Alas Oplas & Co., CPAs

Independent Member of
BKR International

PUBLIC SAFETY MUTUAL BENEFIT FUND (PSMBFI) INCORPORATED

SAN JUAN CITY – PHILIPPINES

FINANCIAL STATEMENTS
DECEMBER 31, 2024 and 2023

7/F Philippine AXA Life Centre, 1286 Sen. Gil Puyat Avenue, Makati City Philippines 1200
Phone No.: (632) 7116-4366 | Email: aocheadoffice@alasoplas.com | www.alasoplascpas.com

C O N T E N T S

PUBLIC SAFETY MUTUAL BENEFIT FUND, INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The Management of **PUBLIC SAFETY MUTUAL BENEFIT FUND (PSMBFI), INCORPORATED** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2024. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited to, the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the years ended December 31, 2024 and 2023 and the accompanying Annual Income Tax Return are in accordance with the books and records of **PUBLIC SAFETY MUTUAL BENEFIT FUND (PSMBFI), INCORPORATED** complete and correct in all material respects. Management likewise affirms that:

(a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;

(b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the Association's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;

(c) **PUBLIC SAFETY MUTUAL BENEFIT FUND (PSMBFI), INCORPORATED** has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

TRUSTEE BENJAMIN D. SANTOS JR
Chairman

TRUSTEE EMMANUEL B. PERALTA
President and CEO

TRUSTEE NEIL B. ALINSAÑGAN
Corporate Treasurer

Signed this 22nd day of April, 2025.

PSMBFI Building
No. 318-320 Santolan Road, cor. 1st and 2nd West Streets
San Juan, Metro Manila
Tel. No. 726-1675; 726-8070 Telefax No. 726-7250
Email: customercare@psmbfi.com.ph

www.psmbfi.com.ph

PUBLIC SAFETY MUTUAL BENEFIT FUND, INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **PUBLIC SAFETY MUTUAL BENEFIT FUND (PSMBFI), INCORPORATED** (the "Association"), is responsible for the preparation and fair presentation of financial statements, for the years ended December 31, 2024 and 2023, in accordance with the prescribed financial reporting framework indicated therein, and such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Trustees is responsible for overseeing the Association's financial reporting process.

The Board of Trustees reviews and approves the financial statements, including the schedules attached therein, and submits the same to the members.

Alas, Oplas & Co., CPAs, the independent auditor appointed by the members for the years ended December 31, 2024 and 2023 has audited the financial statements of the Association in accordance with Philippine Standards on Auditing, and in its report to the members of the Association, has expressed its opinion on the fairness of presentation upon completion of such audit.

TRUSTEE BENJAMIN D. SANTOS JR
Chairman

TRUSTEE EMMANUEL B. PERALTA
President and CEO

TRUSTEE NEIL B. ALINSAÑGAN
Corporate Treasurer

Signed this 22nd day of April, 2025.

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REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

FILING REFERENCE NO.

TIN	:	200-568-486-000
Name	:	PUBLIC SAFETY MUTUAL BENEFIT FUND PSMBFI INC
RDO	:	042
Form Type	:	1702_MX_2018
Reference No.	:	662500065352761
Amount Payable (Over Remittance)	:	-1,045,024.00
Accounting Type	:	C - Calendar
For Tax Period	:	12/31/2024
Date Filed	:	04/14/2025
Tax Type	:	IT

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Independent Member of
BKR International

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

To the Members and the Board of Trustees
**PUBLIC SAFETY MUTUAL BENEFIT FUND
(PSMBFI), INCORPORATED**
No. 318-320 Santolan Road
corner 1st and 2nd West Streets
San Juan City

We have examined the financial statements of **PUBLIC SAFETY MUTUAL BENEFIT FUND (PSMBFI), INCORPORATED** (the "Association") for the years ended December 31, 2024 and 2023 on which we have rendered the attached report dated April 22, 2025.

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

ALAS, OPLAS & CO., CPAs
BOA Registration No. 0190, valid from February 19, 2025, to February 18, 2028
BIR A.N. 08-001026-000-2024, issued on January 5, 2024; effective until January 4, 2027
SEC A.N. (Firm) 0190-SEC, Group A, issued on October 21, 2021; valid for 2021 to 2025 audit period
TIN 002-013-406-000

By:

RYAN A. SABUG
Partner
CPA License No. 0111183
BOA Registration No. 0190/P-004, valid from February 19, 2025, to February 18, 2028
BIR A.N. 08-001026-004-2023, issued on February 9, 2023; effective until February 8, 2026
SEC A.N. (Individual) 111183-SEC, Group A, issued on February 4, 2021; valid for 2020 to 2024 audit period
TIN 232-158-286-000
PTR No. 10466283, issued on January 2, 2025, Makati City

April 22, 2025
Makati City, Philippines

Alas Oplas & Co., CPAs

INDEPENDENT AUDITORS' REPORT

Alas Oplas & Co., CPAs
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B K R International

To the Members and the Board of Trustees
PUBLIC SAFETY MUTUAL BENEFIT FUND (PSMBFI), INCORPORATED
No. 318-320 Santolan Road
corner 1st and 2nd West Streets
San Juan City

Opinion

We have audited the financial statements of **PUBLIC SAFETY MUTUAL BENEFIT FUND (PSMBFI) INCORPORATED** (the "Association") which comprise the statements of financial position as of December 31, 2024 and 2023, and the statements of total comprehensive income, statements of changes in fund balance and statements of cash flows for the year then ended, and notes to the financial statements, including material accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2024 and 2023, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audit in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, the *Code of Ethics for Professional Accountants in the Philippines*, and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

The Supplementary Information Required under Revenue Regulations Nos. 15-2010 and 34-2020

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required Revenue Regulations Nos. 15-2010 and 34-2020 are presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of **PUBLIC SAFETY MUTUAL BENEFIT FUND (PSMBFI) INCORPORATED**. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ALAS, OPLAS & CO., CPAs
BOA Registration No. 0190, valid from February 19, 2025, to February 18, 2028
BIR A.N. 08-001026-000-2024, issued on January 5, 2024; effective until January 4, 2027
SEC A.N. (Firm) 0190-SEC, Group A, issued on October 21, 2021; valid for 2021 to 2025 audit period
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By:

RYAN A. SABUG
Partner
CPA License No. 0111183
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TIN 232-158-286-000
PTR No. 10466283, issued on January 2, 2025, Makati City

April 22, 2025
Makati City, Philippines

PUBLIC SAFETY MUTUAL BENEFIT FUND (PSMBFI) INCORPORATED
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2024 AND 2023
In Philippine Peso

	Notes	**2024**	2023 As restated	2022 As restated
ASSETS				
Cash and cash equivalents	10	**1,718,977,937**	1,478,842,138	2,087,045,364
Financial assets at amortized cost – net	11	**21,849,161,453**	19,798,811,986	18,345,252,609
Financial assets at fair value through profit or loss	12	**600,000,000**	653,450,748	310,458,177
Investment property	13	**2,814,000**	2,814,000	2,814,000
Property and equipment – net	14	**446,050,734**	477,288,252	312,291,554
Retirement plan asset	22	**60,406,046**	22,547,837	27,526,514
Other assets – net	15	**142,758,356**	143,626,353	108,538,871
TOTAL ASSETS		**24,820,168,526**	22,577,381,314	21,193,927,089
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable and accrued expenses	16	**1,348,799,847**	1,836,966,730	2,084,463,980
Claims payable	17	**141,286,037**	158,768,718	176,254,206
Legal policy reserves	17	**653,273,171**	599,169,534	592,881,810
Premium deposits	17	**52,641,737**	108,186,021	99,990,244
Members' contributions	18	**6,919,275,019**	6,229,746,289	5,179,785,721
Total Liabilities		**9,115,275,811**	8,932,837,292	8,133,375,961
FUND BALANCE				
Retained surplus – appropriated	19	**11,422,702,105**	9,290,117,330	7,531,000,945
Retained surplus – unappropriated	19	**4,314,609,785**	4,389,284,188	5,550,758,993
Accumulated other comprehensive loss		**(32,419,175)**	(34,857,496)	(21,208,810)
Total Fund Balance		**15,704,892,715**	13,644,544,022	13,060,551,128
TOTAL LIABILITIES AND FUND BALANCE		**24,820,168,526**	22,577,381,314	21,193,927,089

See Notes to Financial Statements.

