REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Corporate Government Sector
Cluster 2 – Social Security Services and Housing

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF TRUSTEES
Home Development Mutual Fund
Petron Mega Plaza
358 Senator Gil J. Puyat Avenue
Makati City

Report on the Financial Statements

We have audited the accompanying financial statements of Home Development Mutual Fund (Pag-IBIG Fund), which comprise the statement of financial position as of December 31, 2014, and the statement of comprehensive income, statement of changes in net worth and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements presented fairly, in all material respects, the financial position of the Home Development Mutual Fund (Pag-IBIG Fund) as of December 31, 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations 19-2011 and 15-2010

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 and 19-2011 in Note 37 to financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of the management of HDMF. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly presented in all material respects, in relation to the basic financial statements taken as a whole.

COMMISSION ON AUDIT

Atty. RESURRECION C. QUIETA
Supervising Auditor

20 May 2015

Pag-IBIG FUND
(Home Development Mutual Fund)

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of Pag-IBIG Fund (Home Development Mutual Fund) is responsible for the preparation and fair presentation of the financial statements for the year ended December 31, 2014 in conformity with generally accepted accounting principles in the Philippines and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, Management maintains a systems of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized.

The Board of Trustees reviews and approves the financial statements.

The Commission on Audit, through its authorized representative, has examined the financial statements of the Fund pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 28 of the Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines. The audit was conducted in accordance with International Standards on Auditing and the auditor has expressed its opinion on the fairness of presentation upon completion of such examination in its report to the members of the board.

YOLANDA L. ESPINAS
Vice President
Finance Group

EMMA LINDA B. FARIA
Deputy Chief Executive Officer
Support Services Cluster

ATTY. DARLENE MARIE B. BERBERABE
Chief Executive Officer

HOME DEVELOPMENT MUTUAL FUND
(Pag-IBIG Fund)
STATEMENT OF FINANCIAL POSITION
December 31, 2014
With Comparative Figures for 2013
(In Philippine Peso)

	Note	2014	2013 (As Restated)
ASSETS			
Current Assets			
Cash and cash equivalents	4	9,657,251,996	5,136,077,576
Held for trading	5	-	10,439,248,148
Loans and receivables, current portion - net	6	107,264,587,331	102,488,292,970
Non - current assets held for sale	7	1,303,566,084	-
Other current assets	8	244,609,317	154,806,406
		118,470,014,728	118,218,425,100
Non-current Assets			
Available-for-sale	9	49,841,759,354	31,105,230,156
Loans and receivables, non-current portion -net	10	194,159,172,354	181,638,283,835
Investment properties	11	13,671,132,704	11,707,132,539
Property and equipment - net	12	1,187,255,921	1,195,169,794
Intangible assets - net	13	271,005,886	131,472,514
Other assets	14	1,648,086,489	678,355,927
		260,778,412,708	226,455,644,765
TOTAL ASSETS		**379,248,427,436**	**344,674,069,865**
LIABILITIES AND NET WORTH			
Current Liabilities			
Current portion of members' equity	15	12,146,925,264	13,361,575,440
Accounts payable and accrued expenses	16	13,465,549,559	10,542,791,228
Bonds payable	17	11,981,200,124	-
Other current liabilities	18	5,729,402,716	3,601,410,414
		43,323,077,663	**27,505,777,082**
Non-current Liabilities			
Loans payable		-	5,000,000,000
Bonds payable		-	11,871,108,771
Other non-current liabilities	19	18,129,808,078	18,217,896,100
		18,129,808,078	**35,089,004,871**
TOTAL LIABILITIES		**61,452,885,741**	**62,594,781,953**
NET WORTH		**317,795,541,695**	**282,079,287,912**
TOTAL LIABILITIES AND NET WORTH		**379,248,427,436**	**344,674,069,865**

The notes on pages 8 to 38 form part of these Financial Statements.

HOME DEVELOPMENT MUTUAL FUND
(Pag-IBIG Fund)
STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended December 31, 2014
With Comparative Figures for 2013
(In Philippine Peso)

	Note	2014	2013 (As Restated)
INTEREST INCOME			
Loans and receivables	20	23,426,604,593	23,264,725,760
Trading and investment securities	21	2,184,309,673	2,166,628,872
Deposits with banks and others	22	59,908,337	34,836,231
		25,670,822,603	**25,466,190,863**
INTEREST EXPENSE			
Bonds payable	23	710,091,354	698,089,854
Loans payable	23	34,889,403	237,500,000
		744,980,757	**935,589,854**
NET INTEREST INCOME		**24,925,841,846**	**24,530,601,009**
OTHER INCOME			
Service fees	24	1,917,618,614	2,582,424,190
Trading and investment securities gains - net	25	1,090,763,670	293,564,110
Foreign exchange gains – net	26	21,182,085	243,882,855
Miscellaneous	27	1,997,235,697	857,664,047
		5,026,800,066	**3,977,535,202**
TOTAL OPERATING INCOME		**29,952,641,912**	**28,508,136,211**
OTHER EXPENSES			
Provision for impairment and other losses	29	5,626,106,791	6,249,289,331
Compensation and fringe benefits	28	3,782,311,786	3,522,198,564
Occupancy and equipment-related costs	31	639,997,485	600,221,336
Foreclosure and acquired asset management costs	30	430,439,598	382,558,670
Depreciation and amortization	29	227,849,635	230,342,620
Miscellaneous	32	3,018,641,852	3,077,928,080
TOTAL OPERATING EXPENSES		**13,725,347,147**	**14,062,538,601**
NET INCOME FOR THE YEAR		**16,227,294,765**	**14,445,597,610**
OTHER COMPREHENSIVE INCOME GAIN/(LOSS)			
Net unrealized gains (losses) on Available- for- sale investments		4,153,846,570	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**20,381,141,335**	**14,445,597,610**

The notes on pages 8 to 38 form part of these Financial Statements.

HOME DEVELOPMENT MUTUAL FUND
(Pag-IBIG Fund)
STATEMENT OF CHANGES IN NET WORTH
For the Year Ended December 31, 2014
With Comparative Figures for 2013
(In Philippine Peso)

	Note	**Members' Equity**	**Reserve for Losses**	**Donated Surplus**	**Retained Earnings**	**Total Net Worth**
		(33)	(34)	(35)	(36)	
January 1, 2013		219,798,281,640	163,411,503	250,890	35,905,294,252	255,867,238,285
Collections		26,289,915,473	-	-	-	26,289,915,473
Dividends		9,276,956,830	-	-	(9,276,956,830)	-
Comprehensive income		-	-	-	14,445,597,610	14,445,597,610
Net movement of HFC/Unclaimed savings/correction of prior years' errors		-	430,096	-	375,868,841	376,298,937
Reserve for future claims					52,477,736	52,477,736
Provident claims/ TAV offsetting		(12,195,637,713)	-	-	-	(12,195,637,713)
Projected 20-year maturing TAVs reclassified to accounts payable-members		(2,756,602,416)	-	-	-	(2,756,602,416)
December 31, 2013 (As Restated)		**240,412,913,814**	**163,841,599**	**250,890**	**41,502,281,609**	**282,079,287,912**
January 1, 2014		240,412,913,814	163,841,599	250,890	41,502,281,609	282,079,287,912
Collections		28,022,285,272	-	-	-	28,022,285,272
Dividends		10,105,833,048	-	-	(10,105,833,048)	-
Comprehensive income		-	-	-	20,381,141,335	20,381,141,335
Net movement of HFC/Unclaimed savings/correction of prior years' errors		-	(163,841,599)	-	(81,408,804)	(245,250,403)
Reserve for future claims					62,034,895	62,034,895
Provident claims/ TAV offsetting		(13,718,607,492)	-	-	-	(13,718,607,492)
Projected 20-year maturing TAVs reverted to Members' Equity		1,214,650,176	-	-	-	1,214,650,176
December 31, 2014		**266,037,074,818**	**-**	**250,890**	**51,758,215,987**	**317,795,541,695**

The notes on pages 8 to 38 form part of these Financial Statements.

HOME DEVELOPMENT MUTUAL FUND
(Pag-IBIG Fund)
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2014
With Comparative Figures for 2013
(In Philippine Peso)

	Note	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from matured time deposits		106,569,511,523	86,197,481,808
Loan repayment - short-term loans		44,178,619,163	45,218,629,186
Loan repayment - end user loans		31,511,748,178	28,525,701,345
Proceeds from matured unquoted debt securities classified as loans		1,110,524,519	172,097,939
Cash receipts from customers and employees		780,918,788	1,373,255,945
Loan repayment - institutional loans		692,247,848	1,313,634,551
Placement of time deposit		(106,582,132,629)	(85,910,818,102)
Loan releases - short-term loans		(39,348,227,028)	(42,754,234,097)
Loan releases - end user loans		(38,219,406,084)	(32,511,279,393)
Cash paid to suppliers and employees		(8,662,059,746)	(9,322,006,240)
Interest paid		(674,923,332)	(837,518,460)
Loan releases - institutional loans		(590,560,654)	(724,463,977)
Net cash used in operating activities		(9,233,739,454)	(9,259,519,495)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of available-for-sale investments		1,796,621,592	3,921,224,557
Proceeds from sale of held for trading investments		491,035,112	2,095,194,040
Proceeds from disposal of investment property		219,731,022	160,788,431
Proceeds from redemptions		54,227,996	54,847,613
Dividends received		377,827	1,314,121
Proceeds from disposal of property and equipment		208,584	15,000
Acquisition/rollover of available-for-sale investments		(3,896,501,699)	(8,294,674,906)
Acquisition of intangible assets		(195,893,737)	(27,331,733)
Acquisition of property and equipment		(149,551,777)	(116,191,890)
Acquisition of held for trading investments		-	(7,407,419,809)
Net cash used in investing activities		(1,679,745,080)	(9,612,234,576)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from members' contributions		28,340,504,725	26,705,029,370
Provident benefit claims		(7,901,199,323)	(6,815,374,537)
Repayment of long - term borrowings		(5,000,000,000)	-
Net cash generated by financing activities		15,439,305,402	19,889,654,833
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		4,525,820,868	1,017,900,762
Effects of exchange rate changes on the balance of cash held in foreign currencies		(4,646,448)	3,634,683
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		5,136,077,576	4,114,542,131
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	**9,657,251,996**	**5,136,077,576**

The notes on pages 8 to 38 form part of these Financial Statements.

