pwc

Isla Lipana & Co.

Independent Auditor's Report

To the Board of Trustees and Members of
Armed Forces and Police Mutual Benefit Association Incorporated (AFPMBAI)
AFPMBAI Building, Col Bonny Serrano Road,
Corner Epifanio delos Santos Avenue,
Quezon City

Report on the Audit of the Financial Statements

Our Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Armed Forces and Police Mutual Benefit Association Incorporated (AFPMBAI) (the "Association") as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

What we have audited

The financial statements of the Association comprise:

- the statement of financial position as at December 31, 2021;
- the statement of total comprehensive income for the year ended December 31, 2021;
- the statement of changes in fund balance for the year ended December 31, 2021;
- the statement of cash flows for the year ended December 31, 2021; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for Opinion

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

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

Independence

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

Other Matter

The financial statements of the Association as at and for the year ended December 31, 2020 were audited by another auditor, who expressed an unmodified opinion on those statements on April 7, 2021.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Isla Lipana & Co.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Isla Lipana & Co.

Report on the Bureau of Internal Revenue Requirement

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 29 to the financial statements is presented for the purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Isla Lipana & Co.

ruthfblasco

Ruth F. Blasco
Partner
CPA Cert. No. 112595
P.T.R. No. 0018519, issued on January 6, 2022, Makati City
SEC A.N. (individual) as general auditors 112595-SEC; Category A, valid to audit 2020 to 2024 financial statements
SEC A.N. (firm) as general auditors 0142-SEC, Category A; valid to audit 2020 to 2024 financial statements
TIN 235-725-236
BIR A.N. 08-000745-133-2020, issued on June 5, 2020; effective until June 4, 2023
BOA/PRC Reg. No. 0142, effective until January 21, 2023

BIR - RR7A - QUEZON CITY TY
RDO 40 - CUBAO, Q.C.
RECEIVED 2020
MAY 16 2022
ANTONIO M. FAJILAN
COLLECTION SECTION

Makati City
April 12, 2022

Armed Forces and Police Mutual Benefit Association Incorporated (AFPMBAI)

Statement of Financial Position
December 31, 2021
(With comparative figures as at December 31, 2020)
(All amounts in Philippine Peso)

	Notes	2021	2020
ASSETS			
Cash and cash equivalents	2	1,065,753,299	683,957,148
Other investments	2	5,615,827,407	4,618,953,816
Loans receivables, net	3	10,653,511,862	10,245,956,529
Held-to-maturity (HTM) investments	4	8,117,623,955	7,290,696,178
Available-for-sale (AFS) investments	4	1,668,050,809	1,671,443,584
Financial assets at fair value through profit or loss (FVTPL)	4	43,194,645	18,877,056
Premiums receivable from members		591,575	26,241,814
Other receivables	5	450,316,466	393,539,237
Assets held for sale	6	95,978,558	97,614,979
Investment properties	7	6,363,446,149	6,556,486,649
Investments in subsidiary and associates, net	8	456,105,704	473,265,704
Property and equipment, net	9	620,099,242	622,756,618
Other assets, net	10	46,527,478	62,458,742
Total assets		**35,197,027,149**	**32,762,248,054**
LIABILITIES AND FUND BALANCE			
Accounts payable and accrued expenses	11	396,204,942	563,397,455
Legal policy reserves	12	16,005,210,079	14,474,072,266
Claims and benefits payable	13	880,038,910	754,999,401
Dividends payable	14	314,516,672	430,217,960
Income tax payable	23	180,975	-
Reserve for members' refund	15	4,245,019,101	3,573,533,659
Net retirement liability	21	322,042,903	275,023,590
Deferred tax liability, net	23	1,414,260,008	1,749,630,584
Other liabilities		220,394,025	152,658,070
Total liabilities		**23,797,867,615**	**21,973,532,985**
Members' contributions	16	79,189,327	77,017,387
Accumulated other comprehensive income		114,133,537	139,024,030
Accumulated net income:	17		
Assigned		168,853,368	406,571,827
Unassigned		11,036,983,302	10,166,101,825
Total fund balance		**11,399,159,534**	**10,788,715,069**
Total liabilities and fund balance		**35,197,027,149**	**32,762,248,054**

(The notes on pages 1 to 61 are an integral part of these financial statements.)

Armed Forces and Police Mutual Benefit Association Incorporated (AFPMBAI)

Statement of Total Comprehensive Income
For the year ended December 31, 2021
(With comparative figures for the year ended December 31, 2020)
(All amounts in Philippine Peso)

	Notes	2021	2020
UNDERWRITING INCOME			
Insurance premiums	19	4,179,506,191	3,945,909,549
UNDERWRITING EXPENSE			
Claims expense	13	(2,351,901,020)	(1,709,424,976)
Experience refund		(229,313,530)	(265,367,327)
Increase in legal policy reserves	12	(1,531,137,813)	(1,616,225,933)
NET UNDERWRITING INCOME		**67,153,828**	**354,891,313**
INTEREST INCOME	4	1,464,874,069	1,316,481,912
INTEREST EXPENSE		(33,034,393)	(28,027,480)
NET INTEREST INCOME		**1,431,839,676**	**1,288,454,432**
PROVISION FOR CREDIT LOSSES	3	(182,639,382)	(72,454,543)
NET INTEREST INCOME AFTER CREDIT LOSSES		**1,249,200,294**	**1,215,999,889**
OTHER INCOME			
(Decrease) increase in fair value of investment properties		(193,040,500)	3,080,797,270
Rental income	24	84,862,547	89,788,187
Policy income		119,461,709	84,032,451
Dividend income	4	5,707,350	7,539,432
Gain on sale of assets held-for-sale	6	1,487,490	3,880,177
Gain (loss) on sale of AFS investments		1,732,800	(93,010,887)
Other income (expense), net	9	193,154,990	(1,251,424)
		213,366,386	3,171,775,206
INCOME BEFORE OPERATING EXPENSES		**1,529,720,508**	**4,742,666,408**
GENERAL AND ADMINISTRATIVE EXPENSES	20	(1,110,232,391)	(1,070,242,606)
INCOME BEFORE INCOME TAX		**419,488,117**	**3,672,423,802**
INCOME TAX BENEFIT (EXPENSE)	23	217,612,272	(1,254,622,092)
NET INCOME FOR THE YEAR		**637,100,389**	**2,417,801,710**
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that may be subsequently reclassified to profit or loss			
Net movement in cumulative fair value changes on AFS investments	4	29,084,680	36,401,468
Item that will not be subsequently reclassified to profit or loss			
Remeasurement loss on retirement benefit obligation	21	(53,975,173)	(9,352,539)
TOTAL OTHER COMPREHENSIVE (LOSS) INCOME		**(24,890,493)**	**27,048,929**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**612,209,896**	**2,444,850,639**

(The notes on pages 1 to 61 are an integral part of these financial statements.)

BIR - RR7A - QUEZON CITY
TY 2020
RECEIVED
MAY 16 2022
ANTONIO M. FAJILAN
COLLECTION SECTION

Armed Forces and Police Mutual Benefit Association Incorporated (AFPMBAI)

Statements of Changes in Fund Balance
For the years ended December 31, 2021
(With comparative figures for the year ended December 31, 2020)
(All amounts in Philippine Peso)

	Members' contributions (Note 16)	Accumulated income: Assigned (Note 17)	Accumulated income: Unassigned	Accumulated other comprehensive income (Note 4,21)	Total
Balances as at January 1, 2020	**80,717,163**	**336,719,289**	**7,820,309,947**	**111,975,101**	**8,349,721,500**
Transactions with members					
Contributions during the year	517,092	-	-	-	517,092
Transfer to reserve for member's refund	(4,216,868)	-	-	-	(4,216,868)
Total transaction with members	(3,699,776)	-	-	-	(3,699,776)
Other movements					
Assignment of accumulated income	-	226,285,500	(226,285,500)	-	-
Reversal of assigned accumulated income	-	(154,275,668)	154,275,668	-	-
Utilization of assigned accumulated income	-	(2,157,294)	-	-	(2,157,294)
Total other movements	-	69,852,538	(72,009,832)	-	(2,157,294)
Comprehensive income					
Net income for the year	-	-	2,417,801,710	-	2,417,801,710
Other comprehensive income	-	-	-	27,048,929	27,048,929
Total comprehensive income for the year	-	-	2,417,801,710	27,048,929	2,444,850,639
Balances as at December 31, 2020	**77,017,387**	**406,571,827**	**10,166,101,825**	**139,024,030**	**10,788,715,069**
Transactions with members					
Contributions during the year	2,171,940	-	-	-	2,171,940
Other movements					
Reversal of assigned accumulated income	-	(233,781,088)	233,781,088	-	-
Utilization of assigned accumulated income	-	(3,937,371)	-	-	(3,937,371)
Total other movements	-	(237,718,459)	233,781,088	-	(3,937,371)
Comprehensive income (loss)					
Net income for the year	-	-	637,100,389	-	637,100,389
Other comprehensive loss	-	-	-	(24,890,493)	(24,890,493)
Total comprehensive income (loss) for the year	-	-	637,100,389	(24,890,493)	612,209,896
Balances as at December 31, 2021	**79,189,327**	**168,853,368**	**11,036,983,302**	**114,133,537**	**11,399,159,534**

(The notes on pages 1 to 61 are an integral part of these financial statements.)

Armed Forces and Police Mutual Benefit Association Incorporated (AFPMBAI)

Statement of Cash Flows
For the year ended December 31, 2021
(With comparative figures for the year ended December 31, 2020)
(All amounts in Philippine Peso)

	Notes	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash generated from operations	18	60,806,231	545,236,243
Interest received		1,466,370,973	847,715,553
Income tax paid		(117,577,329)	(104,515,433)
Contributions to the retirement fund		(41,680,000)	-
Dividends paid	14	(148,735,681)	(111,646,844)
Net cash from operating activities		**1,219,184,194**	**1,176,789,519**
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		515,107,666	518,237,918
Dividends received		-	7,539,432
Acquisitions of:			
Short-term investments		(6,813,341,023)	(6,313,108,636)
Long-term investments	2	(230,000,000)	(1,000,000,000)
HTM investments	4	(2,432,172,397)	(651,031,128)
Property and equipment	9	(34,507,326)	(412,381,967)
Investments at FVTPL		(47,514,442)	(17,554,909)
Assets held for sale		(1,629,985)	(5,239,377)
AFS investments	4	(23,439,745)	-
Proceeds from sale/maturities of:			
Short-term investments		6,046,467,432	4,946,753,376
HTM investments	4	1,605,360,187	709,569,107
AFS investments		57,650,001	453,659,444
Investments at FVTPL		22,203,714	42,671,049
Property and equipment		5,891,041	3,682,717
Assets held for sale		4,753,896	11,376,032
Investments in a subsidiary and associates – net		17,160,000	-
Net cash used in investing activities		**(1,308,010,981)**	**(1,705,826,942)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Reserve for members' refund of equity value	15	570,992,629	532,317,436
Members' contributions		2,171,940	517,092
Payment of refund on members' contributions	15	(102,541,631)	(76,628,367)
Net cash from financing activities		**470,622,938**	**456,206,161**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**381,796,151**	**(72,831,262)**
CASH AND CASH EQUIVALENTS			
January 1		683,957,148	756,788,410
December 31		**1,065,753,299**	**683,957,148**

(The notes on pages 1 to 61 are an integral part of these financial statements.)

Armed Forces and Police Mutual Benefit Association Incorporated (AFPMBAI)

Notes to the Financial Statements
As at and for the year ended December 31, 2021
(With comparative figures and notes as at and for the year ended December 31, 2020)
(In the notes, all amounts are shown in Philippine Peso unless otherwise stated)

1 General information

Armed Forces and Police Mutual Benefit Association, Incorporated (AFPMBAI) (the "Association") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on September 1, 1965 as a non-stock corporation with soldiers, police, fire, jail management, and coast guard personnel as members. On June 28, 2012, the SEC approved the extension of the Association's corporate life up to 2066. However, as prescribed by the Revised Corporation Code of the Philippines, effective February 23, 2019, the Association shall have perpetual existence.

On January 1, 2019, the Insurance Commission (IC) approved the renewal of the Association's license to operate as a mutual benefit association that extends benefits and services for the welfare and financial security of its members and their families, which includes housing, calamity assistance, and educational and salary loans.

The IC also authorized the Association to act as a life insurance arm of the Armed Forces of the Philippines (AFP), Philippine National Police (PNP), Bureau of Fire Protection (BFP), Bureau of Jail Management and Penology (BJMP), Philippine Army (PA), Philippine Air Force (PAF), Philippine Navy (PN), Philippine Drug Enforcement Agency (PDEA) and Philippine Coast Guard (PCG) for another three (3) years, which is valid until December 31, 2021.

The Association also extends benefits and services to its associate members which include the members of the Reserve Officer Training Corps (ROTC), Reservists of the AFP, Citizen Armed Forces Geographical Unit Active Auxiliary (CAFGUAA), Special Armed Auxiliary (SCAA), Volunteer Fire Brigade, Bureau of Corrections, other uniformed service units, civilian employees of the Association, other AFP financial institutions, non-uniformed personnel of the PNP, other organizations and agencies connected with the uniformed services and major services bureaus, duly licensed private security guards, cadets and graduates of the Philippine Merchant Marine Academy (PMMA), Philippine National Police Academy (PNPA), Maritime Academy of Asia and the Pacific (MAAP) and other persons performing activities related to military, police, public safety, security, and defense services such as CAFGUAA, Special CAFGUAA, coast guard auxiliaries, and as the Association's Board of Trustees (BOT) may approve.

As provided in Section 30 (E) of the National Internal Revenue Code, the Association, as a non-stock organization, is exempted from the payment of income tax with respect to its transactions with and income received from members.

The Association's principal and registered office is located at AFPMBAI Building, Col Bonny Serrano Road, corner Epifanio delos Santos Avenue, Quezon City.

Coronavirus pandemic

In 2020, the COVID-19 pandemic affected both the Philippine and the global economy and markets and to a certain extent, affected the Association's financial results. This pandemic continued to pose challenges in 2021.

In 2021, the well-being of the Association's members and employees remains to be a priority. The support provided by the Association to its members and employees include financial assistance programs, free COVID-19 testing to its employees and donations of medical supplies, hospital equipment, and medical vehicles. Further, the Association continued its Emergency loan program for members with MBAI Protek coverage at a lower interest rate payable up to 36 months. Management believes that with the Association's strong financial position, it can readily meet its maturing obligations and continue as a going concern.

Approval of the financial statements

The accompanying financial statements have been approved and authorized for issue by the BOT on April 12, 2022.

2 Cash and cash equivalents; Other investments

Cash and cash equivalents

The account as at December 31 consists of:

	2021	2020
Cash on hand	8,070,336	8,200,336
Cash in banks	487,636,043	515,756,812
Cash equivalents	570,046,920	160,000,000
	1,065,753,299	683,957,148

Cash in banks earn interest at prevailing bank deposit rates.

Cash equivalents pertain to short-term placements made in varying periods depending on the immediate cash requirements of the Association. Cash equivalents have maturity of up to 90 days and earn interest ranging from 1.25% to 1.40% and from 0.90% to 1.28% in 2021 and 2020, respectively.

Interest income earned from cash and cash equivalents for the year ended December 31, 2021 amounts to P2.54 million (2020 - P14.07 million) (Note 4).

Other investments

Short-term investments amounting to P4.39 billion as at December 31, 2021 (2020 - P3.62 billion) pertain to investments in time deposits and treasury bills with maturity periods of more than three months but less than one year. These earn interests of 1.00% to 6.00% and 1.00% to 6.00% in 2021 and 2020, respectively. Interest income earned from short-term investments for the year ended December 31, 2021 amounts to P77.52 million (2020 - P110.97 million).

Long-term investments amount to P1.23 billion as at December 31, 2021 (2020 - P1.00 billion). These investments are time deposits with maturity periods of two (2) to three (3) years and earn interests ranging from 6.50% to 8.00%. Interest income earned from long-term investments for the year ended December 31, 2021 amount to P79.59 million in 2021 (2020 - P43.10 million) (Note 4).

