

Alas Oplas & Co., CPAs

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



Alas Oplas & Co., CPAs

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Independent Member of

BKR International

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, 2020 and 2019, 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, 2020 and 2019, 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 34, 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 32 and 33 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

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. 08-001026-000-2021, issued on January 11, 2021; effective until January 10, 2024

By:

RYAN A. SABUG

Partner

CPA License No. 0111183

SEC A.N. (Individual) 111183-SEC, issued on February 4, 2021; effective until February 3, 2026

TIN 232-158-286-000

BIR A.N. 08-006531-001-2020, issued on February 24, 2020; effective until February 23, 2023

PTR No. 8533770, issued on January 4, 2021, Makati City

April 14, 2021
Pasig City, Philippines

PUBLIC SAFETY SAVINGS AND LOAN ASSOCIATION, INC.
(A Non-Stock Savings and Loan Association)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019
In Philippine Peso

	Notes	2020	2019
ASSETS			
Cash	8	3,373,343,564	5,016,802,862
Financial assets at fair value through other comprehensive income (FVOCI)	9	142,249,041	134,325,762
Investment securities at amortized cost	10	1,541,435,920	2,325,922,660
Loans and other receivables – net	11	51,851,466,733	48,484,631,511
Property and equipment – net	12	2,156,401,320	1,820,226,180
Intangible assets – net	13	486,051,634	174,800,065
Other assets	14	1,661,780,434	1,638,860,770
TOTAL ASSETS		61,212,728,646	59,595,569,810
LIABILITIES AND MEMBERS' EQUITY			
LIABILITIES			
Deposit liabilities	15	13,449,878,183	9,443,710,693
Borrowings	16	1,665,454,546	3,552,257,576
Dividends payable	25	3,804,097,717	4,819,947,252
Income tax payable		13,933,799	6,075,494
Other liabilities	17	542,916,509	608,362,091
Total Liabilities		19,476,280,754	18,430,353,106
MEMBERS' EQUITY			
Capital contribution	23	30,467,269,542	30,679,147,125
Surplus reserves	24	1,600,106,719	1,593,138,500
Surplus free	25	9,599,967,111	8,815,149,465
Other comprehensive income			
Unrealized fair value gain on financial assets at FVOCI	9	45,143,001	37,219,722
Actuarial gain on defined benefit plan	20	23,961,519	40,561,892
Total Members' Equity		41,736,447,892	41,165,216,704
TOTAL LIABILITIES AND MEMBERS' EQUITY		61,212,728,646	59,595,569,810

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, 2020 AND 2019
In Philippine Peso

	Notes	2020	2019
INTEREST INCOME			
Loans and other receivables	11	6,406,952,189	9,193,918,413
Investment securities at amortized cost	10	103,687,481	122,440,153
Cash and cash equivalents	8	22,494,989	6,483,022
		6,533,134,659	9,322,841,588
INTEREST EXPENSE			
Deposit liabilities	15	(649,765,480)	(560,823,661)
Borrowings	16	(72,719,078)	(298,098,492)
Lease liability	17	(4,367,420)	(4,377,539)
		5,806,282,681	8,459,541,896
NET INTEREST INCOME		5,806,282,681	8,459,541,896
PROVISION FOR CREDIT LOSSES	26	(611,762,385)	(519,545,335)
NET INTEREST INCOME AFTER PROVISION		5,194,520,296	7,939,996,561
OTHER INCOME			
Service charges, fees and commission	11	187,659,389	391,100,280
Other income	21	234,965,922	320,839,347
		422,625,311	711,939,627
OPERATING EXPENSES	19	(1,012,016,810)	(1,063,130,758)
INCOME BEFORE TAX		4,605,128,797	7,588,805,430
Income tax expense	22	(23,025,041)	(32,550,780)
INCOME FOR THE YEAR		4,582,103,756	7,556,254,650
OTHER COMPREHENSIVE INCOME			
Items that will be reclassified to profit or loss:			
Unrealized fair value gain (loss) on financial asset at FVOCI	9	7,923,279	13,487,753
Items that will not be reclassified to profit or loss:			
Actuarial gain (loss) on defined benefit plan	20	(16,600,373)	3,739,121
TOTAL COMPREHENSIVE INCOME		4,573,426,662	7,573,481,524