HOME DEVELOPMENT MUTUAL FUND
(Pag-IBIG Fund)
NOTES TO FINANCIAL STATEMENTS
(All amounts in Philippine Peso)

1. CORPORATE INFORMATION

The Home Development Mutual Fund (HDMF), also known as the Pag-IBIG Fund, or the Fund, was created on June 11, 1978 by virtue of Presidential Decree (PD) No. 1530 to address two of the country's basic needs: generation of savings and provision of shelter for the Filipino workers.

Under this decree, two agencies administered Pag-IBIG Fund namely: (a) Social Security System (SSS) for the funds from private employees and (b) Government Service Insurance System (GSIS) for the funds from government workers. To meet the urgent need to consolidate all long-term, low-interest housing funds under the administration of a single agency to support the National Shelter Program of the then Ministry of Human Settlements, Executive Order (EO) No. 527 was issued on March 1, 1979, transferring the administration of Pag-IBIG Fund to National Home Mortgage Finance Corporation (NHMFC). As such, NHMFC took care of the administration, custody, disposal and utilization of the funds, including the authority to promulgate implementing rules and regulations pertaining to the aforesaid functions. On June 4, 1979, EO No. 538 was issued merging the two funds into what is now known as Pag-IBIG Fund, which stands for Pagtutulungan sa Kinabukasan: Ikaw, Bangko, Industriya at Gobyerno. It remained under the administration of the NHMFC until PD No. 1530 was amended by PD No. 1752 on December 14, 1980, making it an independent corporation with its own Board of Trustees.

Shortly after the administration of President Corazon C. Aquino, Pag-IBIG contributions were suspended from May to July 1986. However, on August 1, 1986, former President Aquino issued EO No. 35 directing the resumption of mandatory Pag-IBIG membership under more liberal terms. The contribution rate was reduced from three per cent to one per cent of fund salary for employees earning over P1,500. Employer share was cut from three per cent to a fixed rate of two per cent while the maximum fund salary was raised from P3,000 to P5,000.

January 1, 1987 marked the return of Pag-IBIG membership to a voluntary program under EO No. 90. The next eight years witnessed the growth of Pag-IBIG Fund as a voluntary fund. On June 17, 1994, then President Fidel V. Ramos signed Republic Act (RA) No. 7742, which reverted Pag-IBIG membership to mandatory effective January 1, 1995.

On July 21, 2009, then President Gloria Macapagal-Arroyo signed into law RA No. 9679, otherwise known as the "Home Development Mutual Fund Law of 2009". The new law and its Implementing Rules and Regulations (IRR) took effect on August 27, 2009 and November 3, 2009, respectively. It repealed PD Nos. 1530 and 1752 as well as EO Nos. 35 and 90. Its landmark provisions are those expanding the mandatory coverage of the Pag-IBIG Fund to include all employees compulsorily covered by SSS and GSIS, as well as Filipinos employed by foreign-based employer; exempting Pag-IBIG Fund employees from the coverage of the Salary Standardization Law; and restoring tax exemption privileges.

Through the years, Pag-IBIG Fund has become the prime government financial institution tasked to continually perform two of the nation's basic concerns: generation of savings and provision of access to home financing to the workers. As such, it mobilizes an efficient, dynamic, regular and integrated nationwide savings system and at the same time enables low and middle-income families to realize their dream of having decent shelter.

At present, the Fund's Corporate Headquarters (CHQ) is located at the Petron Mega Plaza Building, 358 Senator Gil J. Puyat Avenue, Makati City.

During the 306th Board Meeting last February 23, 2015, the combined financial statements were presented and noted by the HDMF Board of Trustees. The body also authorized the issuance of the Fund's financial statements during said meeting

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, VALUATION AND ESTIMATES

2.1 Basis of financial statements preparation

The accompanying financial statements have been prepared based on historical cost except for financial assets and financial liabilities expressed at fair value through profit or loss (FVPL).

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), where applicable.

a. Basis of consolidation

The Fund has no consolidated financial statements because it has no controlled subsidiaries and entities. Moreover, the Fund has no debt or equity securities traded in organized financial market and the Fund is not in the process of filing its financial statements with Securities and Exchange Commission or other regulatory organization for the purpose of issuing any class of instruments in an organized financial market. Its equity consists of members' contributions, the member being the owners of Pag-IBIG Fund, employers' counterpart for employed members and the accumulated dividends.

The financial statements presented include the combined financial statements and transactions of the Corporate Headquarters and its 40 branches in Luzon, Visayas, Mindanao and the National Capital Region.

The financial statements are prepared applying consistent accounting policies for like transactions and other events in similar circumstances. All inter-branch transactions and balances have been eliminated in the consolidation.

b. Functional and Presentation Currency

The combined financial statements are presented in Philippine peso, and all values are rounded to the nearest peso except when otherwise indicated.

2.2 Adoption of new and amended IFRS

a. Effective in 2014 that are Relevant to the Fund

- IAS 1 (Amendment) - Presentation of Financial Statements
  - Presentation of Items of Other Comprehensive
- IAS 19 (Amendment) - Employee Benefits
- IFRS 7 (Amendment) - Financial Instrument: Disclosures – Offsetting Financial Assets and Financial Liabilities
- IFRS 13 - Fair Value Measurement
- IAS 32 (Amendment) - Financial Instruments: Presentation -Offsetting Financial Assets and Financial Liabilities
- IAS 36 (Amendment) - Recoverable Amount Disclosures for Non-Financial Assets

b. Effective in 2014 that are not Relevant to the Fund

- IAS 27 - Separate Financial Statements
- IAS 28 - Investment in Associate and Joint Venture
- IFRS 10 - Consolidated Financial Statements
- IFRS 11 - Joint Arrangements
- IFRS 12 - Disclosure of Interests in Other Entities
- IAS 39 (Amendment) - Novation of Derivatives and Continuation of Hedge accounting
- IFRS 14 - Regulatory Deferral Accounts

c. Effective Subsequent to 2014 but not Adopted Early

- IFRS 15 - Revenue from Contracts with Customers
- IFRS 9 - Financial Instruments

2.3 Accounting judgments and estimates

In the process of applying the Fund’s accounting policies, Management exercised judgment and estimates in determining the amounts recognized in the financial statements, with the most significant as follows:

a. Impairment losses on loans and receivables

The Fund reviews its loans and receivables semi-annually to assess whether an impairment loss should be recognized in the statement of comprehensive income. In particular, judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Fund makes judgments about the receivables’ payment status. Loans and Receivables are assessed collectively to determine whether provision should be made due to incurred loss events for which there is objective evidence but with effects that are not yet evident.

Unquoted Debt Securities Classified as Loans (UDSCL) are assessed individually to determine any objective evidence that an impairment loss has been incurred. The amount of loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

b. Impairment of available-for-sale (AFS) investments

Equity investments classified as AFS would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the statement of comprehensive income - is removed from equity and recognized in the statement of comprehensive income. Impairment losses on equity investments are not reversed through the statement of comprehensive income.

c. IAS 39: Financial Instruments: Recognition and Measurement

Investment accounts are classified in accordance with IFRS categorization, i.e. (a) Held for Trading (HFT) (b) Available for Sale (AFS), and (c) Loans and Receivables (L&R).

Adjustments pertaining to their valuation factored by the shift in amortization of premiums/discounts from straight line to effective interest rate, however, have not been effected except for mark to market valuation and impairment of debt and equity securities.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Fund provides money, goods or services directly to a debtor with no intention of trading the receivable. Interest earned on such loans and receivables is reported as interest income.

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Fund considered its interest rates as the market rates for housing loans as they are mandated by the government. Hence, the difference between the transaction price and fair value ("Day 1" difference) is not recognized in the Statement of Comprehensive Income.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Cash and Cash Equivalents

Cash includes cash on hand and in banks, both foreign and local. Cash equivalents also include highly liquid investments acquired three months or less before maturity and subject to insignificant risk of change in value resulting from change in interest rates.

3.2 Receivables

Receivables are carried at book value minus provision for impairment, if any. They are classified into current and non-current.

Current portion refers to the aggregate principal amortizations due for the entire year succeeding the reporting year, zero to three months in arrears.