PUBLIC SAFETY MUTUAL BENEFIT FUND (PSMBFI) INCORPORATED
STATEMENTS OF TOTAL COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
In Philippine Peso

	Notes	2024	2023
UNDERWRITING INCOME			
Insurance premiums		**1,606,657,728**	1,533,174,535
UNDERWRITING EXPENSE			
Claims expense	17	**(350,573,042)**	(330,971,882)
Experience refund	16	**(9,123,192)**	(8,632,331)
Increase in legal policy reserves	17	**(54,103,637)**	(6,287,724)
		(413,799,871)	(345,891,937)
NET UNDERWRITING INCOME		**1,192,857,857**	1,187,282,598
Interest income		**1,841,048,979**	1,695,467,395
Interest expense	18	**(526,264,645)**	(357,570,965)
NET INTEREST INCOME		**1,314,784,334**	1,337,896,430
REVERSAL OF (PROVISION FOR) CREDIT LOSSES	11	**330,543,730**	(315,258,978)
NET INTEREST INCOME AFTER CHANGE IN CREDIT LOSSES		**1,645,328,064**	1,022,637,452
OTHER INCOME			
Rental income	25	**7,025,670**	6,615,796
Fair value changes on financial assets at fair value through profit or loss	12	**(8,000,000)**	17,469,244
Others	21	**4,571,434**	13,197,350
		3,597,104	37,282,390
INCOME BEFORE OPERATING EXPENSES		**2,841,783,025**	2,247,202,440
GENERAL AND ADMINISTRATIVE EXPENSES	20	**(702,349,809)**	(1,649,623,386)
INCOME BEFORE INCOME TAX		**2,139,433,216**	597,579,054
INCOME TAX BENEFIT (EXPENSE)	26	**(744,849)**	62,526
NET INCOME		**2,138,688,367**	597,641,580
OTHER COMPREHENSIVE INCOME (LOSS)	22	**2,438,321**	(13,648,686)
TOTAL COMPREHENSIVE INCOME		**2,141,126,688**	583,992,894

See Notes to Financial Statements.

PUBLIC SAFETY MUTUAL BENEFIT FUND (PSMBFI) INCORPORATED
STATEMENTS OF CHANGES IN FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
In Philippine Peso

	Retained Surplus				
	Appropriated (Note 19)	**Unappropriated** (Note 19)	**Total Retained Surplus**	**Accumulated Other Comprehensive Loss** (Note 22)	**Total fund balance**
Balance at December 31, 2022, as previously reported	**7,531,000,945**	**6,329,849,984**	**13,860,850,929**	**(21,208,810)**	**13,839,642,119**
Prior period error adjustments (Note 24)	–	(779,090,991)	**(779,090,991)**	–	**(779,090,991)**
Balance at December 31, 2022, as restated	**7,531,000,945**	**5,550,758,993**	**13,081,759,938**	**(21,208,810)**	**13,060,551,128**
Net income for the year	–	597,641,580	**597,641,580**	–	**597,641,580**
Other comprehensive loss	–	–	**–**	(13,648,686)	**(13,648,686)**
Appropriation of surplus	1,759,116,385	(1,759,116,385)	**–**	–	**–**
Balance at December 31, 2023	**9,290,117,330**	**4,389,284,188**	**13,679,401,518**	**(34,857,496)**	**13,644,544,022**
Net income for the year	–	2,138,688,367	**2,138,688,367**	–	**2,138,688,367**
Other comprehensive gain	–	–	**–**	2,438,321	**2,438,321**
Appropriation of surplus	2,213,362,770	(2,213,362,770)	**–**	–	**–**
Utilization of reserves	(80,777,995)	–	**(80,777,995)**	–	**(80,777,995)**
Balance at December 31, 2024	**11,422,702,105**	**4,314,609,785**	**15,737,311,890**	**(32,419,175)**	**15,704,892,715**

See Notes to Financial Statements.

PUBLIC SAFETY MUTUAL BENEFIT FUND (PSMBFI) INCORPORATED
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
In Philippine Peso

	Notes	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**2,139,433,216**	597,579,054
Adjustments for:			
Interest income		**(1,841,048,979)**	(1,695,467,395)
Interest expense	18	**526,264,645**	357,570,965
Provision for (reversal of) credit losses	11	**(330,543,730)**	315,258,978
Depreciation	14,20	**69,836,104**	59,865,956
Increase in legal policy reserves	17	**54,103,637**	6,287,724
Retirement benefit expense	22	**10,390,112**	7,799,991
Fair value changes on financial assets at fair value through profit or loss	12	**8,000,000**	(17,469,244)
Gain on disposal of property and equipment	14,21	**(4,568,739)**	(4,109,734)
Provision for (reversal of) incurred but not reported claims	17	**1,095,379**	(5,747,467)
Operating cash flows before working capital changes		**632,961,645**	(378,431,172)
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Insurance receivables		**7,465,045**	(6,642,109)
Loans and receivables		**(1,156,385,556)**	(591,563,924)
Other assets		**123,150**	(35,024,956)
Increase (decrease) in:			
Accounts payable and accrued expenses		**(568,944,880)**	(247,497,250)
Claims payable		**(18,578,060)**	(11,738,021)
Premium deposits		**(55,544,284)**	8,195,777
Cash used in operations		**(1,158,902,940)**	(1,262,701,655)
Interest received from cash in banks and loans receivables		**1,205,431,422**	1,175,513,362
Contributions to the retirement fund	22	**(45,810,000)**	(16,470,000)
Net cash generated from (used in) operating activities		**718,482**	(103,658,293)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received from investments		**288,848,590**	460,581,936
Additional investments in:			
Investment securities at amortized cost	11	**(4,940,943,210)**	(4,654,564,225)
Financial assets at fair value through profit or loss	12	**(300,000,000)**	(360,009,319)
Proceeds from maturities of:			
Investment securities at amortized cost	11	**4,716,826,951**	3,543,324,000
Financial assets at fair value through profit or loss	12	**345,450,748**	34,485,992
Additions to property and equipment	14	**(38,598,586)**	(224,897,881)
Proceeds from sale of property and equipment	14	**4,568,739**	4,144,961
Net cash generated from (used in) investing activities		**76,153,232**	(1,196,934,536)
CASH FLOWS FROM FINANCING ACTIVITIES			
Additional members' contributions	18	**1,205,880,116**	1,207,474,712
Refund of members' contributions and accumulated earnings	18	**(1,042,616,031)**	(515,085,109)
Net cash generated from financing activities		**163,264,085**	692,389,603
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**240,135,799**	(608,203,226)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**1,478,842,138**	2,087,045,364
CASH AND CASH EQUIVALENTS AT END OF YEAR	10	**1,718,977,937**	1,478,842,138

See Notes to Financial Statements.

1. CORPORATE INFORMATION

PUBLIC SAFETY MUTUAL BENEFIT FUND (PSMBFI) INCORPORATED (the "Association") was incorporated and registered with the Securities and Exchange Commission (SEC) as a non-stock, not-for-profit organization on December 11, 1997. The Insurance Commission (IC) granted the Association a license to transact business as a mutual benefit association on February 4, 1998, which is renewable every year.