3 Loans receivables, net

Classifications of the account at December 31 follow:

	2021	2020
Salary loans	4,185,359,627	4,343,965,189
Optional policy loans	3,845,785,451	3,382,455,631
Real estate mortgage loans	1,494,281,181	1,392,235,780
Basic policy loans	802,520,458	829,684,252
Real estate housing loans	438,455,559	497,400,106
Educational assistance loans	484,719,327	211,758,525
Calamity loans	38,928,155	42,355,560
Real estate contract	1,920,285	1,920,285
	11,291,970,043	10,701,775,328
Allowance for impairment	(638,458,181)	(455,818,799)
	10,653,511,862	10,245,956,529

Loans receivables bear annual interest rates ranging from 5.00% to 8.00% per annum in 2021 and 2020, except for real estate mortgage and housing loans which bear annual rates ranging from 5.50% to 12.00% per annum in 2021 and 2020.

Interest income earned from loans receivables amounts to P946.60 million in 2021 (2020 - P781.73 million).

Policy income earned from loan releases and penalties amounts to P119.46 million in 2021 (2020 - P84.0 million).

Details of collaterals held for loans at December 31 follow:

	2021	%	2020	%
Loans secured by:				
Cash surrender value	4,648,305,909	41%	4,212,139,883	39%
Real estate	1,934,657,025	17%	1,891,556,171	18%
Unsecured loans	4,709,007,109	42%	4,598,079,274	43%
	11,291,970,043	100%	10,701,775,328	100%

The movements in the allowance for impairment losses for the years ended December 31 are shown below:

	2021	2020
At January 1	455,818,799	383,364,256
Provision for impairment losses	182,639,382	72,454,543
At December 31	638,458,181	455,818,799

Unearned interest on policy loans as at December 31, 2021 amounting to P220.32 million (2020 - P152.58 million) pertains to the interest deducted from the proceeds granted to the members and amortized over the term of the loan using the effective interest rate method. Amortization in 2021 amounts to P162.3 million (2020 - P487.7 million). This is presented under "Other liabilities" account in the statement of financial position.

4 Investments

The Association holds the following investments as at December 31:

(a) Held-to-maturity (HTM) investments:

	2021	2020
Government bonds	6,465,244,954	5,901,446,836
Corporate bonds	1,652,379,001	1,389,249,342
	8,117,623,955	7,290,696,178

HTM investments earn interest ranging from 3.25% to 7.38% per annum in 2021 and 2020. Interest income earned from these investments amounted to P358.11 million in 2021 (2020 - P366.27 million).

Movements in the account for the years ended December 31 are shown below:

	2021	2020
At January 1	7,290,696,178	7,347,135,107
Maturities	(1,605,360,187)	(709,569,107)
Additions	2,432,172,397	651,031,128
Amortization	115,567	2,099,050
At December 31	8,117,623,955	7,290,696,178

In compliance with the capital investment requirement under Section 209 of the Amended Insurance Code (Republic Act No. 10607), certain government debt securities earmarked as security for the benefit of policyholders and creditors of the Association are deposited with the Bureau of Treasury under the Registry of Scripless Securities system. As at December 31, 2021, the face value and amortized costs of these earmarked government debt securities amount to P6.5 billion (2020 - P5.9 billion).

As at December 31, 2021 and 2020, the Association has no HTM investments pledged as collateral.

(b) Available-for-sale (AFS) investments

	2021	2020
Quoted	1,665,050,809	1,668,443,584
Unquoted	3,000,000	3,000,000
	1,668,050,809	1,671,443,584

The Association's AFS investments are composed of bond fund, equity fund, balanced fund, unit investment trust fund, investment management agreement and equity securities. The fair values of AFS investments which are categorized at Level 1 are based on published bidding prices from active markets. Unquoted AFS are carried at cost less any impairment in value.

Movements in AFS investments for the years ended December 31 are shown below:

	2021	2020
At January 1	1,671,443,584	2,181,712,447
Additions	23,439,745	-
Disposals	(56,400,000)	(546,670,331)
Fair value gain	29,567,480	36,401,468
At December 31	1,668,050,809	1,671,443,584

Movements in the cumulative fair value changes on AFS investments are as follows:

	2021	2020
At January 1	229,324,384	192,922,916
Net movement due to fair value changes and sale		
Realized (gain) loss on sale transferred to profit or loss	(1,818,028)	93,010,887
Fair value gain (loss)	30,902,708	(56,609,419)
	29,084,680	36,401,468
At December 31	258,409,064	229,324,384

Dividend income from AFS investments earned for the year ended December 31, 2021 amounts to P5.28 million (2020 - P7.25 million).

(c) Financial assets at fair value through profit or loss (FVTPL)

Investments at FVTPL pertain to publicly traded equity instruments acquired for purposes of selling in the near future. The carrying amount of financial assets at FVTPL amounted to P43.19 million in 2021 (2020 - P18.88 million). Fair value gain in 2021 amounted to P0.99 million fair value loss (2020 - P5.18 million). This amount is presented as part of "Other income - net" account in the statement of total of comprehensive income.

Dividend income from financial assets at FVTPL amounts to P0.43 million in 2021 (2020 - P0.29 million).

Interest income for the years ended December 31 arises from the following:

	Notes	2021	2020
Loans receivables	3	946,591,833	781,730,306
HTM investments	4	358,112,171	366,268,324
Short-term investments	2	77,523,006	110,971,334
Long-term investments	2	79,588,056	43,097,310
Cash in banks and cash equivalents	2	2,541,503	14,069,638
Others		517,500	345,000
		1,464,874,069	1,316,481,912

5 Other receivables, net

The Other receivables account as at December 31 consists of:

	2021	2020
Accrued rental income	264,324,706	252,332,865
Accrued interest receivable	121,340,785	122,837,689
Non-trade loans receivables	59,594,374	6,868,490
Due from officers and employees	3,180,482	6,759,803
Advances to agents	937,835	1,749,607
Others	4,839,034	6,891,533
	454,217,216	397,439,987
Allowance for impairment loss	(3,900,750)	(3,900,750)
	450,316,466	393,539,237

Accrued rental income represents rent accrued from lease of its investment properties.

Accrued interest receivable represents interest accrued from short-term and long-term investments, HTM investments and loans receivables.

In 2021, non-trade loan receivables include receivable from DPWH amounting to P52.05 million pertaining to the 30% replacement cost from the demolished buildings and its improvements due to the road widening project in Col. Bonny Serrano Ave. Other components of non-trade receivables include construction bonds and accrued investment income in 2021 and 2020.

Due from officers and employees consists of advances to employees, car loans, educational assistance loans, and salary loans which are collectible through salary deduction.

Others consist of receivables from disposal of shares of AFS investments, receivable from lessees for utilities and receivable from branches.

6 Assets held-for-sale

This account consists of:

	2021	2020
Real estate housing projects	58,452,863	59,277,014
Foreclosed properties	37,525,695	38,337,965
	95,978,558	97,614,979

The Association recognized gain on sale of assets held-for-sale in 2021 amounting to P1.49 million (2020 - P3.88 million).

No impairment loss on assets held for sale was recognized in 2021 (2020 - P0.1 million).

7 Investment properties

Investment properties comprise of properties held for long-term rental yields and capital appreciation.

Details as at December 31 are as follows:

	2021	2020
Land	6,220,672,149	6,419,645,649
Building	142,774,000	136,841,000
	6,363,446,149	6,556,486,649

The movements in this account follow:

	2021	2020
Cost	706,406,116	706,406,116
Cumulative gain on fair value changes		
January 1	5,850,080,533	2,769,283,263
(Decrease) increase in fair value	(193,040,500)	3,080,797,270
December 31	5,657,040,033	5,850,080,533
Carrying amount	6,363,446,149	6,556,486,649

Rental income earned from investment properties amounts to P84.86 million in 2021 (2020 - P89.79 million) (Note 24).

Direct costs incurred related to the investment properties amount to P5.32 million in 2021 (2020 - P4.0 million).

The fair values of investment properties are based on a valuation made by an independent firm of appraisers as at December 31, 2021 and 2020. These are determined using the market approach for land (except for BGC Site 1 using the income approach) and cost approach for improvements. In arriving at the market value of the land, data is based on sales and listings of comparable properties registered within the vicinity.

The inputs to fair valuation are as follows:

- Price per square meter - estimated value prevailing in the real estate market depending on the location, area, shape and time element.
- Value adjustments - adjustments are made to bring the comparative values in approximation to the investment property, taking into account the location, size and architectural features, among others.

In relation to changes in unobservable inputs used, increases or decreases in prices per square meter and value adjustments are directly proportional to the fair value measurement of investment properties.

The fair value of the building was determined using a cost approach based on the estimated cost of reproduction in accordance with the prevailing market prices of materials and labor and all other attendant costs associated with its construction. Estimated rental rate ranges from P1,710 to P6,500 per square meter and uses a discount rate of 6.00%.

The fair value of the land (except for BGC Site 1) was determined using a market approach based in sales and listings of comparable properties registered in the vicinity. In valuing the land, records of recent sales and offerings of similar land are analyzed and comparison made for such factors as size, characteristics of the lot, location, quality and prospective use.

The fair value of the land known as the BGC Site 1 was determined using an income approach based on the principle that an informed buyer would pay no more for a property than an amount equal to the present benefits (income) from the same or equivalent property with similar risk. The actuary come up with an estimate of value of the land is the Land Residual Technique, in which the land is assumed to be improved to its highest and best use.

The fair value measurement considers the concept of value-in-use of the investment properties which is based on the highest and best use of the asset or that which may reasonably be expected to produce the highest return over a given period of time. The fair value measurement is categorized under Level 3 of the fair value hierarchy.

A significant increase (decrease) in any of the unobservable input may result in a significantly higher (lower) fair value measurement. The Association considers that it is impracticable to disclose the possible effects of sensitivities surrounding the estimation of the fair value of investment properties as at the reporting date.

The Association recognized a decrease in deferred tax liability in 2021 in the amount of P340.8 million relative to the decline in cumulative fair value of the investment properties
(2020 - P1,172 million increase due to increase in fair value).

8 Investments in subsidiary and associates, net

As at December 31, the account consists of:

	2021				
	Percentage of ownership (%)	Cost	Accumulated impairment	Return of investment	Carrying amount
AFP General Insurance Corporation (AFPGEN)	100.00	453,265,704	-	-	453,265,704
Aguinaldo Theater Enterprise, Inc. (ATEI)	28.13	67,500,000	(67,500,000)	-	-
Centennial Financing Corporation (CFC)	22.00	20,000,000	-	(17,160,000)	2,840,000
		540,765,704	(67,500,000)	(17,160,000)	456,105,704

	2020				
	Percentage of ownership (%)	Cost	Accumulated impairment	Return of investment	Carrying amount
AFPGEN	100.00	453,265,704	-	-	453,265,704
ATEI	28.13	67,500,000	(67,500,000)	-	-
CFC	22.00	20,000,000	-	-	20,000,000
		540,765,704	(67,500,000)	-	473,265,704

No impairment loss was recognized on the Association's investments in AFPGEN, ATEI and CFC in 2021 and 2020.

Subsidiary

AFPGEN operates as a non-life insurance company. In 2019, AFPGEN applied with the IC for the conversion of its license as a servicing insurance company. IC approved the application and issued a license to AFPGEN as a servicing insurance company.

On May 13, 2021, the subsidiary's Board of Directors approved the shortening of AFPGEN's corporate term to end on December 31, 2022.

The summary of the subsidiary's financial information follows:

	2021	2020
Total assets	683,806,969	732,776,810
Total liabilities	172,980,608	215,456,840
Total equity	510,826,361	517,319,970
Total revenues	44,733,495	53,562,047
Net loss	(6,699,396)	(28,736,739)
Other comprehensive income (loss)	205,787	(2,237,240)
Total comprehensive loss	(6,493,609)	(30,973,979)

Associates

ATEI is primarily engaged in theater management. Its registered principal office is De Jesus Avenue, Camp Aguinaldo, Quezon City.

CFC operates as a financing company. Its registered principal office is 9th Floor Unit 942 City and Land Mega Plaza, ADB Avenue, Ortigas Center, Pasig City.

The summary of the financial information of the associates follows:

	ATEI		CFC	
	2021	2020	2021*	2020
Current assets	6,722,676	9,471,211	39,172,158	118,137,462
Non-current assets	-	73,482,706	5,077,000	6,343,512
Total assets	6,722,676	82,953,917	44,249,158	124,480,974
Current liabilities	289,716	2,079,692	225,528	347,081
Non-current liabilities	-	-	-	-
Total liabilities	289,716	2,079,692	225,528	347,081
Total equity	6,432,960	80,874,225	44,023,630	124,133,893
Net (loss) income	(74,950,706)	6,539,206	(2,110,263)	998,529
Other comprehensive income	-	-	-	-
Total comprehensive (loss) income	(74,950,706)	6,539,206	(2,110,263)	998,529

Balances are unaudited

9 Property and equipment, net

The account as at December 31 consists of:

	Land	Buildings, leasehold and land improvements	Computer equipment	Furniture, fixtures and other equipment	Transportation equipment	Computer software	Construction-in-progress	Total
Cost								
At January 1, 2020	87,520,271	179,040,685	249,781,907	102,666,355	47,054,990	17,796,701	4,505,127	688,366,036
Additions	368,498,172	-	14,640,508	5,141,986	12,367,583	11,552,341	181,377	412,381,967
Disposals/retirement	-	-	(416,878)	(3,138,727)	(2,296,371)	(2,360,250)	-	(8,212,226)
Transfers from CIP	-	4,528,328	-	-	-	-	(4,528,328)	-
At December 31, 2020	456,018,443	183,569,013	264,005,537	104,669,614	57,126,202	26,988,792	158,176	1,092,535,777
Additions	-	484,340	17,191,986	2,771,357	5,193,801	8,420,449	445,393	34,507,326
Disposals/retirement	-	(88,204,226)	(315,187)	(1,516,380)	(1,660,015)	(111,607)	-	(91,807,415)
Transfers from CIP	-	89,873	-	351,026	-	-	(440,899)	-
Reclassification/adjustment	-	-	-	-	-	-	(68,304)	(68,304)
At December 31, 2021	456,018,443	95,939,000	280,882,336	106,275,617	60,659,988	35,297,634	94,366	1,035,167,384
Accumulated depreciation								
At January 1, 2020	-	106,897,030	222,879,787	78,459,313	32,319,191	-	-	440,555,321
Depreciation	-	5,437,358	12,467,636	11,360,814	4,487,540	-	-	33,753,348
Disposals/retirement	-	-	(87,378)	(2,930,152)	(1,511,980)	-	-	(4,529,510)
At December 31, 2020	-	112,334,388	235,260,045	86,889,975	35,294,751	-	-	469,779,159
Depreciation	-	8,748,546	12,908,921	8,935,782	6,047,891	-	-	36,641,140
Disposals/retirement	-	(88,491,316)	(104,117)	(1,058,064)	(1,698,660)	-	-	(91,352,157)
At December 31, 2021	-	32,591,618	248,064,849	94,767,693	39,643,982	-	-	415,068,142
Net book values								
At December 31, 2020	456,018,443	71,234,625	28,745,492	17,779,639	21,831,451	26,988,792	158,176	622,756,618
At December 31, 2021	456,018,443	63,347,382	32,817,487	11,507,924	21,016,006	35,297,634	94,366	620,099,242

Fully depreciated property and equipment still used in operations amount to P336.68 million in 2021 (2020 - P353.9 million). Depreciation expense is presented as part of General and administrative expenses (Note 20).

In 2020, the Build, Build, Build Program of the National Government included the road widening of Col. Bonny Serrano Ave, where the Association's principal office is located. As such, in 2021, the DPWH demolished the Association's Main building, together with its improvements, and 92.5 sqm of the Association's Records building, and paid for its replacement cost. As at December 31, 2021, the Association received 70% of the replacement cost amounting to P121.45 million. This amount is presented as part of "Other income - net" in the statement total of comprehensive income.