3.3 Available-for-sale (AFS)

Due to limited trading platform for transactions across tax categories from 2010 up to present, the Fund reclassified Investment in Bonds – Held for Trading to Investment in Bonds – Available for Sale on December 29, 2014. Paragraph 50B and C of IAS 39 states that a financial asset may be reclassified out of the fair value through profit or loss category only in rare circumstances. As such, any gain or loss already recognized in profit or loss shall not be reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortized cost, as applicable.

AFS are those not classified as Held to Maturity (HTM), HFT or L&R. They include equities, quoted and unquoted, and bonds and other debt instruments, which are not intended for trading in the short-term period of not more than 90 days but may be sold in response to liquidity requirements or changes in market conditions. Included under this category are Treasury Notes/Bonds and Philippine Dollar Denominated Bonds (ROPs) issued by the Bureau of the Treasury and Republic of the Philippines, Government Banks and Philippine Corporations.

Investment in Bonds and Other Debt Instruments are carried at current market value. Cost of Bonds and Other Debt Instruments sold are accounted for using specific identification method.

Investment in stocks includes shares of stocks of companies listed in the Philippine Stock Exchange (PSE), which are carried at current market value. The market value of the stocks are computed every end of the month. If the market value is more or less than the cost, the difference is treated as unrealized gains/losses on mark-to-market and is presented as equity portion of the Statement of Financial Position and addition/reduction on the Statement of Comprehensive Income.

Cost of stocks sold is computed using the weighted average cost method.

3.4 Inventories

Inventories are carried at cost and accounted for using the First-in-First-out (FIFO) method. Tangible assets with serviceable life of more than one year but small enough to be considered as Property and Equipment (PE), and items eventually treated as expense upon issuance are also included in this account.

3.5 Property and Equipment (PE)

In compliance with the provisions of Commission on Audit (COA) Circular Nos. 2003-007, 2004-003 and 2005-002 dated December 11, 2003, October 4, 2004 and April 14, 2005, respectively, Accounting Memorandum Order No. 2006-012 and 2008-03 were issued pertaining to the accounting of PE as follows:

PE is carried at cost less accumulated depreciation and amortization. Land is carried at cost.

The initial cost of the asset includes its purchase price and any incidental costs necessary in bringing the asset to working condition and location for its intended use.

Property under fabrication is stated at cost, which covers cost of construction and other direct costs, lodged to the Unused Materials Charged to Capital Outlay account. It is subsequently booked as PE upon completion of construction. The asset is not depreciated until such time it is completed and substantially available for its intended use.

Major repairs and improvements, renewals, and betterment, which extend the useful life of the PE, are recognized in the carrying amount of the property and depreciated accordingly. All other costs of repairs and maintenance are charged to operations as incurred.

Depreciation and amortization are calculated on straight-line basis over the estimated and/or remaining useful life of the asset. Residual value of PE is set at ten per cent of the acquisition cost.

When an item of PE is sold or retired, its cost and accumulated depreciation and amortization are dropped from the books and any gain or loss resulting from the disposal is reported in the Statement of Comprehensive Income.

3.6 IAS 38: Intangibles

Information Technology Software costs are capitalized on the basis of the cost incurred to acquire and bring to use the specific software. These costs, net of residual value, are amortized on a straight-line basis. Maintenance costs associated with maintaining the computer software program is recognized as expense when incurred. The estimated useful life of intangible asset is 5 years.

3.7 IAS 40: Investment Property

Real and Other Properties Acquired, consisting of collaterals of cancelled Contract to Sell (CTS) and foreclosed properties with registered Certificate of Sale, though still under the redemption period, as well as those with titles already consolidated in favor of the Fund, are classified as Investment Properties and presented net of Allowance for Impairment Losses. Such allowance pertains to the difference between their carrying value and the amount recoverable from their disposal.

Land equity taken up as Investment Property is recognized at cost with the appraised amount stated in Note 42.1.

3.8 IFRS 5: Non-current Assets Held for Sale (NCAHS)

Investment Property-Real and Other Properties Acquired (IP-ROPA) is reclassified to Non-current Assets Held for Sale upon payment of reservation fee by the buyer. NCAHS is presented at the lower between carrying amount and fair value less cost to sell, the difference of which is recognized as impairment loss or gain on recovery from impairment loss for the period.

3.9 Interest income recognition

Interest income on housing loans is recognized on accrual basis at month end. Interest on Calamity Loans under HDMF Circular No. 322 and Multi- Purpose Loans under HDMF Circular No. 323 are computed on a daily basis but recorded at month end. Recording of accrual stops once an account is over 90 days past due. Interest on existing Multi-Purpose Loans covered by HDMF Circular 56-H is capitalized and recognized as income upon monthly amortization.

3.10 Foreign currency transactions

Foreign currency transactions are recorded based on the exchange rate on the date of transaction. Exchange rate difference arising from the settlement of monetary items or from reporting of foreign currency monetary items at rates other than the rate applied in recording the transaction or the rate adopted in previous financial statements are reported in the Statement of Comprehensive Income.

Foreign currency transactions in US Dollar-denominated currency are initially translated into the functional currency using the spot exchange rate between the foreign currency and the functional currency on the date of the transaction.

All foreign currencies other than the US dollar, however, are translated to US dollar currency first, using the exchange rates of the previous day as published by the Bangko Sentral ng Pilipinas (BSP), before translating the same to Philippine peso using the exchange rate published by BSP.

4. CASH AND CASH EQUIVALENTS

This account is composed of the following:

	2014	2013
Checks and other cash items	204,337,662	284,472,455
Cash on hand	98,973,210	88,424,702
Revolving fund	630,000	1,963,019
Petty cash fund	338,000	308,500
Collecting officer	170,315	213,877
Change fund	85,777	112,500
	304,534,964	**375,495,053**

	2014	2013
Cash in bank	3,805,655,506	2,805,561,580
Time deposits (3 months or less)	5,547,061,526	1,955,020,943
	9,657,251,996	**5,136,077,576**

Bank deposits on foreign currencies at December 31, 2014 were revalued based on the following rates at December 29, 2014: US$44.720 and CAN$38.48536.

5. HELD FOR TRADING

	2014	2013
Held for trading	-	10,439,248,148
	-	**10,439,248,148**

The Fund reclassified Investment in Bonds – Held for Trading to Investment in Bonds – Available for Sale on December 29, 2014 due to limited trading platform for transactions across tax categories from 2010 up to present.

6. LOANS AND RECEIVABLES, CURRENT PORTION

	2014	2013
Loans receivables		
Multi-purpose loans	36,377,895,908	40,404,871,244
Wholesale loans	1,724,577,569	2,146,165,627
Installment receivables	132,371,622	35,118,532
Miscellaneous receivables	7,037,690	8,444,457
	38,241,882,789	42,594,599,860
Allowance for impairment loss	(550,302,194)	(659,037,049)
	37,691,580,595	41,935,562,811
Mortgage contracts receivables	62,158,429,268	48,034,120,014
Allowance for impairment loss	(18,113,306,913)	(12,889,332,171)
	44,045,122,355	35,144,787,843
Sales contracts receivables	25,678,980,683	21,388,148,337
Allowance for impairment loss	(6,554,794,285)	(3,048,411,654)
	19,124,186,398	18,339,736,683
Unquoted debt securities classified as loans	1,200,023,542	2,204,689,746
Accounts receivables		
Accrued interest receivable	2,736,430,614	3,223,476,483
Developers	2,239,240,255	1,601,803,389
Borrowers	1,084,923,243	999,096,800
Others	363,826,457	153,151,089
Employers	45,525,791	62,964,163
Collecting agents	39,147,741	39,853,038
Officers and employees	12,414,901	13,537,426
Advances to officers and employees	261,920	900,457
	6,521,770,922	6,094,782,845
Allowance for impairment loss	(1,318,096,481)	(1,231,266,958)
	5,203,674,441	4,863,515,887
	107,264,587,331	**102,488,292,970**

The current Loans Receivable of P37,691,580,595 and P41,935,562,811 for CYs 2014 and 2013 respectively, include past due accounts, zero to three months in arrears, of P9,247,095,193 and P10,268,511,018, respectively, which are immediately due and demandable.

Mortgage contracts receivables (MCRs) represent loans to Pag-IBIG members that are backed-up by Real Estate Mortgages (REMs) under the various home lending programs of the Fund. The current MCRs of P44,045,122,355 and P35,144,787,843 for CYs 2014 and 2013 respectively, include past due accounts, zero to three months in arrears of P31,156,177,086 and P12,672,949,417, respectively, which are immediately due and demandable.

Sales contracts receivables (SCRs) represent loans to Pag-IBIG members that are secured by Contract-to-Sell (CTS). The current SCRs of P19,124,186,398 and P18,339,736,683 for CYs 2014 and 2013 respectively, include past due accounts, zero to three months in arrears of P12,143,245,230 and P3,624,044,553 respectively, which are immediately due and demandable.

Accrued interest receivables are interest income earned from investments and loans but not yet collected.

Accounts receivables - Developers are receivables from developers representing collection of loan amortizations due for remittance to Pag-IBIG Fund, which are within the float period of one week as embodied in the collection servicing agreement. They likewise include the buyback value of past due SCRs and SCRs covered by CTS which the developer failed to convert to REMs, as well as deficiencies on conversion fees withheld from takeout proceeds.

