PHILIPPINE GUARANTEE CORPORATION
(formerly known as the Trade and Investment Development Corporation of the Philippines)
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020
(All amounts in Philippine Peso unless otherwise stated)

1. GENERAL INFORMATION

1.1. Incorporation and Operations

The Philippine Guarantee Corporation (PHILGUARANTEE) is the government-owned and controlled corporation (GOCC) resulting from the merger and consolidation of five Philippine guarantee programs and agencies (PGPAs) effective as of August 31, 2019, pursuant to Executive Order (EO) No. 58 dated July 23, 2018. PHILGUARANTEE is the renamed Trade and Investment Development Corporation of the Philippines (TIDCORP), the surviving entity in the amalgamation of the PGPAs.

TIDCORP was originally established as the Philippine Export and Foreign Loan Guarantee Corporation on January 31, 1977 by virtue of Presidential Decree (PD) No. 1080. It was granted expanded functions by Republic Act (RA) No. 8494 on February 12, 1998. To strengthen its role in the development and expansion of international trade, as well as to effectively respond to the economic requirements of the country, TIDCORP was designated as the Philippine Export-Import Credit Agency (PhilEXIM) by virtue of EO No. 85 dated March 18, 2002.

Pursuant to PD No. 1080, as amended by RA No. 8494, the expanded functions of TIDCORP follow:

a. To promote and facilitate the entry of foreign loans into the country for development purposes having special regard to the needs of export-oriented industries, industries registered with the Board of Investments, public utilities, and industries the promotion of which is encouraged by government policy;

b. To guarantee loans granted by Philippine banking and financial institutions to qualified exporters, producers of export products, and contractors with approved service contracts abroad;

c. To facilitate and assist in the implementation of approved service contracts abroad entered into by Philippine entities, enterprises, or corporations with foreign exchange earning potentials, by providing counter-guarantees to Philippine banks and financial institutions issuing stand-by Letters of Credit or of Letters of Guarantee for the performance of said service contracts;

d. To meet requests from domestic entities, enterprises, and corporations to assist them in the coordination of their development and expansion plans with a view to achieving better utilization of their resources;

e. To provide technical assistance in the preparation, financing and execution of development or expansion of programs, including the formulation of specific project proposals; and

f. To undertake such actions that are consistent with the primary purposes of the Corporation.

Being the principal agency for state guarantee finance of the Philippines, the primary objective of PHILGUARANTEE is to perform its development financing role through the provision of credit guarantees in support of trade and investments, exports, infrastructure, energy, tourism, agricultural business/modernization, housing, micro-, small-, and medium-sized enterprises (MSMEs), and other priority sectors of the economy, with the end view of facilitating and promoting socio-economic and regional development.

Consistent with the above mandate, the Corporation, directly or through the funds under its trust and/or administration, offer the following guarantee facilities or programs:

a. SME Credit Guarantee Facility (SCGF) – covers loans granted to SMEs engaged in export trade, manufacturing, import substitutes, trading activities, and industries in the list of Investment Priorities Plan (IPP) of the Board of Investments (BOI).

b. MSME Credit Guarantee Program (MCGP) – a sub-program under the SCGF, covers loans extended to MSMEs affected by the COVID-19 pandemic. As a pandemic response program, the MCGP was offered until December 31, 2021 only.

   Under its Resolution No. 244 dated January 25, 2022, the Board of Directors (BOD) approved the termination of the MCGP, the inclusion of microenterprises as among the eligible borrowers for guarantee under the SCGF, and renaming of SCGF to MSME Credit Guarantee Facility.

c. Medium and Large Enterprises – Credit Guarantee Facility (MLE-CGF) – covers loans granted to hospitals and healthcare institutions, logistics, public utilities and telecommunications, transportation, industries in the list of IPP of the BOI, as well as industries mentioned under RA No. 11494, or the “Bayanihan to Recover as One Act” (Bayanihan 2).

d. Housing Retail Guarantee Facility (HRGF) – covers loans and credit facility extended for the purchase/acquisition and/or construction of a single-family residence. The guarantee may either be under a standard, bond or cash flow guarantee coverage.

e. Unsecured Small Housing Loans Guarantee Facility (USHLGF) – covers unsecured small loans wherein the proceeds are used for housing-related purposes.

f. Developmental Loan Guarantee – covers loans extended for the development of subdivisions, townhouses, dormitories, apartments and other residential dwellings. The facility was suspended since CY 2000.

   Under its Resolution No. 259 dated February 22, 2022, the BOD approved the guidelines for the operation of a related and new Housing Developers Credit Guarantee Program, which shall cover loans to housing developers for their permanent working capital and development expenses.

g. Cash Flow Guarantee (CFG) on Asset-backed Securities – covers securities or financial instruments for financing of housing developments. The Corporation shall pay the defaulting accounts from the pool of assets backing up the securities.

h. CFG on Socialized Housing Loans – covers socialized housing loans extended by the Social Security System (SSS), the Government Service Insurance System (GSIS), Home Development Mutual Fund (HDMF or Pag-IBIG) and their accredited financial institutions (AFIs). The facility is offered through the CFG component of the Abot-Kaya Pabahay Fund (AKPF), which is under the trusteeship and administration of the Corporation.

i. Agriculture Credit Guarantee – covers unsecured loans of small farmers and fisherfolks (SFF) or farmers and/or fisherfolks organizations whose majority members are SFF to finance palay and other food crops or commodities production and other food production-related activities. The facility is offered through the Agricultural Guarantee Fund Pool (AGFP), which is under the administration of the Corporation.

j. Electric Cooperative Partial Credit Guarantee (EC-PCG) – covers commercial loans to selected electric cooperatives for the financing of electric power distribution system upgrades and emergency capital expenditure requirements. The Corporation is the exclusive Program Manager of the EC-PCG Program under which the facility is offered.

Attached to the Department of Finance (DOF), the Corporation is subject to the supervision and examination by the Bangko Sentral ng Pilipinas (BSP) in accordance with Section 22 of PD No. 1080, as amended. Thus, the Corporation is mandated to comply with pertinent BSP rules and regulations, particularly, those relating to non-bank financial institutions.

The registered office address of the Corporation is at 17th Floor, BDO Towers Valero, Paseo de Roxas St., Makati City.

1.2. Consolidation of PGPAs

Pursuant to EO No. 58, TIDCORP or PhilEXIM was merged with the Home Guaranty Corporation (HGC) with the former as the surviving entity which is renamed as PHILGUARANTEE. Moreover, the guarantee-related functions, programs, funds, assets and liabilities of the Small Business Corporation (SBC) as well as the Industrial Guarantee and Loan Fund (IGLF) were transferred to TIDCORP. Likewise, the administration of the AGFP was transferred to TIDCORP, including the penalties pertaining to the AGFP pursuant to RA No. 10000.

Consistent with the powers vested in him under Section 2 of EO No. 58, the Secretary of Finance declared August 31, 2019 as the effective date of the merger and consolidation of the five PGPAs in his Memorandum Circular No. 001-2019 dated September 3, 2019.

Below are the brief backgrounds of the former HGC and the transferred functions, funds and programs:

a. *Home Guaranty Corporation*

The former HGC was a GOCC tasked to operate a credit guarantee program in support of the government's effort to promote home ownership. Since its creation on September 15, 1950 as the Home Financing Commission by virtue of RA No. 580 and later as Home Insurance and Guaranty Corporation, HGC has institutionalized a system of credit guarantees that has become an integral part of the government's shelter program.

Pursuant to its Charter, RA No. 8763 or the "Home Guaranty Corporation Act of 2000," HGC provided risk guarantees and fiscal incentives for housing credits extended by banks, investors and other financial institutions, thereby stimulating the flow of funds from both the government and private sectors for housing and urban development.

Specifically, the former HGC had the following mandates under Section 5 of RA No. 8763:

- To guaranty the payment in favor of any natural or juridical person, of any and all forms of mortgages, loans and other forms of credit facilities and receivables arising from financial contracts exclusively for residential purposes and the necessary support facilities thereto;

- To assist private developers to undertake socialized, low and medium cost mass housing projects by encouraging private funds to finance such housing projects through a viable system of long-term mortgages, guaranties and other incentives;

- To promote homebuilding and land ownership, giving primary preference to the homeless and underprivileged sectors of the society;

- To promote housing by the aided self-help method whereby families with some outside aid build their own houses with their own labor; to provide technical guidance to such families; to guaranty loans to such families on first liens on house and land with such other security and conditions as the Corporation shall determine; and

- To pursue the development and sustainability of a secondary mortgage market for housing as the primarily strategy to encourage private sector participation in housing finance.

Additionally, the former HGC performed the following functions as provided in other special laws:

- To supervise and regulate building and loan associations pursuant to Section 94 of RA No. 8791, or “The General Banking Law of 2000,” and

- To administer and control the CFG system of the AKPF, a fund established with the objectives of enhancing affordability of low-cost housing by low-income families, providing developmental financing for low-cost housing projects, and eliminating risks for the funding agencies involved in housing, pursuant to RA No. 6846, or the “AKPF Act.”

b. *Guarantee Function and Programs of the Small Business Corporation*

Established on January 24, 1991 under RA No. 6977, as amended, the SBC is a government financial institution tasked to provide access to finance, financial management and capacity building to MSMEs. It offers a wide array of financial services, including among others guarantee, direct and indirect lending, financial leasing, secondary mortgage, venture capital operations and the issuance of debt instruments for compliance with the mandatory allocation provision.

Pertinently, Section 11 of RA No. 6977, as amended, provides that the SBC shall guarantee loans obtained by qualified small enterprises, local and/or regional associations small enterprises and industries, private voluntary organizations and/or cooperatives. It may also provide second level guarantee, i.e., reinsurance, on the credit and/or investment guarantees made by credit guarantee associations and other institutions in support of small entrepreneurs.

At the time of the issuance of EO No. 58, the SBC also managed the Credit Risk Guarantee Fund (CRGF) aside from operating its regular guarantee facility. The CRGF, a component of the Yolanda Comprehensive Rehabilitation and Recovery Plan, is a credit guarantee program that provides assistance to MSMEs affected by Typhoon Yolanda in accessing credit from financial institutions for the recovery and rehabilitation of their businesses.

c. *Industrial Guarantee and Loan Fund*

The IGLF was established by an Agreement between the Governments of the United States of America (USA) and the Philippines under

Counterpart Project Agreement No. 32 dated July 15, 1952 for the purpose of encouraging the establishment and expansion of financially, technically, and economically viable cottage, small and medium enterprises that would contribute to the country's economic development and a more equitable distribution of income.

Previously managed by the Development Bank of the Philippines (DBP), the IGLF was primarily engaged in project-based lending programs providing loanable funds to accredited participating financial institutions for re-lending to eligible MSMEs and viable privately-owned productive enterprises.

d. *Agricultural Guarantee Fund Pool*

The AGFP was established by virtue of Administrative Order (AO) No. 225 dated April 1, 2008, as amended by AO No. 225-A dated May 26, 2008, to mitigate the risks involved in agriculture lending thereby facilitating the provision of credit in the agriculture sector. It was placed in trust with the Land Bank of the Philippines (LBP) for the purpose of providing guarantee cover to participating financial institutions and other parties in extending financing to rice farmers under a common Rice Program and various food production programs.

1.3. Approval of Financial Statements

The financial statements of the Corporation as of and for the year ended December 31, 2021 (including the comparative financial statements as of and for the year ended December 31, 2020) were approved and authorized for issue by the BOD on August 31, 2022 under Board Resolution No. 308, s. 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1. Basis of Preparation of Financial Statements

a. *Statement of Compliance with Philippine Financial Reporting Standards*

The financial statements of PHILGUARANTEE have been prepared in accordance with the Philippine Financial Reporting Standards (PFRSs) and applicable rules and regulations of the BSP. PFRSs are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board (IASB), and approved by the Philippine Board of Accountancy.

As a GOCC classified as a Commercial Public Sector Entity (CPSE), the Corporation is required to adopt the PFRS as its applicable financial reporting framework pursuant to Commission on Audit (COA) Circular No.

2015-003 dated April 16, 2015, as modified under COA Circular No. 2022-003 dated January 24, 2022. Likewise, BSP Circular No. 494 dated September 20, 2005, as reiterated in BSP Circular No. 1011 dated August 14, 2018, mandates BSP-supervised financial institutions to adopt in all respects the PFRS in the preparation of its audited financial statements for financial reporting.
These financial statements have been prepared using the measurement bases specified by PFRSs for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

b. *Presentation of Financial Statements*

The financial statements are presented in accordance with PAS 1, *Presentation of Financial Statements.* PHILGUARANTEE presents all items of income and expenses and other comprehensive income (OCI) in a single statement of comprehensive income (SCI).

For this purpose, the Corporation adopts the guidelines laid down under COA Circular No. 2017-004 dated December 13, 2017 on the preparation of financial statements and other financial reports and implementation of PFRS by government corporations classified as CPSEs, unless Management believes that a different classification and presentation of the accounts provide information that is reliable and more relevant to users of the financial statements.

The Corporation also presents a third statement of financial position (SFP) as of the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that have a material effect on the information in the SFP at the beginning of the preceding period. The related notes to the third SFP are not required to be disclosed.

c. *Functional and Presentation Currency*

The financial statements are presented in Philippine Peso, the Corporation's functional and presentation currency, and all values represent absolute amounts, except when otherwise indicated.

Items included in the financial statements of the Corporation are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Corporation operates.

d. *Going Concern Basis of Accounting*

The financial statements were prepared on a going concern basis which assumes that the Corporation will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

2.2. Accounting for the Consolidation of PGPAs

a. Merger of TIDCORP and HGC

The pooling of interests method as exemplified in Philippine Interpretations Committee (PIC) Q&A No. 2012-01, as amended by PIC Q&A No. 2015-01 and PIC Q&A No. 2018-13, was applied in accounting for the merger between TIDCORP and HGC. Management believes that the merger between the two GOCCs essentially involved entities under common control, which is excluded from the scope of PFRS 3*, Business Combinations*.

A business combination is a “common control combination” if the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. This means that the same party or parties have the ultimate control over the combining entities or businesses both before and after the business combination.

As wholly-owned government corporations, TIDCORP and HGC are both under the ultimate control of the National Government (NG) both before and after the merger and this control is irrefutably not transitory. The merger itself is directed by the President of the Philippines by virtue of his power of control over all executive departments, bureaus and offices, including GOCCs, under Section 17, Article VII of the 1987 Philippine Constitution.

In PIC Q&A No. 2011-02 dated August 24, 2011, the consensus is that common control business combinations shall be accounted for using either: (i) the pooling of interests method; or (ii) the acquisition method in accordance with PFRS 3. Where the acquisition method of accounting is selected, the transaction must have a commercial substance from the perspective of the reporting entity.

Management considers the merger between TIDCORP and HGC to be without commercial substance, thus, warranting the application of the pooling of interests method. While it is true that the merger resulted in TIDCORP gaining control of the resources of HGC, the merger did not involve the payment of consideration because there was no party with an entitlement to the net assets of the former HGC. Likewise, the merger was merely imposed on the two GOCCs by the NG which basically combined its resources.

The application of the pooling of interests method to the merger between TIDCORP and HGC involved the following:

a. The assets and liabilities of the merged GOCCs are reflected in the financial statements at their carrying amounts. No adjustments were made to reflect fair values, or recognize any new assets or liabilities, at the date of the merger that otherwise would have been done under the acquisition method. Adjustments were recorded only to achieve uniform accounting policies.

b. No goodwill was recognized as a result of the merger. Intangible assets and contingent liabilities were recognized only to the extent that they were recognized by the merged corporations in accordance with applicable PFRS.

c. The income statement reflects the results of the merged corporations for the full year, irrespective of when the merger took place.

d. Comparative financial information were restated for the periods prior to the merger to reflect the combination as if it had occurred at the beginning of the earliest period presented in the financial statements regardless of the actual date of the combination.

b. Other than the Merger with HGC

Funds under the trust and/or administration of the Corporation, namely, AGFP, AKPF and CRGF, are not consolidated in these financial statements as the funds were not merged to nor are controlled by it. Instead, separate sets of books of accounts and financial statements are maintained and prepared, respectively, for each fund *(Note 2.25).* Only the total assets of the funds are reciprocally presented and accounted for as non-current "Other Assets" *(Note 13)* and non-current "Trust Liabilities" *(Note 17)* in these financial statements.

Conversely, the guarantee-related assets and liabilities transferred from the IGLF and SBC, excluding those pertaining to the CRGF, which already pertain to and are controlled by the Corporation, are already reflected in these financial statements. Balances of the transferred accounts as at August 31, 2019 follow:

	IGLF	SBC
Assets		
Cash and cash equivalents	7,392,576	-
Financial assets at FVOCI	4,843,156,792	-
Investment securities at amortized cost	-	35,000,000
Receivables, net	2,128,579,733	-
Other current assets	422,793	-
Investment property	3,773,301	-
Property and equipment	52,285	-
	6,983,377,480	**35,000,000**
Liabilities		
Financial liabilities	196,347,849	-
Inter-agency payables	4,390,986	-
Other liabilities	794,521	-
	201,533,356	**-**

	IGLF	SBC
Equity		
Government equity	803,303,979	35,000,000
Retained earnings, unappropriated	5,735,238,240	-
Surplus reserves	263,943,897	-
Cumulative changes in fair value	(20,641,992)	-
	6,781,844,124	**35,000,000**
	6,983,377,480	**35,000,000**

2.3. Adoption of New and Amended PFRS

Except with respect to the following new and amended PFRS, the accounting policies adopted in the preparation and presentation of the financial statements are consistent with those of prior years. Unless otherwise indicated, these new and amended standards were adopted as at January 1, 2021 and their adoption did not have a significant impact on the financial statements.

a. *Effective in 2021 that are Relevant to the Corporation*

(i) *Amendments to PFRS 16, Leases – COVID-19-related Rent Concessions Beyond June 30, 2021.* The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. The amendments are effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted.

Under the amendments, a lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of the COVID-19 pandemic;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

b. *Effective in 2021 that are Not Relevant to the Corporation*

(i) *Amendments to PFRS 9, Financial Instruments, PFRS 7, Financial Instruments: Disclosures, PFRS 4, Insurance Contracts, and PFRS 16, Leases – Interest Rate Benchmark Reform – Phase 2.* The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate is replaced with an alternative nearly risk-free interest rate:

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of interbank offered rate reform;
- Relief from discontinuing hedging relationships; and
- Relief from the separately identifiable requirement when a risk-free interest rate instrument is designated as a hedge of a risk component.

The amendments also require entities to disclose additional information about:

- The nature and extent of risks to which the entity is exposed arising from financial instruments subject to interbank offered rate reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition.

2.4. PFRS Issued but not yet Effective

The following pronouncements were issued and adopted by the FRSC before the year ending December 31, 2021 and are mandatorily effective for annual periods beginning on or after January 1, 2022. The Corporation intends to adopt these standards when they become effective. Except as otherwise indicated, the Corporation does not expect that future adoption of these pronouncements will have a significant impact on its financial statements.

a. *Effective Beginning on or After January 1, 2022*

(i) *Amendments to PFRS 3, Business Combinations – Reference to the Conceptual Framework.* The amendments are intended to replace a reference to the *Framework for the Preparation and Presentation of Financial Statements*, issued in 1989, with a reference to the *Conceptual Framework for Financial Reporting* issued on March 29, 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential “Day 2” gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* or Philippine Interpretation IFRIC 21, *Levies*, if incurred separately. At the same time, the amendments added a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

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

The amendments must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

(iii) *Amendments to PAS 37, Provisions, Contingent Liabilities and Contingent Assets – Costs of Fulfilling a Contract.* The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach." The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded, unless they are explicitly chargeable to the counterparty under the contract.

(iv) *Annual Improvements to PFRS (2018 – 2020 Cycle)*

- *Amendments to PFRS 1, First-time Adoption of Philippine Financial Reporting Standards – Subsidiary as a First-time Adopter.* The amendment permits a subsidiary that elects to apply Paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply Paragraph D16(a) of PFRS 1.

- *Amendments to PFRS 9, Financial Instruments – Fees in the "10 per cent" Test for Derecognition of Financial Liabilities.* The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting year in which the entity first applies the amendment.

- *Amendments to PAS 41, Agriculture – Taxation in Fair Value Measurements.* The amendment removes the requirement in Paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41. This will ensure consistency with the requirements in PFRS 13.

b. *Effective Beginning on or After January 1, 2023*

(i) *Amendments to PAS 1, Presentation of Financial Statements, and PFRS Practice Statement 2, Disclosure of Accounting Policies.* The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their “significant” accounting policies with a requirement to disclose their “material” accounting policies; and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

(ii) *Amendments to PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Accounting Estimates.* The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amendments also clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

(iii) *Amendments to PAS 12, Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction.* The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense). The amendments are applicable to transactions that occur on or after the beginning of the earliest comparative period presented.

c. *Effective Beginning on or After January 1, 2024*

(i) *Amendments to PAS 1, Presentation of Financial Statements – Classification of Liabilities as Current or Non-current.* The amendments clarify Paragraphs 69 to 76 of PAS 1, to specify the requirements for classifying liabilities as current or non-current. The amendments:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the statement of financial position date;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right; and

- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are originally effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the IASB tentatively decided to defer the effective date to no earlier than January 1, 2024.

d. *Effective Beginning on or After January 1, 2025*

(i) *PFRS 17, Insurance Contracts.* PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts,* which currently permits a wide variety of practices in accounting for insurance contracts. This new standard applies to all types of insurance contracts, regardless of type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements of PFRS 4, which are largely based on grandfathering of previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts covering all relevant accounting aspects.

The core of PFRS 17 is the general model, supplemented by a specific adaptation for contracts with direct participation features, or the so-called variable fee approach, or a simplified approach mainly for short-duration contracts, or the so-called premium allocation approach.

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission, which deferred the implementation of PFRS 17 by two years after its effective date as decided by the IASB.

e. *Deferred Effectivity:*

(i) *Amendments to PFRS 10, Consolidated Financial Statements, and to PAS 28, Investments in Associates and Joint Ventures – Sales or Contribution of Assets between an Investor and its Associates or Joint Venture.* The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the FRSC deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

2.5. Current and Non-current Classification

The Corporation presents assets and liabilities in the SFP based on current and non-current classification.

An asset is current when it is: (i) expected to be realized or intended to be sold or consumed in normal operating cycle; (ii) held primarily for the purpose of trading; (iii) expected to be realized within 12 months after reporting date; or (iv) cash or cash equivalents, unless restricted from being exchanged or used to settle a liability for at least 12 months after reporting date. All other assets are classified as non-current.

A liability is current when: (i) it is expected to be settled in the normal operating cycle; (ii) it is held primarily for the purpose of trading; (iii) it is due to be settled within 12 months after reporting date; or (iv) there is no unconditional right to defer the settlement of the liability for at least 12 months after reporting date. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities, respectively.

2.6. Cash and Cash Equivalents

Cash includes cash on hand and cash in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of placement and that are subject to insignificant risk of change in value.

2.7. Financial Instruments

Financial instruments are recognized in the SFP when, and only when, the Corporation becomes a party to the contractual provisions of the instrument. For purposes of classifying financial instruments, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria under PAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

a. Financial Assets

(i) Classification and Initial Measurement

At initial recognition, financial assets are classified and measured at amortized cost, at fair value through OCI (FVOCI), or at fair value through profit or loss (FVPL). The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Corporation's business model for managing them. The Corporation initially measures a financial asset at its fair value, and in the case of a financial asset not at FVPL, plus transaction costs.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are "solely payments of principal and interest" (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Corporation's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Corporation commits to purchase or sell the asset.

(ii) Subsequent Measurement

Financial assets are measured at amortized cost if both of the following conditions are met: (i) the asset is held within the Corporation's business model, the objective of which is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the instrument give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Corporation's financial assets at amortized cost as at December 31, 2021 and 2020 are presented in the SFP as cash and cash equivalents, loans and receivables, investment securities at amortized cost, guaranty deposits and investment in sinking fund.

Financial assets at FVOCI are subsequently measured at fair value. Interest income calculated using the EIR method, foreign exchange revaluation and impairment losses or reversals are recognized in profit or loss in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

The Corporation's financial assets at FVOCI as at December 31, 2021 and 2020 consist of investment in treasury bonds and in unquoted equity securities.

(iii) Impairment of Financial Assets

The Corporation recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVPL. The Corporation considers past events, current conditions, and forecasts of future economic conditions in assessing impairment.

The Corporation calculates ECLs based on probability-weighted estimates to measure cash shortfalls. A cash shortfall is the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Corporation expects to receive, discounted at the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For credit guarantees, cash shortfalls are the expected payments to reimburse the client-AFIs for the credit loss that it incurs less any amount that the Corporation expects to receive from the former, i.e., the unearned guarantee fees or the unamortized portion of the upfront guarantee fees received.

ECLs are recognized in three stages based on whether there has been a significant increase in credit risk (SICR) of a financial asset as follows:

Stage	Characteristics	ECL Assessment
Stage 1	Credit exposures that are considered "performing" and with no SICR since initial recognition or with low credit risk	12-month or Lifetime ECL
Stage 2	Credit exposures that are considered "under-performing" or not yet non-performing but with SICR since initial recognition	Lifetime ECL
Stage 3	Credit exposures with objective evidence of impairment, thus, considered as "non-performing"	Lifetime ECL

Lifetime ECL are the ECL that result from all possible default events over the expected life of the credit exposure, irrespective of the timing of the default while the 12-month ECL pertains to the portion of lifetime ECL that result from default events on credit exposure that are possible within the 12 months after the reporting date.