The enactment of Republic Act (RA) No. 8291, otherwise known as the Government Service Insurance System (GSIS) Act of 1997 excluded the Philippine National Police (PNP), among other public safety practitioners, from the social insurance coverage of GSIS, without providing for an alternative option. After the passage of that law, the families of deceased policemen no longer received insurance benefits. As a remedy, the PNP organized the Association that is primarily engaged in providing insurance protection and financial and material aid to its members. The membership in the Association is limited to public safety practitioners as defined in its by-laws.

As a non-stock, not-for-profit entity, the Association is exempt from paying income taxes as set forth in Section 30(c) of the National Internal Revenue Code (NIRC). The Association, however, is subject to the corresponding internal revenue taxes under the NIRC on income derived from any of its properties, real or personal, or any activity conducted for profit regardless of the disposition thereof.

The registered office address of the Association, which is also its principal place of business, is at No. 318-320 Santolan Road corner 1st and 2nd West Streets, San Juan City.

2. BASIS FOR THE PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

2.01 Basis of Preparation

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

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at FVTPL and retirement benefit assets.

The preparation of these financial statements in conformity with PFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Association's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the financial statements therefore fairly present the financial position and results of the Association. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

Revised Standard Chart of Accounts (SCA)
On September 25, 2014, the IC issued Circular Letter (CL) No. 2014-41 presenting a revised SCA for mutual benefit associations. The revised SCA is in line with the requirements of Revised SRC Rule 68, Section 189 of the amended Code, and PFRSs. The Association implemented the CL in 2015 and is being continuously observed. On January 20, 2021, the IC issued CL No. 2021-04, adding certain specific accounts in the SCA.

2.02 Use of Judgments and Estimates

The Association makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. It is reasonably possible that the outcomes within the next financial year could differ from assumptions made at reporting date and could result in the adjustment to the carrying amount of affected assets or liabilities.

2.03 Going Concern Assumption

The Association is not aware of any significant uncertainties that may cast doubts upon the Association's ability to continue as a going concern.

3. ADOPTION OF NEW AND AMENDED ACCOUNTING STANDARDS

3.01 New and Amended Standards and Interpretations Effective on January 1, 2024

The Association applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2024, unless otherwise stated.

- Classification of Liabilities as Current or Non-current (Amendments to PAS 1)
- Lease Liability in a Sale and Leaseback (Amendments to PFRS 16)
- Supplier Finance Arrangements (Amendments to PAS 7 and PFRS 7)
- Non-current Liabilities with Covenants (Amendments to PAS 1)

These amendments had no impact on the Association's financial statements.

3.02 Standards Issued but Not Yet Effective (Effective Beginning on or After January 1, 2025)

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Association's financial statements are disclosed below. The Association intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

3.02.01 PFRS 17 Insurance Contracts
PFRS 17 'Insurance Contracts' is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. PFRS 17 replaces PFRS 4 'Insurance Contracts'. PFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply.
The overall objective of PFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. PFRS 17 is based on a general model, supplemented by:
- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is originally effective for annual periods beginning January 1, 2023. However, the Financial Reporting Standards Council has approved, on December 15, 2021, the amendment of PFRS 17 which defers the date of initial application by two years to annual periods beginning on or after 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.

The Insurance Commission has issued Circular Letter (CL) No. 2024-19, Application of Philippine Financial Reporting Standard (PFRS) 17 – Insurance Contracts in the Audited Financial Statements (AFS) which requires mutual benefit associations (MBAs) to apply PFRS 17 to their AFS effective 01 January 2030. However, MBAs are not precluded from implementing PFRS 17 in their AFS before said effectivity date.

3.02.02 Lack of Exchangeability (Amendments to PAS 21)
In August 2023, the IASB amended PAS 21 to help entities to determine whether a currency is exchangeable into another currency, and which spot exchange rate to use when it is not.

The amendment is effective for reporting periods beginning on or after January 1, 2025.The Association does not expect these amendments to have a material impact on its operations or financial statements.

3.02.03 Annual Improvements to PFRS Accounting Standards – Volume 11
In July 2024, the IASB published 'Annual Improvements to PFRS Accounting Standards – Volume 11'. A summary of improvements is set out below:

- PFRS 1 'First-time Adoption of PFRS Financial Reporting Standards' – Hedge accounting by a first-time adopter
- PFRS 7 'Financial Instruments: Disclosures' – Gain or loss on derecognition
- PFRS 7 'Financial Instruments: Disclosures' Implementation Guidance – Disclosure of differences between the fair value and the transaction price and disclosures on credit risk
- PFRS 9 'Financial Instruments' – Transaction price and lessee derecognition of lease liabilities
- PFRS 10 'Consolidated Financial Statements' – Determination of a 'de facto agent'
- PAS 7 'Statement of Cash Flows' – Cost method

The amendments will be effective for annual reporting periods beginning on or after January 1, 2026. Early application is permitted but will need to be disclosed. The Association does not expect these amendments to have a material impact on its operations or financial statements.

3.02.04 Amendments to the Classification and Measurement of Financial Instruments (Amendments to PFRS 9 and 7)
On May 30, 2024, the IASB issued targeted amendments to PFRS 9 and PFRS 7 to respond to recent questions arising in practice, and to include new requirements not only for financial institutions but also for corporate entities. These amendments:

- clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
- add new disclosures for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and
- update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

The amendments will be effective for annual reporting periods beginning on or after January 1, 2026. Early adoption is permitted but will need to be disclosed. The Association does not expect these amendments to have a material impact on its operations or financial statements.

3.02.05 PFRS 18 'Presentation and Disclosure in Financial Statements'
PFRS 18 will replace PAS 1, *Presentation of Financial Statements*, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though PFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, in particular those related to the statement of financial performance and providing management-defined performance measures within the financial statements.

Management is currently assessing the detailed implications of applying the new standard on the Association's financial statements.

The Association will apply the new standard from its mandatory effective date of January 1, 2027. Retrospective application is required, and so the comparative information for the financial year ending December 31, 2026 will be restated in accordance with PFRS 18.

3.02.06 PFRS 19 'Subsidiaries without Public Accountability: Disclosures'
Issued in May 2024, PFRS 19 allows for certain eligible subsidiaries of parent entities that report under PFRSs to apply reduced disclosure requirements.

PFRS 19 will become effective for reporting periods beginning on or after January 1, 2027, with early application permitted. The Association does not expect the standard to have a material impact on its operations or financial statements.

4. MATERIAL ACCOUNTING POLICIES

The material 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 both years presented, unless otherwise stated.

4.01 Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash depending on the immediate cash requirements of the Association and are subject to an insignificant risk of change in value.

4.02 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

4.02.01 Initial Recognition
The Association recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognized on trade date, the date on which the Association commits to purchase or sell the financial asset.

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 Association recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in profit or loss under "Other operating expenses, net" account unless it qualifies for recognition as some other type of asset or liability. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Association determines the appropriate method of recognizing the 'Day 1' difference amount.

4.02.02 Classification
The Association classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through OCI (FVOCI);
- those to be measured subsequently at FVTPL; and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Association has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Association reclassifies debt investments when, and only when, its business model for managing those assets changes.

The financial liabilities are classified by the Association in the following categories: (a) at FVTPL, and (b) at amortized cost.

The Association does not hold financial assets at FVOCI and financial liabilities at FVTPL as of December 31, 2024 and 2023.

4.02.03 Measurement
At initial recognition, the Association measures a financial asset or liability at its fair value plus or minus, in the case of a financial asset or liability not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset or liability. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows represent SPPI. As of December 31, 2024 and 2023, the Association does not hold financial assets with embedded derivatives.

