

Alas Oplas & Co., CPAs

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Independent Member of

B K R International

INDEPENDENT AUDITORS' REPORT TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE BUREAU OF INTERNAL REVENUE

To the Members and the Board of Trustees
PUBLIC SAFETY SAVINGS AND LOAN ASSOCIATION, INC.
(A Non-Stock Savings and Loan Association)
524 EDSA, Cubao, Quezon City

We have examined the financial statements **PUBLIC SAFETY SAVINGS AND LOAN ASSOCIATION, INC.** (the "Association") for the year ended December 31, 2019 on which we have rendered the attached report dated June 10, 2020.

In compliance with Revenue Regulation V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, officer or any principal member of the Association.

ALAS, OPLAS & CO., CPAs

BOA Registration No. 0190, valid from September 4, 2019 to October 30, 2022
SEC A.N. (Firm) 0321-FR-1, issued on February 7, 2019; effective until February 6, 2022
TIN 002-013-406-000
BIR A.N. 08-001026-000-2018, issued on January 25, 2018; effective until January 24, 2021

By:



DANILO T. ALAS

Partner

CPA License No. 0027120

SEC A.N. (Individual) 1529-AR-1, issued on February 7, 2019; effective until February 6, 2022

TIN 132-466-021-000

BIR A.N. 08-001026-001-2018, issued on January 25, 2018; effective until January 24, 2021

PTR No. 8117109, issued on January 2, 2020, Makati City

June 10, 2020
Makati City, Philippines

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INDEPENDENT AUDITORS' REPORT

To the Members and the Board of Trustees
PUBLIC SAFETY SAVINGS AND LOAN ASSOCIATION, INC.
(A Non-Stock Savings and Loan Association)
524 EDSA, Cubao, Quezon City

Opinion

We have audited the financial statements of **PUBLIC SAFETY SAVINGS AND LOAN ASSOCIATION, INC.** (the "Association") which comprise the statements of financial position as of December 31, 2019 and 2018, and the statements of comprehensive income, statements of changes in members' equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, the *Code of Ethics for Professional Accountants in the Philippines*, and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation of the financial statements in accordance with Philippine Financial Reporting Standards, 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.

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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.

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The Supplementary Information Required under Bangko Sentral ng Pilipinas (BSP) Circular No. 1075 and Revenue Regulations Nos. 15-2010 and 19-2011

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary Information required under BSP Circular No. 1075 in Note 35, and Revenue Regulations Nos. 15-2010 and 19-2011 on taxes, duties and license fees paid or accrued during the taxable year, taxable income, and deductions in Notes 33 and 34 to the financial statements, are presented for purposes of filing with the BSP and Bureau of Internal Revenue, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of **PUBLIC SAFETY SAVINGS AND LOAN ASSOCIATION, INC.** The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ALAS, OPLAS & CO., CPAs

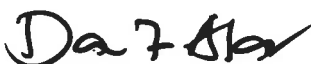
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PTR No. 8117109, issued on January 2, 2020, Makati City

June 10, 2020
Makati City, Philippines

PUBLIC SAFETY SAVINGS AND LOAN ASSOCIATION, INC.
(A Non-Stock Savings and Loan Association)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018
In Philippine Peso

	Notes	2019	2018
ASSETS			
Cash and cash equivalents	8	5,016,802,862	4,640,253,107
Financial assets at fair value through other comprehensive income (FVOCI)	9	134,325,762	120,838,009
Investment securities at amortized cost	10	2,325,922,660	2,075,508,729
Loans and other receivables – net	11	48,484,631,511	43,385,964,346
Property and equipment – net	12	1,820,226,180	1,315,293,516
Intangible assets – net	13	174,800,065	20,372,120
Other assets	14	1,638,860,770	1,937,773,771
TOTAL ASSETS		59,595,569,810	53,496,003,598
LIABILITIES AND MEMBERS' EQUITY			
LIABILITIES			
Deposit liabilities	15	9,443,710,693	7,930,352,052
Borrowings	16	3,552,257,576	7,560,727,273
Dividends payable	25	4,819,947,252	3,993,647,836
Income tax payable		6,075,494	9,951,189
Other liabilities	17	608,362,091	446,320,194
Total Liabilities		18,430,353,106	19,940,998,544
MEMBERS' EQUITY			
Capital contribution	23	30,679,147,125	25,827,688,273
Surplus reserves	24	1,593,138,500	1,244,721,186
Surplus free	25	8,815,149,465	6,422,040,855
Other comprehensive income			
Unrealized fair value gain on financial assets at FVOCI	9	37,219,722	23,731,969
Actuarial gain on defined benefit plan	20	40,561,892	36,822,771
Total Members' Equity		41,165,216,704	33,555,005,054
TOTAL LIABILITIES AND MEMBERS' EQUITY		59,595,569,810	53,496,003,598