In measuring the ECL, the Corporation takes into consideration an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

In assessing whether there is a SICR of a credit exposure, the Corporation compares the risk of a default occurring on the credit exposure as at the reporting date with the risk of default occurring as at the date of initial recognition, and considers reasonable and supportable information that is available without undue cost or effort, that is indicative of SICR since initial recognition.

The date of initial recognition is the date that the Corporation becomes a party to the contractual provisions of the financial instruments. For financial guarantee contracts, the date that the Corporation becomes a party to the commitment is considered to be the date of initial recognition for the purposes of applying the impairment requirements.

At a minimum, there is a significant increase in credit risk when contractual payments of borrowers have been past due for at least 30 days. For credit guarantees, the management of the accounts are with the client-AFIs, thus assessment and recognition of SICR is only possible upon receipt of a guarantee call/claim. Under current program guidelines, client-AFIs may file guarantee calls/claims only after the account has been classified as past due for at least six months.

The Corporation adopts the definition of “default” as defined by the BSP. Thus, the Corporation considers a credit exposure in past due (Stage 2 – Underperforming) and in default (Stage 3 – Non-performing) when the borrower is past due on its contractual payments for more than 30 days and 90 days, respectively.

As a part of a qualitative assessment of whether a customer is in default, the Corporation also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Corporation carefully considers whether the event should result in treating the customer as defaulted.

Calculation of ECL is a function of the probability of default (POD), exposure-at-default (EAD), and loss-given default (LGD) with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information, where available without undue cost or effort, and through the use of experienced credit judgment.

- POD is an estimate of the likelihood that a credit exposure will not be repaid. POD will be based on historical data and estimated based on current market conditions, and reasonable and supportable information about future economic conditions. For credit guarantees, POD is the 3-year moving average historical default rate or payout rate of the portfolio.

- LGD is an estimate of the percentage of loss that the Corporation will incur in the event that the borrower defaults on its obligations after considering all recoveries and costs.

- EAD is the expected value of the credit exposure at the time of default with consideration on the expected changes in the credit exposure after the reporting date, including repayments of principal and interest.

PFRS 9 notes that entities, in the estimation of allowance for ECL, should use reasonable and supportable forward-looking information where available without undue cost or effort. However, when information that is more forward-looking than past due status is not available without undue cost or effort, an entity may use past due information to determine whether there have been SICR since initial recognition. PFRS 9 likewise notes that information on individual asset level may not be available and a collective assessment for groups of financial assets may be necessary to ensure that SICR is recognized in a timely manner and not only after the instrument becomes past due.

Under these contexts, the Corporation uses historical loss patterns in the estimation of allowances for ECLs. Historical averages are calculated and adjusted, if necessary, to take into account reasonable and supportable information that is available, without undue cost or effort, at the reporting date about current conditions and forecasts of future economic conditions using experienced credit judgments.

Outstanding credit guarantees under Stage 1 are collectively assessed with Lifetime ECL taking into consideration that the individual account management and monitoring, and the contractual cash flow obligations of the guaranteed borrowers are still with the client-AFIs.

The Corporation's credit exposures are currently segmented according to program portfolio i.e., housing credit guarantees and MSME credit guarantees, to facilitate the determination of credit risks in a timely manner. Granular segmentation of housing guarantee portfolio per program and per housing loan package yielded no material similarity on credit risk characteristics as some programs and housing loan package has no history of default. Prospectively and as the Corporation build up the historical loss pattern on MSME credit guarantee portfolio, the MSME credit guarantee portfolio will be assessed based on the actual loss and recovery rates of client-AFIs.

(iv) Reclassification

The Corporation can only reclassify financial assets if the objective of its business model for managing those financial assets changes. A change in the objective of the Corporation's business model will be effected only at the beginning of the next reporting period following the change in the business model.

(v) Derecognition

A financial asset or, where applicable, a part of a financial asset or part of a group of financial assets is derecognized when: (i) the right to receive cash flows from the asset has expired; or (ii) the Corporation has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement; and either the Corporation has transferred substantially all the risks and rewards of the asset, or the Corporation has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Corporation has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Corporation continues to recognize the transferred asset to the extent of its continuing involvement.

Financial assets are written off either partially or in their entirety only when there is no realistic prospect of future recovery and the related collateral, if any, has been realized or is without recoverable value. If a write-off is later recovered, any amounts formerly charged are credited to “Miscellaneous Income” in the SCI.

Approval of the BOD is sufficient to effect the write-off of credit-related receivables and advances. However, further authority from COA is required to write-off non-credit-related receivables and advances pursuant to COA Circular No. 2016-005 dated December 19, 2016.

(vi) Modification of Financial Assets

The Corporation likewise derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in profit or loss, to the extent that an impairment loss has not already been recorded.

The Corporation considers both qualitative and quantitative factors in assessing whether a modification of financial asset is substantial or not. When assessing whether a modification is substantial, the Corporation considers the following factors, among others: (i) change in currency; (ii) introduction of an equity feature; (iii) change in counterparty; and (iv) if the modification results in the asset no longer considered SPPI.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of a new financial asset, the modified asset is considered a "new" financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Corporation records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

On March 25, 2020, RA No. 11469, or the "Bayanihan to Heal as One Act" (Bayanihan 1), was enacted. Bayanihan 1 provides that all covered institutions shall implement a 30-day grace period for all loans with principal and/or interest and lease amortization falling due within the Enhanced Community Quarantine period without incurring interest on interest, penalties, fees and other charges.

Subsequently, on September 11, 2020, Bayanihan 2 was enacted. Under Bayanihan 2, a one-time 60-day grace period is granted for the payment of all existing, current and outstanding loans falling due, or any part thereof, on or before December 31, 2020, without incurring interest on interests, penalties, fees, or other charges and thereby extending the maturity of the said loans. Furthermore, a minimum 30-day grace period shall also be granted by covered institutions to all payments due within the period of community quarantine on rent and utility-related expenditures without incurring penalties, interest and other charges.

Based on Management's assessment, the modifications in the contractual cash flows as a result of the offer by the Corporation of the reliefs provided under Bayanihan 1 and 2 are not substantial and therefore do not result in the derecognition of the affected financial assets.

b. *Financial Liabilities*

(i) Classification and Measurement

Financial liabilities are classified, at initial recognition as financial liabilities at FVPL, loans and borrowings, payables, or derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Corporation's financial liabilities as at December 31, 2021 and 2020 include accounts and other payables, customer and guaranty deposits, bonds payable, loans payable, advances from the NG, lease liability and liabilities arising from financial guarantees issued.

(ii) Subsequent Measurement

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the SCI.

As at December 31, 2021 and 2020, this category generally applies to interest-bearing bonds payable, loans payable, advances from the NG and lease liability.

(iii) Financial Guarantees

The Corporation provides financial guarantees in the ordinary course of business. Financial guarantees are initially recognized in the financial statements at fair value, and the initial fair value is amortized over the life of the financial guarantee contracts in accordance with PFRS 15, *Revenue from Contracts with Customers*. The financial guarantee is subsequently carried at the higher of: (i) the amount of the loss allowance determined in accordance with PFRS 9; and (ii) the amount initially recognized less, when appropriate, the cumulative amount of income recognized in accordance with PFRS 15.

(iv) Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or canceled 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

The Corporation considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of or greater than 10 percent.

Similar with financial assets, when the modification of a financial liability is not considered substantial, the Corporation records a modification gain or loss based on the change in cash flows discounted at the original EIR.

c. *Offsetting of Financial Instruments*

Financial assets and financial liabilities are offset and the net amount reported in the SFP, if and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the asset and settle the liability simultaneously.

As at December 31, 2021 and 2020, there are no financial assets and liabilities that were offset.

2.8. Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (a) in the principal market for the asset or liability; or (b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that the market participants act in their best economic interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Corporation uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

a. Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities;

b. Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

c. Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Corporation determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization based on the lowest level input that is significant to the fair value measurement as a whole at the end of each reporting period.

2.9. Inventories

Inventories held for consumption are valued at the lower of cost or net realizable value. Costs of inventories include all costs of purchase and other costs incurred to bring the inventories to their present location and condition, and are accounted for using the moving average cost method. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense once deployed for utilization or consumption in the ordinary course of operations, lost or disposed of.

Inventories include semi-expendable property, or those tangible items with costs below the capitalization threshold for property and equipment. These items are recognized as expense in full upon issuance to end users but are recorded in the Report on the Physical Count of Inventories for monitoring purposes.

2.10. Prepayments and Other Assets

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

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Corporation beyond one year after the end of the reporting period or in the normal operating cycle of the business, if longer, are classified as non-current assets.

2.11. Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use.

Pursuant to COA Circular Nos. 2016-006 and 2017-004 dated December 29, 2016 and December 13, 2017, respectively, a capitalization threshold of P15,000 is applied as the minimum cost of an individual asset to be recognized as property and equipment. Tangible items below the capitalization threshold are accounted for as semi-expendable property under inventories.

Subsequent expenditures for additions, major improvements and renewals are capitalized when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably. All other repairs and maintenance are charged to expense in the year they are incurred.

Depreciation on property and equipment is calculated using the straight-line method to allocate the cost of each asset, net of residual value of five per cent, over its estimated useful lives as prescribed by COA Circular No. 2017-004, to wit:

Type of Property and Equipment	Estimated Useful Life in Years
Building	30 to 50
Land improvements	20 to 30
Transportation equipment	5 to 15
Office, IT and communication equipment	5 to 15
Furniture, fixtures and books	2 to 15
Leased assets and improvements	Estimate useful life or term of lease, whichever is shorter
Others	2 to 15

Depreciation shall be for one month if the item of property and equipment is available for use on or before the 15th day of the month. Otherwise, depreciation shall be for the succeeding month. Major repairs or renovations are depreciated over the remaining useful life of the related asset. The assets' useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

At the SFP date, the Corporation reviews the carrying amount of its tangible assets to determine whether there are any indicators of impairment. If indicators of impairment exist, then the recoverable amount of an asset is estimated. If the recoverable amount of an asset is less than its carrying amount, the difference is recognized in the SCI as an impairment loss.

An item of property and equipment, including the related accumulated depreciation and impairment losses, if any, is derecognized upon disposal or when no future economic benefits or service potential is expected from its use or disposal. The 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 included in the SCI when the item is derecognized.

2.12. Investment Properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are initially recorded at cost, which includes directly attributable costs incurred. Subsequent to initial recognition, investment properties, except land, are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Land is stated at cost less accumulated impairment losses, if any.

Investment properties include real and other properties acquired (ROPA) in settlement of loans and receivables through foreclosure or *dacion* in payment. Foreclosed properties are classified under investment properties upon: (i) entry of judgment in case of judicial foreclosure; (ii) execution of the Sheriff's Certificate of Sale in case of extra-judicial foreclosure; or notarization of the Deed of Dacion in case of *dacion* in payment.

ROPA are initially booked at the carrying amount of the loan, i.e., outstanding loan balance less allowance for credit losses computed based on PFRS 9 provisioning requirement which takes into account the fair market value of the collateral, plus booked accrued interest less allowance for credit losses, plus transaction costs incurred upon acquisition. Maintenance and other carrying costs subsequent to the foreclosure or acquisition of such property are taken up as expenses. Realized gain on sale thereof is credited to income.

Consistent with BSP Circular No. 520 dated March 20, 2006, the Corporation adopts the following policies in accounting for ROPA:

a. Land and buildings are accounted for using the cost model under PAS 40, *Investment Property*;

b. Other non-financial assets shall be accounted for using the cost model under PAS 16, *Property Plant and Equipment*;

c. Buildings and other non-financial assets are depreciated over the remaining useful life of the assets, which shall not exceed ten years and three years from the date of acquisition, respectively; and

d. Land, buildings and other non-financial assets shall be subject to the impairment provisions of PAS 36, *Impairment of Assets*.

The appraisal of all investment property is made at least every other year to determine whether impairment exists. Immediate re-appraisal is conducted on investment property that materially declined in value. If the recoverable amount or appraised value of investment property is less than its carrying amount, the difference is recognized in the SCI as impairment loss.

An investment property, including the related accumulated depreciation and any impairment losses, is derecognized upon disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gains or losses on the retirement or disposal of an investment are recognized in profit or loss in the period of the retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner’s occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner’s occupied property becomes an investment property, the Corporation accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

2.13. Non-current Assets Held for Sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification.

In the event that the sale of the asset is extended beyond one year, the extension of the period required to complete the sale does not preclude an asset from being classified as held for sale if the delay is caused by events or circumstances beyond the Corporation's control and there is sufficient evidence that the Corporation remains committed to its plan to sell the asset.

Assets classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Costs to sell are the incremental costs directly attributable to the sale, excluding finance costs and income tax expense. Assets classified as held for sale are not subject to depreciation or amortization. Gains or losses arising from the sale or remeasurement of assets held for sale are recognized in profit or loss.

An asset that ceases to be classified as held for sale is measured at the lower of: (i) its carrying amount before the asset was classified as held for sale, adjusted for any depreciation, amortization or revaluations that would have been recognized had the asset not been classified as held-for-sale; and, (ii) its recoverable amount at the date of the subsequent decision not to sell. Any adjustment to the carrying amount of an asset that ceases to be classified as held for sale resulting in either a gain or loss, is recognized in profit or loss. An impairment loss is also recognized for any initial or subsequent write-down of the assets held for sale to fair value less cost to sell, to the extent that it has not been previously recognized in profit or loss.

On the other hand, any gain from any subsequent increase in fair value less costs to sell of an asset up to the extent of the cumulative impairment loss that has been previously recognized is recognized in profit or loss.

As at December 31, 2021 and 2020, the Corporation has not classified any non-current asset as held for sale. Non-current assets previously presented as such in the SFP of the former HGC were reclassified as investment properties considering that the assets remained unsold for a relatively long period of time indicating that their sale are not highly probable.

2.14. Intangible Assets

Intangible assets are recognized if, and only if it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Corporation and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially measured at cost. Subsequent to initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any.

Leasehold rights with finite lives are amortized using the straight-line method over their estimated useful lives of 37 to 47 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. Capitalized costs are amortized on a straight-line basis over the expected useful life of five years. Costs associated with maintaining computer software and those costs associated with research activities are recognized as expense in profit or loss as incurred.

Costs that are directly attributable to the development phase of new customized software for information technology and telecommunications systems are recognized as intangible assets if, and only if, the Corporation can demonstrate all of the following recognition requirements: (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (b) the intention to complete the intangible asset and use or sell it; (c) the ability to use or sell the intangible asset; (d) the intangible asset will generate probable future economic benefits or service potential; (e) the availability of adequate technical, financial and other resources necessary to complete the development and to use or sell the intangible asset; and (f) ability to measure reliably the expenditure attributable to the intangible asset during development. Development costs not meeting these criteria for capitalization are expensed as incurred.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss.

2.15. Impairment of Non-financial Assets

The Corporation assesses at each reporting date whether there is an indication that a non-financial asset, i.e., property and equipment, investment properties and intangible assets, among others, may be impaired. If any such indication exists or when annual impairment testing for a non-financial asset is required, the Corporation makes an estimate of the non-financial asset's recoverable amount. Recoverable amount is the higher of a non-financial asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the non-financial asset does not generate cash inflows that are largely independent of those from other or groups of non-financial assets.

When the carrying amount of a non-financial asset exceeds its recoverable amount, the non-financial asset is considered impaired and is written down to its recoverable amount. An impairment loss is charged against operations in the year in which it arises.

An impairment assessment is also made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the SCI.

For property and equipment, after such reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

2.16. Provisions and Contingencies

Provisions are recognized when the Corporation has a present obligation, legal or constructive, as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation, even if the timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

When time value of money is material, long-term provisions are discounted to their present values using a pre-tax rate that reflects market assessments and the risks specific to the obligation. The increase in provision due to passage of time is recognized as interest expense.

Where the Corporation expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain and at an amount not exceeding the related provision. The expense relating to any provision is presented in profit or loss, net of any reimbursement.

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

Contingent liabilities are not recognized but are disclosed in the financial statements, except if the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the financial statements when an inflow of economic benefits is probable.

2.17. Equity

Government equity represents the amount of the equity contribution of the NG, whether in cash or in kind, as approved under the Corporation's Charter, PD No. 1080, as amended.

Retained earnings (Deficit) represent all current and prior period results of operations as disclosed in profit and loss, reduced by the amount of dividends required to be declared and remitted to the NG pursuant to the RA No. 7656, or the "Dividends Law."

Cumulative changes in fair value of investments arise from cumulative mark-to-market valuation of outstanding financial assets at FVOCI.

2.18. Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received.

PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. The five-step model follows: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; (v) recognize revenue when (or as) the entity satisfies a performance obligation.

Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires the Corporation to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with customers. The standard also specifies the accounting for incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The following specific recognition criteria, which did not materially change from PAS 18, *Revenue,* must also be met before revenue is recognized:

a. *Revenue Within the Scope of PFRS 15*

   (i) Fees and Commissions

   Fees earned for the provision of services over a period of time, such as guarantee fees, related commitment fees and management fees, are accrued over that period as the customer simultaneously receives and consumes the benefits provided by the Corporation. Specifically, guarantee fees received in advance are recognized as income on a straight-line basis over the expected life of the related financial guarantee contracts.

   Fees arising from negotiating or participating in the negotiation of a transaction, such as commission income, are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

   (ii) Fines and Penalties

   Fines and penalties are recognized only upon collection or accrued when there is reasonable degree of certainty as to its collectability.

(iii) Other Income

Income from the sale of services, such as consultancy fees, is recognized upon completion of service. Income from sale of properties is recognized upon completion of the earnings process and the collectability of the sales price is reasonably assured under “Gains” in the SCI.

b. Revenue Outside the Scope of PFRS 15

(i) Interest Income

Interest on financial instruments measured at amortized cost and FVOCI are recognized based on the EIR method of accounting. The EIR method is a method of calculating the amortized cost of a financial asset or a financial liability, and allocating the interest income or interest expense over the relevant period.

The EIR is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Once a financial asset has been written down as a result of an impairment loss, interest income is recognized thereafter using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(ii) Recovery on Written-off Assets

Income arising from collections on accounts or recoveries from impairment of items previously written-off are recognized in the year of recovery.

(iii) Dividend Income

Dividend income is recognized when the Corporation’s right to receive the payment is established.

(iv) Lease income

Rental income arising on leased premises is accounted for on a straight-line basis over the lease terms of on-going leases.

Collections from accounts which did not qualify for revenue recognition are treated as customer’s deposit included as part of “Deferred Credits/Unearned Income” *(Note 18)* in the SFP.

2.19. Expense Recognition

Expenses are decreases in economic benefits during the year in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Expenses encompass losses as well as those expenses that arise in the course of the ordinary activities of the entity.

Costs and expenses are recognized in profit or loss upon utilization of the assets or services, or at the date those are incurred, unless identifiable with a particular fund under the Corporation's trust and/or administration. In such case, the expense is allocated to and charged against said fund pursuant to the Corporation's "Costs/Expenses Allocation Policy for Administered/Managed Funds and Programs."

Interest expenses are recognized in profit or loss using the EIR method of accounting.

2.20. Leases

a. *The Corporation as Lessee*

The Corporation considers whether a contract is, or contains a lease at the inception of a contract. A lease is a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

As a practical expedient and as prescribed under COA Circular No. 2021-009 dated October 1, 2021, the Corporation does not separate non-lease components from lease components. Instead, the Corporation accounts for each lease component and any associated non-lease component as a single lease component.

At commencement date of the lease, the Corporation recognizes a right-of-use (ROU) asset and a corresponding lease liability on the SFP, except for short-term leases, i.e. leases with a lease term of 12 months or less, and leases of low value assets, consistent with COA Circular No. 2021-009. For these leases, the Corporation recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lease liability is measured at the present value of the unpaid lease payments, discounted using the interest rate implicit in the lease (if readily available) or the Corporation's incremental borrowing rate. Incremental borrowing rate is the rate of interest that the Corporation would have to pay to borrow over a similar term and with a similar security the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment.

Lease payments included in the measurement of the lease liability consists of fixed payments, variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, lease liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in the fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the ROU asset, or profit and loss if the ROU asset is already reduced to zero.

ROU asset is measured at cost, which consist of the initial measurement of the lease liability, any initial direct costs incurred, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date.

The Corporation depreciates ROU assets on a straight-line basis using the expected useful life or lease term whichever is shorter. The Corporation also assesses the ROU asset for impairment when any such indicators exist.

b. *The Corporation as Lessor*

Leases wherein the Corporation substantially transfers to the lessee all risks and benefits incidental to ownership of the leased item are classified as finance leases and are presented as receivable at an amount equal to the Company's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Company's net investment outstanding in respect of the finance lease.

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

2.21. Income Taxes

Tax expense recognized in the profit or loss comprises the sum of current tax and deferred tax not recognized in OCI or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, tax authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred tax asset can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates and tax laws have been enacted or substantively enacted at the end of each reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in OCI or directly in equity. In this case, the tax is also recognized in OCI or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Corporation has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes related to the same entity and the same taxation authority.

2.22. Employee Benefits

Considerations given by the Corporation in exchange for services rendered by employees or for the termination of employment are recognized and measured as follows:

a. *Post-employment Defined Contribution Plan*

   A defined contribution plan is a post-employment benefit plan under which the Corporation pays fixed contributions to an independent entity. The Corporation will have no legal or constructive obligation to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities or assets may be recognized if underpayment or prepayment has occurred.

   Prior to the merger, both TIDCORP and the former HGC maintained defined contributory Provident Funds covering all regular employees.

Contributions to the funds consist of the employees' share which is withheld from the monthly payroll, and the employer's share which is charged to "Provident Fund Contributions" *(Note 24.1)* at the following rates of basic salary:

	Employee's Share	**Employer's Share**
TIDCORP Provident Fund	5 per cent	25 per cent
HGC Provident Fund	5 per cent	20 per cent

Both Provident Funds are still maintained by the Corporation after the merger. However, in view of the observation of COA that payment by the Corporation of employer's share was without approval of the President of the Philippines, thus lacks legal basis, the Corporation ceased contributing to the TIDCORP Provident Fund effective August 1, 2019. Further, employer's share contribution to the HGC Provident Fund has been limited to incumbent employees absorbed from the former HGC.

b. *Short-term Benefits*

Short-term employee benefits include wages, salaries, bonuses, and non-monetary benefits provided to current employees, which are expected to be settled before 12 months after the end of the reporting period during which employee services are rendered. The undiscounted amount of the benefits expected to be paid in respect of services rendered by employees in an accounting period is recognized in profit or loss during that period and any unsettled amount at the end of the reporting period is included as part of "Due to Officers and Employees" *(Note 14)* in the SFP.

c. *Termination Benefits*

Termination benefits are payable when employment is terminated by the Corporation before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits, and the payment of the benefit by the Corporation is authorized by law. The Corporation recognizes termination benefits at the earlier of: (i) when it can no longer withdraw the offer of such benefits; and (ii) when it recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

d. *Compensated Absences*

Compensated absences are recognized for the number of paid leave days remaining at the end of the reporting period. They are included as "Leave Benefits Payable" *(Note 19)* in the SFP at the undiscounted amount that the Corporation expects to pay as a result of the unused entitlement.

2.23. Foreign Currency Transactions and Translations

The accounting records of the Corporation are maintained in Philippine peso. Foreign currency transactions during the period are translated into the functional currency at exchange rates which approximate those prevailing at transaction dates. Assets and liabilities denominated in foreign currencies are translated to Philippine pesos at the prevailing Bankers Association of the Philippines closing rates at the SFP date.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

2.24. Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Corporation and its related parties, regardless of whether a price is charged.

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making the financial and operating decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

Related parties include key management personnel who are persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director, whether executive or otherwise, of that entity.

2.25. Funds under Trust and/or Administration

The Corporation acts as trustee and/or administrator pursuant to law or agreements that result in the holding of funds on behalf of other entities. The resources, liabilities and income or loss arising thereon are generally excluded from these financial statements as these do not pertain to the Corporation.

Instead, separate sets of books of accounts and financial statements are maintained and prepared, respectively, for each fund, and only the total assets of the funds are reciprocally presented and accounted for as non-current “Other Assets” *(Note 13)* and non-current “Trust Liabilities” *(Note 17)* in these financial statements.

2.26. Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Corporation’s financial position at the end of reporting period (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Corporation's financial statements in accordance with PFRS requires Management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates 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. Actual results may ultimately vary from these estimates.

3.1. Critical Management Judgments in Applying Accounting Policies

In the process of applying the Corporation's accounting policies, Management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements:

a. *Common Control Business Combination*

Management considers the merger between TIDCORP and HGC as a common control business combination because there was no change in the ultimate control of the NG over the affected GOCCs. In directing the merger, the NG basically combined its resources, hence, a business combination without commercial substance.

b. *Classification of Financial Assets*

The Corporation classifies and measures its financial assets depending on the business model for managing those financial assets and whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.

(i) Business Model Test

The Corporation developed business models which reflect how it manages its portfolio of financial instruments. The Corporation's business models need not be assessed at entity level or as a whole but shall be applied at the level of a portfolio of financial instruments and not on an instrument-by-instrument basis.

In determining the classification of a financial instrument, the Corporation evaluates in which business model a financial instrument or a portfolio of financial instruments belongs to taking into consideration the objectives of each business model established by the Corporation as those relate to the Corporation's investment and trading strategies.