6.1 Interest on multi-purpose loans/calamity loans

The policies adopted in setting interest rates on multi-purpose loan are set out below:

Operative Dates	HDMF Circular No.	Description	Interest Rate
April 28, 2005	56-H	Revised Guidelines on the Pag-IBIG Multi-Purpose Loan (MPL) Program	10.75%
December 5, 2012	322	Amended Guidelines Implementing the Pag-IBIG Calamity Loan Program	5.95%
Upon availability of the Short Term Loans program for Management System	323	Revised Guidelines on the Pag-IBIG MPL Program	10.50%
Upon availability of the Short Term Loan program for Non-IISP branches	56-I	Implementing Guidelines of the Pag-IBIG MPL Program for Non Integrated Information Systems Project (Non-IISP) Branches	10.50%
October 29, 2013	332	Guidelines Implementing the Pag-IBIG Health and Education Loan Programs (Pag-IBIG HELPS)	8.00%

6.2 Interest on wholesale loan

The prevailing interest rate, in force by virtue of Circular No. 330, “Adoption of full risk-based pricing framework for all Pag-IBIG Fund Wholesale Loan (WL) Programs” effective September 1, 2013 are as follows:

Product	Rate
1 --- Year Term, Fixed	6.125%
2 --- Year Term, Fixed	6.750%
3 --- Year Term, Fixed	7.875%

For WL outstanding prior to September 1, 2013 prevailing interest rates are as follows:

Product	Rate
1 --- Year Term, Fixed	6.985%
2 --- Year Term, Fixed	7.625%
3 --- Year Term, Fixed	8.375%

Effective January 7, 2014, an interest rate of three percent (3%) was imposed to loans granted to qualified developers under Circular No. 333, “Guidelines on the Pag-IBIG Fund Developmental Loan Program For Socialized Housing Projects for the Victims of Typhoon Yolanda”.

6.3 Interest on housing loans

Nominal interest rates for the following end-user financing programs are as follows:

Product	Rate		
	Jan. 1, 2014 up to present	Oct. 31 to Dec. 31, 2013	Prior to Oct. 31, 2013
End User Financing (Regular)			
3-Year Fixing	6.985%	7.375%	7.985%
5-Year Fixing	7.825%	8.250%	8.985%
10-Year Fixing	8.775%	9.000%	10.000%
15-Year Fixing	9.385%	9.625%	10.750%
20-Year Fixing	9.675%	10.250%	11.125%
25-Year Fixing	10.000%	10.875%	11.500%
30-Year Fixing	11.375%	11.375%	12.250%

The policies adopted in setting interest rates on housing loan are as follows:

Operative Dates	HDMF Circular	Description
April 1, 2009	247	Guidelines on the Pag-IBIG Fund End - User Home Financing Program
June 1, 2012	312	Guidelines on the Pag-IBIG Fund Affordable Housing Program

Operative Dates	HDMF Circular	Description
July 2, 2012	310	Amended Guidelines on the Pag-IBIG Fund End-User Home Financing Program
July 2, 2012	317	Program on the Conversion to Full Risk-Based Pricing Model
July 15, 2014	343	Guidelines Implementing the Pag-IBIG Fund Home Rehabilitation /Reconstruction Loan Program
July 24, 2014	344	Guidelines Implementing the Pag-IBIG Fund Take-Out Mechanism for Developer-Assisted Housing Program
November 26, 2014	351	Amended Guidelines on the Implementation of the Pag-IBIG Non-Performing Asset Resolution Program

Pursuant to HDMF Circular No. 310, “Amended Guidelines on the Pag-IBIG Fund End-User Home Financing Program” effective July 2, 2012, interest rates on retail housing loans were based on a pricing framework approved by the Board of Trustees on June 6, 2012. Said interest rates shall be re-priced periodically depending on the re-pricing period chosen by the borrower whether every three (3), five (5), ten (10) or fifteen (15) years. Under HDMF Circular No. 317 “Program on the Conversion to Full Risk-Based Pricing Model,” all borrowers with housing loans taken out under Circular No. 247 or earlier circulars as of date of application, with interest rates above the prevailing market rates may avail of interest rate reduction under the Full Risk Based Pricing Program, subject to its terms and conditions.

The implementation of Circular No. 247, or the Guidelines on the Pag-IBIG Fund End-User Home Financing Program was extended until June 30, 2014 for the processing of developer-assisted housing loan applications with loan amount of up to P3,000,000, unless the developer specified that said applications will be processed under Circular No. 310. Hence, all housing loan applications with loan amount of more than P3,000,000 shall be processed under Circular 310.

Under HDMF Circular No. 247, “Pag-IBIG Fund End-User Home Financing Program” interests are charged at the following rates per annum:

Loan Amount	Interest Rate
Up to 400,000	6%
Over 400,000 to 750,000	7%
Over 750,000 to 1,000,000	8.5%
Over 1,000,000 to 1,250,000	9.5%
Over 1,250,000 to 2,000,000	10.5%
Over 2,000,000 to 3,000,000	11.5%

The effectivity of HDMF Circular No. 311, "Guidelines Implementing the Pag-IBIG Non-Performing Asset Resolution Program (NPARP)" was extended to January 31, 2014 through Circular No. 327 and further extended to January 31, 2015 through Circular No. 336. On November 26, 2014, Circular No. 351, "Amended Guidelines on the Implementation of the Pag-IBIG Non-Performing Asset Resolution Program (NPARP)" amending Circular No. 311 took effect. The circulars are intended to enable highly delinquent borrowers to maintain their possession or use of the property under modified terms and conditions and to immediately dispose of non-performing assets at the highest value possible through cash, installment sale for a period of 6 months or 12 months, or through housing loan. Nominal interest rate for installment plan is set at 10.250%.

Discounts are provided depending on the chosen mode of settlement as follows:

Mode of Settlement	**Discount**
Cash	30%
6-month Installment	20%
12-month Installment	10%
Housing Loan Revaluation	5%

To further enhance the benefits of housing loan borrowers, HDMF Circular No. 312, "Guidelines on the Pag-IBIG Fund Affordable Housing Program" was issued covering all accounts of eligible borrowers processed and taken out beginning June 1, 2012. It provides that for the first 10 years of the loan, borrowers under each specific income cluster shall be charged with affordable interest rate as follows:

Details		**Maximum Gross Monthly Income/Cluster Limit**	
Income Cluster	Cluster 1 (NCR)	Up to P 15,000	Up to P 17,500
	Cluster 2 (Other Regions)	Up to P 12,000	Up to P 14,000
Loan Amount		Loans up to P450,000	Loans up to P750,000
Interest Rate		4.5%	6.5%

By virtue of Circular No. 340 "Socialized Housing Price Ceiling Adjustment", socialized housing price ceiling was raised to P450,000.00 from the previous cluster limit of P400,000.00.

At the end of the 10-year period, the interest rates shall be re-priced either based on the prevailing market rates using the Fund's pricing framework or increased by two percent, whichever is lower. The borrower shall also be given the option to choose the succeeding re-pricing period, whether it will be every three (3), five (5), ten (10) or fifteen (15) years.

Under HDMF Circular No. 343, "Guidelines Implementing the Pag-IBIG Fund Home Rehabilitation/Reconstruction Loan Program" issued on July 15, 2014, specifically addressing members in areas affected by Typhoon "Yolanda", no interest shall be charged for the first six (6) months of the loan and 4% for the 7^{th} to 24^{th} month. After the 24^{th} month (2 years), interest rates shall then be based on applicable Housing Loan Guidelines for End-User Financing Program (EUF) or Affordable Housing Program (AHP).

Unquoted debt securities classified as loans (UDSCL) consist of the following:

	2014	2013
LBP- Tier 2	700,000,000	1,700,000,000
DBP- Tier 2	500,000,000	500,000,000
LBP 10-yr. AR Bonds	23,542	4,689,746
	1,200,023,542	**2,204,689,746**

On January 27, 2012, the Fund purchased at par 10-year LBP Unsecured Subordinated Notes, eligible as Tier 2, (LBP Tier 2) with face value of P700,000,000 bearing fixed interest rate of 5.875% for the first five years and step-up interest rate of 1/8th% from the sixth year to maturity date. This may be redeemed at the option of the Issuer at par plus accrued and unpaid interest in CY 2017. The Fund designated the LBP Tier 2 as L&R-UDSCL. Interest income recognized on the LBP Tier 2 amounted to P41,125,000 and P40,985,000 for the years ended December 31, 2014 and 2013, respectively.

On March 22, 2012, the Fund purchased at par 10-year DBP Unsecured Subordinated Notes, eligible as Lower Tier 2 Capital, (DBP Tier 2) with face value of P500,000,000 bearing fixed interest rate of 5.750% callable after five years and one day from issue date. The DBP Tier 2 may be redeemed at the option of the Issuer at par plus accrued and unpaid interest in CY 2017. The Fund designated the DBP Tier 2 as L&R-UDSCL. Interest income recognized on the DBP Tier 2 amounted to P28,750,000 and P21,486,111 for the years ended December 31, 2014 and 2013, respectively.