(a) Financial assets – debt instruments

Subsequent measurement of debt instruments depends on the Association's business model for managing the financial asset and the cash flow characteristics of the financial asset. There are three measurement categories into which the Association classifies its debt instruments:

- Amortized cost: Financial assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortized cost. Interest income from these financial assets is included in interest income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in "Other income" account. Impairment losses are presented as separate line item in the statement of total comprehensive income under "Provision for credit losses".

  This financial asset classification applies primarily to the Association's cash and cash equivalents, insurance receivables, loans and receivables, and investment securities and other financial assets at amortized cost. The details of these financial assets are disclosed in Note 11.

- FVOCI: Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in "Other income" account. Interest income from these financial assets is included in finance income using the effective interest rate method. Impairment expenses are presented as separate line item in the statement of total comprehensive income.

  As of December 31, 2024 and 2023, the Association does not hold financial asset debt instruments measured at FVOCI.

- FVTPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in profit or loss and presented within "Fair value changes on financial assets at FVTPL" account in the period in which it arises.

This financial asset classification applies primarily to the Association's debt securities classified as financial assets at FVTPL. The details of these financial assets are disclosed in Note 12.

(b) Financial assets – equity instruments

The Association subsequently measures all equity investments at fair value. Where the Association's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Changes in the fair value of financial assets at FVTPL are recognized in "Fair value changes on financial assets at FVTPL" account in the statement of total comprehensive income, as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

This financial asset classification applies primarily to the Association's equity securities classified as financial assets at FVTPL. The details of these financial assets are disclosed in Note 12.

(c) Financial liabilities

The Association's financial liabilities are subsequently measured at amortized cost using the effective interest rate method.

This accounting policy applies to the Association's claims payable (excluding IBNR portion), members' contributions, and accounts payable and accrued expenses (other than liabilities covered by other accounting standards, such as income tax and other payables to government agencies).

4.02.04 Impairment
The Association assesses on a forward-looking basis the ECL associated to all debt instruments carried at amortized cost and FVOCI. The Association recognizes an allowance for credit loss for such expected losses at each reporting date.

The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The 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.

The Association applies the general approach under PFRS 9 for its loans and other receivables and other financial assets at amortized cost, which require the balances to be bucketed into one of three categories.

The expected loss rates are based on the historical profiles of the balances of loans and other receivables, and other financial assets at amortized cost, and the corresponding historical credit losses experienced for these balances. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Impairment losses on loans and other receivables and other financial assets at amortized cost and reversals of impairment losses are presented as a separate line item as “Provision for (reversal of) credit losses”. Subsequent recoveries of amounts previously written off are credited on “Other income” account in the statement of total comprehensive income.

4.02.05 Modification of Loans
In the event when there is a renegotiation or modification of the contractual cash flows of loans to members, as initiated by the Association or driven by regulatory requirements, the Association assesses if the terms are substantially different or not. If the terms are substantially different, the Association derecognizes the original financial asset and recognizes a ‘new’ asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Association also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognized in the statement of total comprehensive income as a gain or loss on modification.

If the terms are not substantially different, the Association recalculates the gross carrying amount of the financial asset and recognizes a modification gain or loss in the statement of total comprehensive income. The gross carrying amount of the financial asset shall be recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset’s original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

4.02.06 Derecognition of Financial Instruments
Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Association has transferred substantially all the risks and rewards of ownership (that is, if substantially all the risks and rewards have not been transferred, the Association tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition).

Financial liabilities are derecognized when, and only when, it is extinguished, i.e., when the obligation is discharged or is cancelled or has expired. Where 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 between the respective carrying amount is recognized in profit or loss in the statement of total comprehensive income.

4.02.07 Offsetting Financial Assets and Liabilities
Financial assets and liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Association or the counterparty.

As of December 31, 2024 and 2023, there are no financial assets and liabilities that have been offset.

4.03 Investment Property

Investment property consists of parcels of land owned by the Association that is primarily held for capital appreciation. Investment property is initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment property is measured at cost less any impairment in value. Land is not subject to depreciation.

Investment property is derecognized either when disposed or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the disposal or retirement of investment property are recognized in profit or loss.

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

For a transfer from investment property to owner-occupied property and transfer of owner-occupied property to investment property, the Association accounts for such properties in accordance with the policy stated under investment property and property and equipment, respectively, up to the date of change in use.

4.04 Property and Equipment

Property and equipment, except for land, are initially recognized at cost and subsequently measured at cost less accumulated depreciation, and any impairment in value. Land is stated at cost less any impairment in value and is not subject to depreciation.

The initial cost of property and equipment consists of its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the assets have been put into operation, such as repairs and maintenance, are normally charged to operations in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of the assets.

Construction in-progress is stated at cost. This includes cost of construction and other direct cost. Construction in-progress is not depreciated until such time the relevant assets are completed and available for use.

Depreciation is computed on a straight-line method over the estimated useful lives of the assets as follows:

		Number of years
Building and improvements	–	20 years
Transportation equipment	–	5 years
Office machine and equipment	–	3 years
Furniture and fixtures	–	3 years

Depreciation of property and equipment commences once the assets are available for use. Depreciation ceases at the earlier of the date that the item is classified as non-current asset held for sale or the date that the asset is derecognized.

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

When properties and equipment are retired or otherwise disposed of, the cost of the related accumulated depreciation and accumulated provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations. Fully depreciated properties and equipment are retained in the accounts until they are no longer in use and no further depreciation is charged against current operations.

An item of property and equipment is derecognized either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising on the retirement and disposal of an item of property and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period of retirement or disposal.

4.05 Software and Program Cost

Software and program cost, which are not specifically identifiable and integral to specific computer software, are shown as part of "Other assets" in the statement of financial position. These are carried at cost, less accumulated amortization and any impairment in value.

Development in progress - software, presented under Other assets, pertains to acquired computer and application software licenses capitalized on the basis of the costs incurred to acquire and bring to use the specific software. The capitalized costs represent probable future economic benefits associated with the item that will flow to the entity and can be reliably measured. Development in progress - software are reclassified to software and program cost at such time that the relevant assets are completed and are ready for intended use.

Following the reclassification, software is carried at cost less any accumulated amortization and any accumulated impairment losses. Amortization is computed on a straight-line method over the estimated useful life of five years. Changes in the expected useful life or the expected pattern of consumption of the future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense is recognized in profit or loss.

Software are derecognized upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset is included in profit or loss in the year the asset is derecognized.

As of December 31, 2024 and 2023, software and program cost is fully amortized but still in use.

4.06 Impairment of Non-Financial Assets

The Association assesses property and equipment, investment property and software and program cost at each reporting date whether there is an indication that an asset may be impaired. All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is recognized for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the fair value, reflecting market conditions less cost to sell, and value in use, based on an integral evaluation of discounted cash flow. Impairment loss is charged pro-rata to the other assets in the cash generating unit.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of impairment loss.

4.07 Prepayments

Prepayments are expenses paid in advance and recorded as asset before they are utilized. This account comprises prepaid expenses and creditable withholding tax. Prepaid expenses are apportioned over the period covered by the payment and charged to the appropriate accounts in the statement of total comprehensive income when incurred. Creditable withholding tax is deducted from income tax payable.

4.08 Insurance Contracts

Insurance contracts are defined as those contracts under which the Association accepts significant insurance risk from another party (the members) by agreeing to compensate the members if a specified uncertain future event (the insured event) adversely affects the member.

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

4.09 Insurance Contract Liabilities

Life insurance contract liabilities are recognized when the contracts are entered into and the premiums are recognized.

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

Insurance benefit and claims are recorded when incurred. These are recorded when notices of claims have been received or when policies reach maturity. Unpaid claims, including those incurred but not reported (IBNR) claims, are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date. These costs pertain to estimates of the Association's obligations to the members where the Association has not yet received notification on. Delays can be experienced in the notification and settlement of claims, therefore the ultimate cost could not be known with certainty at the reporting date.