10 Other assets, net

The account as at December 31 consists of:

	2021	2020
Cash placements with closed local banks	44,667,067	44,667,067
Input value-added tax (VAT)	21,264,235	41,569,447
Prepaid expenses	16,414,142	12,896,790
Deposit for the acquisition of real estate property	14,320,373	14,320,373
Unused supplies	4,812,843	3,179,594
Others	4,602,552	5,379,205
	106,081,212	122,012,476
Allowance for impairment losses	(59,553,734)	(59,553,734)
	46,527,478	62,458,742

The cash placements with closed local banks represent various deposits and money market placements which cannot be withdrawn due to banks' closure which is fully provided with allowance.

Input VAT pertains to the 12% input tax on expenses incurred such as professional fees and communication expenses.

Prepaid expenses consist of prepaid income tax, prepayments on insurance and subscriptions.

Deposit for the acquisition of real estate property refers to the receivable from a broker for the deposit made on acquisition of property.

Others pertain to receivable from ceding companies for funds withheld and prepaid documentary stamp tax.

Allowance for impairment loss amounting to P59.55 million as at December 31, 2021 and 2020 pertains to cash placements with closed local banks, deposit for the acquisition of real estate property and other deposits.

11 Accounts payable and accrued expenses

The account as at December 31 consists of:

	Note	2021	2020
Accounts payable		96,267,905	74,618,279
Security deposits		57,637,175	57,860,506
Subscription payable	22	47,250,000	47,250,000
Statutory payables		46,286,062	17,226,241
Accounts payable - refund		7,889,238	228,607,929
Accruals for:			
Commission		14,743,192	15,648,983
Advertising and promotions		3,661,254	13,673,979
Donations		20,022,920	7,909,279
Others		27,136,077	26,819,195
Experience refund		17,086,057	17,895,864
Commission payable		2,558,635	2,550,794
Replenishment in transit		2,522,230	2,522,230
Loans payable		1,597,862	2,122,175
Retention fee payable		810,119	810,119
Unallocated remittances		48,157,830	46,219,713
Others		2,578,386	1,662,169
		396,204,942	563,397,455

Accounts payable consists of unreleased checks, due to finance centers and others.

Security deposits pertain to the amount of money the Association holds on behalf of the tenants for protection in case of any unpaid rent or damage to the investment properties.

Subscription payable pertains to the outstanding liability of the Association in relation to the subscribed preferred shares of AFPGEN (Note 22).

Statutory payables consist of withholding tax and other payables to different government agencies which are normally settled in the subsequent month.

Accounts payable - refund refers to the excess remittances of premiums and loan payments to the Association, which are refunded to the members.

Accrued expenses pertain to costs already incurred but not yet paid by the Association. These mainly include accrual of commission, advertising and promotions, utilities, services and other employee benefits.

Accounts payable and accrued expenses are normally settled within 12 months from the reporting date.

Experience refund pertains to the amount to be paid equivalent to 50% in excess of the insured's policy coverage over claims, and after administrative fees.

Commission payable refers to the amount to be paid to the Association's accredited agents and field area managers for promoting its insurance and loan products.

12 Legal policy reserves

The Association's legal policy reserves in 2021 amount to P16.01 billion (2020 - P14.47 billion). Increase in legal policy reserves recognized in profit or loss in 2021 amounts to P1.53 billion (2020 - P1.62 billion).

Legal policy reserves represent the accumulated total liability for policies in force as at reporting date.

IC issued its Circular Letter 2016-66 which provides that the reserves for traditional life insurance policies shall be valued using the gross premium valuation (GPV) method effective January 1, 2017. However, following the recent developments in the implementation of the GPV method by mutual benefit associations, IC issued Advisory 6-2018 on April 17, 2018 which defers the application of the GPV method for the valuation of traditional life insurance policies by mutual benefit associations until such time that IC issues a new financial reporting framework specifically for mutual benefit associations.

The legal policy reserves were certified by the Association's consulting actuary, who is duly accredited by the IC.

Sensitivity analysis

The analysis below is performed for a reasonable possible movement in key assumptions with all other assumptions held constant. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, the assumption changes are presented individually.

The assumptions that have the greatest effect on the amounts presented in the financial statements and its impact therein are as follows:

	2021			
	Change in assumptions	Increase (decrease) in gross liabilities	Increase (decrease) in net liabilities	Increase (decrease) in profit before tax and fund balance
Mortality/mobility	+10%	30,882,847	30,882,847	(30,882,847)
	-10%	(6,705,152)	(6,705,152)	6,705,152
Discount rate	+1%	(460,837,476)	(460,837,476)	460,837,476
	-1%	578,630,750	578,630,750	(578,630,750)

	2020			
	Change in assumptions	Increase (decrease) in gross liabilities	Increase (decrease) in net liabilities	Increase (decrease) in profit before tax and fund balance
Mortality/mobility	+10%	30,947,141	30,947,141	(30,947,141)
	-10%	(4,307,522)	(4,307,522)	4,307,522
Discount rate	+1%	(416,884,854)	(416,884,854)	416,884,854
	-1%	550,062,986	550,062,986	(550,062,986)

13 Claims and benefits payable

Details of the movements in policy and contract claims payable for the years ended December 31 are as follows:

	2021	2020
As at January 1	754,999,401	576,068,022
Claims and benefits incurred	2,314,140,438	1,851,855,619
Change in IBNR claims	37,760,582	37,473,679
Claims and benefits paid	(2,226,861,511)	(1,710,397,919)
As at December 31	880,038,910	754,999,401

14 Dividends payable

At the option of the Association's BOT, dividends are provided to members with participating option policies which have been in-force for at least three (3) years.

The movements in dividends payable are as follows:

	2021	2020
As at January 1	430,217,960	383,513,751
Interest expense	33,034,393	28,027,480
Dividends declared during the year	-	130,323,573
Dividends paid during the year	(148,735,681)	(111,646,844)
As at December 31	314,516,672	430,217,960

15 Reserve for members' refund

The Association's reserve for members' refund in 2021 amounted to P4.2 billion (2020 - P3.6 billion). This account pertains to refund to members upon their retirement, which is equivalent to 50% of membership dues collected on basic policies which have been in-force for at least three (3) years, plus 6% interest per annum.

The movements in this account follow:

	Refund of equity value	Refund of members' contributions	Total
At January 1, 2020	2,937,437,007	91,064,437	3,028,501,444
Contributions received	532,317,436	4,216,868	536,534,304
Incremental benefit reserve	85,126,278	-	85,126,278
Refund paid	(70,280,595)	(6,347,772)	(76,628,367)
At December 31, 2020	3,484,600,126	88,933,533	3,573,533,659
Contributions received	570,992,629	-	570,992,629
Incremental benefit reserve	203,034,444	-	203,034,444
Refund paid	(93,507,754)	(9,033,877)	(102,541,631)
At December 31, 2021	4,165,119,445	79,899,656	4,245,019,101

16 Members' contributions

Members' contributions represent amounts contributed by the members of the Association pertaining to old basic insurance, which was a previous requirement to avail membership to the Association.

The Association's members' contributions in 2021 amount to P79.19 million (2020 - P77.02 million). Increase in members' contributions in 2021 amounts to P2.17 million (2020 - P3.70 million decrease). Transfer to reserve for members' refund in 2021 amounts to P1.02 million (2020 - P4.2 million transfer from reserve for members' refund).

17 Accumulated net income

Assigned accumulated net income

The composition of assigned accumulated net income, as approved by the BOT, follows:

	2021	2020
Capacity building	66,068,957	72,163,621
Member's equity dividend	60,280,000	60,280,000
Upgrading of systems, equipment and facilities	42,504,411	47,842,706
Corporate social responsibility	-	130,000,000
Capital expenditures	-	93,000,000
Trainings and seminars	-	3,285,500
	168,853,368	406,571,827

In 2021, the Association directly utilized the assigned accumulated income amounting to P3.94 million for upgrading of its systems, equipment and facilities.

Unassigned accumulated income

Unassigned accumulated income pertains to free and unassigned surplus of the Association which can be distributed to the members in the form of dividend.

Unassigned accumulated income, excluding the amount of unrealized gains on fair value of investment properties and employee benefit reserve, shall not exceed the maximum limit specified in Section 408 of the Amended Insurance Code, which states that "A mutual benefit association shall only maintain free and unassigned surplus of not more than 20% of its total liabilities as verified by the Commissioner."

As at December 31, 2021 and 2020, the Association has complied with the requirement on limit of unassigned accumulated income based on the IC verified 2020 and 2019 annual statements, respectively.

18 Cash generated from operations

	Notes	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		419,488,117	3,672,423,802
Adjustments for:			
Decrease (increase) in fair value of investment properties	7	193,040,500	(3,080,797,270)
Interest income	4	(1,464,874,069)	(1,316,481,912)
Dividends on participating policies	14	-	130,323,573
(Gain) loss on sale of AFS investments	4	(1,732,800)	93,010,887
Incremental benefit reserve	15	203,034,444	85,126,278
Allowance for impairment losses	3	182,639,382	72,454,543
Depreciation and amortization	9	31,205,357	33,753,348
Retirement benefit expense	21	34,724,140	32,130,813
Dividend income	4	(5,707,350)	(7,539,432)
Fair value changes of investments at FVTPL	4	993,139	(5,177,451)
Gain on sale of assets held for sale	6	(1,487,490)	(3,880,177)
Interest expense		33,034,393	28,027,480
Operating loss before working capital changes		(375,642,237)	(266,625,518)
Decrease (increase) in:			
Loans receivables		(590,194,716)	(727,265,337)
Other receivables		(567,790,015)	(12,751,788)
Premiums receivable from members		25,650,239	25,662,151
Other assets		15,931,264	(5,220,103)
Increase (decrease) in:			
Legal policy reserves		1,531,137,813	1,513,929,840
Claims and benefits payable		125,039,509	178,931,379
Accounts payable and accrued expenses		(171,061,581)	(12,713,311)
Other liabilities		67,735,955	(148,711,070)
Net cash generated from operations		60,806,231	545,236,243

19 Insurance premiums

Details of the account for the years ended December 31 are as follows:

	2021	2020
Gross premiums on:		
Permanent insurance plans	3,454,278,715	3,313,141,825
Basic policies	537,643,031	496,267,222
Group insurance	159,656,346	112,159,557
Special group term insurance	28,926,490	24,938,055
	4,180,504,582	3,946,506,659
Less: Reinsurance premiums ceded	(998,391)	(597,110)
	4,179,506,191	3,945,909,549

20 General and administrative expenses

Details of general and administrative expenses for the years ended December 31 are as follows:

	Note	2021	2020
Salary and employee benefits		451,297,516	408,015,502
Donations and contributions		201,467,785	167,913,359
Other members benefits		59,626,400	179,904,322
Subscription		41,473,226	33,858,628
Depreciation and amortization	9	36,641,140	33,753,348
Taxes and licenses		34,993,373	20,486,415
Promotional and business development		31,477,687	18,856,404
Transportation and travel		29,321,674	28,626,911
Security services and agency fees		24,196,439	25,113,621
Experience refund		17,931,085	16,039,322
Representation and entertainment		15,107,058	14,383,770
Repairs and maintenance		14,538,807	13,901,783
Manpower service fees		14,011,233	12,077,357
Communication		12,753,713	12,028,724
Rent	24	11,093,146	8,589,596
Collection incentive fee		11,060,573	8,362,179
Supplies		10,803,631	13,803,364
Meetings and conferences		9,274,910	10,700,971
Utilities		8,908,176	7,472,685
Directors' fees		7,764,363	7,341,902
Professional fees		6,378,794	5,027,485
Seminar and training		3,484,460	1,183,991
Others		56,627,202	22,800,967
		1,110,232,391	1,070,242,606

Experience refund pertains to the 50% of the excess of the insured's policy coverage over claims made, and after administrative fees.

Others include service charges, litigation, social and community services expenses and miscellaneous expenses.

Salaries and employee benefits consist of:

	Note	2021	2020
Salaries and allowances		251,378,552	250,059,512
Employee benefits		165,194,824	125,825,177
Retirement benefits	21	34,724,140	32,130,813
		451,297,516	408,015,502

21 Net retirement liability

The Association has a funded, non-contributory defined benefit retirement plan covering all qualified officers and employees. Under this plan, normal retirement age is 60. Normal retirement benefit consists of a lump sum benefit equivalent to 150% of basic monthly salary at the time of retirement for each year of service provided that the employee has rendered at least five (5) years of service.

For early retirement, the benefit is equivalent to 50% of the employee's monthly basic salary for every year of service with the rate progressing to a maximum of 150% of basic monthly salary. Death and disability benefit on the other hand, shall be determined on the same basis as in normal retirement. The latest actuarial valuation date is as at December 31, 2021 which was performed by the Association's external actuary.

The following tables summarize the components of retirement benefit expense recognized in the statement of total comprehensive income and the movements and amounts recognized in the statement of financial position.

Retirement benefit expense recognized in the statement of total comprehensive income and presented in "Salaries and employee benefit" account under "General and administrative expenses" for the years ended December 31 consists of:

	Note	2021	2020
Current service cost		24,768,286	20,706,718
Net interest cost		9,955,854	11,424,095
	20	34,724,140	32,130,813

Net retirement liability recognized in the statement of financial position follows:

	2021	2020
Present value of defined benefits obligation	462,036,887	396,661,636
Fair value of retirement plan assets	(139,993,984)	(121,638,046)
	322,042,903	275,023,590

Changes in present value of defined benefits obligation are as follows:

	2021	2020
As at January 1	396,661,636	360,546,013
Current service cost	24,768,286	20,706,718
Interest cost	14,359,151	17,436,138
Benefits paid	(30,338,043)	(13,632,745)
Remeasurement loss on defined benefits obligation	56,585,857	11,605,512
As at December 31	462,036,887	396,661,636

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

	2021	2020
As at January 1	121,638,046	127,005,775
Benefits paid	(30,338,043)	(13,632,745)
Contributions	41,680,000	-
Interest income	4,403,297	6,012,043
Remeasurement gain on plan assets	2,610,684	2,252,973
As at December 31	139,993,984	121,638,046

The cumulative remeasurement loss on net retirement liability recognized in other comprehensive income for the years ended December 31 follows:

	2021	2020
As at January 1	90,300,354	80,947,815
Remeasurement loss	53,975,173	9,352,539
As at December 31	144,275,527	90,300,354

In 2021, the Association contributed to the retirement plan amounting to P41.68 million (2020 - nil).

The major categories of plan assets are as follows:

	2021	2020
Cash and cash equivalents	39,849,050	4,507,265
Short-term investments	-	9,147,301
Receivables, net	55,762,070	56,780,884
AFS financial assets	53,008,328	52,680,648
Accounts payable and accrued expenses	(8,625,463)	(1,478,052)
	139,993,985	121,638,046

The plan exposes the Association to the following risks:

- Salary risk - any increase in the retirement plan participants' salary will increase the retirement plan's liability.
- Longevity risk - any increase in the plan participants' life expectancy will increase the retirement plan's liability.
- Interest rate risk - a decrease in the bond interest rate will increase the present value of the retirement liability. However, this is partially counterbalanced by an increase in the return on the plan assets.
- Investment risk - if the actual return on plan assets is below the discount rate used in calculating the present value of the retirement liability, a plan deficit will arise. However, the compositions of plan assets are balanced enough not to expose the Association to significant concentrations of investment risk.

The principal assumptions used to determine the net retirement liability are as follows:

	2021	2020
Discount rates	4.97%	3.62%
Salary increase rate	7.50%	5.50%

Assumptions regarding future mortality and disability used by the Association have been based on the adjusted 1994 Group Annuity Table and 1952 Disability Study, period 2, Benefit 5, respectively.

Sensitivity analysis based on reasonably possible changes of the assumptions on net retirement liability as at December 31 are as follows:

	Change in assumption	Effect on net retirement liability
Discount rates	+1.0%	(41,302,640)
	-1.0%	45,225,171
Salary increase rate	+1.0%	42,692,174
	-1.0%	(40,388,974)

	Change in assumption	Effect on net retirement liability
Discount rates	+1.0%	(28,359,923)
	-1.0%	33,260,968
Salary increase rate	+1.0%	32,288,027
	-1.0%	(28,139,270)

The BOT reviews the level of funding required for the retirement fund. Such review includes the asset-liability matching (ALM) strategy and investment risk management policy. The Association's ALM objective is to match maturities of the plan assets to the retirement obligation as they fall due. The Association monitors how the duration and expected yield of the investments are matching the expected cash outflows arising from the retirement benefit obligation.