(ii) Cash Flow Characteristic Test

In determining the classification of financial assets, the Corporation assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows, unless it is a variable interest rate that represents time value of money and credit risk, does not meet the amortized cost criteria.

c. *Application of ECL to Financial Assets*

The Corporation uses the general approach to calculate ECL for all debt instruments carried at amortized cost and FVOCI, together with financial guarantee contracts. The allowance for impairment is based on the ECLs associated with the probability of default of a financial instrument in the next 12 months, unless there has been a SICR since origination of the financial instrument, in such case, a lifetime ECL for the instrument is recognized.

The Corporation has established a policy to perform an assessment, at the end of each reporting period, whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

d. *Classification of Leases*

The Corporation has entered into a significant number of lease agreements as lessor. Judgment was exercised by Management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements.

In determining whether the lease arrangements qualify as a finance lease, the following factors have been considered: (i) the lease provides the lessee an option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable; (ii) the lease transfers ownership of the property at the end of the lease; and (iii) the lease term approximates the estimate useful life of the asset being leased.

e. *Recognition of Provisions and Contingencies*

Judgment is exercised by Management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.16 and relevant disclosures are presented in Notes 19 and 22. In dealing with the Corporation's various legal proceedings, the Corporation's estimate of the probable costs that may arise from claims and contingencies has been developed in consultation and coordination with the Corporation's internal and outside counsels acting in defense of the Corporation's legal cases and are based upon the analysis of probable results.

3.2. Use of Estimates

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of resources and liabilities within the next reporting period:

a. *Estimation of ECL on Financial Assets*

When measuring allowance for ECL for relevant categories of financial assets, Management applies judgment in defining the criteria in assessing whether a financial asset has experienced SICR since initial recognition, and in the estimation of the contractual cash flows due from counterparty and those that the Corporation would expect to receive, taking into account the cash flows from the realization of collateral, if any.

The Corporation's ECL calculations are outputs of complex models with a number of underlying assumptions about future economic conditions and credit behavior of counterparties. The computation of the ECL also considers the use of reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other that may result in different levels of loss allowance.

The gross carrying amounts of financial assets as at December 31, 2021 and 2020 and the related allowances for credit losses are disclosed in Notes 5, 6, 7 and 13.

b. *Estimation of Useful Lives of Non-financial Assets*

The Corporation estimates the useful lives of property and equipment, ROU assets, investment properties and intangible assets based on the period over which the assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The carrying amounts of property and equipment, ROU assets, investment properties and intangible assets as of December 31, 2021 and 2020 are disclosed in Notes 9, 10, 11 and 12.

c. *Recognition of Deferred Tax Assets*

The Corporation reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Significant judgment is applied by Management to determine the amount of deferred tax assets that can be recognized based on the likely timing and level of the Corporation's future taxable income.

The carrying amount of deferred tax assets as at December 31, 2021 and 2020 is disclosed in Note 25.

d. *Estimation of Impairment Losses of Non-financial Assets*

The Corporation assesses impairment on its non-financial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Corporation considers important which could trigger an impairment review include (i) significant underperformance relative to expected historical or projected future operating results; (ii) significant changes in the manner of use of the acquired assets or the strategy for overall business; and (iii) significant negative industry or economic trends.

Impairment losses are recognized whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amounts are estimated for individual assets or, if it is not possible, for cash-generating unit to which the asset belongs.

The carrying amounts of non-financial assets subject to impairment as at December 31, 2021 and 2020 are disclosed in Notes 9, 10, 11, and 12.

4. RISK MANAGEMENT OBJECTIVES AND POLICIES

Risks are inherent in the business activities of the Corporation as well as in the business environment in which it operates. Among its identified risks are credit risk, liquidity risk, market risk, operational risk and regulatory risk. These risks are managed through a risk management framework and governance structure that provides comprehensive controls and management of major risks on an on-going basis.

Risk management is the process by which the Corporation identifies its key risks, obtains consistent and understandable risk measures, decides which risks to take on or reduce and how this will be done, and establishes procedures for monitoring the resultant risk positions. The objective of risk management is to protect the Corporation from events that hinder the sustainable achievement of the Corporation’s performance objectives including failing to exploit opportunities.

The Corporation recognizes the importance of risk management in ensuring its continuing overall viability. Management, with the oversight of the BOD, shall see to it that the risk management functions are implemented in all business units of the organization. Moreover, each individual within the Corporation is expected to proactively manage and is accountable for the risk exposures inherent to their respective area.

4.1. Risk Management Structure

a. *Board Level*

(i) *Board of Directors.* The BOD, which meets monthly, is responsible for the overall risk management approach and for approving the risk principles and strategies.

(ii) *Risk Oversight Committee (ROC).* This Committee, which meets monthly, is responsible for the following:

- Oversee the enterprise risk management or governance framework, and ensure that there is periodic review of the effectiveness of the risk management systems and recovery plans, including ensuring that corrective actions are promptly implemented to address risk management concerns;

- Ensure that current and emerging risk exposures are consistent with the Corporation's strategic direction and overall risk appetite, including assessing the overall status of adherence to the risk appetite based on the quality of compliance with the limit structure, policies and procedures relating to risk management and control, and performance of management, among others;

- Responsible for the appointment, remuneration and dismissal of the Chief Risk Officer (CRO), and ensure that the risk management function has adequate resources and effectively oversees the risk-taking activities of the Corporation;

- Approve the risk governance framework, subject to the final approval by the BOD, including the review and approval of policies pertaining or in relation to risk management, and oversight of Management's implementation thereof;

- Provide adequate separation of duties in the risk management process to avoid potential conflicts of interest, including seeing to it that risk measurement, monitoring and control functions are sufficiently independent for position-taking functions; and

- Provide quarterly reporting and updating to the BOD on key risk management issues.

(iii) *Corporate Governance Committee (CGC).* This Committee, which meets monthly, is responsible for the following:

- Oversee the periodic performance evaluation of the BOD and its committees and Management, including conduct of annual self-evaluation of their performance and review effectiveness of all Committees in fulfilling their responsibilities and duties as set out in their respective charters;

- Oversee the continuing education program for the BOD, including on-boarding or orientation program for first time directors and annual continuing education for all directors;

- Recommend the manner by which the BOD's performance may be evaluated and propose objective performance criteria to be approved by the BOD;

- Recommend to the BOD set of corporate governance principles and programs, including policies and guidelines/manuals as prescribed by regulating agencies;

- Review and endorse to the BOD realignments/organizational restructuring as recommended by Management; and

- Periodically review and update the Code of Ethics and Business Conduct, the Manual of Corporate Governance and the Charter of the Governance Committee.

(iv) *Executive Credit Guarantee Committee (ECGC, formerly Credit Committee).* This Committee, which meets monthly, is responsible for the following:

- Ensure that the credit policies set by the BOD are implemented and complied with;

- Review, assess, and recommend changes or amendments to the adequacy of Corporation's existing credit policies and its overall credit administration and implementation;

- Review the quality of Corporation's guarantee portfolios assuring adherence to policies and guidelines and monitoring progress toward achieving corporate objectives without prejudice to the review to be conducted by an independent body or regulator;

- Review and approve or deny all applications for guarantee involving amounts that fall within the amount limitations set by the BOD for the Committee;

- Review and endorse to the BOD all applications for guarantee involving amounts that exceed the amount limitations set by the BOD for the Committee; and

- Advise on any matter of significance relating to credit including recommendations to the BOD of changes in guarantee policies or directions.

(v) *Audit Committee.* This Committee, which meets quarterly, is responsible for the following:

- Oversee, monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system, engage and provide oversight of the Corporation's internal and external auditors, and coordinate with COA;

- Ensure the development by Management of a transparent financial management system that will ensure the integrity of internal control activities throughout the organization through a procedures and policies handbook that will be used by the entire organization;

- Review and approve the quarterly, semi-annual and annual financial statements before submission to the BOD, focusing on changes in the accounting policies and practices, major judgmental areas, significant adjustments resulting from audits, going concern assumptions, compliance with accounting standards as well as with tax, legal, regulatory and COA requirements;

- Review and endorse for the BOD's approval the Internal Audit Charter, Internal Audit Office (IAO) organizational structure, annual audit plans, audit scope and frequency, and the IAO operating budget;

- Receive and review reports of internal and external auditors and regulatory agencies, and ensure that Management is taking appropriate corrective actions, in a timely manner in addressing control and compliance functions with regulatory agencies; and

- Ensure that internal auditors have free and full access to all the Corporation's records, properties and personnel relevant to and required by its function and that the IAO is free from interference in determining its scope, performing its work and communicating its results.

(vi) *IT Steering Committee.* This Committee which meets quarterly, is responsible for the following:

- Review and recommend IT strategies, policies and plans regarding overall IT strategy and direction, appropriate responses to IT-related developments or feedbacks, and processes for the development of IT policies, the monitoring of IT-related concerns, and the identification and evaluation of future IT systems requirements;

- Ensure IT policies and plans are aligned with the Corporation's mandate and business plans and are compliant with internal and auditing standards, existing government policies and thrusts, industry standards, best practices and enhanced risk management standards;

- Review and recommend an internal corporate communication plan to create or increase awareness of the Corporation's IT strategies, policies, significant activities and changes in IT-related processes and systems;

- Review the progress of IT projects by comparing the project status reports to plans, evaluating IT project proposals, implementation or completion, analyzing lessons learned based on project successes and failures, and evaluating the impact of revisions or changes in plans on on-going commitment, support and resources; and

- Review and approve Management-recommended major IT project deliverables by ensuring these meet the acceptance criteria and that user recommendations are taken into consideration.

b. *Management Level*

(i) *Senior Management Committee (SMC).* The SMC is a standing advisory body responsible for providing sound and strategic guidance, advice, policies and guidelines on key matters or issues affecting the operations of the Corporation, and periodically evaluates and monitors the implementation of strategies or action plans that the BOD or Management has approved.

(ii) *Management Credit Guarantee Committee (MCGC)*. The MCGC, which meets at least once a month, adopts the same functions as the Board-level ECGC. It was created to proactively involve Management in resolving guarantee and business issues. Along with the ECGC, the MCGC oversee and assess credit risks inherent to the Corporation's guarantee activities. Specifically, it has authority to:

- Review and approve or deny all applications for guarantee involving amounts that fall within the amount limitations set by the BOD for the Committee; and

- Review and endorse to the ECGC all applications for guarantee involving amounts that exceed the amount limitations set by the BOD for the Committee.

(iii) *Assets and Liabilities Committee.* This Committee, which meets at least once a month, is responsible for the overall management of the Corporation's liquidity, market, and financial position related risks. It monitors the Corporation's liquidity position and reviews the impact of strategic decisions on liquidity. It is responsible for managing liquidity risks and ensuring exposures remain within tolerance levels. Other primary responsibility, among others, is ensuring that the Corporation holds sufficient liquid assets to meet short-term funding needs.

(iv) *Enterprise Risk Management Office (ERMO).* The duties of the ERMO are as follows:

- Develop, implement and update the enterprise management plan or framework of the Corporation;

- Develop, review and update all risk policies and programs, including providing assistance to all business units in reviewing and updating their respective department/office registry;

- Conduct the review of the various risk programs in place including the risk appetite and criteria, risk registry and risk mitigation measures;

- Examine the quality of the Corporation's guarantee portfolio and periodically update the BOD, ROC and Management on its performance and levels;

- Provide inputs and recommendations to the BOD through the ROC as well as Management regarding risk exposures, as well as on matters on credit, market, liquidity, legal and operational risks;

- Prepare and implement information security standards and policies, including its proper monitoring, review and updating, and conducting periodic assessment to identify weaknesses and vulnerabilities in information security-related policies and plans of the Corporation; and

- Propose and review credit policies as part of ensuring proper credit risk management parameters that are observed by the Corporation, including proposing recommendations on existing credit policies upon review and observation and providing inputs to the ROC and Management in relation to addressing credit policy implementation and deficiencies.

(v) *Office of the Chief Risk Officer.* The CRO shall be responsible for the following:

- Oversee the risk management function and support the development of the risk appetite of the Corporation and translating the risk appetite into a risk limit structure;

- Propose enhancements to risk management policies, processes and systems to ensure that the Corporation's risk management capabilities are sufficiently robust and effective to fully support strategic objectives and risk-taking activities; and

- Advise the BOD in areas of risk exposures and risk management activities of the Corporation.

(vi) *Corporate Management and Standards Office (CMSO).* The duties of the CMSO are as follows:

- Develop, review and update the corporate compliance program of the Corporation, including undertaking compliance testing to determine effectiveness and relevance of compliance program and activities;

- Responsible for reporting to the BOD through the CGC all compliance-related activities, actions and recommendations, as well as Management's compliance reporting in relation to requirements or directives of regulatory bodies;

- Execute, review and update the Corporation's programs, plans and implementing activities on data protection, freedom of information and anti-red tape or ease of doing business laws, rules and regulations of the government;

- Monitor and update the annual performance scorecard of the Corporation on a quarterly basis, and report the status of the same to the Governance Commission for GOCCs (GCG);

- Secure and maintain a quality management system with the end view of institutionalizing standards, process improvement and organizational productivity, including championing efforts to secure quality management recognition; and

- Conduct systems and methods study and diagnostics to identify functional gaps and determine improvement and innovation of functional areas.

(vii) *The Compliance Officer.* The Compliance Officer shall be responsible for the following:

- Monitor compliance by the Corporation with the requirements under RA No. 10149, or the "GOCC Governance Act of 2011," the Corporation's Manual of Corporate Governance and the rules and regulations of the appropriate government agencies; and

- Report any violations found to the BOD and recommend the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation.

(viii) *Internal Audit Office.* The IAO is primarily responsible for the examination and evaluation of the adequacy and effectiveness of the agency's governance, risk management, and internal controls, as well as the quality of performance in carrying out assigned responsibilities to achieve the agency's defined goals and objectives. Specifically, the IAO is responsible for the following:

- Examine and evaluate the adequacy and effectiveness of the internal control systems at various operations and activities of the Corporation;

- Review compliance with legal and regulatory requirements and approved Corporation's policies and procedures;

- Examine the quality of credit portfolio and periodically updates Management on the status thereof;

- Appraise performance and economical and efficient use of corporate resources;

- Recommend measures to safeguard the assets of the Corporation;

- Review the accuracy and reliability of the Corporation's accounting records and financial reports, including that of other entities where the Corporation has financial interest or where it may have review and monitoring authority through contractual agreements or covenants; and

- Recommend to Management measures to address the inherent flaws or defects in the systems and operations of the different organizational units of the Corporation.

4.2. Risk Mitigation

a. Credit Risk

Credit risk is the risk that a guaranteed obligor or borrower of the Corporation will fail to meet its obligations in accordance with the agreed terms. The goal of credit risk management is to create shareholder value by ensuring the credit risk exposures generate returns in excess of the cost of the underlying capital while at the same time supporting government economic development priorities and thrusts in sectors covered by the Corporation's mandate.

Credit risk arises from the Corporation's outstanding credit guarantees, housing loans through sales contract receivable and remaining direct lending portfolio, comprising of off-balance sheet commitments and on-balance sheet portfolio.

The ROC provides oversight functions relating to formulation of policy framework to manage credit exposures and implementation of policies and procedures. Reports are regularly provided to the ROC and BOD, thus making relevant information available to them in their oversight of the risk-taking activities.

Credit risk is addressed at the operational level by specific program guidelines, processes and procedures as contained in the Corporation's Enterprise Risk Governance Framework, Risk Asset Management Manual and through Credit Policy Memoranda issued, reviewed and updated from time to time.

Credit policies are formulated and implemented to manage the Corporation's credit risk exposure within acceptable levels while pursuing its developmental mandate. Risk exposures are monitored on a portfolio level to ensure all credit exposures are within approved limits and provide warning signal should there be portfolio deterioration. The functional units have the primary responsibility for detecting, preventing, and initiating early actions on potential account deterioration.

The Corporation manages and controls credit risk by setting limits on the amount of risk it is willing to accept. The credit approval process flow defines a series of sequential, logical steps that involves the actions of various independent units/committees. Thus, no unit has control of the entire process nor does any single person/unit have the sole authority to approve credits.

(i) Credit Risk Assessment

The Corporation's credit assessment process includes accreditation of partner banks and other financial institutions, assessment of eligibility of prospective guaranteed borrowers, and pre-enrollment credit risk assessment of prospective borrowers. The latter includes the assessment of the borrowers projected capacity to pay, as well as credit risk scoring and internal credit risk rating for non-housing loan borrowers. For this purpose, the Corporation implements its own Credit Scoring Models (CSM) and Internal Credit Risk Rating System (ICRRS) as follows:

- ***CSM 1*** – for credit guarantee exposures in MSMEs with aggregate loans of P3.000 million and below, including loans from other creditors. Definition of credit risk rating (CRR) tier is described below:

CRR Points	Rating Description	
9 to 10	Satisfactory	Satisfactory in terms of risk quality. The repayment of the guaranteed loan is considered safe; with stable source of repayment; principals have good credit background.
7 to 8	Good	Capacity to repay the guaranteed loan and interests seemed adequate; acceptable borrowers though credit background and/or business experience seems not favorable.

CRR Points		Rating Description
5 to 6	Substandard	Source of repayment of the guaranteed loan is not adequate. Credit background and/or business experience of principals are not favorable.

Exposures with rating of CRR-7 and above are considered Passed/Unclassified/Stage 1 accounts, while those with rating of CRR-6 and below are Classified accounts considered as not desirable risks and therefore require stringent attention. New accounts with rating of CRR-6 and below are not recommended for credit approval.

- ***CSM 2 –*** for credit guarantee exposures in MSMEs with aggregate loans of more than P3.000 million but less than P10.000 million, including loans from other creditors. Definition of CRR tier is described below:

CRR Points		Rating Description
9 to 10	Satisfactory	Satisfactory in terms of risk quality. The repayment of the guaranteed loan is considered safe; with stable source of repayment; principals have good credit background.
6 to 8	Good	Capacity to repay the guaranteed loan and interests seemed adequate; acceptable borrowers though credit background and/or business experience seems not favorable.
5	Substandard	Source of repayment of the guaranteed loan is not adequate. Credit background and/or business experience of principals are not favorable.

Exposures with rating of CRR-6 and above are considered Pass/Unclassified/Stage 1 accounts, while those with rating of CRR-5 are Classified accounts considered as not desirable risks and therefore require stringent attention. New accounts with rating of CRR-5 are not recommended for credit approval.

- ***ICRRS*** – for credit guarantee exposures in medium and large enterprises with aggregate loans of P10.000 million and above, including loans from other creditors. The ICRRS covers two rating factors, namely, Borrower's Risk Rating (BRR) and Exposure Risk Rating (ERR).

  BRR involve factors that affect the inherent credit quality of each borrower. The BRR is an assessment of the credit worthiness of the borrower without considering the type or amount of the facility or its security arrangements.

BRR		Rating Description
1	Excellent (AAA)	Guaranteed borrowers with a nil probability of going into default in the coming year. These guaranteed borrowers have a high degree of stability, substance and diversity. This type of borrowers has very strong debt service capacity and conservative balance sheet leverage (vis-à-vis the industry in which the borrower operates). They are of the highest quality under virtually all economic conditions.
2	Strong (AA)	This category applies to type of borrowers with a low probability of going into default in the coming year. The company normally has a comfortable degree of stability, substance and diversity. Under normal market conditions, borrowers in this category have good access to public markets in raising funds. Companies in this category have a strong market and financial position with a history of successful performance. The overall debt service capacity is deemed very strong. The critical balance sheet ratios (vis-à-vis that of the industry) are conservative.
3	Good (A)	This category covers the smaller corporations with limited access to public capital markets or access to alternative financial markets. This access is however limited to favorable economic and/or market conditions. This type of borrower, where the probability of default is still quite low, bears the characteristics of some degree of stability and substance. However, this type of borrower may be susceptible to cyclical changes, and more concentration of business risk, by product or by market, may be present. Typical for this type of borrower is the combination of comfortable asset protection and an acceptable balance sheet structure (vis-à-vis that of the industry). The debt service capacity remains strong.
4	Fair (BBB)	Represents those borrowers where clear risk elements exist and the probability of default is somewhat greater. The probability is reflected in volatility of earnings and overall performance. Borrowers in this category normally have limited access to public financial markets. These borrowers should be able to withstand normal business cycles but any prolonged unfavorable economic period would create

BRR		Rating Description
		deterioration beyond acceptable levels. Typical for this kind of borrowers is the combination of reasonably sound assets and cash flow protection. The debt service capacity is considered adequate. The borrower has reported profits for the past fiscal year and is expected to report profit in the current year.
5	Acceptable (BB)	The risk elements are sufficiently pronounced, although the guaranteed borrower should still be able to withstand normal business cycles. Any prolonged unfavorable economic and/or market period would create an immediate deterioration beyond acceptable levels. This category will apply where the risk is still acceptable for the following reasons: • There is sufficient cash flow either historically or expected for the future in spite of an economic downturn combined with asset protection. • An existing borrower where the nature of the exposure represents a higher risk because of extraordinary developments but a decreasing risk within an acceptable period can be expected.
6	Watchlist (B)	Borrowers under this category are currently vulnerable to non-payment and are dependent upon favorable business, financial and economic conditions in order to meet its financial commitment on the obligation. In the event of unfavorable industry or company-specific risk factors, adverse business, financial or economic conditions, the borrower is not likely to have the capacity to meet its financial commitment on the obligation. These are borrowers where the credit exposure is not at risk of loss at the moment, but the performance of the borrower has weakened and unless present trends are reversed, could lead to losses.
7	Especially Mentioned (CCC)	These are credit guarantee exposures that have potential weaknesses that deserve Management's close attention. If left uncorrected, these weaknesses may affect the repayment of the credit guarantee exposure and thus increase the credit risk to the Corporation. Some degree of structural weakness may be found in virtually any aspect of the credit arrangement or type of exposure, and the

BRR		Rating Description
		presence of one (or more) need not be indicative of an overall credit weakness deserving criticism. Basic characteristics include, but are not limited to, the following: • Deficiencies in underwriting, documentation, structure and/or credit administration that can compromise the Corporation's ability to control credit relationship if economic or other events adversely affect the borrower; • Continuous renewal and/or extension without reduction in principal, except when the capacity to pay of the borrower has been clearly re-established; • Adverse economic or market conditions, that in the future may affect the borrower's ability to meet scheduled repayments; or • Intermittent delays or inadequate repayment of principal, interest or periodic amortizations of credit exposure to the Corporation or participating financial institutions, where such information is available.
8	Substandard (CC)	These are credit guarantee exposures that have well-defined weakness/(es), that may jeopardize repayment or liquidation in full, either in respect of the business, cash flow or financial position, which may include adverse trends or developments that affect willingness or repayment ability of the borrower. Basic characteristics include any of the following: • Weak financial condition and results of operation that lead to the borrower's inability to generate sufficient cash flow for debt servicing, except for start-up firms which shall be evaluated on a case-to-case basis; • Past due secured credit guarantee exposures where properties offered as collateral have been found with defects as to ownership or with other adverse information; • Breach of any key financial covenant or agreement that will adversely affect the capacity to pay the borrower; or • Classified as "Especially Mentioned" as of the last credit review without adequate corrective action.
9	Doubtful (C)	These are credit guarantee exposures that exhibit more severe weaknesses than those classified as "Substandard", whose characteristics on the basis of currently known facts, conditions and values make collection or liquidation highly improbable. However, the exact amount remains undeterminable as yet.

BRR		Rating Description
		Classification as “Loss” is deferred because of specific pending factors which may strengthen the assets. Some basic characteristics include any of the following: • Secured credit guarantee exposures where properties offered as collateral are either subject to an adverse claim rendering settlement of the credit guarantee exposure through foreclosure doubtful or whose values have materially declined without the borrower offering additional collateral for the credit obligation/s to cover the deficiency; or • Credit guarantee exposures wherein the possibility of loss is extremely high but because of certain important and reasonable pending factors that may work to the advantage and strengthening of the asset, its classification as an estimated loss is deferred until the next credit review.
10	Loss (D)	These are credit guarantee exposures which are considered uncollectible or worthless and of such little value that their continuance as bankable assets is not warranted although the credit guarantee exposures may have some recovery or salvage value. This serves as a transitional category for credit guarantee exposures which have been identified as requiring write-off during the current reporting period even though partial recovery may be obtained in the future. Their basic characteristics include any of the following: • When the borrower’s and co-maker’s/guarantor’s whereabouts are unknown, or they are insolvent, or their earning power is permanently impaired; or • Where the collaterals securing the credit guarantee exposures are without recoverable values.

On the other hand, ERR covers security/collateral arrangements and other similar risk-influencing factors of each credit transaction. It is computed as the average of the facility risk and security risk factors.

ERR Scale	Risk Quality	Description/Assumptions
1 to 3 4	Low to medium risk	At ERR-4 and above, the account is secured by real estate mortgage (REM) in prime location with at least 60 percent loan-to-collateral value or combination of REM and chattel mortgage (CHM).

ERR Scale	Risk Quality	Description/Assumptions
5	Medium risk	The account is secured by REM not in prime location with 60 percent loan-to-collateral value or a combination of REM and CHM.
6	Medium risk	The account is secured by at least a CHM with 50 per cent loan-to-collateral value.
7	High risk	The account is secured by confirmed receivables.
8	High risk	The account is secured by marketable securities with price volatility.
9 to 10	High risk	The account is clean with Joint and Solidary Suretyship (JSS), Continuing Suretyship Agreement (CSA), Deed of Assignment (DOA) and Mortgage Redemption Insurance/Fire Redemption Insurance (MRI/FRI).