The Association develops estimates for IBNR using an actuarial process that is centrally controlled. The actuarial models consider factors such as time from the date of service to claim receipt and claim backlogs. Each period, the Association re-examines previously established provisions for claims based on actual claim submissions and other changes in facts and circumstances.

4.09.01 Liability Adequacy Test
At each reporting date, a liability adequacy test is performed for the insurance contract liabilities. In performing this test, current best estimates of future cash flows and claims handling and administration expenses, as well as investment income from the asset backing such liabilities are used. Any deficiency is immediately charged against current operations.

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

Liabilities for future policy benefits on in-force policies have been computed based on methods and assumptions that are in accordance with generally accepted actuarial principles. Changes in the balance of legal policy reserves at each reporting date are taken to profit or loss.

4.10 Premium Deposits

Premium payments received in advance that are measured at the fair value of the consideration received are deferred and recognized as premiums when they become due.

4.11 Members' Contributions

Under the Association's MBEP, 44% of the contribution received from a member represents the member's savings in the Association, which was directly reported as additions to "Members' contributions". The members' contributions earn interest at a rate as may be determined by the Board. This equity plan was being offered by the Association until December 31, 2013.

Effective January 1, 2014, the Association started offering the MEP. Under this new equity plan, 50% of the contributions are maintained as savings in the Association and recognized as "Members' contributions". The members' contributions earn interest at a rate as may be determined by the Board but shall never be lower than the prevailing commercial bank rate for savings accounts.

The members' contributions earn interest at a rate of 12% and 6% for MBEP and MEP, respectively. The interest expense is charged to the statement of total comprehensive income.

The interest expense is charged to profit or loss, while the accumulated earnings of the members' contribution is shown as an addition to the "Members' contributions" under the liabilities section of the statement of financial position.

In addition to interest provided to the members' equity balance, the Association declares experience refund resulting from certain experience rating arrangements brought by the good financial performance of the Association. The experience refund is calculated at specified dates, such as contract anniversary date or at the end of the calendar year. Experience refund is intended by the Board as benefit to its members and is charged as an expense on the financial year the performance was assessed from upon discretionary declaration of such by the Board. Unpaid balance of experience refund is presented under Accounts payable and accrued expenses in the statement of financial position.

4.12 Retained Surplus

Retained surplus represents the cumulative balance of net income or loss, prior period adjustments, effects of changes in accounting policy and other capital adjustments. Retained surplus represents that portion which is free and can be declared for distribution to members. Appropriated retained surplus represents that portion which is restricted and therefore not available for any declaration for distribution to members.

4.13 Revenue Recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the entity and the amount of revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

- Insurance premiums are recognized as revenue when they become due from members.
- Interest income on cash and cash equivalents, debt securities and loans receivables are recognized as they accrue based on the effective interest rate method.
- Rental income under the Association's operating lease agreements is accounted for on a straight-line basis over the lease term.
- Other income is recognized when earned.

4.14 Expenses

Cost and expenses are recognized in the statement of total comprehensive income when a decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Benefits and claims consist of benefits paid as insurance protection, and financial and material aid to members, as well as changes in the valuation of insurance contract liabilities. Death claims are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

Interest expense on accumulated members' equity is recognized in profit or loss as it accrues.

Other costs and expenses are recognized in profit or loss upon utilization of the service or when they are incurred.

4.15 Retirement Benefits

The Association operates a defined benefit retirement plan. The retirement plan is generally funded through payments to a trustee bank determined by periodic actuarial calculations.

Typically, defined benefit plans define an amount of retirement benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan asset, if any, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

The defined benefit cost consists of the service cost and net interest cost. Service cost which includes current service cost, past service cost and gains or losses on non-routine settlements is recognized as expense in profit or loss. Past service cost is recognized when plan amendment or curtailment occurs. Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurement comprising actuarial gains and losses, return on plan asset, and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) is recognized immediately in other comprehensive income in the period in which they arise. Remeasurement is not reclassified to profit or loss in subsequent periods. Remeasurement recognized in other comprehensive income account “Remeasurement gains (losses) on retirement benefit obligation” is not reclassified to another equity account in subsequent periods. The difference between the interest income component of net interest and the actual return on plan asset is recognized in other comprehensive income.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Association, nor can they be paid directly to the Association. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets or if no maturity, the expected period until the settlement of the related obligation.

The Association’s right to be reimbursed of some or all of the expenditures required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

4.16 Leases

When the Association enters into an arrangement, comprising a transaction or a series of related transactions, that does not take the legal form of a lease but conveys the right to use an asset or is dependent on the use of specific asset or assets, the Association assesses whether the arrangement is, or contains, a lease. The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement. In such cases, when the Association has assessed that the arrangement is, or contains, a lease, the Association accounts for it under PFRS 16, as applicable.

4.16.01 The Association as Lessor
Rental income under fixed and non-cancellable leases is recognized in profit or loss on a straight-line basis over the period of the lease.

4.16.02 The Association as Lessee
The Association recognizes a lease liability and a right-of-use asset in the statement of financial position for its leases where the Association is the lessee. The Association recognizes depreciation expense from its right-of-use asset and an interest expense from the unwinding of the lease liability.

For the years ended December 31, 2024 and 2023, the lease payments made by the Association for its existing lease agreements are deemed to be immaterial.

4.17 Taxation

The tax expense for the year comprises current and deferred income tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

4.17.01 Current Tax
The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which the applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

4.17.02 Deferred Tax
Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable income. Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each reporting date, the Association reassesses the need to recognize previously unrecognized deferred income tax asset.

Deferred income tax assets are recognized for all deductible temporary differences and carry-forward benefits of unused tax credits that can be utilized. Deferred income tax liabilities are recognized for all taxable temporary differences.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax asset against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

4.18 Provision and Contingencies

Provisions are recognized when the Association has a present obligation (legal or constructive) as a result of a past event, 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 with the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, an increase in provision due to the passage of time is recognized as an interest expense. When the Association expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount is estimable. The expense relating to any provision is presented in the statement of total comprehensive income, net of any reimbursement.

Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying the economic benefits is remote. Contingent assets are not recognized in the financial statements, but disclosed when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements.

4.19 Related Party Transactions

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

4.20 Events after the Reporting Date

The Association identifies events after the end of the reporting date as events that occurred after the reporting date but before the date the financial statements were authorized for issue. Any event that provides additional information about the Association's financial position at the reporting date is reflected in the financial statements. Non-adjusting events are disclosed in the notes to the financial statements when material.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Association makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. It is reasonably possible that the outcomes within the next financial year could differ from assumptions made at reporting date and could result in the adjustment to the carrying amount of affected assets or liabilities.

5.01 Critical Accounting Estimates

5.01.01 Impairment of Loans and Receivables
The Association determines the recoverable amount of loans and receivables based on the ECL of the portfolio of loans and receivables as a whole. In arriving at the ECL for a particular period, management considers both historical loss experience and the relevant macroeconomic factor. In these cases, management uses judgments based on the best available facts and circumstances, including, but not limited to, the length of relationship with the counterparty debtors and whether there had been any payment defaults in the past. An evaluation of loans and receivables designed to identify potential charges to the allowance for credit losses is performed on a continuous basis throughout the year.

The calculated allowance for credit losses is reviewed on a regular basis to reflect proper valuation in the financial records. Any change in the Association's assessment of the collectibility of receivables could significantly impact the calculation of allowance for credit losses, if any, and the results of its financial performance.

The Association considers that it is impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding the extent of the net present value of estimated cash flows of individually impaired accounts and the estimated impairment for collectively assessed accounts.