In CY 2003 and 2004, the Fund invested in Agrarian Reform (AR) 10-year bonds issued by the LBP. The Bond was approved by the Republic of the Philippines and the Monetary Board under Republic Act (RA) No. 6657 dated June 10, 1988. By law, the bonds are direct, unconditional and general obligation of the government of the Philippines. The bonds may be used as payment for agricultural land or other real properties purchased from the government, as security for loans applied in government financial institutions and for such other purposes as provided under paragraph (b), No.4, Section 18 of RA No. 6657.

LBP redeems one-tenth (1/10th) of the face value of the AR bonds annually on its anniversary date which commenced one year from the date of issue until the principal sum is fully paid. It bears interest rate based on the average 91-day Treasury Bill rates, net of applicable final tax, payable every six months by the LBP Head Office. The Fund designated the Bonds as L&R-UDSCL.

As at December 31, 2014, the AR bonds' outstanding balance is P23,542.

Interest Income recognized on the AR bonds amounted to P68,779 for CY 2014.
Accounts receivables - Others consist of:

	2014	2013
Accounts receivables		
Others	318,267,682	99,623,014
Other government agencies	44,516,230	52,435,831
Banks	975,374	1,008,361
Members	67,171	83,883
	363,826,457	**153,151,089**

Accounts Receivable – Others include collectibles from collecting agents, Employee Provident Plan (EPP), deposit for lease of office space, and collectible from employees for tax adjustment. The account also includes receivable from the Procurement Service resulting from price adjustments for undelivered items purchased.

Accounts receivable - Other Government Agencies (OGA) include Puerto Princesa Pabahay Bonds amounting to P20,000,000 issued by the City of Puerto Princesa, Palawan on December 23, 1997. The proceeds of such were used to finance the housing project of members of the Visayan Association in Palawan (VISAPA). The bond was guaranteed by the Home Guaranty Corporation (HGC) and was fully subscribed by HDMF.

The City of Puerto Princesa paid total interest of P6,260,318 on the bonds from December 23, 1997 to December 23, 1999 on their respective due dates. The City, however, failed to redeem the bonds on its maturity on December 24, 1999.

The City requested that the settlement of the bonds and accrued interests thereon shall be through housing loan takeouts from the VISAPA Pag-IBIG members. Collection through housing loan takeouts of P12,759,087 from June 30, 2003 to March 31, 2010, were applied to the total accrued interest on the bonds from December 24, 1999 to December 31, 2012 amounting to P16,959,858, leaving accrued interest balance of P4,200,770. On December 6, 2012, a settlement proposal was received from the City of Puerto Princesa to which the Fund concurred.

In June 2013, a Memorandum of Agreement (MOA) covering the settlement plan for the principal balance of P20,000,000 and the unpaid accrued interest of P4,200,770 was approved by the Sanguniang Panlungsod and Committee of the Whole of the City of Puerto Princesa. The remaining obligation will not earn interest from January 1, 2013. The initial payment of P5,000,000 was received by HDMF on June 27, 2013 while the balance is payable in 30 equal monthly installments starting January 2014. As at December 31, 2014, the outstanding balance of the receivable was P9,772,162.

7. NON-CURRENT ASSETS HELD FOR SALE

	2014	**2013**
Non-current assets held for sale	1,303,566,084	-
	1,303,566,084	**-**

Investment Property-Real and Other Properties Acquired (IP-ROPA) is reclassified to Non-current Assets Held for Sale upon payment of reservation fee by the buyer. NCAHS is presented at the lower between carrying amount and fair value less cost to sell, the difference of which is recognized as impairment loss or gain on recovery from impairment loss for the period.

8. OTHER CURRENT ASSETS

This account consists of the following:

	2014	2013
Prepaid expenses	129,575,069	41,394,692
Inventories	114,132,887	112,530,082
Claims from accountable officers	477,772	423,589
Claims from disallowed payments	423,589	458,043
	244,609,317	**154,806,406**

9. AVAILABLE-FOR-SALE INVESTMENTS

	2014	2013
Bonds and other debt instruments	49,840,230,646	31,103,965,434
Stocks/equity securities	1,528,708	1,438,867
Allowance for impairment losses	-	(174,145)
	49,841,759,354	**31,105,230,156**

Bonds and other debt instruments of P49,840,230,646 consist of Treasury notes/bonds of P46,105,846,671 with face value of P42,685,274,272 and dollar denominated bonds of P3,734,383,974 with face value of US$ 68,386,000. The substantial increase is due to the reclassification made as stated in Note 5.

Included in this category are Treasury notes/bonds Series No. PIBD0515E685, at the coupon rate of 6.375%, maturing on May 13, 2015, with face value of P240,000,000 and cost of P250,632,693.05. They are covered by Pledge Transactions/Detached Assignment in favor of the Bureau of the Treasury (BTr) as additional deposit to the Bond Sinking Fund (BSF) for the 5-year P12,000,000,000 Pag-IBIG Housing Bonds issued on March 11, 2010, thus, restricting its trade.

The BTr, named administrator in the MOA executed by HGC and HDMF in 2010, allowed HDMF to deliver other financial assets as part of the reserve requirement. The BSF was recorded in the books as special bond reserve in the amount of P640,917,896.89 shown in Note 14, resulting in a total BSF of P880,917,896.89 as at December 31, 2014.

Investment in Stocks consist of PLDT common shares converted from PLDT preferred shares carried at current market value.

Cost of the stocks sold is computed using the weighted average cost method.

10. LOANS AND RECEIVABLES, NON- CURRENT PORTION

	2014	2013
Loans and Receivables		
Multi-purpose loans	19,075,958,464	15,654,859,616
Wholesale loans	4,021,048,303	4,183,920,254
Installment receivables	14,777,490	11,505,169
Miscellaneous receivables	19,658,810	22,424,408
	23,131,443,067	19,872,709,447
Allowance for impairment loss	(1,374,903,220)	(1,362,709,396)
	21,756,539,847	18,510,000,051
Mortgage contracts receivable	113,362,641,443	108,393,225,228
Allowance for impairment loss	(12,795,107,731)	(16,186,122,242)
	100,567,533,712	92,207,102,986
Sales contracts receivable	72,001,015,262	73,968,898,457
Allowance for impairment loss	(165,916,467)	(3,047,717,659)
	71,835,098,795	70,921,180,798
	194,159,172,354	**181,638,283,835**

11. INVESTMENT PROPERTIES

	2014	2013
Real and other properties acquired	24,306,364,825	20,901,520,313
Allowance for impairment loss	(10,937,864,171)	(9,497,019,824)
	13,368,500,654	11,404,500,489
Land equity	302,632,050	302,632,050
	13,671,132,704	**11,707,132,539**

11.1 Real and Other Properties Acquired (ROPA)

Under IAS 40, ROPA is classified as Investment Property. At December 31, 2014, the asset consists of 75,396 accounts.

11.2 Land Equity

These pieces of property being held for rental yields and capital appreciation are located at the Manila Harbour Central Business District, Tondo, Manila. These consist of 18 lots with total area of 17,293.26 square meters acquired in December 1996 in exchange for the matured Smokey Mountain Project Participation Certificates as approved under Board Resolution No. 1234, series of 1996. The book value is inclusive of taxes.

All the 18 lots are on lease as follows:

Lessee	Blk/Lot	Area	Rental per sq. m.
Trans World	B15 L1-6	4,368.23	P 83.58
Trans World	B15 L7	5,167.53	118.77
YM Cargo	B18 L6	506.00	97.32

Lessee	Blk/Lot	Area	Rental per sq. m.
Sagawa Express	B18 L5	1,200.00	95.00
YM Cargo	B18 L7	419.48	101.65
Moreta Shipping Lines	B21 L5-12	5,632.02	121.21

Total rental income on the properties for CY 2014 amounted to P21,559,461, while expenses incurred including real estate taxes was P2,928,505.

As stated in Note 42.1, the appraised value of land equity is P408,360,635.

12. PROPERTY AND EQUIPMENT (PE), NET

This account consists of the following:

	Land and Improvements	Building and Improvements	Transportation, Furniture, Fixtures, Equipment, Miscellaneous Assets	Leasehold Rights and Improvements	Total
Cost					
January 1, 2014	92,002,329	1,190,299,382	1,848,243,081	83,885,236	3,214,430,028
Addition	11,601,120	4,059,470	158,596,032	14,953,099	189,209,721
Restatements	-	62,701	(163,339,838)	1,144,933	(162,132,204)
Disposal	-	-	(82,183,406)	(4,492,299)	(86,675,705)
December 31, 2014	103,603,449	1,194,421,553	1,761,315,869	95,490,969	3,154,831,840
Accumulated Depreciation					
January 1, 2014	51,431	715,701,218	1,250,425,326	53,082,259	2,019,260,234
Restatements	-	155,233	(140,904,094)	751,454	(139,997,407)
Depreciation	46,446	19,361,664	131,088,424	12,118,012	162,614,546
Disposal	-	-	(70,290,784)	(4,010,670)	(74,301,454)
December 31, 2014	97,877	735,218,115	1,170,318,872	61,941,055	1,967,575,919
Net Book Value					
December 31, 2014	**103,505,572**	**459,203,438**	**590,996,997**	**33,549,914**	**1,187,255,921**
Net Book Value					
December 31, 2013	**91,950,898**	**474,598,164**	**597,817,755**	**30,802,977**	**1,195,169,794**

Restatements refer to reclassification or correction of previous years' transactions, which include transfer of PE from one branch to another, and head office to other branches or vice versa.