Table below shows the combination of BRR and ERR that are within and outside the risk asset acceptance criteria (RAAC) limits of the Corporation:

Within RAAC (Acceptable Risk)		Outside RAAC (Not Desirable Risk)	
BRR of	With ERR of	BRR of	With ERR of
1	1 to 7	1	8 to 10
2	1 to 7	2	8 to 10
3	1 to 7	3	8 to 10
4	1 to 6	4	7 to 10
5	1 to 3	5	4 to 10
6	1 to 2	6	3 to 10
		7 to 10	1 to 10

Borrowers with BRR and ERR ratings outside the RAAC are considered not desirable risks and therefore require stringent attention or not acceptable for credit approval.

(ii) Collateral and Other Credit Enhancements

In line with the Corporation's mandate to provide credit enhancements to MSMEs and other marginalized sectors of the economy, guaranteed loans to MSMEs may or may not be secured by collaterals.

The principal types of collaterals accepted by the Corporation include, but are not limited to, mortgages and CTS over real estate properties, mortgages on chattels, hold-out on financial instruments/assets, such as debt securities and deposits, assignment of receivables, and credit life or MRI.

The Corporation takes possession and management of collaterals only upon payment of guarantee claims.

b. *Liquidity Risk*

Liquidity risk is the risk that the Corporation will be unable to meet its payment obligations when they fall due under normal and stress circumstances.

To mitigate this risk, Management has arranged diversified funding sources in addition to its core revenue base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high-grade collateral which could be used to secure additional funding, if required.

Moreover, Management incorporated a Liquidity Contingency Plan (LCP) in the Liquidity Risk Management Manual stating the Corporation's intended response to any imminent, or occurring, liquidity shortfall resulting from claims on the Corporation's guarantees, or from any other unexpected obligations. The concept of the LCP is to manage a crisis fast enough to mitigate the risks of escalation and prevent the exacerbation of the crisis by slow and wrong decisions.

The Corporation also maintains a portfolio of highly marketable securities that can be easily liquidated in the event of unforeseen interruption of cash flow. Due to the dynamic nature of the underlying businesses, the Funds and Investments Department (FID) of the Corporation closely monitors the movement and behavior of the market in order to avail of high-yielding investments. The Corporation also maintains flexibility in funding by keeping committed credit lines available.

c. *Market Risk*

Market risk is the risk to earnings or capital arising from adverse movements in factors that affect the market value of financial instruments, products and transactions in the institution's overall investment portfolio. The risk arises from market-making, dealing, and position-taking on interest rates.

The Corporation, under the provisions of its Charter and that of the former HGC, is authorized to invest funds not needed for current operations in government treasury bills, notes and bonds either directly issued or guaranteed by the government or government financial institutions, or in notes and other debt instruments with a credit classification of "AA".

Given the limitations on the type of investments that the Corporation may enter into, the Corporation's market risk exposure is mainly on the impact of market price volatility on investments in government securities.

The FID is tasked to closely monitor the behavior of the market in terms of prevailing interest rates, market prices, yield-to-maturity rates, and mark-to-market valuation of the Corporation's government securities measured at FVOCI.

d. Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events – whether deliberate, accidental or natural. It includes the risk of loss arising from various types of human or technical error, settlement or payment failures, business interruption, administrative and legal risks, and the risk arising from systems not performing adequately.

The operational risk in products, activities, processes and systems are being identified and assessed by the Corporation through: (i) risk and control self-assessment (RCSA); (ii) products, systems and process development; and (iii) audits.

RCSAs are self-assessment exercises facilitated by the ERMO whereby functional units identify and assess the operational risks relating to processes for which they are responsible. It also involves evaluating the effectiveness of existing controls, prioritizing the top risks faced by the Corporation, and if necessary, establishing action plans to address any identified control gaps. RCSA takes into account the likelihood of risk events, the impact of risk events, and information relating to risk incidents.

Control and mitigation of operational risks are undertaken through: (i) control mitigation activities, such as segregation of duties, clear documentation of procedures, physical assets and information access control and verification, and reconciliation; and (ii) continuity planning. Operational risk is addressed through approved documentation of processes in back office and support functions. Emphasis is placed on controls to guide day-to-day processes.

e. Regulatory Risk

Regulatory risk refers to the potential for the Corporation to suffer financial loss due to mid-stream changes in regulatory regime affecting current position and/or strategy.

The CMSO, overseen and coordinated by the Compliance Officer, is the primary control process for regulatory risk issues. The CMSO is committed to safeguard the integrity of the Corporation by maintaining a high level of regulatory compliance. It is responsible for communicating and disseminating new rules and regulations to all units, assessing and addressing identified compliance issues, performing periodic compliance testing, and reporting compliance findings to the CGC and the BOD.

5. CASH AND CASH EQUIVALENTS

This account consists of the following:

	2021	2020 (As Restated)
Cash on hand	**23,506**	189,981
Cash in bank – local currency	**25,218,143**	388,886,013
Cash in bank – foreign currency	**190,506**	2,576,301
Cash equivalents	**1,060,241,065**	1,562,636,188
	1,085,673,220	1,954,288,483

Cash in banks earn interest at prevailing interest rates. Cash equivalents are made for various periods of up to three months depending on the immediate cash requirements of the Corporation, and earn interest ranging from 1.10 to 1.86 percent per annum in CY 2021 and 1.20 to 1.60 per cent per annum in CY 2020.

Cash in bank excludes garnished amount of P4.405 million as ordered by the Regional Trial Court (RTC) Branch 206, Muntinlupa City relative to an unlawful detainer case filed against the Corporation *(Note 13).*

6. INVESTMENTS

This account consists of the following:

	2021	2020 (As Restated)
Current		
Financial assets at FVOCI	**4,767,615,796**	1,213,766,368
Investment securities at amortized cost	**5,289,764,240**	13,825,410,957
	10,057,380,036	15,039,177,325
Non-current		
Financial assets at FVOCI	**8,466,888,706**	2,570,290,062
Investment in sinking fund	**4,222,479,542**	1,442,688,143
Others	**4,988,016**	452,460
	12,694,356,264	4,013,430,665

Financial assets at FVOCI consists of:

	Current	Non-current	Total
As at December 31, 2021			
Treasury bonds	**4,767,615,796**	**7,930,249,813**	**12,697,865,609**
Unquoted equity securities	**0**	**536,638,893**	**536,638,893**
	4,767,615,796	**8,466,888,706**	**13,234,504,502**

	Current	Non-current	Total
As at December 31, 2020			
Treasury bonds	1,213,766,368	2,027,135,500	3,240,901,868
Unquoted equity securities	0	543,154,562	543,154,562
	1,213,766,368	2,570,290,062	3,784,056,430

Investments in treasury bonds which are held to collect and dispose anytime, carry interest rates per annum ranging from 2.375 to 6.375 per cent in CY 2021 and 1.587 to 5.75 per cent in CY 2020. Details of the movements in the account follow:

	2021	2020 (As Restated)
Balance, January 1	**3,240,901,868**	1,616,640,098
Acquisitions or additions	**12,278,623,860**	1,559,083,852
Sales or reductions	**(2,549,999,794)**	(6,170,197)
Fair value gains (losses)	**(271,660,325)**	71,348,115
Balance, December 31	**12,697,865,609**	3,240,901,868

As at December 31, 2021 and 2020, the accumulated net unrealized gains (losses) on these financial assets, which are reflected as fair value adjustments in the statement of changes in equity, amounted to (P182.051 million) and P5.595 million, respectively, net of deferred tax asset (liability) of P81.616 million and (P2.379 million), respectively.

There was a significant increase in the acquisition of treasury bonds classified as at FVOCI in CY 2021 in order to maximize the Corporation's return on investments. Majority of the transferred investments pursuant to EO No. 58 are in short-term placements classified as at amortized cost. The Corporation strengthened the matching of maturing investments with fund requirements and invested excess funds in longer and higher yielding government securities.

The unquoted equity securities classified as at FVOCI include corporate club shares and investments in non-marketable equity securities, as follows:

	2021	2020 (As Restated)
Investment in HCPTI shares	**535,236,187**	535,236,187
Corporate club shares, net	**0**	1,235,000
Other share investments, net	**1,402,706**	6,683,375
	536,638,893	543,154,562

The investment in shares of Harbour Centre Port Terminal, Inc. (HCPTI) were among the assets assigned and conveyed in CY 2003 by the Smokey Mountain Asset Pool (SMAP), through its trustee Planters Development Bank (PDB), to the former HGC for and in consideration of the latter's assumption and payment of its guaranty obligations. Details follow:

	2021	2020 (As Restated)
Preferred shares	**417,736,695**	417,736,695
Common shares	**117,499,492**	117,499,492
	535,236,187	535,236,187

The shares are the subject of a civil case for mandamus filed on March 3, 2009 before the RTC Branch 90 (later re-raffled to Branch 222), Quezon City against HCPTI to compel the latter to register the shares in the name of the former HGC. The RTC rendered a Decision on November 25, 2020 dismissing the case. The Corporation appealed the dismissal before the Court of Appeals (CA) and is awaiting decision of said court as at year-end.

The corporate club shares in Tower Club, Inc. (TCI) were acquired in CY 2010 in consonance with the public relation activities of the former HGC. Ownership of a share represents an undivided interest in the assets of TCI which principally consists of title over the facilities and other assets of the Club and a 25-year leasehold right over two floors and their appurtenant parking units at the Philamlife Tower in Makati City. The shares have a cost of P1.235 million and were fully provided with an allowance of ECL as at December 31, 2021.

Other share investments pertain to shares of the Nationwide Development Corporation (NADECOR) which were previously classified under investment in sinking fund. The shares have a cost of P6.683 million and were provided with an allowance for ECL as at December 31, 2021 of P5.281 million.

Investment securities at amortized cost pertains to the Corporation's held to collect placements in time deposits and government securities with maturities of more than three months from the date of acquisition. These securities have interest rates per annum ranging from 1.131 to 1.950 per cent in CY 2021 and 1.019 to 5.875 per cent in CY 2020. Details follow:

	2021	2020 (As Restated)
Treasury bills	**765,217,140**	8,547,925,071
Time deposits	**3,245,695,928**	5,276,157,871
Treasury and other bonds	**1,277,523,157**	0
Local bonds	**1,328,015**	1,328,015
	5,289,764,240	13,825,410,957

Investment in sinking fund refers to the guarantee reserve fund (GRF) established by the former HGC in CY 2008 at an initial amount of P453 million to answer for guarantee calls pursuant to Article 20 of the Implementing Rules and Regulations (IRR) of RA No. 8763. Consistent with the IRR, amounts equivalent to not less than five percent of income before financial charges were added to the fund in subsequent years. Further increase in the sinking fund represents income earned from temporarily investing the fund primarily in government securities and short-term deposits.

The composition of the fund as at December 31, 2021 and 2020 as well as movements in the fund during the year are as follows:

	2021	2020 (As Restated)
Balance, January 1	**1,442,688,143**	1,290,978,436
Additional contributions	**3,581,321,804**	118,036,184
Fund income (loss)	**0**	33,673,523
Withdrawals and utilizations	**(801,530,405)**	0
Balance, December 31	**4,222,479,542**	1,442,688,143
High-yield savings account	**1,772,479,748**	980,715,406
Treasury bills	**0**	339,251,196
Treasury bonds	**2,449,999,794**	0
Special savings deposit	**0**	122,721,541
	4,222,479,542	1,442,688,143

The GRF has significantly increased in CY 2021 in view of an expected payment of guarantee claims for an identified account projected to be called in one to two years. Accordingly, short-term high-yield savings and available for sale treasury bonds were earmarked for the additional fund requirement.

Other investments as at December 31, 2021 primarily pertain to the equity contribution of P3.660 million to the Tacloban City Credit Surety Fund (CSF) as part of the compliance by the Corporation with the outstanding commitments of then IGLF to various CSF Cooperatives *(Note 22.3).*

7. RECEIVABLES

This account consists of the following:

	2021	2020 (As Restated)
Current		
Loans and receivables	**699,607,306**	615,460,866
Lease receivable	**638,969,070**	660,782,956
Inter-agency receivable	**215,600,074**	1,375,530,655
Other receivables	**320,351,928**	281,703,096
	1,874,528,378	2,933,477,573
Allowance for ECL	**(672,222,413)**	(107,135,041)
Unamortized discount	**(8,471,703)**	0
	1,193,834,262	2,826,342,532
Non-current		
Loans and receivable	**4,916,010,067**	7,825,891,828
Lease receivable	**131,181,893**	136,617,174
Inter-agency receivable	**1,900,490,040**	1,897,386,089
Other receivables	**5,251,368**	5,251,368
	6,952,933,368	9,865,146,459

	2021	2020 (As Restated)
Allowance for ECL	**(2,027,013,641)**	(3,803,907,478)
Unamortized discount	**(137,896,254)**	(86,432,209)
	4,788,023,473	5,974,806,772

Loans and receivable consist of:

	Current	Non-current	Total
As at December 31, 2021			
Sales contract receivable	**457,242,149**	**3,109,975,704**	**3,567,217,853**
Notes receivable	**120,400,546**	**780,042,946**	**900,443,492**
Subrogated claims receivable	**21,139,841**	**531,601,434**	**552,741,275**
Loans receivable	**543,678**	**490,833,454**	**491,377,132**
Interest receivable	**100,280,178**	**0**	**100,280,178**
Accounts receivable	**914**	**3,556,529**	**3,557,443**
	699,607,306	**4,916,010,067**	**5,615,617,373**
As at December 31, 2020			
Sales contract receivable	431,167,684	3,327,822,895	3,758,990,579
Notes receivable	39,769,972	1,259,387,192	1,299,157,164
Subrogated claims receivable	17,693,643	2,733,220,149	2,750,913,792
Loans receivable	618,546	492,621,873	493,240,419
Interest receivable	125,040,444	0	125,040,444
Accounts receivable	1,170,577	12,839,719	14,010,296
	615,460,866	7,825,891,828	8,441,352,694

Sales contract receivable represents the outstanding receivable on investment property or acquired assets sold on installment basis to third parties. Title to the property is transferred to the buyer only upon full payment of the agreed selling price. The receivables carry interest rates per annum varying from three to 12 per cent, with terms ranging from 1 to 30 years in both years. The unamortized discount as at December 31, 2021 and 2020 solely relate to the sales contract receivable.

Notes receivable primarily pertains to loans carried over from the IGLF under its Retail Lending Program with an outstanding balance of P869.539 million and P1.264 billion as at December 31, 2021 and 2020, respectively. Ninety-nine per cent of these loans were extended to the DBP and are secured by promissory notes. These notes carry interest rates per annum ranging from 3.50 to 8.50 per cent, with terms ranging from one to eight years. The account also includes notes issued to the former HGC in relation to receivables under the then Community Mortgage and Cooperative Housing programs.

Subrogated claims receivable pertains to the amounts paid by the Corporation to creditor-banks on assumption of the guaranteed portion of the loan and interest as well as other charges related thereto and the restructured accounts of defaulting clients under its various guarantee programs. Details follow:

	Current	Non-current	Total
As at December 31, 2021			
Housing	**16,024,215**	**144,217,935**	**160,242,150**
MSMEs and other priority sectors	**5,115,626**	**387,383,499**	**392,499,125**
	21,139,841	**531,601,434**	**552,741,275**
As at December 31, 2020			
Housing	17,693,643	146,649,420	164,343,063
MSMEs and other priority sectors	0	2,586,570,729	2,586,570,729
	17,693,643	2,733,220,149	2,750,913,792

In CYs 2021 and 2020, the Corporation approved and paid guaranty calls of P5.119 million and P3.790 million, respectively.

The account decreased significantly in CY 2021 due to the recovery of P966.040 million from the subrogated claim on the defaulted World Granary, Inc. (WGI) guarantee account of P2.199 billion which had been fully provided with allowance for ECL as at December 31, 2020. The amount represents the full, complete and final settlement of the claim of the Corporation in the corporate rehabilitation case against WGI pending before the RTC Branch 57, Lucena City. The court in its Order dated July 16, 2019 granted the Receiver's Motion to Allow the Sale of the Controlling Interest in WGI and adopted the recommendation to allocate P966.040 million of the proceeds of such sale to the Corporation. As a result of the settlement, the entire subrogated claim of P2.199 billion was derecognized, including write-off of the unpaid balance of P1.233 billion, and a gain from the reversal of allowance for impairment of P964.869 million was recognized under "Service and Business Income" *(Note 23.1).*

Loans receivable refers to the outstanding balance of loans originated by the Corporation under its then Retail Direct Lending (RDL) and Wholesale Lending Programs (WLP). These loans earn interest ranging from 7.50 to 12.00 per cent per annum. As at December 31, 2021 and 2020, the Corporation is winding down its direct lending operations in consonance with the centralized nature of the merged guarantee functions to be discharged by PHILGUARANTEE under EO No. 58.

The account also includes the outstanding balance of the home equity loans granted to eligible employees for: (a) construction or purchase of house and lot as well as refinancing of existing loans; and (b) home repair loans which was a one-time loan granted to employees affected by the onslaught of typhoons in CY 2009 covered by the assignment of Provident Fund share or earned leave credits of the availees.

Accrued interest receivable is derived from the various financial assets owned by the Corporation as follows:

	2021	2020 (As Restated)
Investment securities	**86,695,073**	66,544,411
Loans receivable	**11,886,900**	10,421,705
Notes and other receivable	**1,698,205**	48,074,328

	2021	2020 (As Restated)
	100,280,178	125,040,444

No interest income is accrued if a loan has become non-performing pursuant to BSP Circular No. 941, series of 2017. Interests on non-performing loans are taken up as income only when actual collections thereon are received.

Accounts receivable represents non-interest bearing trade receivable from clients arising from the different credit guarantee programs of the Corporation, including guarantee fee receivables.

Lease receivable consists of the following:

	Current	Non-current	Total
As at December 31, 2021			
Operating lease receivable	**636,813,077**	**0**	**636,813,077**
Finance lease receivable	**2,155,993**	**131,181,893**	**133,337,886**
	638,969,070	**131,181,893**	**770,150,963**
As at December 31, 2020			
Operating lease receivable	641,130,815	0	641,130,815
Finance lease receivable	19,652,141	136,617,174	156,269,315
	660,782,956	136,617,174	797,400,130

Operating lease receivable is the uncollected and accrued rentals as of end of reporting period from third party tenants under the various operating lease agreements of the Corporation.

Finance lease receivable refers to the outstanding lease receivable from Guru Property Development and Management Corporation over the 25-year lease of the Victory Mall *(formerly Monumento Plaza)* leasehold rights. The account also includes the outstanding receivable from PHILGUARANTEE officers who availed of the car plan under lease-purchase agreements with the Corporation, pursuant to the guidelines issued by the Office of the President of the Philippines, amounting to P15.954 million and P17.702 million as at December 31, 2021 and 2020, respectively.

Inter-agency receivable pertains to the various advances to and receivable from national government agencies (NGAs), other GOCCs, local government units (LGUs), and other instrumentalities of the NG, as follows:

	Current	Non-current	Total
As at December 31, 2021			
National Housing Authority (NHA)	**0**	**1,803,729,758**	**1,803,729,758**
AGFP	**58,742,310**	**0**	**58,742,310**
AKPF	**97,171,996**	**0**	**97,171,996**
NHA-HUDCC	**45,668,948**	**0**	**45,668,948**
LGUs	**8,517,570**	**0**	**8,517,570**

	Current	Non-current	Total
Others	**5,499,250**	**96,760,282**	**102,259,532**
	215,600,074	**1,900,490,040**	**2,116,090,114**
As at December 31, 2020			
NHA	0	1,803,729,758	1,803,729,758
AGFP	511,471,192	0	511,471,192
AKPF	418,420,485	0	418,420,485
Bureau of Internal Revenue (BIR)	382,380,802	0	382,380,802
Trust funds from NGAs	8,322,673	0	8,322,673
NHA-HUDCC	45,668,948	0	45,668,948
LGUs	8,428,204	0	8,428,204
Others	838,351	93,656,331	94,494,682
	1,375,530,655	1,897,386,089	3,272,916,744

Due from NHA pertains to the amounts advanced by the SMAP to NHA, the implementing agency of the Smokey Mountain Development and Reclamation Project, which was among those assigned and conveyed in CY 2003 by the SMAP, through its trustee PDB, to the former HGC for and in consideration of the latter's assumption and payment of its guaranty obligations.

As at December 31, 2021 and 2020, the total collectible would have been P5.196 billion, inclusive of interest of 8.50 per cent per annum from December 2002 to September 2018. The difference of P3.393 billion was not recognized due to remote probability of collection thereof. No allowance for ECL was provided on the claim in view of the related compromise entered into by and between the Corporation and R-II Builders, Inc. (R-II Builders) under a Memorandum of Agreement (MOA) dated February 16, 2021 *(Note 22.2).*

The receivables from AGFP primarily consists as at December 31, 2020 of the remaining balance of the funds due for transfer to the Corporation amounting to P465.440 million pursuant to Section 3 of EO No. 58 which directs that the equity contributions of the NG to the former HGC, IGLF and AGFP shall be transferred to PHILGUARANTEE to form part of its paid-up capital. Said amount, excluding the earnings thereof prior to actual transfer, was fully remitted to the Corporation in CY 2021.

The account also includes the accumulated allowable costs/expenses identifiable with the Fund Pool allocated to and charged against it by the Corporation pursuant to the Board-approved "Costs/Expenses Allocation Policy for Administered/Managed Funds and Programs."

Due from AKPF consists of the accumulated share of said fund in PHILGUARANTEE's operating expenses for the administration and trusteeship of the CFG component of the AKPF. Under Section 7 of RA No. 6846, the AKPF shall bear the costs of its administration and development in such amounts and/or limits as the administering agency shall deem appropriate, but not exceeding one per cent of the fund assets of the previous year. Expenses for organization and initial operations shall be provided by the administering agencies as advances, subject to reimbursement.

In CY 2021, AKPF remitted P344.248 million to PHILGUARANTEE to partially settle its share in expenses, thus significantly decreasing the balance of the account as at December 31, 2021.

The receivable from the trust funds from NGAs refers to the unpaid trusteeship fees and amounts advanced by the Corporation for the operating expenses of said trust funds. *(Notes 13 and 17).*

Other receivable consists of the following:

	Current	Non-current	Total
As at December 31, 2021			
Disallowances	**118,452,312**	**0**	**118,452,312**
Due from officers and employees	**460,249**	**68,272**	**528,522**
Others	**201,439,367**	**5,183,096**	**206,622,462**
	320,351,928	**5,251,368**	**325,603,296**
As at December 31, 2020			
Disallowances	119,533,224	0	119,533,224
Due from officers and employees	652,931	68,272	721,204
Others	161,516,941	5,183,096	166,700,037
	281,703,096	5,251,368	286,954,464

Receivable from disallowances represents the amounts disallowed in audit by COA which have become final and executory, thus, duly covered by COA Orders of Execution (COE), net of settlements made by persons found liable thereon.

The remaining other receivables pertain to the amounts advanced by the Corporation for MRI, fire insurance, utilities and real property taxes for collection from tenants and/or clients, to wit:

	2021	2020 (As Restated)
Real property taxes	**71,388,670**	46,678,185
Advances to BF Homes	**25,755,382**	25,755,382
Fire insurance	**19,319,836**	17,431,567
Due from Damar Financing Corporation	**5,057,120**	5,057,120
MRI	**3,356,559**	3,419,681
Others	**81,744,895**	68,358,102
	206,622,462	166,700,037

Relative to receivable from Damar Financing Corporation, the former HGC filed a complaint-affidavit for estafa against the concerned parties in CY 2013 before the Office of the Prosecutor of Makati City but the case was dismissed. A Petition for Review of the resolution dismissing the complaint and the Motion to Resolve said petition filed in July 2021 are both pending before the Department of Justice (DOJ) as at December 31, 2021.

The rollforward analyses of the allowances for ECL on loans and other receivables are as follows:

	Balance, January 1, 2021	Additional Provision	Recoveries, Write-offs and Adjustments	Balance, December 31, 2021
Current				
Operating lease receivable	**0**	**63,280,624**	**542,212,001**	**605,492,625**
Sales contract receivable	**56,196,848**	**0**	**(51,623,457)**	**4,573,391**
Interest receivable	**1,698,205**	**1,612,027**	**0**	**3,310,232**
Subrogated claims receivable	**1,073,557**	**0**	**(1,073,557)**	**0**
Others	**48,166,431**	**0**	**10,679,734**	**58,846,165**
	107,135,041	**64,892,651**	**500,194,721**	**672,222,413**
Non-current				
Sales contract receivable	**664,841,186**	**210,265,083**	**114,904,080**	**990,010,349**
Subrogated claims receivable	**2,596,295,364**	**96,311,183**	**(2,209,006,685)**	**483,599,862**
Loans receivable	**463,450,844**	**20,321,140**	**(397,788)**	**483,374,196**
Notes receivable	**60,410,247**	**0**	**0**	**60,410,247**
Accounts receivable	**12,839,718**	**0**	**(9,290,849)**	**3,548,869**
Finance lease receivable	**818,751**	**0**	**0**	**818,751**
Others	**5,251,368**	**0**	**0**	**5,251,368**
	3,803,907,478	**326,897,406**	**(2,103,791,242)**	**2,027,013,641**
	3,911,042,519	**391,790,057**	**(1,603,596,521)**	**2,699,236,055**

	Balance, January 1, 2020	Additional Provision	Recoveries, Write-offs and Adjustments	Balance, December 31, 2020
Current				
Sales contract receivable	37,947,084	18,249,764	0	56,196,848
Interest receivable	1,698,205	0	0	1,698,205
Subrogated claims receivable	950,827	122,730	0	1,073,557
Accounts receivable	41,538	0	(41,538)	0
Others	48,166,431	0	0	48,166,431
	88,804,085	18,372,494	(41,538)	107,135,041
Non-current				
Subrogated claims receivable	2,595,190,789	1,104,575	0	2,596,295,364
Sales contract receivable	0	664,841,186	0	664,841,186
Loans receivable	463,450,844	0	0	463,450,844
Notes receivable	60,410,247	0	0	60,410,247
Accounts receivable	12,839,718	0	0	12,839,718
Finance lease receivable	818,751	0	0	818,751
Others	5,251,368	0	0	5,251,368
	3,137,961,717	665,945,761	0	3,803,907,478
	3,226,765,802	684,318,255	0	3,911,042,519

8. INVENTORIES

This account consists of the following:

	2021	2020
Inventory held for consumption		
Office supplies inventory	**2,002,039**	1,253,840
Other supplies and materials inventory	**36,062**	15,062

	2021	2020
Semi-expendable property	**91,357**	2,269
	2,129,458	1,271,171

No item of inventory was measured at net realizable value as at December 31, 2021 and 2020 nor written-off for the years then ended.