5.01.02 Useful Lives of Long-lived Assets
The Association estimates the useful life of each of its property and equipment based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of practices of similar businesses, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and 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 asset. It is possible however, that future results of operations could be materially affected by changes in the amounts and timing or recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property and equipment would increase the recorded operating expenses and decrease total assets. The Association considers that it is impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding the useful lives of long-lived assets.

5.01.03 Ultimate Liability arising from Claims made under Insurance Contracts
The estimation of the ultimate liability arising from claims made under insurance contracts is the Association’s most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Association will ultimately pay for such claims. The major sources of uncertainties are the frequency of claims due to the contingencies covered and the timing of benefit payments.

With this, it is reasonably possible, based on existing knowledge, that the outcomes within the next financial year are different from assumptions and could require a material adjustment to the carrying amount of the asset or liability affected including reserve for outstanding losses and related reinsurance balances.

5.01.04 Valuation of Retirement Benefit Obligation
The determination of retirement benefit obligation is dependent on the selection of certain assumptions used by the Association in calculating such amounts. Those assumptions include, among others, discount rate and salary increase rate. Due to the long-term nature of the retirement plan, such estimates are subject to significant uncertainty. As of December 31, 2024 and 2023, the assumed discount rate was determined based on the zero-coupon yield of a Philippine government bond with term that is appropriate for the term of the liability of the plan.

While the Association believes that the assumptions are reasonable and appropriate, significant differences between actual experiences and assumptions may materially affect the cost of employee benefits and the related obligation.

5.02 Critical Accounting Judgments

5.02.01 Classification of Financial Assets
The Association classifies financial assets on the basis of the Association’s business model for managing the financial assets, unless option to designate a financial asset at FVTPL is applied, following the requirements of Philippine Financial Reporting Standard (PFRS) 9, Financial Instruments. The Association assesses the business model within which the assets are held and whether the contractual term of assets represents solely payments of principal and interest (SPPI) on the principal amount outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The judgments exercised in the classification affect the measurement of financial assets.

5.02.02 Impairment of Property and Equipment
The Association’s property and equipment are carried at cost less accumulated depreciation and amortization and impairment losses, if any. The carrying value is reviewed and assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Changes in those judgments could have a significant effect on the carrying value of property and equipment and the amount and timing of recorded provision for any period.

As at December 31, 2024 and 2023, management believes, based on its judgment, that there are no indications of impairment or changes in circumstances indicating that the carrying value of its property and equipment may not be recoverable.

5.02.03 Recognition of Deferred Taxes
The recognition of deferred income tax assets depends on management's assessment of the probability of available future taxable income against which the temporary differences can be applied.

The Association reviews the carrying amounts of deferred income tax assets at each reporting date and reduces the amounts to the extent that it is no longer probable that sufficient taxable profit will allow all or part of its deferred income tax assets to be utilized. Realization of future tax benefit related to deferred income tax assets is dependent on the Association's ability to generate future taxable income during the periods in which these are expected to be recovered.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Association's overall risk management program objective is to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Association's financial performance by analyzing, evaluating, accepting and managing some degree of risk or a combination of risks.

The Association's financial risk management is coordinated with the Board, and focuses on actively securing the Association's short-term and medium-term cash flows by minimizing the exposure to financial risks. Long-term financial investments are managed to generate lasting returns.

The Association is exposed to financial risk through its financial assets and financial liabilities. In particular, the key financial risk that the Association is exposed to is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts and the sufficiency of members' contributions to cover the outstanding balance of equity and salary loans.

Safety of principal is the foremost objective of the investment program. Investment shall be undertaken in a manner that seeks to ensure preservation of capital in the overall portfolio. The Association does not actively engage in the trading of financial assets for speculative purposes, nor does it write options.

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

The risk management systems enumerated and explained in the succeeding sections was designed based on the risks identified and their possible effects to the Association should events that lead to the identified risks actually occurs.

6.01 Credit Risk

Credit risk arises from the potential that the counterparty is unable or unlikely to perform an obligation resulting in a loss for the Association. The holding of cash in banks, debt investments and loans and receivables exposes the Association to credit risk of the counterparty with a maximum exposure equal to the carrying value of the instrument if the counterparty is unwilling or unable to fulfill its obligations, and the Association consequently suffers financial loss.

In Philippine Peso

The Association minimizes its credit risk by:

- limiting the investment to those allowed by the IC or as approved by the Insurance Commissioner;
- pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisers with which the Association will do business; and
- verifying the qualifications of the member who avail of the Association's loan facilities.

The Association only grants loans to its bona fide members that have passed its credit evaluation and are approved by the Association's Office of the President. Salary loans are granted only to members who apply with the automatic salary deduction scheme of the finance office of the PNP and other public safety agencies/offices. The Associations' salary and equity loans receivable are actively monitored to avoid significant concentrations of credit risks.

The Association's gross maximum exposure to credit risk is equal to the carrying amount of its financial assets, except for salary loans and equity loans. Salary loans are secured with credit life insurance that extinguishes the outstanding financial obligation of the member in case of premature death during the duration of the insured loan term. Equity loans are secured with the members' contributions which are equal to their carrying values.

The following table provides information regarding the credit quality of the Association's financial assets as of December 31:

2024	**Performing**	**Under performing**	**Non-performing**	**Total**
Financial assets at amortized cost:				
Cash and cash equivalents*	₱ 1,718,409,937	₱ –	₱ –	₱ 1,718,409,937
Insurance receivables**	3,242,982	–	56,897,205	60,140,187
Loans and receivables***	6,173,654,492	65,668,163	1,525,792,449	7,765,115,104
Investment securities at amortized cost	14,726,081,886	–	–	14,726,081,886
Other financial assets at amortized cost	1,074,757	–	–	1,074,757
	₱ 22,622,464,054	**₱ 65,668,163**	**₱ 1,582,689,654**	**₱ 24,270,821,871**

**except cash on hand amounting to ₱568,000 as disclosed in Note 10*
***gross of allowance for credit losses amounting to ₱56,897,204 as disclosed in Note 11*
****gross of allowance for credit losses amounting to ₱646,353,277 as disclosed in Note 11*

2023	Performing	Under performing	Non-performing	Total
Financial assets at amortized cost:				
Cash and cash equivalents*	₱ 1,478,224,138	₱ –	₱ –	₱ 1,478,224,138
Insurance receivables**	10,708,028	–	56,897,204	67,605,232
Loans and receivables***	5,619,173,691	47,527,393	937,579,505	6,604,280,589
Investment securities at amortized cost	14,159,645,619	–	–	14,159,645,619
Other financial assets at amortized cost	1,074,757	–	–	1,074,757
Financial assets at FVTPL****	228,847,821	–	–	228,847,821
	₱ 21,497,674,054	₱ 47,527,393	₱ 994,476,709	₱ 22,539,678,156

**except cash on hand amounting to ₱618,000 as disclosed in Note 10*
***gross of allowance for credit losses amounting to ₱56,897,204 as disclosed in Note 11*
****gross of allowance for credit losses amounting to ₱976,897,007 as disclosed in Note 11*
*****except equity securities amounting to ₱424,611,271 in Note 12*

The counterparties for cash and cash equivalents and government and corporate debt securities are considered to be investment grade based on ratings provided by reputable rating agencies. These counterparties are assessed to possess strong capacity to meet their obligations.

The Association rates the quality of insurance and loans receivables as follows:
- Performing – Current and past due for up to 30 days;
- Underperforming **-** 31 to 90 days past due; and
- Non-performing – More than 90 days past due.

For salary loans receivable to be classified as underperforming, contractual payments in arrears are more than 30 days or if the arrears are equivalent to 20% or more of the total obligation. An allowance for credit loss adjustment is recorded in profit or loss for these receivables. When credit exposure is adequately secured, arrears more than 90 days might still be classified as underperforming, with no allowance for credit loss adjustment recorded.