13. INTANGIBLE ASSETS

	2014	2013
Information technology software	762,868,367	570,223,497
Accumulated amortization	(491,862,481)	(438,750,983)
	271,005,886	**131,472,514**

14. OTHER ASSETS

This classification comprise of the following:

	2014	2013
Bonds special reserve	640,917,897	539,511,817
Contingency Trust Fund 1 (CTF1)	618,305,530	-
Funds Held in Trust - TOLF	242,443,635	-
Rental and other guarantee deposits	106,959,367	97,443,641
Other deferred charges	16,535,859	26,517,433
Investment in joint venture	10,128,682	10,128,682
Unserviceable property and equipment	12,795,519	4,754,354
	1,648,086,489	**678,355,927**

Contingency Trust Fund 1 (CTF1) is a trust fund established as an interim insurance coverage (MRI/SRI) for existing and new loan releases of the Fund pending the procurement of an insurance brokerage.

Pursuant to the directive of the Board of Trustees during the Board meeting on September 24, 2013, Notice of Termination of Memorandum of Agreement (MOA) was served to the HDMF YRT Insurance (MRI) Pool on October 29, 2013. In its place, the Insurance Commission (IC) recommended and approved the procurement of services of an insurance brokerage to handle the insurance requirements of the Fund's housing loan borrowers. The selection process however was expected to take four to six months to complete thus, necessitating temporary coverage from the day after the effectivity of the termination of the agreement with the pool up to the commencement of the services of an insurance brokerage.

Initial set-up of the contingency fund was P892,370,851.60, evidently more than sufficient to cover both life and non-life insurance claims, based on the historical record of utilization percentage, 32% for life insurance and 6.84% for non-life insurance. As an interim measure, the monies collected from the borrowers for MRI/SRI insurance premium shall be placed in the trust fund administered by a trustee bank and all claims relating to the same shall be paid out of the fund.

Fund Held in Trust – Trustees and Officers Liability Fund (TOLF) was created and established on May 8, 2014 pursuant to and in compliance with the requirements of GCG Memorandum Circular No. 2012-10 (Re-issued). Its objective is to afford the Fund, the members of its governing board and its officers, the means to pursue their fiduciary duties and obligations to always act in the best interest of the Fund and with utmost good faith by allowing them proper recovery of the costs of litigation and judgment liability imposed on them when they are sued on matters within their official functions and capacity and on matters where business judgment has been exercised in good faith. A Trust Fund Committee composed of officers of the Fund headed by the CEO was established, primarily tasked to oversee the HDMF TOLF. A Government Financial Institution (GFI) is also constituted as TOLF Trustee pursuant to Item V of the aforementioned GCG MC. Initially set up at P244,000,000.00, the Committee shall replenish the trust fund in case usage thereof at any given time exceeds 20% of the initial amount.

15. CURRENT PORTION OF MEMBERS' EQUITY

Members' equity amounting to P12,146,925,264 representing members' contributions' Total Accumulated Value (TAV) which have reached their maturity at December 31, 2014 but have not been withdrawn, as well as those that will mature by year 2015, were reclassified to Accounts payable – Pag-IBIG1 members, Pag-IBIG2 members, and Filipino Overseas Workers (FILOW) in the amount of P11,060,460,192, P173,328,369, and P913,136,703, respectively, at year-end.

16. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

These accounts consist of the following:

	2014	2013
Accounts payable	10,832,918,729	8,580,366,495
Accrued expenses	2,632,630,830	1,962,424,733
	13,465,549,559	**10,542,791,228**

Accounts payable are amounts payable to various entities and individuals including those payable to developers/borrowers representing the amount deducted from their loan take out proceeds to defray expenses to be incurred in the conversion of CTSs to REMs.

Accrued expenses are operating expenses already incurred at year end but have not yet been paid. They include employees' accumulated leave credits and other benefits as well as various maintenance and other operating expenses.

17. BONDS PAYABLE

The Fund has an outstanding financial obligation to bondholders at P11,981,200,124 net of bond issue cost of P18,799,876 with interest rate of five percent per annum and term of five (5) years which will mature on March 12, 2015. For the year, the Fund paid total interest of P600,000,000 to bondholders.

18. OTHER CURRENT LIABILITIES

The details of this classification are as follows:

	2014	2013
Undistributed collections	2,310,340,566	1,720,611,523
Insurance payable	2,201,614,433	975,288,573
Vouchers payable	1,050,732,854	792,773,004
Withholding tax payable	75,808,817	64,771,446
GSIS / Pag-IBIG payables	3,735,231	11,459,399
Miscellaneous liabilities	87,170,815	36,506,469
	5,729,402,716	**3,601,410,414**

Undistributed Collections include collections of members' contributions, multi-purpose loans and housing loan repayments which have not been allocated to the specific member/borrowers' accounts. They also include collection which at month-end are still in transit for transfer to the branches carrying the account, thus, remain floating in the Due to/from accounts. The Posting Clearing Account (PCA) which falls under Undistributed Collections cover daily collections prior to allocation and posting to the members'/borrowers' subsidiary ledger within five days from receipt of the journal ticket by the operating unit concerned.

Insurance payable pertains to insurance premiums for housing loans initially deducted from housing loan proceeds and subsequently collected as part of the monthly amortizations representing insurance premium prepayments for remittance to the insurance provider.

Miscellaneous liabilities include payables to the Employees' Provident Plan consisting of contributions and loan repayments, to the Pag-IBIG Employees' Labor Association for union dues and to the various suppliers covering refundable deposits.

19. OTHER NON-CURRENT LIABILITIES

Other non-current liabilities include the balance of P18,129,808,078 for CY 2014 and P18,217,896,100 for CY 2013 of the Deferred credits account, representing the capitalized interest income on multi-purpose loans and restructured housing loans which are credited to interest income upon amortization every month end. They also include capitalized origination fees on loans processed prior to May 30, 2001, being amortized and credited as income over the term of the loan; unearned income from housing loans; and rental payments on foreclosed properties under the redemption period or rent-to-own arrangement.

20. INTEREST INCOME ON LOANS AND RECEIVABLES

The account comprise of interest income from the following:

	2014	**2013**
Loans and receivables		
Mortgage contracts receivables	10,879,486,144	10,129,122,335
Sales contracts receivable - CTS 2	6,370,995,962	6,503,047,343
Multi-purpose loans	5,841,229,813	6,148,446,254
Wholesale loans	227,385,377	338,513,885
Unquoted debt securities classified as loans	101,964,613	144,822,625
Installment receivables	5,542,684	773,318
	23,426,604,593	**23,264,725,760**

21. INTEREST INCOME ON TRADING AND INVESTMENT SECURITIES

	2014	2013
Available-for-sale	2,184,309,673	1,724,923,761
Held for trading	-	441,705,111
	2,184,309,673	**2,166,628,872**

These include interest income from the Funds' investments in bonds and government securities.

22. INTEREST INCOME ON DEPOSITS WITH BANKS AND OTHERS

These represent interest earned from deposits of local and foreign currency denominated accounts in the various depository banks of the Fund.

23. INTEREST EXPENSE ON BONDS AND LOANS PAYABLE

This represents charges on the use of money by the Fund such as interest on bonds and borrowings.

24. SERVICE FEES

This account consists of:

	2014	2013
Penalties and other charges	1,235,750,182	1,155,072,936
Insurance service fees	434,135,140	1,202,521,855
Processing fees	186,639,701	171,366,616
Sales administration/ Mortgage origination fee	30,587,152	29,810,952
Miscellaneous service income	30,506,439	23,651,831
	1,917,618,614	**2,582,424,190**

Insurance service fees are fees collected from the insurance provider equivalent to 30 per cent and 37.50 per cent of the Mortgage/Sales Redemption Insurance (MRI/SRI) and Fire Insurance premiums, respectively, of housing loans. Effective November 1, 2014 under the new insurance provider for MRI/SRI, the insurance services fees are computed equivalent to 0.05 per cent of the insured amount, deducted from the amount payable to insurance provider.

Penalties and other charges are fees imposed on late remittances of HDMF contributions, amortizations of short-term loans, mortgage contracts receivable and other housing related loans.

Sales administration/Mortgage origination fees are fees collected as part of the monthly amortization of housing loan borrowers who availed of loans under HDMF Circular Nos. 147 and 148, respectively.

Miscellaneous service income includes fees for appraisal services on properties offered as collateral for loan with the Fund and forfeited commitment fee.

25. TRADING AND INVESTMENT SECURITIES GAINS (LOSSES) – NET

These represent realized gains on bond sale/exchange of investment securities based on the difference between market value and book value of the said securities.

For CY 2014, net realized trading gains on investments in Bonds and Other Debt Instruments – Available for sale investments amount to P1,090,763,670.

26. FOREIGN EXCHANGE GAINS (LOSSES) – NET

These represent foreign exchange differences arising from restatements of foreign currency–denominated assets (which are either added to revenue if foreign exchange gains are higher than foreign exchange losses or charged to operations, if otherwise).

