and other variables or attributes. It arises in many contexts, such as market risk, liquidity risk, and operational risk within a financial institution.

Concentration Risk provides information if a common characteristic or common sensitivity of individual transactions in the same group makes them behave similarly, causing credit-related distress. The common characteristic may become common weaknesses, or the concentration of credit may perform like a single large exposure, thus it has the potential to pose risk to earnings and capital.

Section 1 of Bangko Sentral ng Pilipinas (BSP) Circular No. 212 Series of 1999, states that, concentration of credit as to industry or economic sector exists when total loan exposures exceeds 30% of the total loan portfolio.

<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, 2021, 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	78,348,408,859	30,526,899,690
Customers' Deposits Payable	2,179,128,134	0
Provisions	2,534,292,477	0
Lease payable	1,739,915,877	0
Insurance/Reinsurance Premium Payable	1,028,517,942	3,085,553,825
Trust liabilities	857,728,754	0
Guaranty/Security Deposits Payable	162,675,076	0

Liabilities	On demand up to three months	More than three months up to 12 months
Inter-agency payables	120,195,720	0
Due to officers and employees	8,002,409	0
Other Payables	4,816,519,547	14,248,393,741

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, 2021, balances of these assets are as follows:

	Balance
Cash and cash equivalents	10,499,298,874
Investments	68,620,980,646

Of the total Investments, P36.229 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 on 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, the 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.

Capital Management Policy (CMP)

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.

36. EVENTS AFTER THE REPORTING DATE

Dividend declaration

On ________, the BOT approved the declaration of dividends for the year 2021 in the amount of P29.862 or 86.56 per cent of the Fund's audited net income before MP2 returns of P34.500 billion, excluding P227.798 million net foreign exchange gain, to be credited proportionately to the Members' TAV. The dividend rate is 5.16 per cent for Pag-IBIG 1 while the return rate is 5.66 per cent for the MP2 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, 2021 is not yet determined pending resolution by the proper courts.

Prepared by:	Checked by:	Noted by:
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