Maturity analysis of the benefit payments are as follows:

Period	2021	2020
Within 1 year	70,264,583	37,845,828
Within 1-5 years	142,212,833	154,078,856
More than 5 years	2,082,914,747	973,027,425

The weighted average duration of the defined benefit obligation in 2021 is 12 years (2020 - 13 years). There is no expected contribution to the plan for the year ending December 31, 2022.

22 Related party transactions

Related party relationships exist when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among the enterprise and its key management personnel (KMP), trustees, or its members. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

In the normal course of business, the Association has transactions with its related parties as follows:

		2021		2020		
Related Party	Relationship	Amount of transactions	Outstanding balance	Amount of transactions	Outstanding balance	Nature of transaction
AFPGEN	Subsidiary	-	-	-	-	Insurance expense
		-	-	-	-	Rental income
		3,176,678	-	849,762	-	Rental expense
		-	47,250,000	-	47,250,000	Subscription payable
Armed Forces and Police Savings and Loans Association, Inc. (AFPSLAI)	Entity with common significant influence	(231,969,258)	268,030,742	(499,997,413)	500,000,000	Short-term investments
		8,114,961	-	36,376,988	-	Interest income
		-	3,000,000	-	3,000,000	AFS investments
		517,500	-	345,000	-	Interest income
		230,000,000	1,230,000,000	1,000,000,000	1,000,000,000	Long-term investments
		79,588,056	-	43,097,310	-	Interest income (Note 4)
		2,348,002	-	2,704,161	-	Rent income
		252,632	-	252,632	21,053	Rent expense
CFC	Associate	17,160,000	2,840,000	-	20,000,000	Partial return of investment

In 2017, the Association entered into a subscription agreement with its subsidiary, AFPGEN. The Association subscribed for P275 million of AFGEN's redeemable preferred shares and paid P227.75 million. The remaining subscription payable amounting to P47.25 million as at December 31, 2021 and 2020 is included under "Accounts payable and accrued expenses" account (Note 11).

Compensation of Key Management Personnel

The compensation of key management personnel pertaining to short-term employee benefits amounts to P13.25 million in 2021 (2020 - P9.92 million). There are no long-term employee benefits attributable to key management personnel for the years ended December 31, 2021 and 2020.

23 Income tax

As discussed in Note 1, the Association is a non-stock, non-profit corporation organized for mutual aid as contemplated under Section 30(C) of the Tax Code of 1997. As such, it is exempt from the payment of income tax on income received by it as such organization, including the premium income and interest income from loans extended to its members.

The Association's provision for current income tax expense in 2021 represents regular corporate income tax (RCIT). The current income tax expense in 2020 represents minimum corporate income tax (MCIT). The Association's income taxes are related to its rental and other income.

The Association's excess MCIT over RCIT incurred in 2020 amounting to P1.03 million was applied in 2021 as a tax credit.

The components of net deferred tax liability represent the tax effects of the following temporary differences:

	2021	2020
Deferred tax liability on:		
Cumulative fair value gain on investment property	1,414,260,008	1,755,024,160
Deferred tax assets on:		
NOLCO	-	4,015,024
Excess MCIT over RCIT	-	1,378,552
Total deferred tax assets	-	5,393,576
Net deferred tax liability	1,414,260,008	1,749,630,584

The reconciliation of provision for income tax computed using the statutory tax rate and provision for income tax shown in the statement of total comprehensive income follows:

	2021	2020
Provision for income tax at statutory tax rate	104,872,029	1,101,727,141
Tax relief availment on exempt activities	(59,981,218)	(96,954,451)
Income tax effects of:		
Non-deductible expenses	(217,174,361)	302,907,224
Difference of final tax rate against statutory tax rate	(26,360,964)	(46,612,391)
Non-taxable income	(18,967,758)	(6,445,431)
	(217,612,272)	1,254,622,092

Pursuant to Revenue Regulations No. 25-2020 implementing Section 4 of Republic Act No. 11494, otherwise known as the Bayanihan to Recover as One Act, the net operating loss of the business or enterprise for taxable years 2020 and 2021 shall be carried over as deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss. Hence, NOLCO incurred in 2020 amounting to P13.4 million can be claimed against future taxable income until 2025.

The Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act which provides for lower corporate income tax rates and rationalizes fiscal incentives had been signed into law by the President of the Philippines in 2021 but with an effective date of July 1, 2020. As a result of the CREATE Act, the Association recognized an adjustment in 2021 pertaining to the December 31, 2020 balances which resulted in a decrease of P0.34 million in current income tax expense and a decrease of P291.49 million in deferred income tax expense.

24 Lease commitments

a. Operating Leases - the Association as Lessor

The Association has entered into various lease agreements on its investment properties which it considers as operating lease. These have lease terms ranging from one (1) to twenty-five (25) years. The lease may be renewed under mutually acceptable terms and conditions.

Future minimum rental income as at December 31, 2021 and 2020 are as follows:

	2021	2020
Not later than one year	71,106,206	68,928,704
Later than one year and not later than five years	289,163,055	270,715,718
More than five years	1,105,371,737	1,186,814,600
Total	1,465,640,998	1,526,459,022

Rental income in 2021 amounted to P84.86 million (2020 - P89.79 million) (Note 7).

b. Operating Leases - the Association as Lessee

The Association leases the premises of its regional offices with various maturities that are renewable under certain terms and conditions. In 2021 and 2020, total rent expense amounted to P11.09 million and P8.59 million, respectively.

The basic lease period ranges from one (1) to five (5) years. Most of the lease agreements contain renewal options which provide for the right to extend the lease for varying periods at terms agreeable with the lessors.

The future minimum lease payments under non-cancellable operating leases are as follows:

	2021	2020
Not later than one year	4,674,339	1,833,812
Later than one year and not later than five years	2,379,749	761,205
Total	7,054,088	2,595,017

25 Critical accounting estimates and judgments

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Association makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

25.1 Critical accounting judgments

(a) Classifying the financial instruments

The Association classifies a financial instrument on initial recognition as a financial asset, a financial liability, or equity in accordance with the substance of the contractual arrangement and its definitions. The substance of a financial instrument, rather than its legal form, governs its classification in the statement of financial position.

(b) Determining the fair value of financial instruments (Note 4)

The fair values of investments that are actively traded in organized financial markets are determined by reference to quoted market prices at the close of business on the reporting date.

The Association uses judgment in assessing the significance of a particular input to the fair value measurements in its entirety, considering factors specific to the asset or liability.

The Association's investments at FVTPL in 2021 amount to P43.19 million (2020 - P18.88 million)

The Association's AFS investments carried at fair value in 2021 amount to P1.67 billion (2020 - P1.67 billion).

(c) Assessing the distinction between investment properties and property and equipment

The Association determines whether a property qualifies as investment property or property and equipment. In making its judgment, the Association considers whether the property is held for administrative purposes or is held for capital appreciation and to earn rentals, in which case the property shall be classified as property and equipment or investment property, respectively, as the case may be. The Association considers each property separately in making its judgment.

(d) Determining existence of control in an investee company (Note 8)

Control is presumed to exist when the Association owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity unless, in exceptional circumstances, it can be clearly demonstrated that such ownership does not constitute control. The Association's management has determined that the Association has control over AFPGEN. Accordingly, AFPGEN is considered as an Association's subsidiary.

The carrying value of the subsidiary included under "Investments in subsidiary and associates, net" account amounts to P453.27 million as at December 31, 2021 and 2020.

(e) *Classifying investment in associates (Note 8)*

The Association classifies its investment in associates based on its significant influence over the entity.

The Association owns 28.13% of ATEI and 22.00% of CFC.

The carrying value of investment in associates included under "Investments in subsidiary and associates, net" account in 2021 amounts to P2.84 million (2020 - P20 million).

(f) Classifying leases - the Association as a lessor (Note 24)

The Association has entered into contracts of lease with third parties and has determined that it retains all the significant risks and rewards incidental to ownership of the leased properties. The leases are therefore accounted for as operating leases.

Rental income in 2021 amounts to P84.86 million (2020 - P89.79 million).

(g) Classifying leases - the Association as a lessee (Note 24)

The Association, as a lessee, has entered into commercial property leases for its branch offices. The Association availed the exemption for leases with underlying asset of low value. Accordingly, lease payments on low value assets are recognized as expense on a straight-line basis over the lease term.

Rent expense in 2021 amounts to P11.09 million (2020 - P8.58 million).

25.2 Critical accounting estimates

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting year are discussed in the succeeding paragraphs.

(a) Estimating the legal policy reserves (Note 12)

Reserves are set up as requirement pursuant to the provision and guidelines set by the IC, which pertain to future benefit payments. Estimates of future benefit payments depend on the expectations of contingencies covered, such as death and endowment benefits. The Association based these estimates on mortality and other contingency tables approved by the IC, as well as future investment earnings rate of the assets backing up these liabilities, subject to certain limitations and interest cap.

The carrying amount of legal policy reserves as at December 31, 2021 is P16.01 billion (2020 - P14.47 billion).

(b) Estimating the provision for claims and benefits (Note 13)

Provision is made for the cost of claims incurred as at reporting date based on the Association's experience and historical data. Differences between the provision for outstanding claims at the reporting date and subsequent revisions and settlements are included in statement of comprehensive income.

Claims and benefits payable as at December 31, 2021 is P880.03 million (2020 - P755 million).

(c) Impairment losses on AFS financial assets and HTM investments (Note 4)

The Association treats AFS financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" and "prolonged" requires judgment. The Association treats "significant" generally as 20% or more of the original cost of investment, and "prolonged," as greater than six months. In addition, the Association evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows.

The Association determines impairment of HTM investments based on its evaluation of the presence of objective evidence of impairment which includes observable data that comes to the attention of the Association such as but not limited to significant financial difficulty of the counterparty of the probability that the borrower will enter bankruptcy or other financial re-organization. In addition to the individual impairment assessment which takes into consideration the credit risk characteristics such as borrower type, payment history and past due status.

There were no allowance for impairment losses recognized as at and for the year ended December 31, 2021 and 2020.

(d) Impairment losses on loans receivables (Note 3), other receivables (Note 5) and other financial assets

The Association reviews financial assets at each reporting date to assess whether an allowance for impairment should be recorded in profit or loss. In particular, judgment by management is required in determining the amount and timing of future cash flows when determining the level of allowance required. The amount and timing of recorded expenses for any period would differ if the Association made different judgment. An increase in allowance for impairment losses would increase recorded expenses and decrease net income.

The Association conducts impairment tests at a collective level for receivables that are not individually significant and for those that were already specifically tested but with no impairment losses determined. For collective impairment testing purposes, receivables are grouped according to their risks characteristics. The loss rate applied to each risk group to compute for the required allowance for impairment losses is determined based on the risk group's default or past due migration and loss history. Management's judgment is required in choosing the risk characteristics used in grouping the receivables as well as in selecting the periods over which the past due migration and loss history shall be obtained. In computing the loss rates for each group, management also makes certain assumptions over the available data on past due migration and loss history of the risk group that these reflect current relevant economic circumstances. Adjustments on the loss rates are made as deemed necessary by management to ensure that the loss rates properly reflect the incurred loss on the risks groups as of reporting date.

The amount and timing of recorded expenses for any year would differ if the Association made different judgments or utilized different methodologies. An increase in allowance for impairment losses would increase the recorded operating expenses and decrease current assets.

Provision for impairment loss recognized on loans receivables in 2021 amounts to P182.64 million (2020 - P72.45 million). The carrying amount of loans receivables in 2021 amounts to P10.76 billion (2020 - P10.25 million). Allowance for impairment losses in 2021 amounted to P638.46 million (2020 - P455.82 million).

No impairment loss recognized on premium receivables from members in 2021 and 2020. The carrying amount of premium receivables from members in 2021 amounted to P0.59 million (2020 - P26.24 million).

No impairment loss was recognized on other receivables in 2021 and 2020. The carrying amount of other receivables in 2021 amounted to P450.31 million (2020 - P393.54 million). Allowance for impairment losses amounted to P3.90 million as at December 31, 2021 and 2020.

(e) Determining the fair value of investment properties (Note 7)

Investment properties are carried at fair value, which has been determined based on arm's length transactions as at the reporting period, as certified by an independent appraiser using the market value approach.

The market value is an approach of comparing prices paid for comparable properties sold in the market against the subject property. The weight given to this approach is dependent on the availability of recent confirmed sales of properties considered comparable to the property under appraisement. These sold properties are compared to the subject in key units of comparison. Appropriate adjustments are made for differences between the subject and the comparable, resulting in adjusted sales values for each of the comparable. These adjustments are then reconciled for a value conclusion by comparative market analysis.

The fair value of investment properties in 2021 amounts to P6.36 billion (2020 - P6.56 billion). The Association considers that it is impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding its investment properties.

(f) Classifying and determining the fair value of assets held-for-sale (Note 6)

The Association classifies its acquired properties as assets held-for-sale if the Association expects that the properties will be recovered through sale rather than continuing use. At initial recognition, the Association determines the fair value of acquired properties through internally and externally-generated appraisal. The appraised value is determined based on current economic and market conditions as well as the physical condition of the property.

The fair value of assets held-for-sale in 2021 amounts to P95.98 million (2020 - P97.61 million) and is categorized under Level 2 of the fair value hierarchy.

(g) Estimating the useful lives of depreciable property and equipment (Note 9)

The Association estimates the useful lives of its depreciable property and equipment based on the period over which the assets are expected to be available for use. The Association reviews annually the estimated useful lives of property and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental changes and anticipated use of the property and equipment. However, it is possible that future financial performance could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property and equipment would increase the recorded depreciation and amortization and decrease its carrying amounts.

There are no changes in the estimated useful lives of the Association's property and equipment in 2021 and 2020. The carrying amount of depreciable property and equipment in 2021 amounted to P163.99 million (2020 - P166.58 million).

(h) Assessing the impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that have definite useful lives such as property and equipment and software cost are subject to depreciation or amortization and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of impairment at each reporting date.

The Association recognizes an impairment loss whenever the carrying amount of an asset exceeds it recoverable amount. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. Determining such amount requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets.

No provision for impairment loss on assets held-for-sale was recognized in 2021 and 2020, respectively (Note 6).

The carrying amounts of the non-financial assets as at December 31, 2021 and 2020 are as follows:

	Notes	2021	2020
Investment properties	7	6,363,446,149	6,556,486,649
Investments in subsidiary and associates	8	456,105,704	473,265,704
Property and equipment	9	620,099,242	622,756,618
Assets held-for-sale	6	95,978,558	97,614,979
Other assets, net	10	46,527,478	62,458,742

(i) Determining the net retirement liability and retirement expense (Note 21)

The determination of the net retirement liability and retirement expense is dependent on management's selection of certain assumptions used by the actuary in calculating such amounts.

The assumptions for determining retirement expense are described in the Note 21 and include discount rate and salary increase rate. Actual results that differ from certain assumptions are accumulated and are recognized as part of equity. While management believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in management assumptions may materially affect the net retirement asset.

Retirement expense in 2021 amounts to P34.72 million (2020 - P32.13 million). Net retirement liability in 2021 amounts to P322.04 million (2020 - P275.02 million).

26 Insurance risk, financial risk and capital management

The primary objective of the Association's risk management framework is to protect the Association's members from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. The Association recognizes the critical importance of having efficient and effective risk management systems in place.

The Association has established a risk management function with reference from the Board, its committees and management. This is supplemented with a clear organizational structure with delegated authorities and responsibilities from the Board to senior managers.

Regulators are primarily interested in protecting the rights of the members and monitor the Association closely to ensure that the Association is satisfactorily managing its affairs for its members' benefit. At the same time, the regulators are also interested in ensuring that the Association maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

The operations of the Association are also subject to regulatory requirements of the IC. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions [e.g., minimum risk-based capital (RBC) requirements].