	2014	2013
Foreign exchange gains	202,248,192	411,594,253
Foreign exchange loss	(181,066,107)	(167,711,398)
	21,182,085	**243,882,855**

27. MISCELLANEOUS INCOME

	2014	2013
Income from acquired assets	900,272,183	608,534,762
Housing contributory fund	670,413	1,500,784
Other income	1,096,293,101	247,628,501
	1,997,235,697	**857,664,047**

Income from Acquired Assets includes earnings from rental or lease of acquired assets. Its significant increase is due to higher appraised value than carrying value of Investment Property (IP) – Real and Other Properties Acquired (ROPA) Classified (Others), upon their initial recognition in accordance with Accounting Memorandum (AMO) – 2013-003 IP ROPA: Acquisition, Management and Disposition.

Housing contributory fund represents a portion of the loan amortization on housing loans extended by the National Home Mortgage Finance Corporation (NHMFC) to HDMF members, subsequently assigned to the Fund in 1992. This was based on the premise that the few early borrowers favored by NHMFC's home lending policies should share such favor with future generations as well as future borrowers who are likely to borrow at a time when long term funds and prevailing rates then may no longer be available.

Other income includes gains arising from sale or disposal of acquired assets, items under litigation, and property and equipment, wherein the selling price is higher than the carrying value of the asset sold or disposed. It also includes Gain on Revalued Mortgage

Contracts Receivable and Sales Contracts Receivable thru Non-Performing Asset Resolution Program (NPARP), Other Housing Related Income, Rental Income, Realized Gain from Funds Held in Trust-TOLF, Miscellaneous Interest Income, and Miscellaneous Income – Others.

Other housing related income includes reclassified Reserve for Losses in the amount of P200,464,004 pursuant to AMO No. 2014-001 dated March 26, 2014.

28. COMPENSATION AND FRINGE BENEFITS

	2014	2013
Lending costs - personal services	1,655,282,241	1,832,255,288
Fund administration costs – personal services	2,127,029,545	1,689,943,276
	3,782,311,786	**3,522,198,564**

29. PROVISION FOR IMPAIRMENT AND OTHER LOSSES/ DEPRECIATION AND AMORTIZATION

	2014	2013
Provision for impairment & other losses		
Lending costs	5,612,745,193	6,241,115,887
Fund administration costs	13,361,598	8,173,444
	5,626,106,791	**6,249,289,331**
Depreciation and amortization		
Lending costs	56,255,840	57,260,200
Fund administration costs	171,593,795	173,082,420
	227,849,635	**230,342,620**
	5,853,956,426	**6,479,631,951**

The provision for impairment is intended to absorb the potential future losses on the Funds' receivables and investment properties.

Depreciation and amortization represent periodic allocation of the cost, net of residual value, over the estimated useful life of the Funds' depreciable assets. Likewise, these also represent periodic recognition of the decline in the value of the Funds' investment properties.

Other losses include those that arise from sale or derecognition of the Funds' assets and discounts or reduction in interest on the account of eligible member-borrower under prompt payment discounts scheme. They also include derecognition on the estimated damaged Property and Equipment caused by typhoon Yolanda.

30. FORECLOSURE AND ACQUIRED ASSET MANAGEMENT COSTS

	2014	2013
Lending Costs		
Foreclosure expenses	327,387,664	305,050,001
Acquired Assets	103,051,934	77,508,669
	430,439,598	**382,558,670**

Foreclosure expenses is net of income from foreclosure recovery amounting to P2,844,992 and P2,012,969 for the years ended 2014 and 2013, respectively.

31. OCCUPANCY AND EQUIPMENT- RELATED COSTS

	2014	2013
Lending Costs		
Rent and association dues	179,132,539	165,238,837
Water, illumination and power	79,148,124	74,723,615
	258,280,663	**239,962,452**
Fund Administration Costs		
Rent and association dues	284,042,381	262,698,932
Water, illumination and power	97,674,441	97,559,952
	381,716,822	**360,258,884**
	639,997,485	**600,221,336**

32. MISCELLANEOUS EXPENSES

The breakdown of miscellaneous expenses is as follows:

	2014	2013
Lending Costs		
Outsourcing services	477,620,027	-
General services	335,479,890	324,756,445
Taxes, duties and premiums	171,396,509	217,770,803
Socio cultural and athletic	95,384,420	88,565,841
Supplies and materials	90,879,451	89,212,618
Communication expenses	53,672,551	72,468,110
Financial service costs	50,609,514	413,233,599
Traveling expenses	29,240,845	19,561,919
Marketing and advertising expenses	15,929,661	10,281,506
Developmental expenses	10,964,709	8,702,595
Legal services	5,805,808	-
Repairs and maintenance	5,480,251	6,338,007
Binding and reproduction	3,284,051	4,485,840
Computer data processing costs	978,293	1,190,322
Subsidies and condonation	302,695	346,182
Subscriptions and library materials	287,192	265,705
Grants, subsidies and contributions	267,788	534,909
Extraordinary and miscellaneous expenses	64,788	402
Membership dues	42,381	23,394
Professional services	1,818,245	37,929,472
	1,349,509,069	1,295,667,669

	2014	2013
Fund Administration Cost		
General services	493,636,074	433,527,267
Binding and reproduction	217,049,372	467,721,215
Marketing and advertising expenses	181,680,144	206,828,658
Computer data processing costs	154,617,078	76,191,872
Professional services	85,587,200	74,219,632
Socio cultural and athletic	85,983,831	82,092,448
Supplies and materials	82,538,736	80,593,878
Communication expenses	70,823,783	59,846,910
Repairs and maintenance	50,893,200	38,838,822
Developmental expenses	38,672,913	25,815,658
Traveling expenses	36,733,118	38,368,678
Taxes, duties and premiums	15,669,898	10,646,437
Financial service costs	9,943,007	1,677,229
Discounts and Incentive fees	8,965,098	7,738,468
Grants, subsidies and contributions	4,748,717	55,146,681
Outsourcing services	1,042,656	-
Membership dues	857,190	916,979
Subscriptions and library materials	520,420	576,398
Extraordinary and miscellaneous expenses	545,900	722,957
Other expenses	128,624,448	120,790,224
	1,669,132,783	1,782,260,411
	3,018,641,852	**3,077,928,080**

Outsourcing services account is mainly attributed to the cost of outsourced activities such as appraisal and collection services in the Home Lending Cluster. Costs of outsourcing services were previously part of loan collection charges in 2013.

33. MEMBERS' EQUITY

This account reflects the equity of the members as owners of Pag-IBIG Fund, corresponding to members' contributions, employers' counterpart for employed members and the accumulated dividends. The account is reduced by the provident claims of members and offsetting of loans against the Total Accumulated Values (TAVs) which are non-cash transactions with the aggregate amount of P13,718,607,492 and P12,195,637,713, for CYs 2014 and 2013, respectively.

34. RESERVE FOR LOSSES

Monthly amortization payments pertaining to Home Financing Corporation (HFC) credit guarantee previously presented as part of Net Worth is now lodged to income from current operations pursuant to AMO No. 2014-001 dated March 26, 2014.

35. DONATED SURPLUS

This account refers to the lot, where La Union Branch's office building is located, acquired by the Fund through donation from the provincial government of La Union on October 27, 1997 which was recorded in the books at market value at the time of acquisition.

36. RETAINED EARNINGS

36.1 Dividends

The dividends in the amount of P10,105,833,048 and P9,276,956,830 were appropriated from Retained Earnings representing 70 per cent of its net income prior to restatement in the amount of P14,436,904,354 and P13,252,795,471 for CYs 2013 and 2012, respectively.

Dividends for 2013 and 2012 were credited proportionately to the members' TAV last March 3, 2014 and February 28, 2013, respectively.

36.2 Reserve for future claims

Pursuant to Board approval per Resolution No. 2998 dated January 31, 2013, account reconciling items in the amount of P 1,825,745,252 were lodged to this account. The set up is intended for the settlement of valid future claims, subject to pertinent provisions of Rule XI, Section 1, Unclaimed Savings/Dividends of the Implementing Rules and Regulations of RA No. 9679. As provided therein, any amount standing to the credit of any member for a period of one year after termination of membership shall be regarded as unclaimed savings and shall be reclassified as an account payable to the former member by the Fund. If any such amount standing to the credit of such person remains unclaimed for a period of more than ten years, the same shall be reverted to the Fund's retained earnings.

As at December 31, 2014, the account had an outstanding balance of P62,034,895.

37. SUPPLEMENTARY INFORMATION

The Fund paid and accrued taxes, duties and license fees, to wit:

	2014	2013
Taxes, Duties and Fees		
Real estate taxes– ROPA	59,279,323	35,384,650
Taxes and licenses – ROPA	11,016,540	15,438,368
Real estate taxes-Properties	3,103,058	580,721
	73,398,921	51,403,739
Withholding Taxes		
Tax on compensation and benefits	461,681,560	444,101,332
Creditable withholding taxes	174,517,956	145,541,048
Final withholding taxes	1,120,552	205,684
	637,320,068	589,848,064
Final taxes	4,538,173	6,053,799
Miscellaneous taxes	12,959,007	8,693,751
	728,216,169	**655,999,353**

On September 28, 2011, BIR Revenue Memorandum Circular No. 43-2011 circularizing Section 19 of RA No. 9679, the "Home Development Mutual Fund Law of 2009" was issued highlighting the Fund's exemption from tax payments relative to the said law. It also states the Funds' exemption from the documentary stamp tax imposed under Title VII of the National Internal Revenue Code of 1997.