As of December 31, 2024 and 2023, balances classified as non-performing are fully provided with an allowance for credit loss. The ECL calculation is based on provision rates which represent the historical loss experience based on days past due, adjusted for the current conditions and forecasts of future economic conditions.

6.01.01 Significant Increase in Credit Risk
When determining whether the credit risk (i.e., risk of default) on a financial instrument has increased significantly since initial recognition, the Association considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both qualitative and quantitative information and analysis based on the Association's experience, expert credit assessment and forward-looking information.

The Association primarily identifies whether a significant increase in credit risk has occurred for an exposure by comparing:
- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated on initial recognition of the exposure.

As a backstop, the Association considers that a significant increase in credit risk occurs no later than when an asset is more than 90 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

6.01.02 Definition of "Default"
The Association defines a financial instrument as in default in all cases when the counterparty debtor becomes over 90 days past due on its contractual payments. As a part of a qualitative assessment of whether a counterparty is in default, the Association also considers a variety of instances that may indicate evidence of impairment, such as job security concerns of the counterparty's debtors (e.g. suspension, termination) and/or bankruptcy of the counterparty's debtors.

6.01.03 Write-Off
Financial assets (and the related allowance for credit and impairment losses) are normally written off, either partially or in full, when there is no realistic prospect of recovery.

The Association writes off loans and receivables based on factors such as number of years past due, collection costs exceeding recoveries, borrower status, and non-significant loan balances, subject to the approval of the Board.

As of December 31, 2024 and 2023, there are no outstanding contractual amounts of such assets written off. The write-off of loans is undertaken in accordance with Association's internal credit policy.

In Philippine Peso

6.02 Liquidity Risk

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

The major liquidity risk confronting the Association is the matching of available financial assets in respect of claims arising from insurance contracts.

Prudent liquidity risk management implies maintaining sufficient cash ensuring the availability of funding through an adequate amount of committed credit. This is important to ensure that the Association can meet all present and future financial obligations as they fall due and comply with regulatory requirements.

The Association manages liquidity through a liquidity risk policy which specifies minimum proportion of funds to meet emergency calls, set up of contingency funding plans and the sources of funding.

The table below presents the maturity profile of the Association's financial liabilities based on undiscounted cash flows, which it uses to manage the inherent liquidity risk. The analysis into maturity grouping is after the reporting period and until contractual maturity date or, if earlier, the expected date the financial liability will be settled. The amounts disclosed in the table are the contractual undiscounted cash flows which equal their carrying balances, as the impact of discounting is not significant.

2024	Up to 1 year	1 to 5 years	Over 5 years	Total
Financial Assets:				
Cash and cash equivalents	1,718,977,937	–	–	1,718,977,937
Insurance receivables*	60,140,187	–	–	60,140,187
Loans and receivables**	1,871,317,051	5,893,798,053	–	7,765,115,104
Investment securities at amortized cost	5,590,531,886	8,085,550,000	1,050,000,000	14,726,081,886
Other financial assets at amortized cost	–	–	1,074,757	1,074,757
Financial assets at FVTPL	–	300,000,000	300,000,000	600,000,000
	9,240,967,061	**14,279,348,053**	**1,351,074,757**	**24,871,389,871**
Financial Liabilities:				
Accounts payable and accrued expenses***	1,323,766,556	–	–	1,323,766,556
Claims payable****	116,264,287	–	–	116,264,287
Members' contributions	316,149,439	430,898,076	6,172,227,504	6,919,275,019
	1,756,180,282	**430,898,076**	**6,172,227,504**	**8,359,305,862**
Net liquidity position (gap)	**7,484,786,779**	**13,848,449,977**	**(4,821,152,747)**	**16,512,084,009**

**gross of allowance for credit losses amounting to ₱56,897,204 as disclosed in Note 11*
***gross of allowance for credit losses amounting to ₱646,353,277 as disclosed in Note 11*
****except payables to government agencies amounting to ₱25,033,291, as disclosed in Note 16*
*****excluding IBNR claims amounting to ₱25,021,750, as disclosed in Note 17*

In Philippine Peso

2023	Up to 1 year	1 to 5 years	Over 5 years	Total
Financial Assets:				
Cash and cash equivalents	1,478,842,138	–	–	1,478,842,138
Insurance receivables*	67,605,232	–	–	67,605,232
Loans and receivables**	1,008,263,014	5,596,017,575	–	6,604,280,589
Investment securities at amortized cost	4,777,224,902	7,464,567,698	1,917,853,019	14,159,645,619
Other financial assets at amortized cost	–	–	1,074,757	1,074,757
Financial assets at FVTPL	9,525,005	97,193,657	546,732,086	653,450,748
	7,341,460,291	13,157,778,930	2,465,659,862	22,964,899,083
Financial Liabilities:				
Accounts payable and accrued expenses***	1,819,560,287	–	–	1,819,560,287
Claims payable****	134,842,347	–	–	134,842,347
Members' contributions	546,971,373	486,981,541	5,195,793,375	6,229,746,289
	2,501,374,007	486,981,541	5,195,793,375	8,184,148,923
Net liquidity position (gap)	4,840,086,284	12,670,797,389	(2,730,133,513)	14,780,750,160

**gross of allowance for credit losses amounting to ₱56,897,204 as disclosed in Note 11*
***gross of allowance for credit losses amounting to ₱976,897,007 as disclosed in Note 11*
****except payables to government agencies amounting to ₱17,406,043, as disclosed in Note 16*
*****excluding IBNR claims amounting to ₱23,926,371, as disclosed in Note 17*

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

6.03 Market Risk

Market risk is the risk that fair value or future cash flows of financial instruments will fluctuate because of changes in market prices. Market risk includes foreign currency risk, interest rate, and other price risks.

6.03.01 Foreign Currency Risk
The Association has no financial assets and liabilities denominated in foreign currencies and therefore, it has no exposure to foreign currency exchange risk.

6.03.02 Interest Rate Risk
Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

The Association takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may also result in losses in the event that unexpected movements arise. The Association's investment portfolio is exposed to market risk depending on the nature of underlying securities.

The Association's government securities and corporate debts at amortized cost bear fixed interest rates, hence, not subject to significant cash flow interest rate risk.

The Association's government securities and corporate debts at FVTPL bear fixed interest rates, thus, subject to fair value interest rate risk. The sensitivity analysis below is performed by the Association for reasonable possible shift of 100 basis points in interest rates, with all other variables held constant, considering the impact on fair value changes on financial assets at FVTPL in the statements of total comprehensive income:

	2023
+100 basis points	decrease by ₱7.75 million
-100 basis points	increase by ₱8.15 million

As of December 31, 2024, possible change in fair value interest rate risk is not significant due to the redemptions of the Association's government securities and corporate debts at FVTPL bear fixed interest rates.

The Association determined the reasonably possible change in fair value interest rate risk by using management's assessment of the reasonable shift of the Association's sustainable portfolio yields covering a period of three years.

6.03.03 Price Risk
The Association is exposed to price risk to the extent of its equity investments classified as financial assets at FVTPL. For sensitivity analysis purposes, based on management's projections, a reasonably possible shift of ±10% movement in the market value of the Association's financial assets at FVTPL will increase/decrease net income for the years ended December 31, 2024 and 2023 by ₱60,000,000 and ₱65,345,075, respectively.

The Association determined the reasonably possible change in Philippine Stock Exchange index based on the historical fluctuation of equity securities covering a period of three years that the Association holds as of December 31, 2024 and 2023.

6.04 Risk Management Process

Risk management process is a comprehensive integrated approach for carrying out risk management activities to:

- Identify, measure, monitor, and respond to risks inherent in all the Association's activities
- Enable senior management to minimize the potential impact of Association's risks
- Assist different departments in understanding and measuring risk/return profiles; and
- Create and protect members' value

6.04.01 Risk Identification
In identifying risks, awareness of various transactions of every person concerned in different departments is needed.