See Notes to Financial Statements.

PUBLIC SAFETY SAVINGS AND LOAN ASSOCIATION, INC.
(A Non-Stock Savings and Loan Association)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
In Philippine Peso

	Notes	2019	2018
INTEREST INCOME			
Loans and other receivables	11	9,193,918,413	8,280,804,320
Investment securities at amortized cost	10	122,440,153	123,658,542
Cash and cash equivalents	8	6,483,022	3,800,764
		9,322,841,588	8,408,263,626
INTEREST EXPENSE			
Deposit liabilities	15	(560,823,661)	(462,760,766)
Borrowings	16	(298,098,492)	(298,878,135)
Lease liability	17	(4,377,539)	—
		8,459,541,896	7,646,624,725
NET INTEREST INCOME		8,459,541,896	7,646,624,725
PROVISION FOR CREDIT LOSSES	26	(519,545,335)	(809,321,629)
NET INTEREST INCOME AFTER PROVISION		7,939,996,561	6,837,303,096
OTHER INCOME			
Service charges, fees and commission	11	391,100,280	427,501,815
Other income	21	320,839,347	206,532,698
		711,939,627	634,034,513
OPERATING EXPENSES	19	(1,063,130,758)	(981,612,769)
INCOME BEFORE TAX		7,588,805,430	6,489,724,840
Income tax expense	22	(32,550,780)	(33,953,211)
INCOME FOR THE YEAR		7,556,254,650	6,455,771,629
OTHER COMPREHENSIVE INCOME			
Items that will be reclassified to profit or loss:			
Unrealized fair value gain (loss) on financial asset at FVOCI	9	13,487,753	(932,664)
Items that will not be reclassified to profit or loss:			
Actuarial gain on defined benefit plan	20	3,739,121	11,781,822
TOTAL COMPREHENSIVE INCOME		7,573,481,524	6,466,620,787

See Notes to Financial Statements.

PUBLIC SAFETY SAVINGS AND LOAN ASSOCIATION, INC.
(A Non-Stock Savings and Loan Association)
STATEMENTS OF CHANGES IN MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 and 2018
In Philippine Peso

	Capital contribution (Note 23)	Surplus reserves (Note 24)	Surplus free (Note 25)	Other comprehensive Income	Total members' equity
Balance at December 31, 2017	20,148,677,127	840,976,133	4,354,789,478	49,705,582	25,394,147,320
Transaction with members:					
Additional contributions	16,325,700,756	-	-	-	16,325,700,756
Withdrawal of contributions	(10,646,689,610)	-	-	-	(10,646,689,610)
Appropriation	-	685,048,182	(685,048,182)	-	-
Utilization of appropriation	-	(281,302,129)	281,302,129	-	-
Dividend declaration	-	-	(3,993,647,836)	-	(3,993,647,836)
Adjustments/others	-	-	6,830,610	-	6,830,610
Total transaction with members	5,679,011,146	403,746,053	(4,390,563,279)	-	1,692,193,920
Comprehensive income:					
Other comprehensive income	-	-	-	(932,664)	(932,664)
Unrealized fair value gain on financial assets at FVOCI	-	-	-	11,781,822	11,781,822
Actuarial gain on defined benefit plan	-	-	6,455,771,629	-	6,455,771,629
Income for the year	-	-	2,043,027	-	2,043,027
Adjustments/others	-	-	-	-	-
Total comprehensive income	-	-	6,457,814,656	10,849,158	6,468,663,814
Balance at December 31, 2018	25,827,688,273	1,244,721,186	6,422,040,855	60,554,740	33,555,005,054
Transaction with members:					
Additional contributions	13,510,809,808	-	-	-	13,510,809,808
Withdrawal of contributions	(8,659,350,956)	-	-	-	(8,659,350,956)
Appropriation	-	1,046,026,486	(1,046,026,486)	-	-
Utilization of appropriation	-	(697,609,172)	697,609,172	-	-
Dividend declaration	-	-	(4,819,947,252)	-	(4,819,947,252)
Adjustments/others	-	-	5,218,526	-	5,218,526
Total transaction with members	4,851,458,852	348,417,314	(5,163,146,040)	-	36,730,126
Comprehensive income:					
Other comprehensive income	-	-	-	13,487,753	13,487,753
Unrealized fair value gain on financial assets at FVOCI	-	-	-	3,739,121	3,739,121
Actuarial gain on defined benefit plan	-	-	7,556,254,650	-	7,556,254,650
Income for the year	-	-	-	-	-
Total comprehensive income	-	-	7,556,254,650	17,226,874	7,573,481,524
Balance at December 31, 2019	30,679,147,125	1,593,138,500	8,815,149,465	77,781,614	41,165,216,704