26.1 Insurance risk management

The principal risk the Association faces under insurance contracts is that the actual claims and benefit payments or the timing thereof differs from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Association is to ensure that sufficient reserves are available to cover these liabilities.

Insurance risk includes premium/benefits risk, actuarial reserve risk and reinsurance risk. Premium/benefits risk is the risk of having to pay, from a premium that may be fixed for a specific term, benefits that can be affected by uncontrollable event when they become due. Adequacy of the actuarial reserves is monitored by an in-house actuary on a regular basis in accordance with local regulations. Reinsurance risk arises from underwriting direct business or reinsurance business in relation to reinsurers and brokers.

The Association manages its insurance risk by ensuring it generates lasting returns from its financial assets, so that it will be able to fund its obligation arising from its insurance contracts. Underwriting guidelines and limits for insurance and reinsurance contracts have been well established to clearly regulate responsibility and accountability. The Association regularly assesses the reserving methodology in accordance with local regulations.

The frequency and severity of claims is dependent on the type of contracts as follows:

a. For contracts where death is the insured risk, the most significant factor would be epidemic that result in earlier or more claims than expected;
b. For contracts with fixed and guaranteed benefits and fixed future premiums, there are no mitigating terms and conditions that reduce the insurance risk accepted; and
c. For contracts with discretionary participating feature, the participating nature of these insurance contracts results in a portion of the insurance risk being shared with the insured party.

The Association manages these risks through its underwriting strategy and reinsurance program. However, the risk is also dependent on the policyholders' right to pay reduced or no future premiums, or to terminate the contract completely.

The following represents the Association's concentration of insurance risk as at December 31:

	2021		2020	
	Exposure, net of reinsurance	Concentration	Exposure, net of reinsurance	Concentration
Individual	42,250,463,179	98.47%	39,742,742,225	98.66%
Group	656,600,000	1.53%	539,650,000	1.34%
	42,907,063,179	100%	40,282,392,225	100%

Classification by attained age (Based on 2021 data of in-force policies)

The tables below present the concentration of risk across the 14 age brackets. For individual insurance, exposure is concentrated on age brackets less than 20 and from 25-29 to 40-44. For group insurance, exposure is concentrated on age brackets from 25-29 to 35-39 and from 50-54 to 55-59.

	Individual			
	Gross of reinsurance		Net reinsurance	
Attained age	Exposure	Concentration (%)	Exposure	Concentration (%)
<20	6,846,553,576	16.20%	6,846,553,576	16.20%
20-24	2,486,858,706	5.89%	2,486,858,706	5.89%
25-29	9,375,060,662	22.19%	9,375,060,663	22.19%
30-34	9,187,505,034	21.75%	9,187,505,034	21.75%
35-39	5,162,412,658	12.22%	5,162,412,658	12.22%
40-44	4,237,457,068	10.03%	4,237,457,068	10.03%
45-49	2,783,902,369	6.59%	2,783,902,369	6.59%
50-54	1,611,017,949	3.81%	1,611,017,949	3.81%
55-59	384,806,547	0.91%	384,806,547	0.91%
60-64	94,699,615	0.22%	94,699,615	0.22%
65-69	39,263,422	0.09%	39,263,422	0.09%
70-74	20,875,132	0.05%	20,875,132	0.05%
75-79	9,499,786	0.02%	9,499,786	0.02%
80+	10,550,655	0.02%	10,550,655	0.02%
Total	42,250,463,179	100.00%	42,250,463,180	100.00%

	Group			
	Gross of reinsurance		Net reinsurance	
Attained age	Exposure	Concentration (%)	Exposure	Concentration (%)
<20	-	-	-	-
20-24	30,150,000	4.59%	30,150,000	4.59%
25-29	109,850,000	16.73%	109,850,000	16.73%
30-34	125,450,000	19.11%	125,450,000	19.11%
35-39	69,950,000	10.65%	69,950,000	10.65%
40-44	59,550,000	9.07%	59,550,000	9.07%
45-49	56,600,000	8.62%	56,600,000	8.62%
50-54	99,600,000	15.17%	99,600,000	15.17%
55-59	102,750,000	15.65%	102,750,000	15.65%
60-64	1,950,000	0.30%	1,950,000	0.30%
65-69	750,000	0.11%	750,000	0.11%
70-74	-	0.00%	-	0.00%
75-79	-	0.00%	-	0.00%
80+	-	0.00%	-	0.00%
Total	656,600,000	100.00%	656,600,000	100.00%

Classification by attained age (Based on 2020 data of in-force policies)

The tables below present the concentration of risk across the 14 age brackets. For individual insurance, exposure is concentrated on age brackets less than 20 and from 25-29 to 40-44. For group insurance, exposure is concentrated on age brackets from 25-29 to 30-34 and from 45-49 to 55-59.

	Individual			
	Gross of reinsurance		Net reinsurance	
Attained age	Exposure	Concentration (%)	Exposure	Concentration (%)
<20	6,385,913,658	16.07%	6,385,913,658	16.07%
20-24	2,580,772,470	6.49%	2,580,772,470	6.49%
25-29	8,766,631,254	22.06%	8,766,631,254	22.06%
30-34	8,369,582,444	21.06%	8,369,582,444	21.06%
35-39	4,875,349,035	12.27%	4,875,349,035	12.27%
40-44	4,098,307,511	10.31%	4,098,307,511	10.31%
45-49	2,610,985,439	6.57%	2,610,985,439	6.57%
50-54	1,515,905,427	3.81%	1,515,905,427	3.81%
55-59	379,491,581	0.95%	379,491,581	0.95%
60-64	88,734,364	0.22%	88,734,364	0.22%
65-69	32,936,948	0.08%	32,936,948	0.08%
70-74	20,061,023	0.05%	20,061,023	0.05%
75-79	8,158,651	0.02%	8,158,651	0.02%
80+	9,912,420	0.02%	9,912,420	0.02%
Total	39,742,742,225	100.00%	39,742,742,225	100.00%

	Group			
	Gross of reinsurance		Net reinsurance	
Attained age	Exposure	Concentration (%)	Exposure	Concentration (%)
<20	-	-	-	-
20-24	3,900,000	0.72%	3,900,000	0.72%
25-29	71,050,000	13.17%	71,050,000	13.17%
30-34	86,250,000	15.98%	86,250,000	15.98%
35-39	52,600,000	9.75%	52,600,000	9.75%
40-44	53,050,000	9.83%	53,050,000	9.83%
45-49	62,200,000	11.53%	62,200,000	11.53%
50-54	96,200,000	17.83%	96,200,000	17.83%
55-59	95,200,000	17.64%	95,200,000	17.64%
60-64	18,450,000	3.42%	18,450,000	3.42%
65-69	750,000	0.13%	750,000	0.13%
70-74	-	0.00%	-	0.00%
75-79	-	0.00%	-	0.00%
80+	-	0.00%	-	0.00%
Total	539,650,000	100.00%	539,650,000	100.00%

Source of uncertainty in the estimation of future claim payment

Estimation of future claim payments and premium receipts is subject to unpredictability of changes in mortality and morbidity levels. The Association adopts standard industry data in assessing future benefit payments and premium receipts as approved by the IC. Adjustments are made, if necessary, according to the experience of the Association.

For individual life insurance, no adjustment is made by the Association to the standard mortality table. For group life, accident and health insurance, the mortality table is adjusted to reflect the Association's actual and projected experiences which are given weights or credibility depending on the amount and length of exposure under consideration. The Association currently monitors its actual experience on individual business on a per policy basis and on an aggregate basis, and reporting the same to management.

The liability for these contracts comprises the IBNR provision, a provision for reported claims not yet paid and a provision for unexpired risk at reporting dates. The IBNR provision is based on historical experience and is subject to a degree of uncertainty.

The Association has developed an internal risk management framework for identifying risks to which the Association as a whole is exposed, quantifying their impact on economic capital. The internal framework estimates how much capital is needed to mitigate the risk of insolvency to a selected remote level of risks applied to a number of tests (both financial and non-financial) on the capital position of the business.

The Association's capital management objectives are:

- To ensure the Association's ability to continue as a going concern; and
- To provide an adequate return to shareholders by complying with the capital requirements and limitation enforced by the IC and by aligning the Association's operational strategy to its corporate goals.

The Association considers the following as fund balance as at December 31:

	2021	2020
Members' contributions	79,189,327	77,017,387
Cumulative fair value changes on AFS financial assets	114,133,537	139,024,030
Accumulated net income	11,205,836,670	10,572,673,652
	11,399,159,534	10,788,715,069

Capital management and regulatory requirements

As per IC memorandum Circular No. 11-2006, every mutual benefit entity is annually required to maintain a minimum Risk Based Capital (RBC) ratio of 100% and not to fail the trend test. RBC ratio is computed using the formula prescribed by the IC. The RBC requirement is determined after considering the admitted value of certain financial statement accounts whose final amounts can be determined only after the examination by the IC. Failure to meet the minimum RBC ratio shall subject the Association to the corresponding regulatory intervention which has been defined at various levels.

As at December 31, 2021 and 2020, the Association has complied with the RBC ratio requirements based on their internal computation.

On December 23, 2020, the Association's BOT declared payment of cash dividends to its members equivalent to 1% of the members' 2020 reserve for members' equity value fund aggregating to P117.94 million.

Others

On March 10, 2017, the IC issued CL No. 2017-14 which discusses the minimum members' equity requirements for mutual benefit companies.

All mutual benefit companies duly licensed by the IC must have a total members' equity which shall remain unimpaired at all times as follows:

Minimum total Members' equity	Compliance date
P550,00,000	December 31, 2016
990,000,000	December 31, 2019
1,300,000,000	December 31, 2022

As at December 31, 2021 and 2020, the Association is compliant with the minimum members' equity requirement.

26.2 Financial risk management

The Association's risk management program is a continuing, proactive and systematic process that focuses on the identification and assessment of risks. To enable management to make strategic and informed decisions, the Association recognizes the importance of an effective financial risk management program.

The BOT adopted a number of policies to address these financial risks and their effects on financial performance. Risk management is carried out by the Finance Department and significant exposures are discussed in the BOT meetings.

The Association is exposed to financial risk through its financial assets and financial liabilities. In particular, the key financial risk that the Association is exposed to is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts.

The financial risks to which the Association is exposed to include credit risk, liquidity risk and market risk.

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.
The Association manages the level of credit risk it accepts through a comprehensive credit risk policy setting out the assessment and determination of what constitutes credit risk for the Association; setting up of exposure limits by each counterparty or group of counterparties; right of offset where counterparties are both debtors and creditor; guidelines on obtaining collateral and guarantees; reporting of credit risk exposures; monitoring compliance with credit risk policy and review of credit risk policy for pertinence and changing environment.

In respect of investment securities, the Association limits its exposure by setting maximum limits of portfolio securities with a single or group of issuers. The Association also makes use of institutions with high creditworthiness.

The Association set the maximum amounts and limits that may be advanced to/placed with individual corporate counterparties which are set by reference to their long-term ratings.

Credit risk exposure in respect of all other counterparties is managed by setting standard business terms that are required to be met by all counterparties. Commissions due to intermediaries are netted off against amounts receivable from them to reduce the risk of doubtful debts. The credit risk in respect of member balances, incurred on non payment of fees, will only persist during the grace period specified in the agreement.

The Association strictly monitors the status of the financial assets and regularly evaluate the financial condition of the counterparties, provide the necessary allowance to the extent of the amount deemed unrecoverable.

The table below summarizes the Association's maximum exposure to credit risk for each class of financial assets as at December 31:

	2021	2020
Cash in banks and cash equivalents	1,057,682,963	675,756,812
Other investments	5,615,827,407	4,618,953,816
HTM investments	8,117,623,955	7,290,696,178
Loans receivables*	10,653,511,862	10,245,956,529
Premium receivables from members	591,575	26,241,814
Other receivables**	450,316,466	393,539,238
	25,895,554,228	23,251,144,387

*Net of allowance for impairment losses amounting to P638.5 million and P455.8 million as at December 31, 2021 and 2020, respectively
**Net of allowance for impairment losses amounting to P3.9 million as at December 31, 2021 and 2020.

The Association's concentration of credit risk arises from its loan receivables and its investments in corporate and government debt securities. Loan receivables which amounted to P10.65 billion and P10.25 billion represent 30.27% and 31.27% of its total assets as at December 31, 2021 and 2020, respectively, while investments in corporate and government debt securities which amounted to P8.12 billion and P7.29 billion as at December 31, 2021 and 2020 represents 23.06% and 22.25% of its total assets, respectively.

The amount of secured loans is P6.58 billion in 2021 (2020 - P6.10 billion) (Note 3).

The table below provides information regarding the credit quality of the Association by classifying assets according to the Association's credit ratings of counterparties:

	December 31, 2021			
	Neither past due nor impaired			
	Investment high grade	Non-investment grade satisfactory	Past due	Total
Cash in banks and cash equivalents	1,057,682,963	-	-	1,057,682,963
Other investments	5,615,827,407	-	-	5,615,827,407
HTM investments	8,117,623,955	-	-	8,117,623,955
Loans receivables	9,727,780,139	-	1,564,189,904	11,291,970,043
Premium receivables from members	591,575	-	-	591,575
Other receivables	450,316,466	-	3,900,750	454,217,216
	24,969,822,505	-	1,568,090,655	26,537,913,159

	December 31, 2020			
	Neither past due nor impaired			
	Investment high grade	Non-investment grade satisfactory	Past due	Total
Cash in banks and cash equivalents	675,756,812	-	-	675,756,812
Other investments	4,618,953,816	-	-	4,618,953,816
HTM investments	7,290,696,178	-	-	7,290,696,178
Loans receivables	9,680,899,249	-	1,020,876,079	10,701,775,328
Premium receivables from members	26,241,814	-	-	26,241,814
Other receivables	393,539,238	-	3,900,750	397,439,988
	22,686,087,107	-	1,024,776,829	23,710,863,936

The Association uses a credit grading system based on the borrowers and counterparties overall credit worthiness, as described below:

- Investment high grade - this pertains to accounts with a very low probability of default as demonstrated by the borrower's strong financial position and reputation. The borrower has the ability to raise substantial amount of funds through the public markets and/or credit facilities with financial institutions. The borrower has a strong debt service record and a moderate use of leverage.

- Non-investment grade - satisfactory - this pertains to current accounts with no history of default or which may have defaulted in the past, but the conditions and circumstances directly affecting the borrower's ability to pay has abated already. The borrower is expected to be able to adjust to the cyclical downturns in its operations. Any prolonged adverse economic conditions would however ostensibly create profitability and liquidity issues. The use of leverage may be above industry or credit standards but remains stable.

- Past due but not impaired - these are financial assets where the contractual interest or principal repayment are past due but the Association believes that impairment is not appropriate on the basis of the level of collateral available or status of collection of amounts owed to the Association.

- Past due and impaired - these are financial assets which the Association determines that it is probable that it will be unable to collect all principal and interest due based on the contractual terms of the instruments.

In accordance with the foregoing credit rating framework, the Association has arrived at the following analysis of financial assets that are past due:

	December 31, 2021						
	Age Analysis of Financial Assets Past Due but not Impaired						
	7 to 12 mos	13 to 24 mos	25 to 36 mos	>36 mos	Total	Past due and impaired	Total
Financial assets:							
Loan receivables	63,476,214	106,895,111	116,612,786	140,714,362	427,698,473	498,033,252	925,731,725
Other receivables	-	-	-	-	-	3,900,750	3,900,750
Total	63,476,214	106,895,111	116,612,786	140,714,362	427,698,473	501,934,002	929,632,475

	December 31, 2020						
	Age Analysis of Financial Assets Past Due but not Impaired						
	7 to 12 mos	13 to 24 mos	25 to 36 mos	>36 mos	Total	Past due and impaired	Total
Financial assets:							
Loan receivables	75,481,303	69,808,466	48,667,986	371,099,525	565,057,280	455,818,799	1,020,876,079
Other receivables	-	-	-	-	-	3,900,750	3,900,750
Total	75,481,303	69,808,466	48,667,986	371,099,525	565,057,280	459,719,549	1,024,776,829

(b) Liquidity risk

Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or the counterparty failing on repayment of a contractual obligation; or the insurance liability falling due for payment earlier than expected; or inability to generate cash inflows as anticipated.