9. INVESTMENT PROPERTY

The composition of and movements in investment properties and related accumulated depreciation and impairment accounts are as follows:

	Land	**Building and Improvements**	**Total**
Cost			
Balance, January 1, 2021	**11,329,045,519**	**124,259,670**	**11,453,305,189**
Additions	**0**	**0**	**0**
Disposals/Retirements	**(55,235,791)**	**0**	**(55,235,791)**
Reclassifications/Others	**14,823,318**	**(7,848,826)**	**6,974,492**
Balance, December 31, 2021	**11,288,633,046**	**116,410,844**	**11,405,043,890**
Accumulated depreciation			
Balance, January 1, 2021	**0**	**34,865,027**	**34,865,027**
Depreciation	**0**	**974,321**	**974,321**
Disposals/Retirements	**0**	**0**	**0**
Reclassifications/Others	**0**	**897,052**	**897,052**
Balance, December 31, 2021	**0**	**36,736,400**	**36,736,400**
Accumulated impairment			
Balance, January 1, 2021	**1,328,905,342**	**19,605,062**	**1,348,510,404**
Impairment	**683,414**	**0**	**683,414**
Disposals/Retirements	**0**	**0**	**0**
Reclassifications/Others	**(375,680,212)**	**(794,605)**	**(376,474,817)**
Balance, December 31, 2021	**953,908,544**	**18,810,457**	**972,719,001**
Carrying amount, December 31, 2021	**10,334,724,502**	**60,863,987**	**10,395,588,489**

	Land	**Building and Improvements**	**Total**
Cost			
Balance, January 1, 2020, as reported	13,469,523,960	80,996,814	13,550,520,774
Restatement	(1,863,546,873)		(1,863,546,873)
Balance, January 1, 2020 as adjusted	11,605,977,087	80,996,814	11,686,973,901
Additions	0	0	0
Disposals/Retirements	(290,256,838)	0	(290,256,838)
Reclassifications/Others	13,325,270	43,262,856	56,588,126
Balance, December 31, 2020	11,329,045,519	124,259,670	11,453,305,189
Accumulated depreciation			
Balance, January 1, 2020	0	35,824,332	35,824,332
Depreciation	0	1,792,210	1,792,210
Disposals/Retirements	0	0	0
Reclassifications/Others	0	(2,751,515)	(2,751,515)
Balance, December 31, 2020	0	34,865,027	34,865,027
Accumulated impairment			
Balance, January 1, 2020, as reported	713,587,468	23,116,916	736,704,384
Restatement	722,635,688	0	722,635,688

	Land	Building and Improvements	Total
Balance, January 1, 2020, as adjusted	1,436,223,156	23,116,916	1,459,340,072
Impairment	0	0	0
Disposals/Retirements	(200,034,732)	0	(200,034,732)
Reclassifications/Others	92,716,918	(3,511,854)	89,205,064
Balance, December 31, 2020	1,328,905,342	19,605,062	1,348,510,404
Carrying amount, December 31, 2020	10,000,140,177	69,789,581	10,069,929,758

Investment properties in building include a two-storey building with a basement located at Commonwealth Market, National Government Center – Commonwealth Enterprise Zone (NGC-CEZ), Quezon City, with a cost of P49.299 million and estimated useful life of 24 years. The whole of the Commonwealth Market property is under a long-term lease with 3A Boys Corporation. On the other hand, investment properties in land include the following properties:

a. A 229,855-square meter property located at the NGC-CEZ commercial area in Quezon City which was previously conveyed to the former HGC in CY 2004 upon call on guaranty in the amount of P1.528 billion and with a total appraised value of P2.327 billion as at December 31, 2021. The property is being disposed and/or utilized through outright sale, long-term leases, joint venture or any variant scheme. To date, 31,093.06 square meter of the property are the subject of long-term leases for 20 to 25 years.

b. Urban Bagong Lipunan Improvement of Sites and Services (BLISS) projects with cost totalling P4.069 billion, which were transferred and conveyed to the former HGC by then BLISS Development Corporation (BDC). Details follow:

Location	Area in Square Meters	Cost
Guadalupe BLISS	101,484	1,522,260,000
C-5 BLISS	39,992	1,105,758,826
Mandaluyong I and II BLISS, Coronado, Hulo	27,359	602,000,000
Tejeros BLISS, H. Santos St., Makati City	14,647	298,523,000
Pasig BLISS, Col. Licsi St. Pasig City	14,274	139,885,000
Muntinlupa BLISS, Bo. Putatan, Muntinlupa	11,643	56,647,000
Makati BLISS, Vito Cruz, Makati City	4,631	282,491,000
Paco BLISS	2,053	61,590,000
	216,083	**4,069,154,826**

c. The 295,464-square meter Legacy Memorial Estate property located at Sto. Tomas, Batangas, with a book value of P1.261 billion, which was conveyed to the former HGC in CY 2003. The property has an appraised value of P632.127 million as at December 31, 2021.

d. Properties conveyed by the SMAP in CY 2003 with a book value of P441.717 million and an appraised value of P3.634 billion as at December 31, 2021. The titles of the lots were already transferred in the name of the former HGC. However, the titles bear the annotation of the adverse claim of the developer claiming among others, that said developer is entitled to the residual value of the properties. The properties are among those covered by the compromise entered into by and between the Corporation and R-II Builders under MOA dated February 16, 2021 *(Note 22.2).*

Leasehold rights previously reported as investment property in land with carrying amount of P1.623 billion both as at December 31, 2021 and 2020 were retrospectively reclassified to "Intangible Assets" *(Note 12).* Moreover, expenses totalling P158.536 million incurred prior to December 31, 2019 and erroneously capitalized under the account were reversed and charged directly against retained earnings.

The Corporation sold investment properties with carrying values of P55.236 million and P290.257 million in CYs 2021 and 2020, respectively. On the other hand, rental income on investment properties for the same period presented as "Lease Income" *(Note 23.1)* in the SCI amounted to P135.477 million and P180.700 million, respectively.

Depreciation expense charged to operations, included under "Non-cash Expenses" in the SCI, amounted to P974,321 and P1.792 million in CYs 2021 and 2020, respectively *(Note 24.4).*

10. PROPERTY AND EQUIPMENT

The composition of and movements in property and equipment and related accumulated depreciation and impairment accounts are as follows:

	Land Improvements	Building and Other Structures	Transportation Equipment	Office, IT, Furniture, Fixtures and Others	Leasehold Improvements	Total
Cost						
January 1, 2021	**53,797,173**	**87,456,709**	**38,655,940**	**134,886,298**	**32,331,496**	**347,127,616**
Additions	**0**	**0**	**2,384,430**	**8,994,110**	**9,600,000**	**20,978,540**
Disposal/Retirement	**0**	**0**	**0**	**10,640**	**0**	**10,640**
December 31, 2021	**53,797,173**	**87,456,709**	**41,040,370**	**143,891,048**	**41,931,496**	**368,116,796**
Accumulated depreciation						
January 1, 2021	**33,176,318**	**47,548,221**	**28,828,589**	**107,418,546**	**32,070,108**	**249,041,782**
Depreciation	**318,270**	**3,267,716**	**3,141,670**	**4,302,172**	**0**	**11,029,828**
Disposal/Retirement/Adjustment	**0**	**0**	**0**	**(321,749)**	**0**	**(321,749)**
December 31, 2021	**33,494,588**	**50,815,937**	**31,970,259**	**111,398,969**	**32,070,108**	**259,749,861**
Accumulated impairment						
January 1, 2021	**0**	**0**	**959,285**	**2,324,745**	**0**	**3,284,030**
Impairment	**0**	**0**	**0**	**0**	**0**	**0**
Disposal/Retirement/Adjustment	**0**	**0**	**(16,500)**	**0**	**0**	**(16,500)**
December 31, 2021	**0**	**0**	**942,785**	**2,324,745**	**0**	**3,267,530**
Carrying amount, 12/31/2021	**20,302,585**	**36,640,772**	**8,127,326**	**30,167,334**	**9,861,388**	**105,099,405**

	Land Improvements	Building and Other Structures	Transportation Equipment	Office, IT, Furniture, Fixtures and Others	Leasehold Improvements	Total
Cost						
January 1, 2020	53,797,173	87,456,709	44,769,602	134,896,937	32,331,496	353,251,917
Additions	0	0	0	0	0	0
Disposal/Retirement	0	0	(6,113,662)	(10,639)	0	(6,124,301)
December 31, 2020	53,797,173	87,456,709	38,655,940	134,886,298	32,331,496	347,127,616

	Land Improvements	Building and Other Structures	Transportation Equipment	Office, IT, Furniture, Fixtures and Others	Leasehold Improvements	Total
Accumulated depreciation						
January 1, 2020, as reported	32,858,047	44,280,505	32,727,225	102,414,329	32,070,108	244,350,214
Restatement	0	0	0	332,388	0	332,388
January 1, 2020, as restated	32,858,047	44,280,505	32,727,225	102,746,717	32,070,108	244,682,602
Depreciation	318,271	3,267,716	1,833,913	6,107,849	0	11,527,749
Disposal/Retirement/Adjustment	0	0	(5,732,549)	(1,436,020)	0	(7,168,569)
December 31, 2020	33,176,318	47,548,221	28,828,589	107,418,546	32,070,108	249,041,782
Accumulated impairment						
January 1, 2020	0	0	959,285	2,324,745	0	3,284,030
Impairment	0	0	0	0	0	0
Disposal/Retirement	0	0	0	0	0	0
December 31, 2020	0	0	959,285	2,324,745	0	3,284,030
Carrying amount, 12/31/2020	20,620,855	39,908,488	8,868,066	25,143,007	261,388	94,801,804

Depreciation expense charged to operations, included under "Non-cash Expenses" in the SCI, amounted to P10.459 million and P11.528 million in CYs 2021 and 2020, respectively *(Notes 24.4).*

There are no items of property and equipment as at December 31, 2021 and 2020 that are pledged as security for payment of liabilities.

11. RIGHT-OF-USE ASSET

The movements in the ROU asset, including the related accumulated depreciation and impairment accounts, are as follows:

	2021	2020 (As Restated)
Cost		
Balance, January 1	**183,274,074**	183,274,074
Additions	**0**	0
Disposals/Early termination	**0**	0
Reclassifications/Others	**0**	0
Balance, December 31	**183,274,074**	183,274,074
Accumulated depreciation		
Balance, January 1	**44,291,235**	7,636,420
Depreciation	**36,654,814**	36,654,815
Disposals/ Early termination	**0**	0
Reclassifications/Others	**0**	0
Balance, December 31	**80,946,049**	44,291,235
Carrying amount, December 31	**102,328,025**	138,982,839

The ROU asset arose from the five-year lease of the 22nd, 23rd and 24th floors and 85 parking lots of the BPI-Philam Life Building located at Ayala Avenue, Makati City. The leased property with a total area of 4,124.52 square meter will serve as the unified corporate office of the Corporation. The lease commenced in October 2019 at initial annual rental of P37.695 million plus annual escalation of 6 per cent. The ROU asset was recognized at a discount rate of 9.523 per cent and is amortized over the lease term.

Depreciation expense charged to operations, included under "Non-cash Expenses" in the SCI, amounted to P34.525 million and P36.332 million in CYs 2021 and 2020, respectively *(Notes 24.4).*

The Corporation did not recognize ROU assets and lease liabilities for short-term leases, specifically the one-year lease of the Jade Building. As at the commencement of said lease, Management does not expect the lease over said building to be renewed. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognized as lease liabilities and are expensed as incurred.

For CYs 2021 and 2020, the expenses relating to short-term leases amounted to P41.477 million and P45.080 million, respectively, which are presented as part of "Rent Expense" *(Note 24.2)* in the SCI.

12. INTANGIBLE ASSETS

The composition of and movements in intangible assets, including the related accumulated amortization, are as follows:

	Leasehold Rights	Computer Software	Total
Cost			
Balance, January 1, 2021	**1,622,757,343**	**31,161,720**	**1,653,919,063**
Additions	**0**	**140,710**	**140,710**
Disposals/Retirements	**0**	**0**	**0**
Balance, December 31, 2021	**1,622,757,343**	**31,302,430**	**1,654,059,773**
Accumulated amortization			
Balance, January 1, 2021	**681,629,752**	**30,542,767**	**712,172,519**
Amortization	**36,616,887**	**579,648**	**37,196,535**
Disposals/Retirements	**9,707,397**	**(140,785)**	**9,566,612**
Balance, December 31, 2021	**727,954,036**	**30,981,630**	**758,935,666**
Accumulated impairment			
Balance, January 1, 2021	**0**	**0**	**0**
Amortization	**6,951,421**	**0**	**6,951,421**
Disposals/Retirements	**0**	**0**	**0**
Balance, December 31, 2021	**6,951,421**	**0**	**6,951,421**
Carrying amount, December 31, 2021	**887,851,886**	**320,800**	**888,172,686**

	Leasehold Rights	Computer Software	Total
Cost			
Balance, January 1, 2020, as reported	0	31,216,059	31,216,059
Adjustments	1,622,757,343	0	1,622,757,343
Balance, January 1, 2020, as restated	1,622,757,343	31,216,059	1,653,973,402
Additions	0	0	
Disposals/Retirements	0	(54,338)	(54,338)
Balance, December 31, 2020	1,622,757,343	31,161,721	1,653,919,064

Accumulated amortization			
Balance, January 1, 2020, as reported	0	29,824,335	29,824,335
Adjustments	645,012,865	138,784	645,151,649
Balance, January 1, 2020, as restated	645,012,865	29,963,119	674,975,984
Amortization	36,616,887	579,648	37,196,535
Disposals/Retirements	0	0	0
Balance, December 31, 2020	681,629,752	30,542,767	712,172,519
Carrying amount, December 31, 2020	941,127,591	618,954	941,746,545

The leasehold rights refer to the Corporation's right to use three properties located at the Subic Bay Freeport Zone, namely, Triboa, El Kabayo, Triboa and Times Square properties, expiring on November 30, 2045, May 14, 2046 and April 30, 2047, respectively. The rights, which are duly covered by Lease Development Agreements with SBMA executed on various dates, were conveyed by the Financial Building Corporation (FBC) and the Financial Building Subic Bay Corporation (FBSBC) to the former HGC in CY 2004 as settlement of the latter's guaranty exposure.
Computer software consists of acquired computer software licenses used in operation and administration and automated systems developed by the Corporation covering backroom operations in line with the corporate initiative to improve turn-around time and benchmark with real-time processing through the automation of major processes.

Amortization expense charged to operations, included under "Non-cash Expenses" in the SCI, amounted to P36.547 million and P28.042 million in CYs 2021 and 2020, respectively *(Notes 24.4).*

13. OTHER ASSETS

This account consists of the following:

	2021	2020 (As Restated)
Current		
Prepayments	**57,058,811**	46,630,212
Guaranty deposits	**10,869,120**	10,869,120
Others	**289,805**	975,016
	68,217,736	58,474,348
Non-current		
Funds under trust and/or administration	**15,709,631,497**	12,050,805,428
Prepayments	**13,042,721**	13,678,721
Guaranty deposits	**10,176,555**	10,176,555
Others	**33,246,387**	25,075,398
	15,766,097,160	12,099,736,102

Prepayments consists of:

	Current	Non-current	Total
As at December 31, 2021			
Prepaid taxes	**43,491,450**	**0**	**43,491,450**
Prepaid rent	**4,228,895**	**0**	**4,228,895**
Prepaid insurance	**3,184,868**	**0**	**3,184,868**
Other prepayments	**6,153,598**	**13,042,721**	**19,196,319**
	57,058,811	**13,042,721**	**70,101,532**
As at December 31, 2020			
Prepaid taxes	36,491,845	0	36,491,845
Prepaid rent	4,228,895	0	4,228,895
Prepaid insurance	1,298,062	0	1,298,062
Other prepayments	4,611,410	13,678,721	18,290,131
	46,630,212	13,678,721	60,308,933

Prepaid taxes pertain to the excess of quarterly income tax payments over the current tax
due during the year elected to be carried forward to the next taxable period as well as creditable withholding taxes withheld by suppliers and contractors.

Other prepayments include the unamortized portion of the prepayments for dues and subscriptions, healthcare insurance, FIS system support, and for the guarantee by the Republic of the Philippines (ROP) of the Corporation's loans payable.

Guaranty deposits are non-interest bearing security deposits and cash bond refundable upon the expiration or termination of the related contracts. The account includes the refundable security deposits paid in relation to the lease of the Jade Building amounting to P4.058 million.

The total assets of the various *funds under trust and/or administration* of the Corporation pursuant to law or in accordance with various agreements, which are reciprocally presented as non-current "Other Assets" and non-current "Trust Liabilities" *(Note 17)* of the Corporation, are as follows:

	2021	2020 (As Restated)
AGFP	**10,673,595,499**	7,313,149,370
AKPF	**2,949,685,542**	3,309,842,989
Trust funds from NGAs	**1,073,114,163**	1,103,496,998
EC-PCG Program	**1,025,219,482**	0
CRGF	**0**	324,316,071
	15,709,631,497	12,050,805,428

The administration of the AGFP, including the penalties pertaining to it under RA No. 10000, and the CRGF were transferred to the Corporation effective August 31, 2019 pursuant to Section 1 of EO No. 58. Previously, the AGFP, which is intended to mitigate the risks involved in agriculture lending, was under the administrative supervision of the

Department of Agriculture and in trust with the LBP. On the other hand, the CRGF, a credit guarantee program that provides assistance to MSMEs affected by Typhoon Yolanda, was managed by the SBC.

Under the MOA dated September 30, 2019 with SBC and the Department of Trade and Industry (DTI), the Corporation shall turn-over any unused balance of the CRGF to DTI or BTr, as the case may be, upon the completion of the period of guarantee of all credit guarantee accounts under the fund. On October 27, 2020, the BOD approved the return of the unutilized funds of the CRGF to the BTr. Accordingly, the Corporation transferred P327.994 million to the BTr on December 28, 2020 while the remainder, except for an amount retained to cover management fees, were remitted in the first quarter of CY 2021 effectively terminating its management of the fund.

As successor-in-interest of the former HGC, the Corporation also acts as trustee of the CFG component of the AKPF pursuant to Section 4(b) of RA No. 6846, as well as of other funds for housing and resettlement projects for informal settler families (ISFs) in accordance with MOAs executed by and between the former HGC and several NGAs, to wit:

Year	Trust Fund	Trustor	Purpose of Project
1992	Friendship Village Resources (FVR-1) and Family Village Resources (FVR-2) Project	Department of Public Works and Highways (DPWH) and Housing and Urban Development Coordinating Council (HUDCC)	For the acquisition and development of relocation sites for the affected ISFs from the areas of Estero de Vitas and Estero Sunog Apog in Tondo, Manila and Quezon City to be relocated to FVR-1 and FVR-2 located in Barangay Tigbe, Norzagaray, Bulacan and Barangay Kabilang Baybay, General Mariano Alvarez, Cavite, respectively
1996	North Hills Village Project	DPWH, HUDCC and NHA	For the acquisition and development of relocation sites for the affected ISFs along the entire stretch of the R-10 Road right-of-way to be relocated to North Hills Village, located in Barangay Bitungol, Norzagaray, Bulacan
1997	Montalban Heights Project	Department of Transportation and Communications (DOTC), HUDCC and NHA	For the acquisition of developed relocation sites for the ISFs affected by the construction of the EDSA LRT-III Depot Project in North Triangle, Quezon City to be relocated to Montalban Heights, San Jose, Rodriguez, Rizal
1999	Baras Project	DPWH and HUDCC	For the acquisition of developed relocation sites for the ISFs affected by the Metro Manila Flood Control projects to be relocated to Barangay Concepcion, Baras, Rizal
1998	C-5 MRB Condominium Project	Presidential Management Staff (PMS)	For the construction of 11 medium-rise buildings (MRBs) in C-5 Fort Bonifacio, Taguig City

Details of the trust funds from NGAs which are disbursed in accordance with the provisions of the pertinent MOAs follow:

	2021	2020 (As Restated)
North Hills Village Project	**451,944,184**	473,957,193
Montalban Heights Relocation Project	**250,933,484**	248,746,301
FVR-1 and FVR-2 Project	**201,134,045**	209,155,348
Baras Project	**87,705,394**	87,705,597
C-5 MRB Condominium Project	**81,397,056**	83,932,559
	1,073,114,163	1,103,496,998

In separate letters both dated Decembers 6, 2021, the Corporation informed the Secretaries of the DPWH and the DOTr of its decision to unilaterally terminate the Trust Agreements with said agencies relative to the above projects. As at December 31, 2021, however, there has been no turnover and settlement of pertinent funds, assets and liabilities.

On April 29, 2020, the BOD approved the recommendation to accept the role of Program Manager of the EC-PCG Program. The EC-PCG Program, established by the DOF and Department of Energy (DOE), with a grant from the Global Environment Facility, guarantees commercial loans of accredited financial institutions to electric cooperative borrowers to finance power distribution system upgrades and reduce systems losses.
Consequently, the Corporation and the LGU Guarantee Corporation (LGUGC), the former Program Manager of the EC-PCG Program, entered into a Deed of Assignment and Assumption dated November 27, 2020, whereby the former accepts and assumes all rights, titles, interest and participation, responsibilities and obligations of the latter as Program Manager. Under said Deed, the contemplated assignment and assumption are to take effect upon the submission of the Final Report on the status of implementation of the projects by LGUGC to PHILGUARANTEE. Thereupon, LGUGC shall be deemed and considered as having been completely and absolutely released and discharged from all its responsibilities and obligations as Program Manager.

The Corporation received the Final Report of the LGUGC on August 3, 2021. Accordingly, no funds under trust nor trust liabilities pertinent to the Program were recognized as of December 31, 2020. However, notwithstanding the foregoing, the Corporation assumed from LGUGC the management of the outstanding guarantee accounts involving 18 electric cooperatives and loan principal balance aggregating P791.803 million on June 1, 2020.

As at December 31, 2021 and 2020, the outstanding guarantees issued under the AKPF, AGFP, EC-PCG Program and the CRGF follow:

	2021	2020 (As Restated)
AKPF	**56,031,290,271**	53,255,877,491
AGFP	**1,215,924,331**	401,575,839
EC-PCG Program	**320,055,420**	509,006,820
CRGF	**0**	6,316,000
	57,567,270,022	54,172,776,150

Other current assets refer to unserviceable motor vehicles reclassified from property and equipment pending their disposal while *other non-current assets* consist of:

	2021	2020 (As Restated)
FCDU time deposits in trust for the BTr	**15,100,302**	16,781,832
Restricted cash	**4,404,968**	4,404,968
Paintings	**3,114,463**	3,114,463
Premium reserve fund	**0**	286,499
Others	**10,626,654**	487,636
	33,246,387	25,075,398

The foreign currency deposit unit (FCDU) time deposits maintained with the LBP are held in trust under the name of the Corporation for the account of the BTr *(Note 17).* The account arose from court cases filed in the USA against pre-merger TIDCORP relative to a default account under the Guarantee Program of the Corporation which was already turned over to the NG in CY 1989 pursuant to AO No. 64 dated March 24, 1988 and Deed of Transfer dated March 31, 1989. The DOF and BTr released US$5.000 million to TIDCORP on April 26, 2002 for the settlement of said cases. However, the final settlement agreement between TIDCORP and Fidelity Partners, Inc., the plaintiff, amounted to only US$4.800 million, thus, leaving a balance of US$200,000.

Over the years, the Corporation administered the excess amount pending its transfer to the BTr by maintaining the same in FCDU time deposits which earn interest ranging from 2.50 to 3.00 per cent per annum. The fund has an outstanding balance of US$374,506 and US$373,881 as at December 31, 2021 and 2020, respectively. Net interest income earned on the account from April 26, 2002 to December 31, 2021 and up to December 31, 2020 amounted to and US$171,027 and US$170,402, respectively.

Restricted cash refers to garnished accounts as required by the RTC Branch 206, Muntinlupa City in its Notice of Garnishment dated September 11, 2020 in order to answer for the reasonable monthly rentals and interest awarded to a third party in the unlawful detainer case filed by the latter against the Corporation *(Notes 5 and 19).*

The RTC denied in an Order dated October 1, 2021 the Urgent Motion to Nullify the Notice of Garnishment, including the related Writ of Execution dated June 15, 2020, filed by the Corporation. A Motion for Reconsideration (MR) dated December 10, 2021 of said Order is currently pending before the court.