The taxes paid for ROPA covers tax assessment not paid by the borrowers prior to foreclosure of their properties, assumed by the Fund to facilitate consolidation of title.

The Fund has no deficiency assessments and tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the Bureau of Internal Revenue.

38. DISALLOWANCES AND CHARGES

As of December 31, 2014, outstanding disallowances and charges amounted to P341,870,359, net of settlement of P2,406,961 to wit:

	Balance 2013	Adjustment	Issuance	Settlement	Balance 2014
Disallowance	309,707,442	136,997	33,615,113	2,197,000	341,262,552
Charges	817,768			209,961	607,807
	310,525,210	**136,997**	**33,615,113**	**2,406,961**	**341,870,359**

Of the P341,870,359, a receivable of P607,807 net of settlements was recorded on books due to the issuance of Notice of Finality of Decision on January 18, 2011 and COA Order of Execution on February 18, 2011. On the other hand, operating units concerned already filed their respective Memorandum Appeals and/or Motion for Reconsideration to their respective Audit Team Leaders.

39. RELATED PARTY DISCLOSURES

In the ordinary course of business, the Fund incurred loans and other transactions with government related entities. Under the Fund's policy, these loans and other transactions are made substantially on the same terms as with other individuals and businesses of comparable risks.

The loans payable to GSIS in the amount of P5,000,000,000 was fully settled through payments made in three installments as follows: February 4, 2014 - P3,000,000,000, March 14, 2014 - P1,000,000,000 and March 31, 2014 - P1,000,000,000.

There are no provisions for impairment for related party balances as at December 31, 2014 and no related party transactions have been written off during the year.

39.1 Key Management Compensation

The compensation of key management personnel which consists of short term benefits amounted to P35,121,342 and P43,573,840 as of December 31, 2014 and 2013, respectively. Key management compensation forms part of the "Compensation and fringe benefits" account under Note 28.

40. RISK MANAGEMENT

40.1 Credit risk

Credit risk is the risk of loss arising from the borrowers' failure to discharge their contractual obligations. To mitigate this risk, the Fund has adopted the following initiatives:

a. Implementation of the Borrower Evaluation System (BES)

The Fund has formulated the BES, a credit quality assessment process for the determination of credit worthiness of housing loan borrowers which also factors in borrowers' equity adjustments.

The assessment of the credit quality of housing portfolio taken out prior to July 2012 is based on the flow rate or payment behavior of the borrowers.

b. Adoption of the Single Borrower's Limit (SBL) for Wholesale Loans (WL) (HDMF Circular No. 306 dated April 10, 2012).

This aims to mitigate risks and limit the losses in the event of default by the borrower/s and avoid a situation where a single loss will adversely affect the profitability/financial condition of the Fund.

The total amount of loans, credit accommodations and guarantees that may be extended to any person, partnership, association, corporation or other entity shall at any point in time not exceed 25 per cent of the Free Retained Earnings of the Fund.

Free Retained Earnings refers to the Retained Earnings after declaration of dividends for the preceding year and net of the total capital valuation accounts.

c. Conversion to Full Risk Based Pricing Model (HDMF Circular No. 317 dated August 8, 2012)

A pricing framework was established where a market based and full risk-based pricing of housing loans shall cover the Fund's costs, its risks in terms of expected loss on default and reasonable spread.

40.2 Liquidity Risk

Liquidity risk is defined as the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Fund may be unable to meet its payment obligations when they fall due under both normal and stress circumstances.

Liquidity management involves maintaining funding capacity to accommodate fluctuations in asset and liability levels due to changes in the Fund's business operations or unanticipated events created by customer behavior or capital market conditions. The Fund ensures liquidity through a combination of active management of liabilities, a liquid asset portfolio composed substantially of deposits in primary and secondary reserves, securing of money market lines and maintenance of repurchase facilities to address any unexpected liquidity situations.

The adoption of the Capital Adequacy Framework established the minimum capital requirement considered in determining the amount of dividends to be declared. The Fund also manages its liquidity by maintaining Capital Adequacy Ratio (CAR) of not less than 16 per cent as directed by the Board of Trustees during its December 21, 2011 Board meeting.

To supplement the CAR, the Fund is currently developing policies to improve risk management, governance and ability to absorb shocks arising from financial and economic stress via the adoption of Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR).

40.3 Operational Risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risk can cause damage to reputation, have legal or regulatory implications, or lead to financial loss.

The Fund cannot be expected to avoid all operational risks, but it endeavors to manage these risks through a control framework and by monitoring and responding to potential risks.

Controls include effective segregation of duties, access-authorization and reconciliation procedure, staff training and assessment process, including the activities of internal audit and the eventual implementation of the IISP.

40.4 Market Risk

Market risk is brought about by adverse movements in factors that affect the market value of instruments, products, and transactions in an institutions' overall portfolio. It arises from market making, dealing, and position taking in interest rate, foreign exchange and equity markets.

The Fund's adoption of the Full Risk Based Pricing Model is also intended to provide an objective pricing model, reflective of the market.

41. EVENTS AFTER BALANCE SHEET DATE

41.1 Appraised Value of Land Equity

On March 31, 2015, the appraisal value as determined by our in-house appraiser totaled to P408,360,635.

TCT No.	Block	Lot	Area (sq.m.)	PAVI Appraised Value per sq.m. Sept. 2013	HDMF Appraised Value per sq.m (Base Value P21,700/sq.m)	Total Appraised Value
238368	15	1	1,186.23	23,000.00	25,000.00	29,655,750
238369	15	2	1,019.25	23,000.00	25,000.00	25,481,250
238370	15	3	662.75	19,500.00	21,700.00	14,381,675
238371	15	4	500.00	19,500.00	21,700.00	10,850,000
238372	15	5	500.00	19,500.00	21,700.00	10,850,000
238373	15	6	500.00	19,500.00	21,700.00	10,850,000
238374	15	7	5,167.53	23,000.00	25,000.00	129,188,250
238375	18	5	1,200.00	22,000.00	24,200.00	29,040,000
238376	18	6	506.00	22,000.00	24,200.00	12,245,200
238377	18	7	419.48	21,500.00	23,700.00	9,941,676
238378	21	5	539.23	19,500.00	21,700.00	11,701,291
238379	21	6	539.23	19,500.00	21,700.00	11,701,291
238380	21	7	538.89	19,500.00	21,700.00	11,693,913
238381	21	8	539.23	19,500.00	21,700.00	11,701,291
238382	21	9	539.23	19,500.00	21,700.00	11,701,291
238383	21	10	631.00	21,500.00	23,700.00	14,954,700
238384	21	11	1,200.00	21,500.00	23,700.00	28,440,000
238385	21	12	1,105.21	19,500.00	21,700.00	23,983,057
			17,293.26			**408,360,635**

41.2 Members' Savings Reserve Fund (MSRF)

On February 16, 2015 the Fund opened Members' Savings Reserve Fund bank account, LBP Current Account No. 3432-1007-57 with initial deposit of P20,000 to provide for benefit claims and return of members' equity upon maturity.

On April 10, 2015, the Fund issued AMO No. 2015-005 to cover the set-up and operations of the MSRF. The MSRF was established as a liquidity provision with funds restricted/designated for the settlement of maturing members' contributions.
Aside from the above LBP Atrium Current Account, this MSRF also includes Claims Fund accounts with various LBP/DBP branches and as may be designated and/or invested in Time Deposits with government banks, Government Securities issued by the Bureau of Treasury and other liquid assets which are readily convertible to cash as needed.

41.3 Dividends

On February 23, 2015, the Board of Trustees approved the declaration of dividends for the year 2014 at 70 per cent of the Fund's net income to be credited proportionately to the members' TAV.

As cited on item 3.3 above, the Fund reopen its books to record the revaluation of investment portfolios. Other adjusting events were also effected on the year 2014 books of accounts.

The net income and dividends for the year 2014 went up to P16,227,294,765 and P11,350,364,155 respectively, from the previous unaudited amount of P16,221,612,145 and P11,340,301,042.

On May 26, 2015, the Board of Trustees approved the supplemental dividends of P10,063,113. The dividend rate is maintained at 4.18 per cent of the Fund's average members' equity.

41.4 Termination of Agreement with Strategic Alliance Holdings, Inc. and Stradcom Corporation

On June 18, 2009, the Fund entered into a contract for the design, development and implementation of Pag-IBIG Fund's Integrated Information Systems Project (IISP contract) with contract duration of 33 months, that is from July 1, 2009 to March 31, 2012.

The IISP contract was amended in various dates. Under Memorandum Agreement of April 10, 2014, it was estimated that the full-roll of the IISP to all units and offices of the Fund shall take five months from the completion of the pilot phase or until December 31, 2014.

Despite consultant's earnest and diligent efforts, which the Fund acknowledges, the consultant was unable to complete the IISP.

The termination agreement includes imposition of penalty for the non-consummation of deliverables by the consultant. The penalty amounts to P11,173,573 which was off-set against P9,969,262 of the retention fee and the balance of P1,827,389 net of withholding tax was paid per PFR# 0302083 on April 30, 2015.

41.5 Legal and other cases filed by or against HDMF

As at December 31, 2014, there are legal and other cases filed by or against HDMF as listed in Appendix 1. The impact of the said cases on the financial statements of the Fund is still not determined pending the resolution by the proper courts.