The Association manages its liquidity needs by carefully monitoring schedules of debt servicing payments of long-term financial liabilities as well as cash outflows due on a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection.

Long-term liquidity needs for a six-month and one year period is identified monthly. The major liquidity risk confronting the Association is the daily calls on its available cash resources in respect of claims arising from insurance contracts.

The Association maintains cash to meet its liquidity requirements for up to 60 days. Excess cash is invested in time deposits or short-term marketable securities. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

It is unusual for an Association primarily transacting insurance business to predict the requirements of funding with absolute certainty as theory of probability is applied on insurance contracts to ascertain the likely provision and the time period when such liabilities will require settlement. The amount and maturities in respect of insurance liabilities are thus based on management's best estimate based on statistical techniques and past experience.

The tables below present the financial assets and liabilities of the Association into their relevant maturity groups using contractual undiscounted amounts based on the remaining period at the reporting dates to their contractual maturities or based on the estimated timing of the net cash outflows as at December 31:

	2021			
	Due and demandable within 1 year	1 - 5 years	Over 5 years	Total
Cash and cash equivalents	1,065,753,299	-	-	1,065,753,299
Other investments	4,385,827,407	1,230,000,000	-	5,615,827,407
Financial assets at FVTPL	43,194,645	-	-	43,194,645
AFS financial assets	1,668,050,809	-	-	1,668,050,809
HTM investments	795,146,942	5,151,169,272	2,171,307,741	8,117,623,955
Loan receivables	5,072,373,838	5,581,138,024	-	10,653,511,862
Premium receivables from members	591,575	-	-	591,575
Other receivables	450,316,466	-	-	450,316,466
Total financial assets	13,481,254,981	11,962,307,296	2,171,307,741	27,614,870,018
Claims and benefits payable	880,038,910	-	-	880,038,910
Accounts payable and accrued expenses*	349,918,880	-	-	349,918,880
Dividends payable	314,516,672	-	-	314,516,672
Reserve for members' refund	4,245,019,101	-	-	4,245,019,101
Other liabilities	220,394,025	-	-	220,394,025
Total financial liabilities	6,009,887,588	-	-	6,009,887,588
Net liquidity	7,471,367,393	11,962,307,296	2,171,307,741	21,604,982,430

	2020			
	Due and demandable within 1 year	1 - 5 years	Over 5 years	Total
Cash and cash equivalents	683,957,148	-	-	683,957,148
Other investments	3,618,953,816	1,000,000,000	-	4,618,953,816
Financial assets at FVTPL	18,877,056	-	-	18,877,056
AFS financial assets	1,671,443,584	-	-	1,671,443,584
HTM investments	1,426,783,080	4,495,375,015	1,368,538,083	7,290,696,178
Loan receivables	5,289,741,630	4,956,214,899	-	10,245,956,529
Premium receivables from members	26,241,814	-	-	26,241,814
Other receivables	393,539,238	-	-	393,539,238
Total financial assets	13,129,537,366	10,451,589,914	1,368,538,083	24,949,665,363
Claims and benefits payable	754,999,401	-	-	754,999,401
Accounts payable and accrued expenses*	546,171,214	-	-	546,171,214
Dividends payable	430,217,960	-	-	430,217,960
Reserve for members' refund	3,573,533,659	-	-	3,573,533,659
Other liabilities	152,658,070	-	-	152,658,070
Total financial liabilities	5,457,580,304	-	-	5,457,580,304
Net liquidity	7,671,957,062	10,451,589,914	1,368,538,083	19,492,085,059

**Excluding statutory payables*

(c) Market risk

Market risk is the risk of change in fair value of financial instruments from fluctuation in foreign exchange rates (foreign exchange risk), market interest rates (interest rate risk) and market prices (price risk), whether such change in price is caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market

Market risk is the risk to an institution's financial condition from volatility in the price movements of the assets contained in a portfolio. Market risk represents what the Association would lose from price volatilities. Market risk can be measured as the potential loss in a position or portfolio that is associated with a price movement of a given probability of a specified time horizon.

The Association manages market risk by evenly distributing capital among investment instruments and sectors.

The Association structures levels of market risk it accepts through a sound market risk policy based on specific guidelines set by the Investment Committee. This policy constitutes certain limits on exposure of investments mostly with top-rated banks, which are selected on the basis of the bank's credit ratings, capitalization and quality servicing being rendered to the Association. Also, the said policy includes diversification benchmarks of investment portfolio to different investment types duly approved by the IC, asset allocation reporting and portfolio limit structure. Moreover, control of relevant market risks can be addressed through compliance reporting of market risk exposure to the IC, regular monitoring and review of the Association's investments performance and upcoming investment opportunities for pertinent and changing environment

Foreign exchange risk

The Association is not exposed to significant currency risk due to its minimal transaction in foreign currency and financial assets or liabilities denominated in foreign currency which is mostly related to United States Dollar (USD) - denominated cash in bank and investments.

Interest rate risk

Interest rate risk is the risk that the value/future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating-rate instruments expose the Association to cash flow interest risk, whereas fixed interest rate instruments expose the Association to fair value interest rate risk. The Association is not exposed to cash flow interest rate risk as none of its financial assets or liabilities have floating interest rates. The Association's exposure is only on fair value interest rate risk in respect of government debt securities and corporate bonds classified as AFS financial assets.

Interest rate risk is managed by targeting a desired return, which is reviewed periodically, based on the Association's long-term view on interest rates. Strict investment guidelines, as approved by the AMTC and the IC, are in place and reviewed regularly to provide the general direction for the investment funds and to monitor the risk undertaken.

The Association's policy is to pursue a stable return on investment in order to maintain solid solvency. Priority is given to safety and liquidity as these assets are mainly for payment of insurance claims.

Exposures to interest rate risk comprise the following as at December 31:

	2021				
		Due in			
	Interest rate	1 year	2 - 5 years	Beyond 5 years	Total
Financial assets					
Cash in banks and cash equivalents	1.25% to 1.40%	1,065,753,299	-	-	1,065,753,299
Other investments	1.00% to 8.00%	4,385,827,407	1,230,000,000	-	5,615,827,407
HTM investments	3.25% to 7.38%	795,146,942	5,151,169,272	2,171,307,741	8,117,623,955
Loans receivables:					
Salary and other loans	5.00% to 8.00%	3,173,850,350	5,581,138,025	-	8,754,988,375
Real estate loans	5.50% to 12.00%	1,898,523,487	-	-	1,898,523,487
		11,319,101,485	11,962,307,297	2,171,307,741	25,452,716,523

	2020				
		Due in			
	Interest rate	1 year	2 - 5 years	Beyond 5 years	Total
Financial assets					
Cash in banks and cash equivalents	0.90% to 1.28%	683,957,148	-	-	683,957,148
Other investments	1.00% to 8.00%	3,618,953,816	1,000,000,000	-	4,618,953,816
HTM investments	3.25% to 7.38%	1,426,783,080	4,495,375,015	1,368,538,083	7,290,696,178
Loans receivables:					
Salary and other loans	5.00% to 8.00%	3,435,415,572	4,956,214,899	-	8,391,630,471
Real estate loans	5.50% to 12.00%	1,854,326,058	-	-	1,854,326,058
		11,019,435,674	10,451,589,914	1,368,538,083	22,839,563,671

The Association is not significantly affected by changes in interest rates because of its immaterial exposure on the revaluation of financial assets subject to interest rate risk.

Price risk

The Association's price risk exposure at year-end relates to financial assets whose values will fluctuate as a result of changes in market prices, principally, listed equity securities classified as FVTPL and AFS financial assets.

Such investment securities are subject to price risk due to changes in market values of instruments arising from factors specific to individual instruments of their issuers or factors affecting all instruments traded in the market.
The Association's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plan, and limits on investments in each sector and market.

As at December 31, 2021, a 5% increase in stock prices would have increased carrying values of the investments of the Association by P85.6 million (2020 - P84.5 million). An equal change in the opposite direction would have decreased the carrying values of these investments by an equal amount.

The Association determined the reasonably possible change in Philippine Stock Exchange index based on the historical fluctuation of equity securities that the Association holds as at the reporting date.

Fair value of financial instruments

The table below presents a comparison by category of carrying amounts and fair values of all the Association's financial instruments that are carried in the separate financial statements as at December 31, 2021 and 2020:

	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	1,065,753,299	1,065,753,299	683,957,148	683,957,148
Short-term investments	4,385,827,407	4,385,827,407	3,618,953,816	3,618,953,816
Long-term investments	1,230,000,000	1,243,695,798	1,000,000,000	1,119,346,098
Financial assets at FVTPL	43,194,645	43,194,645	18,877,056	18,877,056
AFS financial assets	1,668,050,809	1,668,050,809	1,671,443,584	1,671,443,584
HTM investments	8,117,623,955	8,141,359,811	7,290,696,178	7,850,404,771
Loan receivables	10,653,511,863	10,653,511,863	10,245,956,529	10,245,956,529
Premium receivables from Members	591,575	591,575	26,241,814	26,241,814
Other receivables	450,316,466	450,316,466	393,539,238	393,539,238
	27,614,870,019	27,652,301,673	24,949,665,363	25,628,720,054
Financial liabilities				
Claims and benefits payable	880,038,910	880,038,910	754,999,401	754,999,401
Accounts payable and accrued expenses*	349,918,880	349,918,880	546,171,214	546,171,214
Dividends payable	314,516,672	314,516,672	430,217,960	430,217,960
Reserve for members' refund	4,245,019,101	4,245,019,101	3,573,533,659	3,573,533,659
Other liabilities	220,394,025	220,394,025	152,658,070	152,658,070
	6,009,887,588	6,009,887,588	5,457,580,304	5,457,580,304

**Excluding statutory payables*

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

- Cash and cash equivalents, short-term investments, long-term investments, loan receivables (current), premium receivables from members, and other receivables and other financial liabilities - carrying amount approximates fair values at reporting date due to the relative short- term maturities of these financial assets and liabilities.

- Financial assets at FVTPL and AFS financial assets - fair values are based on quoted market prices. Investments in unquoted equity investments for which no reliable basis for fair value measurement are available are carried at cost, net of any allowance for impairment losses.

- HTM investments and loans receivables (non-current) - the fair values are determined by computing the present value of expected future cash flows of the loans using the predetermined market rate for similar instrument as discount rate.

Fair value hierarchy

The table below analyzes financial instruments carried at fair value, by valuation method as at December 31, 2021 and 2020.

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
2021	43,194,645	-	-	43,194,645
2020	18,877,056	-	-	18,877,056
AFS financial assets				
2021	1,665,050,809	-	3,000,000	1,668,050,809
2020	1,668,443,584	-	3,000,000	1,671,443,584

Investments categorized under Level 3 have significant unobservable inputs as they trade infrequently. As observable prices are not available for these securities and as the Association deemed it impracticable to apply valuation techniques to determine its fair value, these investments are valued at cost.

There has been no transfer between levels of fair value hierarchy in 2021 and 2020.

27 Maturity profile of assets and liabilities

The following table presents all assets and liabilities of the Association as at December 31, 2021 and 2020 analyzed according to when they are expected to be recovered or settled (based on contractual maturity).

	2021			
	Within one year	Beyond one year	No term	Total
Assets				
Cash and cash equivalents	1,065,753,299	-	-	1,065,753,299
Other investments	4,385,827,407	1,230,000,000	-	5,615,827,407
Loans receivables, net	5,072,373,837	5,581,138,025	-	10,653,511,862
Financial assets at FVTPL	43,194,645	-	-	43,194,645
AFS financial assets	1,668,050,809	-	-	1,668,050,809
HTM investments	795,146,942	7,322,477,013	-	8,117,623,955
Premium receivables from members	591,575	-	-	591,575
Other receivables	450,316,466	-	-	450,316,466
Assets held-for-sale	95,978,558	-	-	95,978,558
Investment properties	-	-	6,363,446,149	6,363,446,149
Investments in subsidiary and associates	-	-	456,105,704	456,105,704
Property and equipment	-	-	620,099,242	620,099,242
Other assets	46,527,478	-	-	46,527,478
	13,623,761,016	14,133,615,038	7,439,651,095	35,197,027,149
Liabilities				
Accounts payable and accrued expenses	396,204,942	-	-	396,204,942
Legal policy reserves	1,275,566,154	14,538,251,652	191,392,273	16,005,210,079
Claims and benefits payable	880,038,910	-	-	880,038,910
Dividends payable	314,516,672	-	-	314,516,672
Income tax payable	180,975	-	-	180,975
Reserve for members' refund	4,245,019,101	-	-	4,245,019,101
Net retirement liability	-	322,042,903	-	322,042,903
Deferred tax liability, net	-	-	1,414,260,008	1,414,260,008
Other liabilities	220,394,025	-	-	220,394,025
	7,331,920,779	14,860,294,555	1,605,652,281	23,797,867,615
Net assets	6,291,840,237	(726,679,517)	5,833,998,814	11,399,159,534

	2020			
	Within one year	Beyond one year	No term	Total
Assets				
Cash and cash equivalents	683,957,148	-	-	683,957,148
Other investments	3,618,953,816	1,000,000,000	-	4,618,953,816
Loans receivables, net	5,289,741,630	4,956,214,899	-	10,245,956,529
Financial assets at FVTPL	18,877,056	-	-	18,877,056
AFS financial assets	1,671,443,584	-	-	1,671,443,584
HTM investments	1,426,783,080	5,863,913,098	-	7,290,696,178
Premium receivables from members	26,241,814	-	-	26,241,814
Other receivables	393,539,238	-	-	393,539,238
Assets held-for-sale	97,614,979	-	-	97,614,979
Investment properties	-	-	6,556,486,649	6,556,486,649
Investments in subsidiary and associates	-	-	473,265,704	473,265,704
Property and equipment	-	166,738,174	456,018,443	622,756,617
Other assets	62,458,742	-	-	62,458,742
	13,289,611,087	11,986,866,171	7,485,770,796	32,762,248,054
Liabilities				
Accounts payable and accrued expenses	563,397,455	-	-	563,397,455
Legal policy reserves	1,131,501,662	13,165,298,144	177,272,460	14,474,072,266
Claims and benefits payable	754,999,401	-	-	754,999,401
Dividends payable	430,217,960	-	-	430,217,960
Reserve for members' refund	3,573,533,659	-	-	3,573,533,659
Net retirement liability	-	275,023,590		275,023,590
Deferred tax liability, net	-	-	1,749,630,584	1,749,630,584
Other liabilities	152,658,070	-	-	152,658,070
	6,606,308,207	13,440,321,734	1,926,903,044	21,973,532,985
Net assets	6,683,302,880	(1,453,455,563)	5,913,412,672	10,788,715,069

28 Summary of significant accounting policies

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

These financial statements have been prepared as the Association's separate financial statements for its use and filing with the regulators. The Association has also prepared consolidated financial statements in accordance with Philippine Financial Reporting Standards (PFRSs) for the Association and its subsidiary (collectively referred as the "Group"). In the consolidated financial statements, subsidiary undertakings in which the Association, directly or indirectly, has an interest of more than half of the voting rights or otherwise has the power to exercise control over the subsidiary's operations have been fully consolidated. The Group's consolidated financial statements can be obtained from the Association.

Users of these separate financial statements should read these together with the Group's consolidated financial statements as at and for the year ended December 31, 2021 (with comparative figures and notes as at and for the year ended December 31, 2020) in order to obtain full information on the financial position results of operations and cash flows of the Group, as a whole.

28. 1 Basis of preparation

The financial statements of the Association have been prepared in accordance with PFRSs. The term PFRSs, in general, includes all applicable PFRSs, Philippine Auditing Standards (PAS), and interpretations of Philippine Interpretations Committee (PIC), Standing Interpretations Committee and International Financial Reporting Interpretations Committee (IFRIC), which have been approved by the Financial Reporting Standards Council and adopted by the SEC.

The financial statements comprise the statement of financial position, statement of total comprehensive income, statement of changes in fund balance, the statement of cash flows and the notes.

These financial statements of the Association have been prepared under the historical cost convention, as modified by the revaluation of financial assets at FVTPL, AFS financial assets, investment properties and plan assets of the Association’s defined benefit plan.