The premium reserve fund represents the Corporation's 40 per cent pro-rata share in the 20 per cent retention of the gross insurance premiums collected under the then Credit Insurance Program which is set aside as reserves to cover future claims. Upon re-evaluation, the Corporation has determined that there no longer exists a need for the fund and was therefore closed to "Retained Earnings" in CY 2021.

14. FINANCIAL LIABILITIES

This account consists of the following:

	2021	2020 (As Restated)
Current		
Guarantee liability	**4,150,712,299**	7,398,547,066
Bonds payable	**411,364,624**	0
Interest payable	**158,620,141**	1,326,907,110
Accounts payable	**137,862,235**	100,396,511
Due to officers and employees	**59,177,968**	73,347,773
Loans payable	**43,633,331**	43,633,331
Others	**46,361**	31,456,914
	4,961,416,959	8,974,288,705
Non-current		
Bonds payable	**2,271,132,834**	11,364,624
Guarantee liability	**300,000,000**	0
Loans payable	**43,631,191**	87,264,522
Others	**36,188**	242,303
	2,614,800,213	98,871,449

Guarantee liability refers to the obligations arising from the financial guarantee contracts issued by the Corporation. The account includes: (a) provision of ECL on guarantee accounts; (b) amount due for approved guarantee calls or claims of banks and other financial institutions on defaulted accounts; and (c) unamortized portion of the upfront guarantee fees received from clients. Details follow:

	2021	2020 (As Restated)
Due to SSS	**1,600,000,000**	5,273,256,987
Discount	**(49,337,024)**	0
	1,550,662,976	5,273,256,987
Pari-passu payable	**2,321,208,492**	1,522,206,234
Unearned guarantee fees	**574,655,827**	577,623,256
Estimated liability for guaranty operations	**4,185,004**	25,460,589
	4,450,712,299	7,398,547,066

The amount due to SSS refers to the approved call on the guarantee extended by the former HGC on the APCs held by the latter. The rights to the property securing the guaranteed obligation have been conveyed to and/or claims of the mortgagee against the mortgagor have been assigned to the Corporation. Details as at December 31, 2020 follow:

	Principal	Accrued Interest	Total
Smokey Mountain Project APCs	**1,150,000,000**	**1,101,846,636**	**2,251,846,636**
Suburban Housing APCs	**800,000,000**	**1,277,717,475**	**2,077,717,475**

	Principal	Accrued Interest	Total
Commonwealth Urban Renewal APCs	**250,000,000**	**363,108,652**	**613,108,652**
Tahanan APCs	**138,750,685**	**191,833,539**	**330,584,224**
	2,338,750,685	**2,934,506,302**	**5,273,256,987**

In CY 2020, the respective BODs of the SSS and PHILGUARANTEE approved the proposal of the Corporation to settle in full its outstanding obligations to SSS for P4.813 billion. The pertinent MOA was signed by the parties on August 26, 2021 and was approved by the DOJ in its Resolution dated December 23, 2021. Section 6.2 of the Uniform Rules on Dispute Resolution under PD No. 242, as amended, provides that a final resolution shall become immediately executory upon the issuance thereof by the Secretary of Justice. The subject Resolution was duly received by the Corporation and SSS on December 28 and 29, 2021, respectively.

Under the MOA, the parties agreed to the condonation of 4.972 per cent of the guaranteed interest effective March 2017 up to October 31, 2020, or a reduction of the guaranteed interest from 8.5 per cent to 3.528 per cent per annum in the amount of P426.954 million as at October 31, 2020. The settlement in full of the outstanding obligations of the Corporation shall be paid under the following terms:

Mode of Payment	Amount	Interest Rate
Cash payment	P1.1 billion payable upon signing of the agreement	2.01 per cent per annum from October 31, 2020 until exact settlement date
Deferred cash payment	P100 million per year for years 2 to 4 and P200 million for year 5	3.00 per cent per annum to be payable preferably quarterly or semi-annually effective October 31, 2020
Issuance of debenture bonds backed by sovereign guarantee	P200 million per year for redemption in years 1 to 4 and P2.413 billion balloon payment in year 5	2.75 per cent per annum to be payable preferably quarterly or semi-annually

Management has assessed that the modification of the terms of the obligation to SSS under the MOA is substantial and therefore results in the derecognition of the original liability as at December 28, 2021. Accordingly, new liabilities were recognized under this and the “Bonds Payable” account for P1.551 billion and P2.671 billion, respectively, or a total of P4.222 billion. The related “Gain on Debt Extinguishment” of P1.130 billion is presented under “Other Non-operating Income” *(Note 23.3)*.

Pari-passu payable primarily consists of the provision for ECL on the P3.291 billion guaranteed accounts of the Philippine Phosphate Fertilizer Corporation (PhilPhos), which defaulted in its loan obligations in CY 2013, amounting to P2.272 billion and P1.514 billion as at December 31, 2021 and 2020, respectively. Management has assessed that, in view of the unfavorable status of the cases relative to the account as at December 31, 2021 *(Note 22.2)*, full provision on the entire guaranteed amount less share of the Corporation in the estimated recoverable value of the collateral under the related Mortgage Trust Indenture (MTI) is warranted. Thus, an additional provision of P757.844 million was recognized in CY 2021.

Under Section 9 of PD No. 1080, as amended, the payment of obligations incurred by the Corporation under the provisions of its Charter is fully guaranteed by the ROP. Likewise, under Section 18 of RA No. 8763, the ROP fully and unconditionally guarantees payment of the guarantee obligations of the former HGC incurred in accordance with its Charter, subject to certain limitations and conditions.

Bonds payable pertains to the debenture bonds issued by the Corporation as payment for calls on the guaranty which bear variable interest rates ranging from 2.75 per cent to 6.785 per cent per annum. Under RA No. 8763, the nature of the guaranty covers that the former HGC can issue may be in the form of bond coverage, in whole or in part, wherein the call payment is in the form of debenture bonds.

Interest payable are derived from the following outstanding financial obligations of the Corporation:

	2021	2020 (As Restated)
Due to SSS	**146,385,335**	0
Due to Treasurer of the Philippines	**12,234,806**	1,326,907,110
	158,620,141	1,326,907,110

Accounts payable refers to goods and services acquired on account in the normal course of trade and business operations. The account includes accrued expenses or those operating expenses already incurred by the Corporation but remained unpaid as of SFP date.

Due to officers and employees pertains to liability to officers and employees for salaries, benefits and other emoluments, including authorized expenses paid in advance by the officers and employees.

Loans payable consists solely of the loans obtained from the Asian Development Bank (ADB). Said loan was transferred from the IGLF pursuant to EO No. 58. The loan is payable every semester until October 31, 2023 and carries a service fee of 5.00 per cent per annum.

As at December 31, 2019, the Corporation had a short-term loan/line with the LBP of P733.055 million which was fully paid in December 2020. The loan carries an interest rate of 2.50 per cent per annum. Of the amount, P334.602 million is guaranteed by the ROP. Payment of the remaining balance, including interests, penalties, fees and other charges is secured by P398.454 million worth of the Corporation’s rights, titles and interest on and over deposits, money market placements and/or government securities.

15. LEASE LIABILITY

The movements in lease liability are as follow:

	2021	2020 (As Restated)
Balance, January 1	**148,979,638**	173,087,047
Accretion of interest	**12,636,216**	15,532,449
Payments	**(33,126,066)**	(38,771,737)
Others	**(13,371,348)**	(868,121)
Balance, December 31	**115,118,440**	148,979,638

The lease liability relates solely to the five-year lease of the 22nd, 23rd and 24th floors and 85 parking lots of the BPI-Philam Life Building to be utilized as the unified corporate office *(Note 11).* The lease liability is further classified into its current and non-current portion as follows:

	2021	**2020** (As Restated)
Current	**34,081,864**	30,947,491
Non-current	**81,036,576**	118,032,147
	115,118,440	148,979,638

The weighted average incremental borrowing rate applied by the Corporation to the lease liability is 9.523 percent. Lease payments are made on a monthly basis. Total interest from the obligation amounted to P12.636 million and P15.441 million in CYs 2021 and 2020, respectively, and is presented as "Interest Expense" under Financial Expenses in the SCI *(Note 24.3).*

16. INTER-AGENCY PAYABLE

This account consists of the following:

	2021	2020 (As Restated)
Current		
Income tax payable	**58,682,766**	76,238,302
Due to BIR	**127,178,603**	133,724,482
Due to GSIS	**4,373,758**	2,909,153
Due to NGAs	**2,481,653**	1,830,253
Due to Pag-IBIG	**1,397,650**	1,413,634
Due to PHIC	**141,131**	10,800
Due to other GOCCs	**6,257,129**	6,276,419
	200,512,690	222,403,043
Non-current		
Due to Treasurer of the Philippines	**3,041,592,654**	7,041,592,654
Due to NGAs	**1,726,568**	21,499

	2021	2020 (As Restated)
	3,043,319,222	7,041,614,153

Due to BIR refers to the various taxes withheld from employees' compensation and on certain income payments as mandated by law due for remittance to the BIR as at year-end.

Due to GSIS, Pag-IBIG and Philippine Health Insurance Corporation (PHIC) pertain to the Corporation's share in contributions, as well as the amounts withheld from employees' compensation as mandated by law representing contributions and loan amortization payments, due for remittance to said agencies as at year-end.

Due to Treasurer of the Philippines represents the outstanding balance of the P12 billion advanced by the NG to the former HGC in CY 2013 for the settlement of the P12 billion zero-coupon bonds issued by the latter. The obligation carries interest computed quarterly based on the average rate of the 364-day treasury bill of the preceding quarter.

In CY 2021, the Corporation paid a total of P5.358 billion to the BTr to partially settle its obligations relative to the above advances. The payment covers principal of P4.000 billion and accrued interest as at March 31, 2021 of P1.358 billion.

Interest expense recognized on the advances in CYs 2021 and 2020 amounted to P73.191 million and P208.924 million, respectively, and is presented as "Interest Expense" under "Financial Expenses" in the SCI *(Note 24.3).* On the other hand, the related unpaid interest stood at P12.235 million and P1.326 billion as at December 31, 2021 and 2020, respectively.

The Corporation has identified investments in non-marketable equity securities, receivables and ROPAs with book value totalling P15.826 billion as at December 31, 2021 to settle the advances. Proceeds from the sale or lease of these assets shall be used to pay for the said obligation.

Due to NGAs primarily refers to the excess of the amount retained out of the CRGF funds to cover management fees over the actual amount charged by the Corporation due for remittance to the BTr.

17. TRUST LIABILITIES

This account consists of the following:

	2021	2020 (As Restated)
Current		
AKPF	**538,155,914**	588,666,802
Customers deposits payable	**88,547,644**	49,518,806
Trust funds from NGAs	**63,367,572**	61,076,570
Guarantee deposits payable	**27,040,854**	35,895,935
FCDU time deposits in trust for the BTr	**15,100,302**	16,781,832

	2021	2020 (As Restated)
DOF	**3,518,154**	3,518,154
HGC Provident Fund	**2,217,468**	8,878,405
Others	**7,554,747**	5,088,692
	745,502,655	769,425,196
Non-current		
AGFP	**10,661,612,310**	7,313,149,370
AKPF	**2,949,685,542**	3,309,842,989
Trust funds from NGAs	**1,073,114,163**	1,103,496,998
EC-PCG Program	**1,025,219,482**	0
Trust funds under the USHLGF	**20,213,315**	18,610,477
CRGF	**0**	324,316,071
	15,729,844,812	12,069,415,905

The current trust liability due to *AKPF* consists of: (a) the P381.531 million transfer value of the Manila Harbor Center (MHC) acquired lots owned by said fund which were conveyed to the SSS as partial settlement of the former HGC's unpaid guaranty obligations; and (b) unremitted housing loan amortizations collected by the Corporation for the account of AKPF.

Customers' deposits payable pertains to the security deposits received from prospective buyers and lessees of various properties of the Corporation while *guarantee deposits payable* refer to the amounts received from winning bidders and contractors to guarantee that they will enter into contract with the Corporation and/or faithfully perform the terms of their contract.

The current trust liability due to the *Trust funds from NGAs* similarly consists of the unremitted housing loan amortizations collected by the Corporation for the account of the trust funds.

The non-current trust liabilities pertain to the funds under trust and/or administration of the Corporation whose resources and liabilities are not consolidated in these financial statements. Only the total assets of the funds are reciprocally presented as non-current "Other Assets" *(Note 13)* and non-current "Trust Liabilities" of the Corporation.
Significant increase in the AGFP balance was due to the receipt by the Fund Pool during the year of P3.306 billion share in agri-agra penalties from the BSP pursuant to Section 10 of RA No. 10000. Section 10 thereof mandates that 90 per cent of the penalties collected from banks for non- or under-compliance with the credit allocation requirements prescribed under said law shall be allocated between the AGFP and the Philippine Crop Insurance Corporation, and the remaining 10 per cent shall be given to the BSP to cover administrative expenses.

Significant decrease in the AKPF balance was attributable to the remittance by said Fund to the Corporation of P344.240 million as partial settlement of its share in the latter's cost of personnel services and maintenance and other operating expenses (MOOE) for administering the CFG component pursuant to Section 7 of RA No. 6846, as amended.

Trust funds under the USHLGF pertain to the cumulative amounts remitted by clients as collateral for guaranteed small housing loans. Under the USHLGF, a trust fund equivalent to one per cent of the guaranteed loan shall be established upon enrollment in favor of the Corporation to serve as collateral of the guaranteed loan. Such fund shall be used primarily to pay the guaranteed obligation and the balance and income thereof, if any, shall be released to the client upon termination of the Contract of Guarantee.

18. DEFERRED CREDITS/UNEARNED INCOME

This account consists of the following:

	2021	2020 (As Restated)
Current		
Deferred credits		
Deferred finance lease revenue	**3,131,859**	3,358,364
Unearned income		
Unearned income on installment sale	**32,043,387**	104,467,532
Unearned BDC income	**81,857,237**	8,195,308
Unearned rent income	**6,544,230**	6,544,230
Other unearned income	**0**	3,235,888
	123,576,713	125,801,322
Non-current		
Deferred credits		
Deferred finance lease revenue	**5,906,226**	11,198,050
Trust projects	**886,567,343**	902,034,681
CLOP	**24,798,360**	24,841,753
Direct deposits	**7,517,606**	7,239,323
Trust insurance premiums	**22,216,507**	849,271
Deferred interest and other charges	**339,010**	7,239,323
Unearned income		
Unearned income on installment sale	**979,567,496**	902,296,438
Unearned BDC income	**0**	73,757,771
Other unearned income	**9,790,808**	1,486,265
	1,936,703,356	1,930,942,875

Deferred finance lease revenue represents the difference between the sum of the total rentals due to the lessor and the initial carrying value of the lessor's receivable to be amortized over the lease term.

Unearned income on installment sale pertains to the deferred gain on the sale of acquired assets on installment basis where the down payment is less than 25 per cent of the selling price. The unearned income is amortized and recognized as gain on sale of disposed assets upon collection based on the gross profit rate which ranges from 6.23 to 91.39 per cent.

Deferred credits – Trust projects is a temporary account for collections from buyers and/or clients awaiting execution of pertinent sales documents and those collections lacking necessary information to allow application of the payment to specific accounts i.e. sales contract receivable, interest, fines and penalties, unearned income as well as applicable tax expense and tax payable accounts. The collections are analyzed and amounts are reclassified to the proper accounts upon submission of the complete documents by the buyers. Breakdown of the account is as follows:

	2021	2020 (As Restated)
Developmental projects	**368,784,819**	369,465,882
Pinesville accounts	**153,072,887**	158,152,403
Retail accounts	**134,064,490**	144,206,986
BDC projects	**93,716,093**	96,296,165
Folio accounts	**58,027,241**	55,989,482
Cooperative Housing Program projects	**10,852,301**	10,852,301
Community Mortgage Program projects	**8,066,225**	7,041,527
Others	**59,983,287**	60,029,935
	886,567,343	902,034,681

Deferred credits – contracts of lease with options to purchase (CLOP) pertains to collections from contracts of lease with option to purchase and the excess of the book value over cost on the acquisition of BDC. Collections from CLOP are applied as down payment when the lessee exercises his option to purchase. Otherwise, these are forfeited upon end of the lease term and recognized as income by the Corporation.

19. PROVISIONS

This account consists of the following:

	2021	2020 (As Restated)
Leave benefits payable	**59,222,032**	45,558,792
Provision for legal claims	**0**	13,770,572
	59,222,032	59,329,364

Leave benefits payable pertain to the accrued money value of earned vacation and sick leave credits of the Corporation's officers and employees that remained unused at the end of the reporting period. The reported balance as at December 31, 2021 was accrued using the rates under the Compensation and Position Classification System (CPCS) for GOCCs approved by the GCG for the Corporation which is GOCC Grade 17, Tier 5, Category 3 salary structure effective October 5, 2021.

The Corporation has implemented the approved salary structure under the CPCS for GOCCs as authorized by the Board on June 28, 2022. However, the Corporation has requested the GCG to reconsider the Corporation's GOCC Grade and Tier to 18 or 9 and 2 or 3, respectively in a Letter dated August 3, 2022.

Provision for legal claims refers to the probable loss arising from the unlawful detainer case filed by a third party against the Corporation. The amount represents the reasonable monthly rentals and interest awarded by the RTC Branch 206, Muntinlupa City to the plaintiff in its Decision dated October 23, 2018.

20. OTHER PAYABLES

This account consists of the following:

	2021	2020 (As Restated)
Dividends payable	**505,902,486**	2,195,273,197
Undistributed collections	**4,866,734**	14,885,226
Others	**3,377,043,520**	3,387,063,384
	3,887,812,740	5,597,221,807

Dividends payable refers to the outstanding dividends due to the NG pursuant to RA No. 7656. The movements in the account follow:

	2021	2020
Balance, January 1	**2,195,273,197**	1,414,486,419
Dividends due for the year	**505,902,486**	780,786,778
Dividend reliefs granted	**(2,195,273,197)**	0
	505,902,486	2,195,273,197

As at December 31, 2021 and 2020, the Corporation has pending requests for dividend relief or downward adjustments in dividend rate before the Secretary of Finance for all its dividends due. In CY 2021, two of such requests were granted as follows:

a. On April 28, 2021, EO No. 131 was issued adjusting the former HGC's dividend rate for the dividend year 2018 from 50 per cent of net earnings to 6.58 per cent. Relative to the dividend year 2018, the former HGC already remitted P151.624 million to the BTr in CY 2019 as dividends and has further accrued P1 billion dividends payable as at December 31, 2020 and 2019. The amount of dividend remitted in CY 2019 corresponds to the adjusted dividend rate of 6.58 per cent.

b. On December 6, 2021, EO No. 153 was issued approving the request of the Corporation for downward adjustment of its dividends rate for the dividend years 2020 and 2019 from 50 per cent of net earnings to zero per cent. Accordingly, the dividends due for said years of P780.787 million and P414.486 million, respectively, were reversed in CY 2021 and charged against "Retained Earnings."

Undistributed collections pertain to the temporary pool of collection of borrower's amortization payments directly deposited in the various depository accounts of the Corporation which are not yet posted in each borrower's ledger as at year-end due to limited information as to the identity of the depositor.

Other payables consist of:

	2021	2020 (As Restated)
Due to SBMA	**3,342,851,474**	3,304,152,743
Due to SMAP Receiver	**18,534,087**	57,425,910
Due to HGC Provident Fund	**2,435,861**	14,134,261
Transfer tax payable	**6,737,878**	6,737,878
Miscellaneous deposits	**1,743,654**	2,083,972
Due to Land Investment Trust certificate holders	**1,688,000**	1,688,000
Others	**3,052,566**	840,620
	3,377,043,520	3,387,063,384

The amount due to the SBMA represents the accumulated base rentals and other fees or charges due on the Subic Bay Freeport properties conveyed by FBC and FBSBC to the former HGC as settlement of the latter's guaranty exposure. The obligation is pursuant to the court-approved Compromise Agreement dated April 14, 2004 entered into between FBC, FBSBC and the former HGC.

In CY 2020, the respective BODs of the SBMA and the Corporation have approved the assignment or *dacion* by the Corporation of the leasehold rights over three Subic Bay Freeport properties *(Note 12)* to SBMA in the amount of P2.778 billion as partial settlement of its outstanding obligations. The draft MOA on the proposed settlement had been forwarded to COA on May 27, 2021 pursuant to the recommendation of the Office of the Government Corporate Counsel (OGCC) to obtain the latter's authorization of the same. The requested authority is yet to be granted as at year-end.

The amount due to the SMAP Receiver is pursuant to the Order dated November 11, 2019 of RTC Branch 222, Quezon City appointing a Receiver for the SMAP and directing the Corporation, as successor-in-interest of the former HGC, to transfer to the duly appointed Receiver all assets, properties and collectibles due to the SMAP *(Note 22.2).*

Transfer tax payable pertains to the tax due on the sale or transfer of ownership or title to real properties imposed by provinces, cities or municipalities pursuant to Section 135 of RA No. 7160, or the "Local Government Code of 1991" which remained unpaid as of end of the reporting period.

21. EQUITY

21.1. Government Equity

The authorized capital stock of the Corporation, which is fully subscribed by the Government of the Philippines, is P50 billion in accordance with Section 3 of EO No. 58. Previously, PD No. 1962 dated January 11, 1985 was issued increasing the authorized capital stock of the Corporation from P2 billion, as provided under PD No. 1080, to P10 billion.

As at December 31, 2021 and 2020, total paid-in capital amounted to P39.122 billion and P33.872 billion, respectively. The amounts include the equity contributions of the NG to the former HGC, AGFP and IGLF amounting to P15.573 billion, P4 billion and P803.304 million, respectively, as well as the P35 million guarantee reserve fund of SBC, which were transferred to the Corporation pursuant to Section 3 of EO No. 58.

The total paid-in capital likewise includes all the fruits/income/earnings of the equity contribution of the NG to the IGLF as at the date of transfer which is represented by the sum of its retained earnings and cumulative changes in fair value of financial assets as at August 31, 2019 of P5.999 billion.

In a Memorandum dated May 10, 2022, the Secretary of Finance, as the head of the main agency tasked to implement the provisions of EO No. 58, confirmed that it is not only the contribution of the NG to the IGLF that was transferred to the Corporation to form part of its paid-up capital under the EO but also the fruits/income/earnings thereof.

Additional capital contributions from the NG in CYs 2021 and 2020 amounted to P5.250 billion and P1.000 billion, respectively. Of the amount received in CY 2021, P5.000 billion pertains to the capital infusion to the Corporation mandated under Section 10(e)(1) of Bayanihan 2 to support its credit guarantee programs as part of the response and recovery interventions for the COVID-19 pandemic.

21.2. Retained Earnings (Deficit)

The account represents the net of accumulated profits and losses from prior years' operations and the effect of the transfer by the Corporation of its non-performing assets of P5.220 billion and the related real and contingent liabilities of P2.709 billion and P3.651 billion, respectively, to the NG pursuant to AO No. 64 dated March 24, 1988 and Deed of Transfer dated March 8, 1989.

As a GOCC, the Corporation is mandated under Section 3 of RA No. 7656 to declare and remit at least 50 per cent of its annual net earnings as cash, stock or property dividends to the NG. For this purpose, net earnings is defined as income derived from whatever source, whether exempt or subject to tax, net of deductions allowed under Section 29 of the National Internal Revenue Code, as amended, and income tax and other taxes paid thereon.

For CYs 2021 and 2020, the dividends due for the year amounted to P505.902 million and P780.787 million, respectively, which were recorded as "Dividends Payable" under "Other Payables" *(Note 20)* in the SFP. In CY 2021, requests for downward adjustments in dividend rates were approved by the President of the Philippines resulting in the reversal of recorded "Dividends Payable" and direct adjustment of the "Retained Earnings" by P2.195 billion.

As at December 31, 2019, P263.944 million of the retained earnings transferred from the IGLF are appropriated for the Grant for Research and Promotion of SMEs established by then IGLF Review Committee (IRC). The grant was approved under then IRC's Resolution No. 005 dated September 2, 2005. The amount was among those reclassified to paid-up capital pursuant to the confirmatory Memorandum dated May 10, 2022 of the Secretary of Finance.

21.3. Cumulative Changes in Fair Value of Investments

The account represents the net effect of unrealized gains (losses) on financial assets at FVOCI of the Corporation. Accordingly, the net unrealized fair value gains (losses) on the financial assets at FVOCI, net of deferred tax is presented as a separate item under equity. The movements in the account follow:

	2021	2020 (As Restated)
Balance, January 1	**5,595,338**	(44,348,343)
Unrealized gains (losses) for the year	**(271,660,325)**	71,348,115
Tax benefit (expense)	**84,013,829**	(21,404,434)
Balance, December 31	**(182,051,158)**	5,595,338

21.4. Capital Management

The primary capital management objectives of the Corporation are to ensure that it complies with externally imposed capital requirements and maintains a healthy capital structure that ensures its ability to continue as a going concern in order to fulfill its mandate.

The Corporation manages its capital structure in light of changes in the economic conditions and the risk characteristics of its activities. The Corporation takes into consideration future capital requirements, capital deficiency, profitability, and projected operating cash flows, expenditures and investment opportunities. No changes were made in the objectives, policies and processes as at December 31, 2021 and 2020.

The Corporation, a non-bank financial institution, is regulated by the BSP pursuant to Section 22 of PD No. 1080, as amended. Thus, BSP sets and monitors the capital requirements for the Corporation. In implementing current capital requirements, the BSP requires the Corporation to maintain a prescribed capital and ratio of qualifying capital to risk-weighted assets. Under the current framework, the Corporation is required to maintain a capital adequacy ratio (CAR) of seven per cent, five per cent of which should be Tier 1 capital by December 31, 2012.