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, 2020 AND 2019
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, 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
Transaction with members:					
Additional contributions	8,421,790,606	-	-	-	8,421,790,606
Withdrawal of contributions	(8,633,668,189)	-	-	-	(8,633,668,189)
Appropriation	-	776,828,835	(776,828,835)	-	-
Utilization of appropriation	-	(769,860,616)	769,860,616	-	-
Dividend declaration	-	-	(3,804,097,717)	-	(3,804,097,717)
Adjustments/others	-	-	13,779,826	-	13,779,826
Total transaction with members	(211,877,583)	6,968,219	(3,797,286,110)	-	(4,002,195,474)
Comprehensive income:					
Other comprehensive income	-	-	-	7,923,279	7,923,279
Unrealized fair value gain on financial assets at FVOCI	-	-	-	(16,600,373)	(16,600,373)
Actuarial loss on defined benefit plan	-	-	4,582,103,756	-	4,582,103,756
Income for the year	-	-	-	-	-
Total comprehensive income	-	-	4,582,103,756	(8,677,094)	4,573,426,662
Balance at December 31, 2020	30,467,269,542	1,600,106,719	9,599,967,111	69,104,520	41,736,447,892

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, 2020 AND 2019
In Philippine Peso

	Notes	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before tax		4,605,128,797	7,588,805,430
Adjustments for:			
Provisions for credit losses	26	611,762,385	519,545,335
Interest income	8,10	(126,182,470)	(128,923,175)
Depreciation	12,19	121,556,359	107,019,146
Interest expense on bills payable	16	72,719,078	298,098,492
Amortization	13,19	17,834,086	18,750,103
Interest expense on lease liability	17	4,367,420	4,377,539
Retirement benefit expense	20	2,360,530	1,456,743
Loss on retirement of furniture, fixtures and equipment	12	173,664	95,984
Gain on lease pre-termination	12,21	(111,326)	—
Gain on sale of property and equipment	12,21	(21,978)	(4,703)
Non-cash donations	12	—	2,223,761
Operating cash flows before working capital changes		5,309,586,545	8,411,444,655
Changes in operating assets and liabilities:			
Increase in:			
Loans and other receivables		(3,985,187,677)	(5,632,379,692)
Other assets		(43,603,814)	(1,568,562,912)
Increase (decrease) in:			
Deposit liabilities		4,006,167,491	1,513,358,641
Other liabilities		(12,637,682)	78,366,474
Cash generated from operating activities		5,274,324,863	2,802,227,166
Interest received		132,259,280	131,525,114
Interest paid		(90,622,857)	(345,661,776)
Income tax paid		(15,144,885)	(26,782,774)
Contributions to the retirement fund	20	(6,000,000)	(6,000,000)
Net cash generated from operating activities		5,294,816,401	2,555,307,730
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from redemption of investment securities at amortized cost	10	785,000,000	50,258,333
Acquisitions of property and equipment	12	(454,397,596)	(454,222,956)
Acquisition of intangible assets	13	(329,085,655)	(173,178,048)
Proceeds from sale of property and equipment	12	22,000	47,618
Acquisitions of investment securities at amortized cost	10	—	(300,000,000)
Net cash generated from (used in) investing activities		1,538,749	(877,095,053)
CASH FLOWS FROM FINANCING ACTIVITIES			
Withdrawal of capital contributions	23	(8,633,668,189)	(8,659,350,956)
Additional capital contributions	23	8,421,790,606	13,510,809,808
Payments of borrowings	16	(3,086,803,030)	(5,088,469,697)
Dividends paid	25	(4,799,728,290)	(2,103,889,365)
Proceeds from availment of borrowings	16	1,200,000,000	1,080,000,000
Payments of lease liabilities	17	(41,405,545)	(40,762,712)
Net cash used in financing activities		(6,939,814,448)	(1,301,662,922)
NET INCREASE (DECREASE) IN CASH		(1,643,459,298)	376,549,755
CASH AT BEGINNING OF YEAR		5,016,802,862	4,640,253,107
CASH AT END OF YEAR	8	3,373,343,564	5,016,802,862

See Notes to Financial Statements.