The preparation of these financial statements in accordance with PFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Association’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 25.

Changes in accounting policies and disclosures

The Association has applied the relevant requirements of PFRSs in its 2021 financial statements including the following amendments to existing standards:

(a) Amendments to existing standards adopted by the Association

- Interest Rate Benchmark Reform - Amendments to PFRS 9, "*Financial Instruments*", PAS 39, "*Financial Instruments: Recognition and Measurement*", PFRS 7 "*Financial Instruments: Disclosures*", PFRS 4, "*Insurance Contracts*" and PFRS 16 "*Leases*"

  In August 2020, the International Accounting Standards Board (IASB) made amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16 to address the issues that arise during the reform of an interest rate benchmark rate, including the replacement of one benchmark rate with an alternative one. The amendments provide the following reliefs:

  - When changing the basis for determining contractual cash flows for financial assets and liabilities (including lease liabilities), the reliefs have the effect that the changes, that are necessary as a direct consequence of interbank offered rates (IBOR) reform and which are considered economically equivalent, will not result in an immediate gain or loss in the statement of total comprehensive income.

  - The hedge accounting reliefs will allow most PFRS 9 hedge relationships that are directly affected by the IBOR reform to continue. However, additional ineffectiveness might need to be recorded. Affected entities need to disclose information about the nature and extent of risks arising from the IBOR reform to which the entity is exposed, how the entity manages those risks, and the entity's progress in completing the transition to alternative benchmark rates and how it is managing that transition.

The adoption of the above amendments did not impact the Association's financial statements as at December 31, 2021 as the Association has no instruments referenced to IBOR.

(b) New standards, amendments to existing standards and interpretations not yet effective and not yet adopted by the Association

The following new accounting standards and amendments to existing standards are not mandatory for December 31, 2021 reporting period and have not been early adopted by the Association:

- PFRS 17, '*Insurance Contracts*'

  PFRS 17 was issued in May 2017 as replacement for PFRS 4, "Insurance Contracts". PFRS 17 represents a fundamental change in the accounting framework for insurance contracts requiring liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of (1) discounted probability-weighted cash flows, (2) an explicit risk adjustment, and (3) a contractual service margin (CSM) representing the unearned profit of the contract which is recognized as revenue over the coverage period. The standard allows a choice between recognizing changes in discount rates either in the income statement or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under PFRS 9, "Financial instruments." An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

On March 17, 2020, the IASB has decided to further defer the effective date of the standard to annual reporting periods beginning on or after January 1, 2023. Taking into consideration the implications of the pandemic, the IC recognizes that the insurance industry has to realign its priority programs and focus on modifying its business operations under the new normal. The IC sees the need to support the insurance industry and hence, it delays full implementation of the standard to January 1, 2025, two (2) years after IASB's implementation in 2023.

The IC, in coordination with industry associations, is currently reviewing the impact of PFRS 17 across the entire industry and has established a project team to manage the implementation approach.

- PFRS 9, *"Financial Instruments'* and its interaction with PFRS 4, '*Insurance Contracts*'

  PFRS 9 replaces the multiple classification and measurement models for financial assets in PAS 39 with a single model that has three classification categories: amortized cost, fair value through other comprehensive income (FVOCI), and FVTPL. Classification under PFRS 9 is driven by the entity's business model for managing and holding the financial assets and whether the contractual characteristics of the financial assets represent solely payments of principal and interest. Investments in equity instruments are required to be measured at FVTPL with the irrevocable option at inception to present changes in fair value in Other comprehensive income (OCI). The classification and measurement of financial liabilities under PFRS 9 remains the same as in PAS 39 except where an entity has chosen to measure a financial liability at FVTPL. For such liabilities, changes in fair value arising from changes in the entity's own credit risk are presented separately in OCI.

  The impairment rules of PFRS 9 introduce an 'expected credit loss' model that replaces the 'incurred credit loss' model used in PAS 39. Such new impairment model will generally result in earlier recognition of losses compared to PAS 39.

  The hedging rules of PFRS 9 better align hedge accounting with an entity's risk management strategies. Also, some of the prohibitions and rules in PAS 39 are removed or changed, making hedge accounting easier or less costly to achieve for many hedges.

  In September 2016, 'Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts (Amendments to PFRS 4)' was issued, which provides optional relief to insurers meeting certain criteria from any adverse impact that may arise from the different effective dates of PFRS 9 and PFRS 17. The two options for entities that issue contracts within the scope of PFRS 4 permit an entity to either:

  (1) reclassify from profit or loss to other comprehensive income some of the income or expenses arising from designated financial assets; referred to as the 'overlay approach', or
  (2) for entities whose predominant activity is issuing contracts within the scope of PFRS 4, defer the application of PFRS 9 entirely; referred to as the 'deferral approach'.

<u>Deferral of adoption of PFRS 9</u>

The Association has elected to apply the deferral option since it satisfies the following criteria:

- The Association has not previously applied any versions of PFRS 9; and,
- The Association's activities are predominantly connected with insurance at annual reporting date that immediately precedes April 1, 2016, i.e., December 31, 2015, based on the eligibility assessment that:
  a. the carrying amount of liabilities arising from contracts within the scope of PFRS 4 is greater than 90% of the total carrying amount of all its liabilities; or,
  b. the carrying amount of liabilities arising from contracts within the scope of PFRS 4 is less than 90% and the total carrying amount of liabilities connected with insurance is equal to or less than 90% but greater than 80% of the total carrying amount of all its liabilities.

The Association's activities were predominantly connected with insurance activities at December 31, 2015 at which date the percentage of the total carrying amount of the Association's liabilities connected with insurance activities was more than 91%. There has been no significant change in the Association's activities subsequent to this date. The Association has determined that it meets the criteria set out in Amendments to PFRS 4 for temporary exemption from applying PFRS 9 on January 1, 2018 and continues to defer the application until the Association adopts PFRS 17.

- Amendments to PAS 1, *"Presentation of Financial Statements"*

  The amendments to PAS 1 clarify that liabilities are classified as either current or non-current, dependingon the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant).

  In addition, PAS 1 requires entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IASB also amended PFRS Practice Statement 2, *Making Materiality Judgements,* to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

- Amendments to PAS 8, *"Accounting Policies, Changes in Accounting Estimates and Error"*

  The amendments to PAS 8 clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policiesare generally applied retrospectively to past transactions and other past events as well as the current period.

- Amendments to PAS 12, *"Income Taxes"*

  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. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition ofadditional deferred tax assets and liabilities. The amendment should be applied to transactions that occuron or after the beginning of the earliest comparative period presented. In addition, entities should recognize deferred tax assets (to the extent that it is probable that they can be utilized) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

  (a) right-of-use assets and lease liabilities, and

  (b) decommissioning, restoration and similar liabilities, and the corresponding amounts recognized aspart of the cost of the related assets. The cumulative effect of recognizing these adjustments is recognized in retained earnings, or another component of equity, as appropriate.

- Amendments to PAS 16, *"Property, Plant and Equipment"*

  The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for itsintended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

- Amendments to PAS 37, *"Provisions, Contingent Liabilities and Contingent Assets"*

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

- Annual Improvements to PFRSs 2018-2020

  The following improvements were finalized in May 2020:

  i. PFRS 9, *"Financial Instruments"*, clarifies which fees should be included in the 10% test for derecognition of financial liabilities.

  ii. PFRS 16, *"Leases"*, amendment to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

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

There are no other new standards, amendments to existing standards or interpretations effective after December 31, 2021 that are expected to be relevant or to have a material impact on the financial statements of the Association.

28.2 Insurance contracts

Product classification

Insurance contracts are defined as those contracts under which the Association (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. As a general guideline, the Association defines significant insurance risk by comparing benefits paid with benefits payable if the insured event did not occur.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

Underwriting income

Premiums arising from insurance contracts are recognized as income when due. Premiums due and uncollected are recognized when due and measured on initial recognition at the fair value of the consideration expected to be received.

Benefits and claims

Insurance benefits and claims are recorded when incurred. These are recorded when notices of claims have been received and dividends have been incurred or when policies reach maturity. For unpaid benefits, a provision is made for the estimated cost of all claims but not settled as of reporting date less reinsurance recoveries, if any. Provision is also made for the cost of claims incurred but not reported (IBNR) until after the reporting date based on the Association's experience and historical data. Differences between the provision for outstanding claims at the reporting date and subsequent revisions and settlements are recognized in profit or loss. Unpaid benefits for life policies form part of "Claims and benefits payable" account in the statement of financial position.

Direct costs and expenses

Commissions and other expenses for the acquisition of insurance contracts are expensed as incurred.

Legal policy reserves

Legal policy reserves represent the accumulated total liability for policies in-force at the reporting date. Such reserves are established at amounts adequate to meet the estimated future obligations of all life insurance policies in-force. The reserves are calculated using actuarial methods and assumptions as approved by the IC, subject to the liability adequacy test.

Dividends on participating policies

A number of life insurance contracts contains discretionary participating feature. This feature entitles policyholders to policy dividends whose amounts and timing of payments are contractually under the discretion of the Association. The Association's policy dividends are declared annually, the amounts of which are computed using actuarial methods and assumptions, and are included under "Dividends on participating policies" account in profit or loss. Outstanding dividends payable to policyholders are included under "Dividends payable" account in the statement of financial position.

Liability adequacy test

At each reporting date, liability adequacy test is performed for the insurance contract liabilities. In performing this test, the current best estimates of future expected contractual cash flows and related cash flows such as claims handling and administration expenses, as well as investment income from the asset backing such liabilities are used. Any deficiency is recognized in profit or loss.

Long-term insurance contracts are measured based on assumptions set out at the inception of the contract. When the liability adequacy test requires the adoption of new best estimate assumptions, such assumptions (without margins for adverse deviation) are used for the subsequent measurement of these liabilities.

Reinsurance contracts held

Contracts entered into by the Association with reinsurers which compensate the Association for loss on one or more contracts that meet the classification requirements for insurance contracts are classified as reinsurance contracts held.

28.3 Financial assets and liabilities

The Association availed of the temporary exemption from PFRS 9 as permitted by the amendments to PFRS 4, *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts*, issued in September 2016. The temporary exemption permits entities whose activities are predominantly connected with insurance to continue applying PAS 39 instead of PFRS 9 until the effectivity of the new insurance standards beginning January 1, 2025.

Based on the assessment made by the Management, the Association qualifies for the deferral of application of PFRS 9 since its activities are predominantly connected with insurance. Accordingly, the Association deferred the adoption of PFRS 9 and has continued to apply PAS 39.

To comply with the disclosure requirements of the amendments to PFRS 4, the table below presents the comparison of the classification of the Association's financial assets as at December 31, 2021 under PAS 39 and PFRS 9. The carrying amounts of these financial assets under PAS 39 remain unchanged under PFRS 9.

Financial assets	Classification under PAS 39	Classification under PFRS 9
Cash and cash equivalents	Loans and receivables	Financial assets at amortized cost
Other investments	Loans and receivables	Financial assets at amortized cost
Loans receivables	Loans and receivables	Financial assets at amortized cost
HTM investments	HTM investments	Financial assets at amortized cost
AFS investments	AFS investments	Financial assets at FVOCI
Financial assets at FVTPL	Financial assets at FVTPL	Financial assets at FVTPL
Premiums receivable from members and other receivables	Loans and receivables	Financial assets at amortized cost

28.3.1 Recognition and measurement

The Association recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Regular-way purchases and sales of other investments, HTM, AFS financial assets and Financial assets at FVTPL are recognized on trade-date, the date on which the Association commits to purchase or sell the asset. Loans receivables are recognized upon origination when cash is advanced to the borrowers.

Financial assets are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition for loans and receivable, HTM financial assets and AFS financial assets.

Loans and receivables and HTM financial assets are subsequently carried at amortized cost using the effective interest rate method.

AFS financial assets and Financial assets at FVTPL are subsequently carried at fair value. Gains and losses arising from changes in the fair value of AFS financial assets are recognized directly in OCI, until the financial asset is derecognized or impaired at which time the cumulative gain or loss previously recognized in OCI is recognized in profit or loss. Interest on AFS financial assets and Financial assets at FVTPL are calculated using the effective interest rate method is recognized in profit or loss as part of interest income. Dividends on AFS equity instruments are recognized in profit or loss as part of dividend income when the Association's right to receive payment is established.

"Day 1" difference

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Association recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Association deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Association determines the appropriate method of recognizing the "Day 1" difference.

28.3.2 Classification

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual agreement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are treated as owner-related and thus charged directly to fund balance.

The Association classifies its financial assets into the following categories: financial assets at FVTPL, HTM investments, AFS financial assets, and loans and receivables. The Association classifies its financial liabilities into financial liabilities at FVTPL and other financial liabilities.

The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its financial instruments at initial recognition, and where allowed and appropriate, re-evaluates the designation at each reporting date.

(a) Financial assets and financial liabilities at FVTPL

This category consists of financial assets and liabilities that are held for trading or financial instruments designated by management as at FVTPL on initial recognition.

After initial measurement, financial assets and financial liabilities at FVTPL are recorded in the statement of financial position at fair value, with any changes in fair value recognized in profit or loss.

Financial assets or financial liabilities that are not held for trading but are classified under the FVTPL category are allowed to be designated by management on initial recognition in this category when any of the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be bifurcated.

The Association's financial assets at FVTPL consist of equity securities (Note 4). As at December 31, 2021 and 2020, the Association does not have any financial liabilities classified as FVTPL.

(b) HTM investments

HTM investments are non-derivative financial assets that are quoted in the market, with fixed or determinable payments and fixed maturities for which the Association's management has the positive intention and ability to hold to maturity. HTM investments are subsequently measured at amortized cost using the effective interest method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). The amortization is included as part of "Interest income" account in the statement of comprehensive income. Gains and losses are recognized in profit or loss when the HTM investments are derecognized. Any impairment loss is also recognized in profit or loss.

When the Association sells or reclassifies other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified at fair value as AFS financial assets. The Association would then be unable to categorize financial instruments as HTM investments for the next two (2) years in the financial statements.

As at December 31, 2021 and 2020, the Association's HTM investments consist of investments in government and corporate bonds (Note 4).

(c) AFS investments

AFS investments are non-derivative financial assets that are either designated in this category or do not qualify to be classified as financial assets at FVTPL, HTM investments or loans and receivables. Financial assets may be designated at initial recognition as AFS investments if these are purchased indefinitely and may be sold in response to liquidity requirements or change in market conditions. These include debt and equity securities.

After the initial measurement, AFS investments are carried at fair value in the statement of financial position. Changes in the fair value, other than impairment loss, interest accretion and foreign currency differences on AFS investments classified as debt instruments (which are all recognized in profit or loss), are reported as part of OCI and accounted for in the fund balance under "Cumulative fair value changes on AFS investments" account.

When the fair value of AFS investments cannot be measured reliably because of lack of reliable estimates of unobserved inputs, such as in case of unquoted equity instruments, these financial assets are allowed to be carried as cost less impairment, if any.

Dividends earned on holding AFS investments are recognized in the profit or loss when the right to receive payment has been established. The loss arising from impairment of such securities is recognized as impairment loss in profit or loss.

As at December 31, 2021 and 2020, the Association's AFS investments consist of equity securities (Note 4).

(d) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that:

(i) are not quoted in an active market,
(ii) with no intention of being traded, and
(iii) that are not designated as AFS financial assets.

The Association's loans and receivables includes cash and cash equivalents, other investments, loans receivables, premiums receivables from members, other receivables, and cash placements with closed local banks (presented under "Other Assets" account) (Notes 2, 3, 5 and 10).

Cash includes cash on hand and in banks. Cash equivalents pertain to short-term highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value. Cash and cash equivalents are measured at face amount.

Other investments consist of short-term investments and long-term investments.

Short term investments pertain to placements on time deposits and other money market instruments with maturity periods of more than three months but less than one year, measured at face value, and earn interest at the respective short-term investment rates.

Long-term investments pertain to investments with maturity periods beyond 12 months after the reporting date. These are measured at face value and earn interest at the respective investment rates.

Loans receivables consist of policy, salary and mortgage loans to its members.