Under existing BSP regulations, the determination of the Corporation's compliance with regulatory requirements and ratios is based on the amount of the Corporation's unimpaired capital (regulatory net worth) reported to the BSP, determined on the basis of regulatory accounting policies, which differ from PFRS in some aspects.
As at December 31, 2021 and 2020, the Corporation's regulatory capital position (in million pesos) to be reported to the BSP, follows:

	2021	2020 (As Restated)
Tier 1 capital	**23,625.639**	16,174.695

	2021	2020 (As Restated)
Tier 2 capital	**0**	0
Total qualifying capital	**23,625.639**	16,174.695
Total risk-weighted assets	**131,829.592**	134,462.245
Tier 1 capital ratio	**17.921%**	12.029%
CAR	**17.921%**	12.029%

As shown above, the Corporation has complied with the BSP capital ratio requirements as at December 31, 2021 and 2020.

Total qualifying capital and risk-weighted assets are computed based on BSP regulations. The qualifying capital of the Corporation for purposes of determining the CAR excludes unbooked valuation reserves and other capital adjustments as may be required by BSP, deferred tax asset or liability and other regulatory deductions.

On the other hand, risk assets consist of total assets after exclusion of cash on hand, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits, and other non-risk items as determined by the Monetary Board of the BSP.

22. COMMITMENTS AND CONTINGENCIES

In the normal course of operations of the Corporation, there are various outstanding commitments and contingent liabilities with amounts not reflected in the financial statements. Management does not anticipate losses from these transactions that will adversely affect the Corporation's operations.

22.1. Outstanding Guarantees

As at December 31, 2021 and 2020, the outstanding guarantees issued in favor of foreign and domestic banks and financial institutions for loans and other credit facilities extended to borrowers, follow:

	2021	2020
Housing-related guarantees	**178,900,007,410**	175,714,155,375
MSMEs and other priority sectors	**3,796,836,632**	3,077,226,586
	182,696,844,042	178,791,381,961

The provision on these outstanding guarantees recognized as "Pari-passu Payable" and "Estimated Liability for Guarantee Operations" under "Guarantee Liability" *(Note 14)* in the SFP totaled P2.325 billion and P1.548 billion as at December 31, 2021 and 2020, respectively.

For purposes of the Corporation, MSMEs are defined as any business activity or enterprise engaged in industry, agribusiness, and/or services, whether single proprietorship, cooperative, partnership or corporation whose total assets, inclusive of those arising from loans but exclusive of the land on which the particular business entity's office, plant and equipment are situated, must have value falling under the following categories:

Classification	Total Assets
Micro enterprises	Not more than P3,000,000
Small enterprises	P3,000,001 to P15,000,000
Medium enterprises	P15,000,001 to P100,000,000

Under Section 6(f) of PD No. 1080, as amended, the aggregate outstanding guarantee obligations of the Corporation shall not exceed 15 times its subscribed capital stock plus surplus. However, to simplify capital allocation and business monitoring, the BOD, in its Board Resolution No. 34, s. 2020, has adopted the maximum leverage ratio policy of 20 times based on unimpaired capital plus surplus for the Corporation's credit guarantee portfolio.

As at December 31, 2021 and 2020, the aggregate outstanding guarantee obligations of the Corporation has not exceeded both limitations as follows (in million pesos):

	Under Section 6(f) of PD No. 1080	Under Board Resolution No. 34, s. 2020
As at December 31, 2021		
Guarantee Capacity	**537,833.873**	499,559.542
Total Guarantee Obligations	**182,696.844**	182,696.844
Available capacity	**355,137.029**	316,862.698
As at December 31, 2020		
Guarantee Capacity	**495,862.023**	339,197.060
Total Guarantee Obligations	**178,791.382**	178,791.382
Available capacity	**317,070.641**	160,405.678

Further, Section 7 of RA No. 8763 mandates that the composition of housing-related guaranteed accounts shall comply with the following allocation for each type of housing package:

a. At least 40 per cent shall be allocated for socialized housing packages, or those costing P450,000 and below;

b. At least 30 per cent shall be allocated for low-cost housing packages, or those costing more than P450,000 but not to exceed P3 million;

c. At least 20 per cent shall be allocated for the medium-cost housing packages, or those costing more than P3 million but not to exceed P4 million; and

d. Not more than 10 per cent may be allocated for open housing packages, or those costing more than P4 million.

Relatedly, HUDCC Resolution Nos. 1 and 2, series of 2018, adopted a tiered price ceiling for socialized subdivision projects and socialized condominium projects and revised the current price ceiling for both the projects as follows:

Particulars	Price Ceiling
Socialized subdivision projects	
22 sqm with loft of at least 50 per cent of the base structure, or 24 sqm	480,000
24 sqm with loft of at least 50 per cent of the base structure, or 28 sqm	530,000
28 sqm with loft of at least 50 per cent of the base structure, or 32 sqm	580,000
Socialized condominium projects	
For NCR, San Jose Del Monte in Bulacan, Cainta and Antipolo in Rizal; San Pedro City in Laguna; and Carmona, Imus and Bacoor in Cavite:	
22 sqm	700,000
24 sqm	750,000
For other areas:	
22 sqm	600,000
24 sqm	650,000

Analysis of the housing-related guarantees as at December 31, 2021 and 2020 showing compliance with the mandated allocation for each housing type follows (in million pesos):

		Outstanding			Enrollment		
Housing Package	Guarantee Allocation Per Charter	Allocation Amount per Charter	Actual Amount	Percentage	Allocation Amount per Charter	Actual Amount	Percentage
As at December 31, 2021							
Socialized and low cost	Not less than 70%	**125,230**	**123,610**	**69.10%**	**33,164**	**33,733**	**71.20%**
Medium cost	Not more than 20%	**35,780**	**30,313**	**16.94%**	**9,475**	**9,120**	**19.25%**
Open housing	Not more than 10%	**17,890**	**24,977**	**13.96%**	**4,738**	**4,524**	**9.55%**
		178,900	**178,900**	**100.00%**	**47,377**	**47,377**	**100.00%**
As at December 31, 2020							
Socialized and low cost	Not less than 70%	123,000	118,556	67.47%	14,281	15,143	74.23%
Medium cost	Not more than 20%	35,143	28,431	16.18%	4,080	3,182	15.60%
Open housing	Not more than 10%	17,571	28,727	16.35%	2,040	2,076	10.17%
		175,714	175,714	100.00%	20,401	20,401	100.00%

22.2. Legal Cases

a. *SMAP-related Cases*

R-II Builders filed a Complaint for the Declaration of Nullity of the Deed of Assignment and Conveyance, Application of a Receiver, among others, (Civil Case No. Q-12-71180) against NHA and the former HGC sometime in CY 2012. Previously, the remaining assets of the SMAP were assigned and conveyed in CY 2003 by its trustee PDB to the former HGC under the assailed Deed for and in consideration of the latter’s assumption and payment of its guarantee obligations, to which R-II Builders objected to.

In an Order dated November 11, 2019, the RTC Branch 222, Quezon City granted the application for the appointment of a Receiver for the SMAP pending the resolution of the main action. The court-appointed Receiver has then taken custodia legis of the SMAP on behalf of the court.

To avoid further litigation, the Corporation, as successor-in-interest of the former HGC, and R-II Builders entered into a MOA dated February 16, 2021 essentially agreeing to settle their disputes as regards their claims on the SMAP. R-II Builders has offered, and the Corporation has accepted, to advance to the latter the amount of P4.227 billion to fully cover the former HGC's guaranty exposure and/or claims in relation to the SMAP, in exchange for the Corporation's release, waiver and quitclaim of the SMAP in favor of R-II Builders.

Under the MOA, the terms of which were incorporated by the court-appointed Receiver in his Report/Plan duly approved by the court in an Order dated July 29, 2021, the P4.277 billion shall be settled as follows:

Mode of Payment	Amount
Cash to be paid or advanced by R-II Builders through the Receiver	P2,000,000,000
Conveyance by R-II Builders through the Receiver to the Corporation of real properties of the SMAP	700,000,000
Sales and rentals of SMAP properties to third parties which were already received by the Corporation	1,000,000,000
Ten percent of the receivable of the SMAP from NHA which shall be collected directly from NHA with R-II Builders waiving right to share from the collection	577,382,945
	4,277,382,945

To fully implement the MOA, the parties are to execute various closing documents, including: (a) Deed of Rescission of the prior conveyance of SMAP properties from PDB to the former HGC; (b) Deed of Reconveyance of the SMAP properties in favor of NHA, through the court-appointed Receiver; (c) Release, Waiver and Quitclaim between the parties; and (d) Irrevocable Special Power of Attorney in favor of the court-appointed Receiver.

As at December 31, 2021, the execution of these documents remained pending as the parties await the release of the result of the appraisal of various SMAP properties.

Upon full and final implementation of the MOA, the parties shall cause the termination or dismissal of Civil Case No. Q-12-71180 and the following cases, including any subsequent appeals and/or related cases:

Case No. and Title	Court	Nature
Civil Case No. Q-09-214 *(HGC v. HCPTI and Atty. Jerome Canlas)*	RTC Branch 93, Quezon City	Mandamus re: Registration of HCPTI Shares in the name of HGC
Civil Case No. 12-855 *(HGC v. R-II Builders, Inc.*	RTC Branch 57, Makati City	Declaration of Nullity of Conveyance of HCPTI

Case No. and Title	Court	Nature
and Harbour Centre Port Holdings, Inc.)		shares by R-II Builders to HCPHI
Civil Case No. 11-623 *(HCPTI v. HGC)*	RTC, Br. 132, Makati City)	Declaratory Relief re: Cancellation of Usufruct Agreement between SMAP, through PDB, and HCPTI
CA-GR SP No. 165276 *(PHILGUARANTEE v. RTC Branch 222, Quezon City, NHA, and R-II Builders, Inc.)*	CA, Fourth Division	Petition for Certiorari re: RTC Branch 222's Order for the Appointment of Receiver
G.R. Nos. 219261 and 219281 (R-II Builders, Inc. v. HGC)	Supreme Court (SC), Third Division	Petitions for Certiorari re: RTC Branch 147's Order denying the Motions to Dismiss separately filed by R-II and HCPHI in Civil Case No. 12-855

As December 31, 2021, the book values of the SMAP properties still recognized in the books and included in these financial statements, excluding SMAP-related collections totalling P1.103 billion, which shall be ceded in favor of NHA, follow:

Particulars	Amount
HCPTI shares recorded under "Financial Assets at FVOCI" *(Note 6)*	535,236,187
Receivable from NHA recorded under "Inter-agency Receivable" *(Note 7)*	1,803,729,758
MHC lots and other properties recorded under "Investment Property" *(Note 9)*	441,718,638
	2,780,684,583

b. *PhilPhos-related Cases*

PHILGUARANTEE, then known as TIDCORP, guaranteed 90 per cent of the P3.000 billion Series A notes facility of PhilPhos with Standard Chartered Bank (SCB), Philippine Veterans Bank (PVB), United Coconut Planters Bank (UCPB), and China Banking Corporation (Chinabank) amounting to P900.000 million, P900.000 million, P450.000 million and P450.000 million, respectively.

In CY 2013, PhilPhos defaulted on its loan obligations as a result of the earthquake that hit Leyte where its plant is located causing partial shutdown of its operations coupled with the onslaught of super typhoon Yolanda that destroyed its plant. This prompted PhilPhos to file on September 17, 2015 a Petition for Voluntary Rehabilitation under the "Financial Rehabilitation and Insolvency Act (FRIA)" of 2010.

In its Commencement Order dated September 23, 2015, the RTC Branch 12, Ormoc City, declared PhilPhos under rehabilitation and appointed a Rehabilitation Receiver. Said rehabilitation case was later on transferred to RTC Branch 8, Tacloban City.

In the meantime, the four guaranteed banks filed their respective actions for specific performance against PHILGUARANTEE in the RTC, Makati City, to compel the Corporation to pay 90 per cent of the guaranteed loan as provided under the pertinent Guarantee Agreements.

(i) Status of Rehabilitation Case

In an Order dated April 16, 2018, RTC Branch 8, Tacloban City granted the Motion to Confirm the New Revised Rehabilitation Plan (NRRP) filed by PhilPhos, with the following features, among others:

- The rehabilitation period of PhilPhos is for a period of approximately 15 years from the date of confirmation by the court of the NRRP.
- Repayment period of PhilPhos' outstanding liabilities shall be 15 years, the first 10 years of which shall be the grace period and the actual repayment period of 5 years shall take place only from Years 11 to 15.
- Debt forgiveness equivalent to 50 per cent of petitioner's principal obligations to each creditor.
- Payment on the interest shall commence only on Year 5 of the rehabilitation period.
- The guarantee fee of PHILGUARANTEE will be at 2.50 per cent and will be paid starting Year 1.
- Absence of a loan for working capital and the capital expenditure build-up shall require P4.500 billion to be implemented from Years 3 to 11.

However, the CA reversed and set aside the aforesaid Order of the Rehabilitation Court approving the NRRP of PhilPhos and remanded the case for further proceedings in its Consolidated Decision dated July 29, 2021.

(ii) PVB's Claim

In its Decision dated October 22, 2020, the RTC Branch 150, Makati City, adopted the Statement of Account (SOA) submitted as evidence by the Corporation. The SOA was based on the NRRP which requires that the total outstanding liabilities of PhilPhos will be subject to debt forgiveness equivalent to 50 percent of the principal amount of the obligation.

Thus, the Court rendered judgment in favor of PVB ordering the Corporation to pay the former the amount of P478.815 million as at November 28, 2016 plus interest under the Guarantee Agreement until fully paid, among others. The MR filed by PVB has also been denied by the Court in its Order dated January 21, 2021. The judgment is now pending appeal before the CA.

(iii) UCPB's Claim

RTC Branch 148, Makati City, dismissed the case filed by UCPB on ground of lack of jurisdiction and/or lack of cause of action in its Order dated October 5, 2020, which has since then become final.

On the basis of the NRRP approved by the Rehabilitation Court and the foregoing judgment of RTC Makati City in the PVB Claim, the Corporation offered to settle UCPB's guarantee claim at 50 per cent of the principal amount of the P450.000 million guaranteed loan of PhilPhos to UCPB, i.e. P225.000 million plus the interest rates provided under the NRRP.

In its Letter dated November 3, 2021, UCPB accepted the settlement offer. However, in view of the CA Decision nullifying the approval of the NRRP, the Corporation advised UCPB that it will hold in abeyance the settlement offer and wait for the legal advice of the OGCC whether the parties can proceed with the settlement despite the lack of a duly-approved and valid Rehabilitation Plan.

On December 9, 2021, the OGCC advised in its Opinion No. 421, s. 2021, that it would be more prudent for the parties to wait for the Rehabilitation Court to approve a new Rehabilitation Plan in accordance with the CA Decision, which will become the legal basis for the settlement agreement.

(iv) Chinabank's Claim

In its Decision, the RTC Branch 132, Makati City, ruled in favor of Chinabank stating that, while PHILGUARANTEE is an ordinary guarantor, it is nevertheless liable under the Guarantee Agreement holding it liable to pay the claims of Chinabank. The Corporation filed an appeal before the CA and is now awaiting the latter's decision.

(v) SCB's Claim

In view of the inhibition of the Presiding Judge, the case was re-raffled to RTC Branch 132, Makati City, the same branch which handled and ruled in the Chinabank's claim. The Court rendered a Decision based entirely on its previous decision in the Chinabank case without trial. Thus, PHILGUARANTEE filed an MR but the Court, instead of resolving first the MR, granted the Notice of Partial Appeal of SCB. PHILGUARANTEE then filed an appeal with the CA and is waiting for its decision on the appeals.

(vi) Effects of the Nullification of the NRRP

With the nullification of the NRRP and remanding of the case to the Rehabilitation Court for further proceedings, the following could be the possible scenarios:

- The Rehabilitation Receiver may resubmit the same NRRP for approval of the Rehabilitation Court, this time after fully complying with the process laid down by the FRIA of 2010, such failure to comply previously became the basis for the CA to nullify its approval;

- The Rehabilitation Receiver may submit an entirely new Rehabilitation Plan, which may provide an even lower repayment amount and longer tenor for all obligations of PhilPhos, in view of the COVID-19 pandemic; or
- The Rehabilitation Court may convert the existing rehabilitation proceedings into liquidation proceedings.

Under the third scenario, the guaranteed banks can go after the Corporation to the extent of 90 per cent of the full amount of the guaranteed loan in accordance with the applicable Guarantee Agreements as opined by the OGCC in its Opinion No. 421, series of 2021.

In view of the above unfavorable developments, Management has recognized full provision on the entire guaranteed loans of PhilPhos less share of the Corporation in the estimated recoverable value of the collateral under the related MTI amounting to P2.272 billion as at December 31, 2021. The amount is presented as “Guarantee Liability” under “Financial Liabilities” *(Note 14)* in the SFP.

c. *Deficiency Tax Assessments and Cases*

(i) TIDCORP Deficiency Tax Assessment for Taxable Year 2011

As at December 31, 2020, the Corporation had pending contested tax assessments for deficiencies in income tax, expanded withholding tax, withholding tax on compensation and final withholding of value-added tax (VAT) for the taxable year 2011 totalling P113.921 million, including interest. Pertinent preliminary and final assessment notices were received in early CY 2015 which were disputed and protested to by the Corporation, then known as TIDCORP, before BIR Revenue District Office (RDO) No. 50 on February 11, 2015.

On September 20, 2021, the Regional Director of Revenue Region No. 8A, which has jurisdiction over RDO No. 50, issued a Final Decision on Disputed Assessment (FDDA) for revised assessments totalling P178.871 million, including interest. The Corporation no longer appealed the FDDA and settled the total revised assessments on December 24, 2021 effectively terminating the case.

(ii) IGLF Deficiency Tax Assessment for Taxable Year 2017

On April 7, 2021, the Corporation, as successor-in-interest of the IGLF, received preliminary assessment notice (PAN) from Revenue Region No. 8A – Makati City for deficiencies in income tax, expanded withholding tax, final withholding of VAT and documentary stamp tax for the taxable year 2017 totaling P14.276 million, inclusive of interest, surcharges and compromise penalty from January 6, 2018 to April 30, 2021.

A protest against these notices was filed on May 31, 2021. However, a formal letter of demand (FLD) was received on June 17, 2021 for a total tax assessment of P14.564 million, inclusive of interest, surcharges and compromise penalty from January 6, 2018 to July 20, 2021. The Corporation originally filed a request for reinvestigation on July 19, 2021 before RR No. 8A which was granted and forwarded to RDO No. 49. However, the Corporation decided to settle the assessment and paid the same on August 2, 2021, effectively terminating the case.

d. *Others*

The Corporation is a party to various suits, claims and certain tax assessments arising in the ordinary conduct of business which are either pending decision by the courts or being contested, the outcome of which are not presently determinable. In the opinion of Management and its legal counsel, the eventual liability under these lawsuits, claims and tax assessments, if any, will not have a material or adverse effect on the Corporation's financial position and results of operations.

Notably, claims of the Corporation were sustained in six suits, some of which were already issued with the corresponding writs of execution. Based on these judgments, Management has intensified the conduct of asset hunt and implementation of other strategies to recover from the concerned judgment-debtors.

To date, Management's actions were unsuccessful. Nevertheless, the Corporation continues to explore and adopt measures to enforce the final judgments and/or claims thereon. If the judgments are successfully executed, the same could redound to recoveries in an estimated amount of P83.071 million.

22.3. Credit Surety Fund Commitments

The CSF is a credit enhancement scheme developed by the BSP that aims to increase the creditworthiness of MSMEs which otherwise cannot obtain loans from banks due to their lack of acceptable collaterals, credit knowledge and credit track records. In lieu of hard collaterals, the CSF serves as security for the loans that will be obtained by qualified borrowers from lending banks by way of a surety cover.

Under RA No. 10744, or the "Credit Surety Fund Cooperative Act of 2015," the CSF, which is deposited in a trustee bank, is generated from the contributions of well-capitalized and well-managed cooperatives and non-government organizations, LGUs, GFIs and other government agencies, including then IGLF. A CSF Cooperative is established for the primary and exclusive purpose of administering the fund.

As at December 31, 2021 and 2020, the Corporation, as the successor-in-interest of the IGLF, has committed to contribute P170.296 million and P173.956 million to various CSF Cooperatives. Actual contributions in CY 2021 amounted to P3.660

million pertaining to the equity contribution to the Tacloban City CSF recognized as "Other Investments" *(Note 6)* in the SFP.

22.4. Capital Commitments

As at December 31, 2021, the Corporation has contractual commitments and obligations for the renovation of the leased office space located at BPI-Philam Life Building *(Note 11)* aggregating P76.830 million, of which P9.600 million, representing the 15 per cent mobilization fee for the contract, has been paid during the year.

22.5. Other Commitments

Apart from the foregoing significant commitments, and the Corporation's construction commitments with various counterparties under the ordinary course of business, there are other commitments and contingent liabilities that arise in the normal course of the Corporation's operations which are not reflected in the financial statements. Management is of the opinion that losses, if any, from these commitments and contingencies will not have material effects on the Corporation's financial statements, taken as a whole.

23. REVENUE

23.1. Service and Business Income

	2021	2020 (As Restated)
Guarantee income	**1,589,636,717**	1,625,191,968
Interest income	**671,268,635**	665,270,891
Lease income	**135,476,910**	180,700,152
Fines and penalties	**11,209,668**	7,133,228
Other business income	**968,610,347**	4,528,589
	3,376,202,277	2,482,824,828

As at December 31, 2021 and 2020, the guarantee fee rates for the MCGP and SCGF were 1.00 per cent and 1.25 percent to 2.50 per cent, respectively, of the guaranteed amount. Meanwhile, the guarantee fee structure expressed as a percentage of the outstanding principal for the housing-related guarantees is as follows:

	Retail		**Developmental**	
	Standard	**Bond**	**Standard**	**Bond**
Socialized housing	1.40%	1.20%	2.00%	1.25%
Low-cost housing	1.45%	1.15%	2.25%	1.50%
Medium cost housing	1.50%	1.10%	2.50%	1.75%
Open housing	1.70%	1.50%	2.75%	2.00%

Interest income earned on the various investments and deposits maintained by the Corporation as well as on its loans and other receivables, including restructured accounts, are broken down as follows:

	2021	2020 (As Restated)
Investment and deposits	**601,957,834**	582,060,670
Sales contracts receivable	**36,925,549**	21,255,921
Notes receivable	**25,141,514**	35,393,544
Lease receivable	**6,384,416**	23,801,763
Restructured loans	**795,577**	2,641,843
Loans receivable	**63,745**	117,150
	671,268,635	665,270,891

Other business income primarily consists of the impairment gain of P964.869 million recognized on the partial recovery from the subrogated claim on the defaulted WGI guarantee account which had been fully provided with allowance for ECL as at December 31, 2020 *(Note 7).*

The account also includes management fees charged for the administration of the AGFP and EC-PCG Program totalling P2.516 million and P4.148 million for CYs 2021 and 2020, respectively.

23.2. Gains

	2021	2020 (As Restated)
Gain on sale of investment property	**2,959,327**	1,699,223
Gain on foreign exchange	**2,674,973**	9,441,597
Gain on sale of property and equipment	**52,073**	0
Other gains	**37,054,723**	12,273,896
	42,741,096	23,414,716

23.3. Other Non-Operating Income

	2021	2020
Gain on debt extinguishment	**1,129,664,649**	0
Other income	**529,988**	619,496
Reversal of impairment loss	**357,277**	315,396
	1,130,551,914	934,892

The gain on debt extinguishment relates to the substantial modification of the amount due to SSS brought about by the execution of the MOA dated August 26, 2021 by and between the Corporation and the SSS (*Note 14).*

24. EXPENSES

24.1. Personnel Services

	2021	2020 (As Restated)
Salaries and wages	**132,521,734**	130,869,443
Bonus and incentives	**21,749,683**	31,762,560
Terminal pay	**15,912,105**	65,850,104
Provident Fund contributions	**15,680,986**	13,948,759
GSIS and ECC contributions	**15,073,852**	15,269,613
Representation and transportation allowance	**7,952,444**	8,500,616
PHIC contributions	**1,451,981**	1,376,940
Pag-IBIG contributions	**177,118**	192,027
Other benefits	**10,415,879**	10,853,840
	220,935,782	278,623,902

24.2. Maintenance and Other Operating Expenses

	2021	2020 (As Restated)
Traveling expenses		
Traveling expenses – local	**428,437**	644,273
Training and scholarship expenses		
Training expenses	**1,030,373**	129,021
Supplies and materials expenses		
Office supplies	**4,126,137**	2,101,094
Fuel, oil and lubricants	**3,188,582**	1,951,746
Other supplies and materials	**241,436**	160,539
	7,556,155	4,213,379
Utility expenses		
Electricity	**17,697,436**	17,192,607
Water	**476,619**	334,754
	18,174,055	17,527,361
Communication expenses		
Telephone	**4,876,358**	5,892,685
Internet subscription	**1,847,563**	1,287,156
Postage and courier services	**495,793**	169,121
	7,219,714	7,348,962
Professional services		
Other professional services	**40,909,124**	30,576,282
Consultancy services	**14,348,854**	592,200
Auditing services	**9,925,391**	10,652,481
Legal services	**95,674**	60,751
	65,279,043	41,881,714
Confidential and extraordinary expenses		
Extraordinary and miscellaneous expenses	**1,699,687**	1,687,653

	2021	2020 (As Restated)
General services		
Security services	**6,835,024**	6,156,834
Janitorial services	**4,158,946**	9,638,339
Other general services	**238,781**	366,942
	11,232,751	16,162,115
Repairs and maintenance		
Machinery and equipment	**2,737,549**	3,532,643
Transportation equipment	**2,088,074**	1,060,636
Leased asset improvements	**301,582**	484,720
Buildings and other structures	**122,941**	58,062
Investment property	**0**	107,711
	5,250,146	5,243,772
Taxes, insurance and other fees		
Taxes, duties and licenses	**122,458,598**	113,642,800
Insurance expenses	**4,650,801**	3,689,880
	127,109,399	117,332,680
Other MOOE		
Rent/Lease	**41,476,991**	45,080,326
Litigation/Acquired assets	**1,756,506**	599,498
Advertising, promotional and marketing	**980,418**	1,227,279
Representation	**156,555**	371,295
Membership dues and contributions	**144,053**	125,194
Printing and publication	**133,296**	170,879
Subscription	**36,212**	244,577
Documentary stamps	**3,763**	3,150,515
Others	**65,944,089**	137,077,261
	110,631,882	188,046,823
	355,611,642	400,217,753

The decrease in other MOOE was caused by the lower level of administrative expenses incurred on the various retail and developmental projects of the Corporation.