See Notes to Financial Statements.

PUBLIC SAFETY SAVINGS AND LOAN ASSOCIATION, INC.
(A Non-Stock Savings and Loan Association)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
In Philippine Peso

	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before tax		7,588,805,430	6,489,724,840
Adjustments for:			
Provisions for credit losses	26	519,545,335	809,321,629
Interest expense on bills payable	16	298,098,492	298,878,135
Interest income	8,10	(128,923,175)	(127,459,306)
Depreciation	12,19	107,019,146	66,595,244
Amortization	13,19	18,750,103	23,788,699
Interest expense on lease liability	17	4,377,539	-
Non-cash donations	12	2,223,761	-
Retirement benefit expense	20	1,456,743	3,785,742
Loss on retirement of furniture, fixtures and equipment	12	95,984	-
Gain on sale of property and equipment	12,21	(4,703)	(7,830,493)
Impairment loss	19	-	80,366,004
Operating cash flows before working capital changes		8,411,444,655	7,637,170,494
Changes in operating assets and liabilities:			
Increase in:			
Loans and other receivables		(5,632,379,692)	(13,651,882,047)
Other assets		(1,568,562,912)	(1,904,561,006)
Decrease in:			
Deposit liabilities		1,513,358,641	2,154,022,508
Other liabilities		78,366,474	98,581,709
Cash generated from (used in) operating activities		2,802,227,166	(5,666,668,342)
Interest paid		(345,661,776)	(272,092,847)
Interest received		131,525,114	131,165,799
Income tax paid		(26,782,774)	(42,094,431)
Contributions to the retirement fund	20	(6,000,000)	(7,290,000)
Net cash generated from (used in) operating activities		2,555,307,730	(5,856,979,821)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property and equipment	12	(454,222,956)	(204,247,358)
Acquisitions of investment securities at amortized cost	10	(300,000,000)	(50,258,333)
Acquisition of intangible assets	13	(173,178,048)	(3,873,453)
Proceeds from redemption of investment securities at amortized cost	10	50,258,333	-
Proceeds from sale of property and equipment	12	47,618	15,246,312
Proceeds from disposal of financial assets at FVOCI	9	-	19,000,000
Net cash used in investing activities		(877,095,053)	(224,132,832)
CASH FLOWS FROM FINANCING ACTIVITIES			
Additional capital contributions	23	13,510,809,808	16,325,700,756
Withdrawal of capital contributions	23	(8,659,350,956)	(10,646,689,610)
Payments of borrowings	16	(5,088,469,697)	(5,573,175,954)
Dividends paid	25	(2,103,889,365)	(1,678,752,643)
Proceeds from availment of borrowings	16	1,080,000,000	9,236,500,000
Long-term lease payments	17	(40,762,712)	-
Net cash generated from (used in) financing activities		(1,301,662,922)	7,663,582,549
NET INCREASE IN CASH AND CASH EQUIVALENTS		376,549,755	1,582,469,896
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		4,640,253,107	3,057,783,211
CASH AND CASH EQUIVALENTS AT END OF YEAR	8	5,016,802,862	4,640,253,107

See Notes to Financial Statements.