Premiums receivable from members pertain to accounts receivable from unremitted premium collections.

Other receivables consist of accrual of rental, interest, advances and loans to employees, and receivables from the Association's branches.

Cash placements with closed local banks pertains to various deposits and money market placements placed in a closed bank.

(e) Other financial liabilities

Financial liabilities which are not held for trading or are not designated at FVTPL are classified as financial liabilities carried at amortized cost where the substance of the contractual arrangement results in the Association having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

Other financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR. Gains and losses are recognized in profit or loss when the liabilities are derecognized and through the amortization process.

This category includes accounts payable and accrued expenses (excluding statutory payables), legal policy reserves, claims and benefits payable, dividends payable reserve for members' refund and other liabilities (Notes 11, 12, 13, 14, and 15).

28.3.3 Derecognition

Financial assets are derecognized when the contractual right to receive the cash flows from these assets has ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Association tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition).

When AFS investments are derecognized, the cumulative gain or loss previously recognized in OCI and lodged under fund balance is transferred to profit or loss. Where the Association holds more than one investment in the same security, these are deemed to be disposed of on a weighted average basis.

A financial liability is derecognized from the statement of financial position when the obligation under the financial liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability, with the difference in the respective carrying amounts recognized in profit or loss.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Association could raise debt with similar terms and conditions in the market. The difference between the carrying amount of the original liability and fair value of the new liability is recognized in the statement of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

28.4 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, thus the related financial assets and financial liabilities are presented on a gross basis in the statement of financial position.

28.5 Impairment of financial assets

The Association assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Objective evidence includes observable data that comes to the attention of the Association about loss events such as but not limited to significant financial difficulty of the counterparty, a breach of contract, such as a default or delinquency in interest or principal payments, probability that borrower will enter bankruptcy or other financial reorganization.

(a) HTM investments

The Association assesses at each reporting date whether there is any objective evidence that its HTM investments are impaired. Objective evidence that a financial asset is impaired includes observable data that comes to the attention of the holder of the asset about the following loss events:

a. Significant financial difficulty of the issuer or obligor;
b. Breach of contract, such as default or delinquency in interest or principal payments;
c. The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider; or
d. It becoming probable that the borrower will enter bankruptcy or other financial reorganization.

(b) Loans and receivables

The Association first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtor's ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the assets' original EIR. Time value is generally not considered when the effect of discounting is not material. The carrying amount of the asset shall be reduced directly or through the use of an allowance account. The amount of loss shall be recognized in profit or loss.

If, in a subsequent period, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

Where loans and receivables have been ascertained to be worthless, the related amount is written off against the corresponding allowance for impairment.

(c) AFS investments carried at fair value

In case of equity investments classified as AFS financial assets, impairment indicators would include a significant or prolonged decline in the fair value of the investments below its cost. When there is evidence of impairment, the cumulative loss which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss is removed from OCI and recognized in profit or loss. Recovery of impairment losses on equity investments are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in OCI. The Association treats "significant" generally as 20% or more and "prolonged" as greater than six (6) months. In addition, the Association evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities. Impairment may be appropriate also when there is evidence of deterioration in the financial health of the investee, the industry and sector performance, changes in technology and operational and financing cash flows.

For a partial disposal, a proportionate share of the fair value gains and losses previously recognized in OCI is reclassified from equity to profit or loss. Such gains and losses include all fair value changes until the date of disposal.

(d) AFS investments carried at cost

If there is an objective evidence that an impairment loss has occurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be measured reliably, the amount of the loss is measured as the difference between that asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

28.6 Assets held-for-sale

Assets held-for-sale include real and other properties developed and acquired through repossession or foreclosure which the Association intends to sell within one year from the date of classification. Events or circumstances may extend the period to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude an asset from being classified as held-for-sale, if the delay is caused by events or circumstances beyond the Association's control and there is sufficient evidence that the Association remains committed to its plan to sell the asset. These are measured at the lower of their carrying amounts, immediately prior to their classification as held-for-sale, and their fair value less costs of disposal. Impairment loss is recognized for any initial or subsequent write-down of the asset to their fair value less costs of disposal. These assets are not subject to depreciation or amortization.

Assets held-for-sale are derecognized upon sale. The profit or loss arising from the sale of assets held for sale is included in the "Gain on sale of assets held-for-sale" account in profit or loss.

28.7 Investment properties

Investment properties pertain to properties held for long-term yields, for capital appreciation or both.

Investment properties are measured initially at cost. Cost includes the acquisition cost of the investment properties plus incidental costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects the prevailing market conditions as at the report date. Gains or losses resulting from changes in fair value of the investment properties are recognized in profit or loss in the period in which they arise.

Investment properties are derecognized when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gains or losses on the retirement or disposal of an investment property are recognized as profit or loss in the year of retirement or disposal.

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by the end of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by the commencement of owner-occupation or commencement of development with a view to sell.

28.8 Investment in a subsidiary

A subsidiary is an entity controlled by the Association. The Association controls an entity when it is expected to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of a subsidiary is included in the financial statements from the date on which the control commences until the date on which control ceases.

Investment in a subsidiary is carried in the statement of financial position at cost less any impairment in value. This includes the excess of the cost of the acquisition over the fair value of identifiable net assets of a subsidiary at the date of acquisition.

Investment in a subsidiary is derecognized upon sale or disposal. Any gain or loss arising from the derecognition is recognized in profit or loss. Gain or loss is computed as the difference between proceeds from the disposal and its carrying amount at the time of sale or disposal.

28.9 Investments in associates

Associates are entities in which the Association has significant influence but not control over the financial and operating policies and which are neither subsidiaries nor joint ventures. Significant influence is presumed to exist when the Association holds between 20% and 50% of the voting rights of the entity. The Association's investments in associates are accounted in the financial statements using the cost method less any impairment in value.

Under the cost method, the Association recognizes income from the investment only to the extent that the Association received distributions from accumulated profits of the subsidiaries and an associate after the date of acquisition. Distributions received in excess of such profits are regarded as a reduction of the cost of the investment.

Investments in associates are derecognized upon sale or disposal. Any gain or loss arising from the from the disposal and its carrying amount at the time of sale or disposal.

28.10 Property and equipment

Property and equipment, except for land and construction-in-progress (CIP), are stated at cost less accumulated depreciation and amortization and any impairment losses. Land is stated at cost less accumulated impairment losses, if any.

The cost of property and equipment consists of derecognition is recognized in profit or loss. Gain or loss is computed as the difference between proceeds its purchase price and costs directly attributable to bringing the property and equipment to its working condition for its intended use. Expenditures incurred after the assets have been put into operations, such as repairs and maintenance, are normally charged to profit or loss in the year the cost are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of the assets.

Depreciation and amortization is computed using the straight-line method over the estimated useful life of the assets.

The estimated useful lives of the different categories of property and equipment are as follows:

Asset type	Number of years
Furniture, fixtures and other equipment	5
Transportation equipment	7
Computer software	5
Buildings	25
Land improvements and building improvements	5
Computer equipment	5
Leasehold improvements	5 or term of lease, whichever is shorter

Depreciation and amortization commence when the property and equipment is in its location or condition capable of being operated in the manner intended by management. Depreciation and amortization ceases at the earlier of the date that the property and equipment is classified as held-for-sale and the date the property and equipment is derecognized.

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

CIP represents properties under construction and is stated at cost, including costs of construction, equipment and other direct costs. CIP is not depreciated until such time that the relevant assets are completed and ready for operational use.

Fully depreciated or amortized property and equipment are retained in the accounts until these are no longer in use and no further charge for depreciation and amortization is made in respect of those property and equipment.

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in profit or loss in the year the property and equipment is derecognized.

28.11 Other assets

Other assets pertain to other resources controlled by the Association as a result of past events. These are recognized in the financial statements when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably.

28.12 Impairment of non-financial assets

At each reporting date, nonfinancial assets are reviewed to determine whether there is any indication that these nonfinancial assets may be impaired. If there is an indication of possible impairment, the recoverable amount of any asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in profit or loss. The recoverable amount of an asset is the greater of its value in use or its fair value less cost to sell. Value-in-use is the present value of future cash flows expected to be derived from an asset. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

28.13 Fund balance

Members' contributions

Members' contribution represents amounts contributed by the members of the Association in addition to payments of premiums due on old basic policy insurance and is measured at the amount of contribution received.

Cumulative fair value changes on AFS investments

The cumulative fair value changes on AFS financial assets comprise gains and losses arising from the revaluation of AFS financial assets at fair market values.

Cumulative remeasurement reserves on retirement liability

This pertains to the cumulative amount of remeasurement of retirement liability arising from actuarial gains and losses due to experience and demographic assumptions as well as gains and losses in the retirement fund.

Accumulated net income

Accumulated net income includes accumulated results of operations and impact of prior year adjustments as reported in the statement of changes in fund balance. The Association may assign a portion of the fund balance for revaluation of real estate, capital expenditure, and corporate social services.

28.14 Revenues

The following are the recognition criteria for revenues of the Association outside the scope of PFRS 15, *Revenues from Contracts with Customers.*

Premium income

Premium income is the main source of revenue of the Association and represents the consideration given by the member for the promises of the Association to pay a stipulated sum in the event of a loss covered in the insurance contract. Premium income is recognized on the date from which the policy becomes effective and the date when payments are made.

Interest income

For all interest-bearing financial instruments (except for short-term and long-term investments where interest income is recognized at coupon rate), interest income is recorded at the EIR, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), includes any fees or incremental costs that are directly attributable to the instrument and are integral part of the EIR, but not future credit losses. The adjusted carrying amount is calculated based on the original EIR. The change in carrying amount is recorded as interest income.

Once the recorded value of financial asset or group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original EIR applied to the new carrying amount.

Policy income

Policy income pertains to fees charged by the Association to policyholders upon default on the latter's outstanding loan balances and processing fees from approved loan applications.

Dividend income

Dividend income is recognized when the Association's right to receive payment is established on declaration date.

Rental income

Rental income is recognized as earned on a straight-line basis over the lease term.

Gain (loss) on sale of AFS investments

Realized gains and losses include gains and losses on the sale of AFS investments, which are calculated as the difference between net sales proceeds and its cost. Realized gains and losses recognized in profit or loss when the sales transaction occurred.

Gain (loss) on sale of assets held-for-sale

Income from real estate sales is recognized once the customer obtains control of the real estate property.

Other income

Other income consists of miscellaneous income of the Association that are recognized at point in time once the performance of the related obligation is completed.

The following are the recognition criteria for revenues of the Association within the scope of PFRS 15:

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Association perform its obligations; (b) the Association's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Association's performance does not create an asset with an alternative use to the Association and the Association has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Association also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Association has assessed that it acts as principal in all of its revenue sources.

28.15 Benefits and expenses recognition

Death and other policy benefits

Death and other policy benefits consist of benefits and claims incurred during the period and changes in IBNR losses. These are recorded on the basis of notifications received and when due.

General and administrative expenses

General and administrative expenses constitute costs of administrating the business. These are expensed when incurred.

Commission expense

Commissions are recognized when the insurance contracts are entered and the premiums are recognized.

28.16 Employee benefits

Short-term benefits

The Association provides short-term benefits to its employees in the form of basic salary, 13th month pay, bonuses, leave credits, employer's share on government contributions and other short-term benefits.

Short-term employee benefit liabilities are measured on an undiscounted basis and are expensed as the related service is provided.

Retirement benefits

The Association has a funded, noncontributory defined benefit plan covering all permanent employees. The retirement expense is determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Association recognizes service costs, comprising of current service costs, past service costs, and net interest expense or income in profit or loss. Net interest is calculated by applying the discount rate to the net retirement liability or plan asset.

Past service costs are recognized in profit or loss on the earlier of the date of the plan amendment or curtailment and the date that the Association recognizes restructuring related costs.

Remeasurements comprising actuarial gains and losses and return on plan assets are recognized immediately in OCI in the year in which these arise. Remeasurements are not reclassified to profit or loss in subsequent years.

The net retirement liability is the aggregate of the present value of the retirement liability reduced by the fair value of plan assets on which the liabilities are to be settled directly. The present value of the retirement liability is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability.

Plan assets are assets that are held in trust and managed by a trustee bank. Plan assets are not available to the creditors of the Association, nor can they be paid directly to the Association. The fair value of the plan assets is based on the market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

28.17 Income taxes

Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rate enacted or substantively enacted at the reporting date.

Deferred tax

Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and carryforward benefit of unused net operating loss carryover (NOLCO) and excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT), to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carry forward benefits of unused NOLCO and excess MCIT over RCIT can be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that sufficient future taxable income will allow the deferred tax assets to be recovered.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rate (and tax laws) in effect at the reporting date.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

28.18 Related party relationships and transactions

Related party relationships exist when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

28.19 Leases

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at inception date and an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies:

a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
b. A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
c. There is a change in the determination of whether fulfillment is dependent on a specified asset; or
d. There is a substantial change to the asset.

When a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

The Association as Lessor

Leases where the lessor retains substantially all the risks and rewards incidental to ownership of the leased asset are classified as operating leases. Operating lease receivable are recorded as income in profit or loss on a straight-line basis over the lease term.

The Association as Lessee

At the commencement date, the Association recognizes Right-of-use (ROU) assets and lease liabilities for all leases, except for leases with lease terms of 12 months or less (short-term leases) and leases for which the underlying asset is of low value in which case the lease payments associated with those leases are recognized as an expense on a straight-line basis.

28.20 Provisions

Provisions are recognized when the Association has a present legal or constructive obligation as a result of past events, it is probable that a transfer of economic benefits will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax rate that reflects market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

28.21 Contingencies

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

28.22 Events after the reporting date

Events after the reporting date that provide additional information about the Association's financial position as at the reporting date (adjusting events) are reflected in the financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes to the financial statements when material.

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

Below is the additional information required by Revenue Regulations No. 15-2010. This information is presented for the purposes of filing with the BIR and is not a required part of the basic financial statements.

(a) Output value-added tax (VAT)

The National Internal Revenue Code of 1997 provides for the imposition of VAT on sales of goods and services. Accordingly, the Association's sales are subject to output VAT while its importations and purchases from other VAT-registered individuals or corporations are subject to input VAT.

Output VAT for the year ended December 31, 2021 and the revenues upon which the same was based consist of:

	Gross amount of revenues	Output VAT
Subject to 12% VAT	179,492,013	21,539,042

(b) Input VAT

Movements in input VAT for the year ended December 31, 2021 follow:

	Amount
Beginning balance	41,569,447
Add: Current year's domestic purchases/payments for:	
Services lodged under other accounts	1,233,830
Less: Claims for tax credit/refund and other adjustments	
Output tax applied against Input VAT	(21,539,042)
Total input VAT	21,264,235

Input VAT as at December 31, 2021 is presented as part of "Other assets, net" account (Note 10).

(c) All other local and national taxes

All other local and national taxes paid for the year ended December 31, 2021 consist of:

	Amount
Percentage tax	5,616,211
Real estate taxes	3,174,273
Permits and licenses	803,051
Documentary stamp tax	375,650
Registration fees	1,000
Others	23,189
	9,993,374

The above local and national taxes are lodged under Taxes and licenses in "General and administrative expenses" (Note 20).

(d) Withholding taxes

Withholding taxes paid and accrued and/or withheld for the year ended December 31, 2021 consist of:

	Paid	Accrued	Total
Withholding tax on compensation	37,051,808	4,810,590	41,862,398
Expanded withholding tax	17,716,780	2,810,176	20,526,956
Final withholding tax	2,033,549	-	2,033,549
Fringe benefit tax	36,190	239,625	275,815
	56,838,327	7,860,391	64,698,718

(e) Tax assessments and tax cases

The Association has received Final Assessment Notice for taxable year 2018 on May 28, 2021. As at December 31, 2021, the Association has accrued P25 million, recorded under Taxes and licenses in "General and administrative expenses" (Note 20).

The Association has an ongoing examination for taxable years 2019 and 2020. As at December 31, 2021, the Association has not received a Preliminary or Final Assessment for these taxable years.

The Association has no outstanding tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the BIR as at December 31, 2021.

(f) Other information

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