24.3. Financial Expenses

	2021	2020 (As Restated)
Interest and other finance charges	**323,618,959**	456,979,735
Guarantee fee	**0**	1,594,066
Bank charges	**743,501**	5,279,454
	324,362,460	463,853,255

Interest and other finance charges incurred on the various loans and other liabilities owed by the Corporation are broken down as follows:

	2021	2020 (As Restated)
Due to Treasurer of the Philippines	**73,191,217**	208,924,054
Due to SSS	**224,588,808**	198,793,808
Lease liability	**12,636,216**	15,441,058
Loans payable	**5,141,132**	33,220,890
Bonds payable and others	**8,061,586**	599,925
	323,618,959	456,979,735

The guarantee fee pertains to the amount due to the NG relative to the ROP guarantee of portions of the loans payable to the LBP amounting to P334.602 million as at December 31, 2019 *(Note 14)* which were ultimately settled in full in December 2020.

24.4. Non-cash Expenses

	2021	2020 (As Restated)
Depreciation		
ROU asset	**34,525,377**	36,332,313
Office, IT, furniture, fixtures and books	**3,325,827**	4,203,570
Buildings and other structures	**3,081,366**	3,267,716
Land improvements	**2,039,979**	1,961,162
Transportation equipment	**1,556,334**	1,833,913
Investment property	**974,321**	1,792,210
Leasehold improvements	**455,611**	261,388
	45,958,815	49,652,272
Amortization		
Intangible assets	**36,547,200**	28,042,313
Impairment loss		
Loans, receivables and guarantees	**1,168,502,202**	935,991,967
Investment property	**683,414**	0
Other assets	**5,898,168**	1,326,629
	1,175,083,784	937,318,596
Losses		
Foreign exchange losses	**191,399,028**	136,609
Loss on sale of assets	**27,127**	35,758,695
Loss on guarantee	**0**	21,109,930
	191,426,155	57,005,234
	1,449,015,954	1,072,018,415

24.5. Allocated Expenses

The reported expenses above are net of the amounts allocated to the various funds under trust and/or administration of the Corporation pursuant to the Board-approved "Costs/Expenses Allocation Policy for Administered/Managed Funds and Programs," as follows:

	AKPF	AGFP	Total
For CY 2021			
Personnel services	**13,409,360**	**19,612,956**	**33,022,316**
MOOE	**11,216,008**	**9,507,762**	**20,723,770**
Non-cash expenses	**2,886,257**	**0**	**2,886,257**
	27,511,625	**29,120,718**	**56,632,343**
For CY 2020			
Personnel services	12,927,848	2,145,149	15,072,997
MOOE	9,759,371	29,884,360	39,643,731
Non-cash expenses	626,842	0	626,842
	23,314,061	32,029,509	55,343,570

For AGFP, the allocation of personnel services cost is computed based on specific costs directly identified with the Fund Pool. Thus, the salaries and other benefits of all personnel in the Agricultural Guarantee Group and Agriculture Guarantee Claims Division, both of PHILGUARANTEE, are charged against the Fund Pool. The Fund Pool is also charged with rent of P49,000 per month and with the cost of COA audit prorated using the asset ratio based on prior year's annual audit reports on PHILGUARANTEE and the Fund Pool.

For AKPF, the allocation of the trustee's cost of personnel services and MOOE, except taxes, financial expenses and project expenses, i.e. litigation and acquired assets expenses, is computed by using the asset ratio based on the prior year's COA Annual Audit Reports on AKPF and PHILGUARANTEE. The trustee shall continue to allocate costs/expenses of not more than one percent of the net assets of the Fund based on the historical level of costs/expenses allocated by the former HGC to the Fund. This is lower than the three percent of the Fund assets of the previous year allowed under Section 7 of RA No. 6846.

25. INCOME TAXES

On March 26, 2021, RA No. 11534, Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, as amended, was signed into law and shall be effective beginning July 1, 2020. The major changes brought about by the CREATE Act that are relevant to and considered by the Corporation follow:

a. The Corporation is subject to lower regular corporate income tax (RCIT) rate of 25 per cent effective July 1, 2020. The RCIT was reduced from 30 per cent.

b. Minimum corporate income tax (MCIT) was reduced from two percent to one percent starting July 1, 2020 until June 30, 2023; and

c. Effective July 1, 2020, the allowable deduction for interest expense is reduced from 33 per cent to 20 per cent of the interest income subjected to final tax.

Based on the provisions of Revenue Regulations (RR) No. 5-2021 dated April 8, 2021 issued by the BIR, the pro-rated RCIT of the Corporation for CY 2021 is 27.50 per cent. This will result in a lower provision for current income tax for CY 2020. However, for financial reporting purposes, the changes are recognized in the CY 2021 financial statements.

In CY 2021, this also resulted in the write-down of the deferred tax assets and liabilities of the Corporation recognized as at December 31, 2020. This is recognized as a provision for income tax in the CY 2021 financial statements.

The components of income tax expense as reported in profit or loss and OCI in the SCI are as follows:

	2021	2020 (As Restated)
Reported in profit or loss		
Current tax expense (income):		
RCIT at 25% in CY 2021 and 30% in CY 2020	**422,102,937**	(38,280,891)
Adjustment in CY 2020 RCIT due to change in income tax rate	**0**	(176,441,894)
Final tax at 20% and 7.50%	**137,640,970**	140,604,229
	559,743,907	(74,118,556)
Deferred tax expense (income) on origination and reversal of temporary differences	**143,171,091**	(79,572,802)
	702,914,998	(153,691,358)
Reported in OCI		
Deferred tax expense (income) on origination and reversal of temporary differences	**84,013,829**	(21,404,434)

A reconciliation of tax on pre-tax profit computed at the applicable statutory rates to tax expense reported in the SCI is as follows:

	2021	2020 (As Restated)
Tax on pre-tax profit at 25% in CY 2021 and 30% in CY 2020	**549,892,363**	87,738,333
Adjustment for income subjected to lower tax rates	**(159,736,782)**	(157,524,030)
Tax effects of non-deductible interest expense	**31,947,356**	31,504,806
	422,102,937	(38,280,891)

The net deferred tax assets and net deferred tax liabilities recognized in the SFP as at December 31, 2021 and 2020 relate to the following:

	2021	2020 (As Restated)
Deferred tax assets		
Bad debts	**671,504,403**	543,970,999
Impairment losses	**692,103,996**	174,109,534
Net operating loss carry-over (NOLCO)	**0**	33,402,305
Accrued expenses	**86,087,653**	201,602,573
Unrealized foreign currency losses	**119,556**	131,372
Unrealized losses on financial assets at FVOCI	**84,573,679**	8,262,581

	2021	2020 (As Restated)
	1,534,389,287	961,479,364
Deferred tax liabilities		
Accrued lease income	**122,680,053**	148,563,975
Other accrued income	**36,137,068**	41,092,679
Unrealized gains on financial assets at FVOCI	**2,957,851**	10,641,354
Unrealized foreign currency gains	**6,011,417**	6,022,494
Gain on debt extinguishment	**117,696,157**	0
	285,482,546	206,320,502

The deferred tax expense (income) recognized in the SCI for the years ended December 31, 2021 and 2020 relate to the following:

	2021	2020 (As Restated)
Reported in profit or loss		
Bad debts	**228,104,122**	(143,247,435)
Impairment losses	**71,378,609**	16,799,687
Accrued expenses	**47,849,757**	11,733,021
Accrued income	**0**	11,300,219
NOLCO	**(33,402,305)**	0
Gain on debt extinguishment	**117,696,158**	0
Unrealized foreign current gains (losses)	**28,490**	5,960,937
Accrued lease income	**(1,123,259)**	2,483,992
Other accrued income	**0**	14,992,181
Prepaid expenses	**0**	404,596
Effect of CREATE Act	**(287,360,481)**	0
	143,171,091	(79,572,802)
Reported in OCI		
Unrealized gains (losses) on financial assets at FVOCI	**84,013,929**	(21,404,434)
	84,013,929	(21,404,434)

As at December 31, 2021 and 2020, the Corporation has recognized all its deferred tax assets in the SFP since Management believes that sufficient taxable profits in the future will be available against which the Corporation's deductible temporary differences, NOLCO and other tax credits can be utilized.

The Corporation is subject to the MCIT which is computed at two per cent (or one per cent starting July 1, 2020 until June 30, 2023) of gross income net of allowable deductions, as defined under the tax regulations, or RCIT, whichever is higher. No MCIT was reported in CYs 2021 and 2020 as the RCIT was higher than MCIT in both years.

In CY 2021 and CY 2020, the Corporation claimed itemized deductions in computing for its income tax due.

Upon effectivity of the merger, deferred tax assets and deferred tax liabilities of the former HGC amounting to P194.117 million and P23.497 million, respectively, as at August 31, 2019 were transferred to the Corporation.

Details of the Corporation's NOLCO, which can be claimed as deduction from future taxable income within three years from the year the taxable loss was incurred are as follow:

Net Operating Loss Carryover				
Year Incurred	**Amount**	**Used/Expired**	**Balance**	**Expiry Year**
2018	107,364,355	107,364,355	0	2021
2017	59,437,455	59,437,455	0	2020
	166,801,810	**166,801,810**	**0**	

26. RELATED PARTY TRANSACTIONS

As at December 31, 2021 and 2020, the Corporation had no related party transactions, except those transactions with key management personnel which the Corporation deems to be its senior officers and the funds under its trust and/or administration when it acts in a capacity other than as trustee and/or administrator, as follows:

26.1. Conveyance of AKPF Properties to SSS

In CY 2009, acquired lots owned by AKFP located at the MHC in Tondo, Manila were assigned and conveyed to the SSS as partial settlement of the former HGC's unpaid guaranty obligations to SSS. The non-interest bearing receivable of AKFP from the former HGC representing the transfer value of said lots of P381.531 million has been outstanding to date and is recorded under current "Trust Liabilities" *(Note 17*) by the Corporation.

26.2. Lease Receivable under Car Plan

The BOD of TIDCORP approved on March 11, 1999, under Board Resolution No. 1211, the institution of a Car Fund to finance the acquisition of brand-new motor vehicles for lease or sale to eligible officers in line with the Motor Vehicle Lease-Purchase Plan (MVLPP) for GFI officials duly approved by the President of the Philippines on July 20, 1992.

Likewise, pursuant to the MVLPP for GFI officials, the BOD of the former HGC (then known as the Home Insurance Guaranty Corporation) approved the implementation of a Car Plan for its officers. In CY 2009, the former HGC issued the Omnibus Implementing Guidelines for the MVLPP for HGC Officers shortening the repayment period from 10 years to 5 years and entitling the officers a 50 per cent subsidy of the cost of motor vehicles.

However, COA disallowed the amended MVLPP in CY 2010 which, after appeals by the persons liable thereon, was affirmed with finality by the Supreme Court (SC) in GR No. 232569. COA issued therefor Notice of Finality of Decision No. 2018-269 dated July 3, 2018.

For CYs 2021 and 2020, transactions involving the Car Plans recorded under "Finance Lease Receivable" *(Note 7)* follow:

	2021	2020
Balance, January 1	**17,702,146**	21,442,160
Availments during the year	**998,000**	0
Payments	**(2,746,162)**	(3,740,014)
Balance, December 31	**15,953,984**	17,702,146

26.3. Compensation of Key Management Personnel

	2021	2020 (As Restated)
Basic salary	**132,521,734**	130,869,443
Other compensation	**38,811,482**	49,787,643
Personnel benefit contributions	**32,383,936**	30,787,340
Other personnel benefits	**17,218,630**	67,179,476
	220,935,782	278,623,902

27. FAIR VALUE MEASUREMENT AND DISCLOSURES

The following table provides the fair value hierarchy of the Corporation's assets measured at fair value:

	Carrying Amount	**Fair Value**			
		Total	**Level 1**	**Level 2**	**Level 3**
At December 31, 2021					
Financial assets at FVOCI:					
Treasury bonds	12,697,865,609	12,697,865,609	12,697,865,609	0	0
HCPTI shares	535,236,187	535,236,187	0	0	535,236,187
NADECOR shares	785,206	785,206	0	0	785,206
Club shares	617,500	617,500	0	0	617,500
	13,234,504,502	**13,234,504,502**	**12,697,865,609**	**0**	**536,638,893**
At December 31, 2020					
Financial Assets at FVOCI:					
Treasury bonds	3,240,901,868	3,240,901,868	3,240,901,868	0	0
HCPTI shares	535,236,187	535,236,187	0	0	535,236,187
NADECOR shares	6,683,375	6,683,375	0	0	6,683,375
Club shares	1,235,000	1,235,000	0	0	1,235,000
	3,784,056,430	**3,784,056,430**	**3,240,901,868**	**0**	**543,154,562**

The Corporation has no financial liabilities measured at fair value as at December 31, 2021 and 2020.

28. EVENTS AFTER THE REPORTING PERIOD

28.1. HGC Deficiency Tax Assessment for Taxable Year 2018

On May 17, 2022, the Corporation, as successor-in-interest of the former HGC, received PAN from Revenue Region No. 8A – Makati City for deficiencies in income tax, percentage tax and expanded withholding tax for the taxable year 2018 totaling P591.939 million, inclusive of interest. A protest against the PAN was filed on July 1, 2022. Nonetheless, the Corporation settled the revised total assessments of P168.123 million on June 30, 2022 to avoid incurrence of further interests.

28.2. Partial Settlement of the Obligation Due to SSS

In compliance with the DOJ-approved MOA, the Corporation partially settled for P1.547 billion of the amount due to SSS *(Note 14)* on January 12, 2022 under the following agreed modes of payment:

Mode of Payment	Principal	Accrued Interest	Total
Cash payment	1,100,000,000	23,858,934	**1,123,858,934**
Deferred cash payment	100,000,000	17,993,151	**117,993,151**
Issuance of debenture bonds	200,000,000	105,994,287	**305,994,287**
	1,400,000,000	147,846,372	**1,547,846,372**

On July 1, 2022, another P46.845 million was paid to SSS representing the interest from January 13 to even date under the deferred cash payment and issuance of debenture bonds modes of payment.

28.3. Remittance of CY 2021 Dividends

The dividends due for CY 2021 of P505.902 million presented under "Other Payables" *(Note 20)* was remitted in two tranches to the NG, through the BTr, on April 21, 2022 and May 17, 2022 in the amount of P193.655 million and P312.247 million, respectively.

28.4. COA Disallowances

The SC issued a Resolution dated March 1, 2022 on GR No. 253584 *(Armando L. Suratos, et al. v. Commission on Audit)* dismissing the Petition for Certiorari of COA Resolution No. 2020-177 dated January 29, 2020 which denied the MR of COA Decision No. 2019-001 dated January 30, 2019. Petitioners have filed an MR of said SC Resolution.

COA Decision No. 2019-001 upheld COA-CGS Cluster 2 Decision No. 2015-021 dated October 7, 2015 which affirmed Notice of Disallowance (ND) No. 2012-001 dated July 13, 2012 on the grant of benefits to ex officio members of the BOD and their alternates, for the period of January 1, 2005 to December 31, 2010, in the aggregate amount of P4.540 million.

Meanwhile, COA issued Notice of Finality of Decision (NFD) No. 2022-096 dated April 29, 2022 informing that the decision of the Commission Proper denying the

MR of COA Decision No. 2019-266 dated June 25, 2019 has become final and executory, pursuant to Section 9, Rule X of the 2009 Rules of Procedure of COA, as amended. Accordingly, the persons liable shall settle the disallowed amount immediately and the corresponding receivable shall be recorded in the books.

COA Decision No. 2019-266 upheld COA-CGS Cluster 2 Decision No. 2015-022 dated October 9, 2015 which affirmed Notice of Disallowance (ND) No. 2012-003 dated August 28, 2012 on the compensation paid to a former ex-officio member of the BOD for his services as member of its then Marketing and Oversight Committee totalling P260,000.

29. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of the Corporation's liabilities arising from financing activities, excluding lease liabilities which are disclosed in Note 15, follows:

	2020	Availments	Payments	Others	2021
Loans payable	**130,897,853**	**0**	**(43,633,331)**	**0**	**87,264,522**
Due to Treasurer of the Philippines	**7,041,592,654**	**0**	**(4,000,000,000)**	**0**	**3,041,592,654**
Bonds payable	**11,364,624**	**2,671,132,834**	**0**	**0**	**2,682,497,458**
Dividends payable	**2,195,273,197**	**505,902,486**	**0**	**(2,195,273,197)**	**505,902,486**
Interest payable	**1,326,907,110**	**0**	**(1,406,736,563)**	**238,449,594**	**158,620,141**
	10,706,035,438	**3,177,035,320**	**(5,450,369,894)**	**(1,956,823,603)**	**6,475,877,261**

	2019	Availments	Payments	Others	2020
Loans payable	907,586,809	0	(776,688,956)	0	130,897,853
Due to Treasurer of the Philippines	7,041,592,654	0	0	0	7,041,592,654
Bonds payable	9,959,112	3,790,369	(2,384,857)	0	11,364,624
Dividends payable	1,414,486,000	0	0	780,787,197	2,195,273,197
Interest payable	1,124,161,782	0	(38,502,918)	241,248,246	1,326,907,110
	10,497,786,357	3,790,369	(817,576,731)	1,022,035,443	10,706,035,438

Others refer to non-cash changes including the effects of accrual of dividends, amortization of discount (premium) and accrual of interest.

30. RESTATEMENTS AND PRIOR PERIOD ERRORS

The following are the relevant analyses of the effects of the restatements on assets, liabilities and equity components of the Corporation's financial statements:

	As Reported, 12/31/2020	Adjustments	As Restated, 12/31/2020
Current assets			
Cash and cash equivalents	1,954,343,888	(55,405)	1,954,288,483
Financial assets at FVOCI	1,741,721,747	(527,955,379)	1,213,766,368
Investment securities at amortized cost	15,324,196,165	(1,498,785,208)	13,825,410,957
Receivables, net	2,385,037,329	441,305,203	2,826,342,532

	As Reported, 12/31/2020	Adjustments	As Restated, 12/31/2020
Other assets	65,037,057	(6,562,709)	58,474,348
Non-current assets			
Financial assets at FVOCI	535,853,687	2,034,436,375	2,570,290,062
Investment in sinking fund	1,449,371,518	(6,683,375)	1,442,688,143
Receivables, net	6,494,689,831	(519,883,059)	5,974,806,772
Investment property	12,643,100,972	(2,573,171,214)	10,069,929,758
Property and equipment, net	232,894,214	(138,092,410)	94,801,804
Right-of-use assets, net	-	138,982,839	138,982,839
Intangible assets	759,664	940,986,881	941,746,545
Deferred tax assets	1,890,172,868	(928,693,504)	961,479,364
Funds under trust and/or administration	11,664,895,776	385,909,652	12,050,805,428
Other assets	48,375,117	555,557	48,930,674
	56,430,449,833	**(2,257,705,756)**	**54,172,744,077**
Current liabilities			
Financial liabilities	8,943,870,951	30,417,754	8,974,288,705
Lease liability	0	30,947,491	30,947,491
Inter-agency payables	301,843,453	(79,440,410)	222,403,043
Trust liabilities	768,210,637	1,214,559	769,425,196
Deferred credits/Unearned income	139,751,893	(13,950,571)	125,801,322
Other payables	5,445,350,553	151,871,254	5,597,221,807
Non-current liabilities			
Financial liabilities	211,219,690	(112,348,241)	98,871,449
Lease liability	0	118,032,147	118,032,147
Trust liabilities	11,683,506,253	385,909,652	12,069,415,905
Deferred credits/Unearned income	2,058,734,491	(127,791,616)	1,930,942,875
Deferred tax liabilities	203,134,895	3,185,607	206,320,502
Equity			
Government equity	27,873,203,417	5,999,182,137	33,872,385,554
Retained Earnings (Deficit)	(8,567,135,521)	(8,380,991,622)	(16,948,127,143)
Surplus reserves	263,943,897	(263,943,897)	-
	49,325,634,609	**(2,257,705,756)**	**47,067,928,853**
Revenue			
Service and business income	2,453,552,402	29,272,426	2,482,824,828
Gains	13,973,118	9,441,598	23,414,716
	2,467,525,520	**38,714,024**	**2,506,239,544**
Expenses			
Personnel services	230,240,946	48,382,956	278,623,902
MOOE	377,724,273	22,493,480	400,217,753
Financial expenses	467,061,442	(3,208,187)	463,853,255
Non-cash expenses	676,841,039	395,177,376	1,072,018,415
Income tax expense	229,562,819	(303,681,375)	(74,118,556)
	1,981,430,519	**159,164,250**	**2,140,594,769**

31. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Presented in the succeeding pages is the supplementary information required by the BIR under RR No. 15-2010 to be disclosed as part of the notes to the financial statements. This supplementary information on taxes, duties and license fees paid or accrued during the taxable year is not a required disclosure under PFRSs.

31.1. Income, Final, Gross Receipts and Fringe Benefits Taxes

For CYs 2021 and 2020, the Corporation paid or accrued a total amount of P466.648 million and P591.654 million, respectively, for income, final investment income, gross receipts, and fringe benefit taxes, as follows:

	2021	2020 (As Restated)
Income tax	**208,326,771**	371,410,043
Final investment income tax	**134,315,526**	117,415,343
Gross receipts tax (GRT)	**123,966,413**	102,810,515
Fringe benefit tax	**38,910**	17,945
	466,647,620	591,653,846

In lieu of VAT, the Corporation is subject to the GRT imposed on all banks and non-bank financial intermediaries pursuant to Sections 121 and 122 of the Tax Code. The GRT paid during the taxable year is presented as part of “Taxes, Duties and Licenses” under MOOE in the SCI.

31.2. Documentary Stamp Taxes

Documentary stamp taxes remitted or paid in CYs 2021 and 2020 pertaining to loan instruments executed with clients and with banks for corporate borrowings amounted to P3,763 and P2.932 million, respectively.

31.3. Taxes and Licenses

The details of the taxes and licenses account are broken down as follows:

	2021	2020 (As Restated)
GRT	**122,295,440**	113,505,075
Fringe benefit tax	**38,910**	17,945
Municipal licenses and permits	**10,500**	10,500
Real estate taxes and others	**113,748**	109,280
	122,458,598	113,642,800

31.4. Withholding Taxes

The details of total withholding taxes for the year ended December 31, 2021 and 2020 are broken down as follows:

	2021	2020
Compensation and benefits	**26,451,123**	26,605,370
Expanded withholding taxes	**6,433,739**	6,379,866
Government money payments	**9,846,654**	9,105,381

	2021	2020
	42,731,516	42,090,617

The Corporation has no income payments subject to final withholding tax for CYs 2021 and 2020.

31.5. Tax Assessments and Cases

As at December 31, 2021, the Corporation does not have any final deficiency tax assessments from the BIR nor does it have tax cases outstanding or pending in courts or bodies outside of the BIR in any of the open years. Deficiency tax assessments previously issued to the Corporation were already settled and terminated as of even date, to wit:

a. TIDCORP's income tax, expanded withholding tax, withholding tax on compensation and final withholding of VAT for the taxable year 2011 totalling P178.871 million, including interest; and

b. IGLF's income tax, expanded withholding tax, final withholding of VAT and documentary stamp tax for the taxable year 2017 totalling P14.564 million, inclusive of interest, surcharges and compromise penalty.

On the other hand, the Corporation has two pending requests for tax refund and/or credit before the BIR. On September 30, 2014, the Corporation, then known as TIDCORP, requested for tax refund or credit before RDO No. 50 of the P3.354 million excess of the accumulated VAT refunded to clients over its GRT remittances for March to May 2004 pursuant to RMC No. 9-2004 dated February 19, 2004 and RR No. 9-2004 dated June 21, 2004. The BIR has not decided on the request despite the Corporation's two follow-up letters dated November 4, 2016 and March 8, 2018.

Moreover, the Corporation, as successor-in-interest of the former HGC, has a pending request for tax credit in the amount of P50 million before RDO No. 49 which was filed on December 28, 2007. The amount pertains to erroneously paid creditable withholding and documentary tax assessments on the assignment and conveyance of 105 lots of the SMAP to the former HGC, pursuant to the Deed of Assignment and Conveyance executed by and between the former HGC and PDB, as Trustee of the SMAP.

The Corporation has submitted on September 20, 2021 the additional required documents to the Legal Service of the BIR to facilitate the processing of the tax refund.