6.04.02 Risk Measurement
After risks are identified, these are measured and assessed in terms of quantity of risk quality of risk management, and aggregate risk. These are quantified before taking into account responses in managing those risks. In this process, it is critical to make the best assessment since it is difficult to determine the rate of occurrence and severity of impact of each risk.

6.04.03 Risk Monitoring
Risk monitoring involves a regular review of the Association's risk management tools to determine if they have obtained the desired result or if they require modification.

Risk management is monitored in a frequent, timely, accurate, and informative manner, with modifications made as necessary. The Risk Officer continuously monitors the management of risk through risk limits, audit review, compliance check, ongoing management activities and evaluations.

6.04.04 Risk Response
Management establishes limits to alight risks with the Association's risk appetite. In developing risk response, costs versus benefits are considered by the Association. Some of the controls adopted are proper documentation of policies and procedures, adequate system for administration and monitoring of exposure, pre-approval of loan proposals and post-approval of implemented loans, regular review of the sufficiency of valuation reserves primarily for past due loans, active loan portfolio management, and monitoring of breaches in regulatory and internal limits. Management decides its risk responses to mitigate risk either to avoid, accept, reduce, or share risks described as follows:

- Risk avoidance involves the non-performance of an activity that could carry risk.
- Risk acceptance involves acceptance of the loss when it occurs. It is viable strategy for small risks where the cost would be greater over time than the total losses sustained.
- Risk reduction involves methods that reduce the severity of the loss or the likelihood of the loss from occurring.
- Risk sharing involves the practice of placing responsibility for a loss on another party via a contract.

7. INSURANCE RISK AND CAPITAL MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

7.01 Insurance Risk

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

The main insurance risks the Association is exposed to are:

- Mortality risk - risk of loss arising due to member death experience being different than expected.
- Morbidity risk - risk of loss arising due to member health experience being different than expected.
- Longevity risk - risk of loss arising due to members living longer than expected.
- Expense risk - risk of loss arising from returns being different from expected.
- Member decision risk - risk of loss arising due to member experiences being different than expected.

The Association's main insurance policy entitles a member to life insurance with accidental death benefit and dismemberment coverage.

In Philippine Peso

The significant factors that could increase the overall frequency of claims are terrorism, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected.

The Association manages its insurance risk by ensuring it generates lasting returns from its financial assets, so that it will be able to fund its obligation arising from its insurance contracts. The Association also closely monitors its assets and liabilities to attempt to match the expected pattern of claim payments with the maturity dates of its assets.

7.02 Capital Management and Regulatory Requirements

The primary objective of the Association's capital management is to comply with the statutory requirements on RBC for mutual benefit associations.

The Association manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in economic conditions and risk characteristics of the Association's activities. In order to maintain or adjust the capital structure, the Association may adjust the amount of experience refund paid to members.

To ensure compliance with these externally imposed capital requirements, it is the Association's policy to monitor the RBC requirement on a quarterly basis as part of the Association's internal financial reporting process.

The RBC ratio is used to measure the adequacy of the Association's statutory surplus in relation to the risks inherent in its business. The RBC method involves developing a risk-adjusted target level of statutory surplus by applying certain factors to various asset, premiums and reserve items. Higher factors are applied to more risky items and lower factors are applied to less risky items. The target level of statutory surplus varies not only as a result of the insurer's size, but also on the risk profile of the insurer's operations.

Every mutual benefit association is annually required to maintain a minimum RBC ratio of 100% and not fail the trend test. Failure to meet the minimum RBC ratio will trigger regulatory intervention by the IC.

The RBC ratio of the Association shall be calculated as members' equity divided by the RBC requirement. As provided by Insurance Memorandum Circular No. 11-2006 dated December 8, 2006, members' equity is defined as admitted assets minus all liabilities inclusive of actuarial reserves and other obligation under the policies and membership certificates.

The following table shows how the RBC ratio as at December 31 has been determined by the Association:

	2024	2023 As restated
Total members' equity	**₱ 15,501,728,313**	₱ 12,483,405,001
RBC requirement	**2,344,538,665**	1,493,230,263
RBC ratio	**661.18%**	836.00%

On April 24, 2006, the IC issued Insurance Memorandum Circular No. 2-2006 increasing the amount of guaranty fund of mutual benefit associations. All existing mutual benefit associations should have a guaranty fund of ₱12,500,000 on or before December 31, 2006. This fund shall be deposited with the IC. The guaranty fund of the Association amounting to ₱25,000,000 as of December 31, 2024 and 2023 is included in investment securities at amortized cost.

The Association fully complied with the externally imposed capital requirements during the reported financial period and no changes were made to its objectives, policies and processes from the previous year.

In Philippine Peso

8. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Association holds the following financial assets as of December 31:

8.01 Financial Assets

	Notes		2024		2023
Financial assets at amortized cost:					
Cash and cash equivalents	10	₱	**1,718,977,937**	₱	1,478,842,138
Insurance receivables, net	11		**3,242,983**		10,708,028
Loans and receivables, net	11		**7,118,761,827**		5,627,383,582
Investment securities at amortized cost	11		**14,726,081,886**		14,159,645,619
Other financial assets at amortized cost	11		**1,074,757**		1,074,757
Financial assets at fair value through profit or loss (FVTPL)	12		**600,000,000**		653,450,748
		₱	**24,168,139,390**	₱	21,931,104,872

A financial asset is any asset that is (a) cash; (b) an equity instrument of another entity; or (c) a contractual right to receive cash or another financial asset from another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the Association.

8.02 Financial Liabilities

	Notes		2024		2023
Accounts payable and accrued expenses*	16	₱	**1,323,766,556**	₱	1,819,560,287
Claims payables**	17		**116,264,287**		134,842,347
Members' contributions	18		**6,919,275,019**		6,229,746,289
		₱	**8,359,305,862**	₱	8,184,148,923

**except payables to government agencies amounting to ₱25,033,291, and ₱17,406,043 as of December 31, 2024 and 2023, respectively, as disclosed in Note 16*
***excluding IBNR claims amounting to ₱25,021,750 and ₱23,926,371 as of December 31, 2024 and 2023, respectively, as disclosed in Note 17*

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Association.

9. FAIR VALUE DETERMINATION OF FINANCIAL ASSETS AND LIABILITIES

All 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:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges and broker quotes from Bloomberg.

In Philippine Peso

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, LIBOR yield curve, foreign exchange rates, volatilities and counterparty spreads) existing at reporting date. The Association uses widely recognized valuation models for determining fair values of non-standardized financial instruments of lower complexity. For these financial instruments, inputs into models are generally market observable.

In cases when the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at cost less impairment.

The fair value for loans and advances as well as members' contributions are determined using a present value model on the basis of contractually agreed cash flows, taking into account credit quality, liquidity and costs.

The following table classifies the Association's financial assets at FVTPL according to level of the fair value hierarchy as at December 31:

2024	**Level 1**	**Level 2**	**Level 3**	**Total**
Equity securities	**600,000,000**	–	–	**600,000,000**
2023				
Debt securities	197,392,200	31,447,277	–	228,839,477
Equity securities	424,611,271	–	–	424,611,271
	622,003,471	31,447,277	–	653,450,748

There were no transfers between levels of fair value hierarchy in 2024 and 2023.

10. CASH AND CASH EQUIVALENTS

The account as of December 31 consists of:

	2024	2023
Cash on hand	₱ **568,000**	₱ 618,000
Cash in banks	**433,987,187**	427,870,165
Cash equivalents	**1,284,422,750**	1,050,353,973
	₱ **1,718,977,937**	₱ 1,478,842,138

Cash in banks earn interest at the prevailing bank deposit rates. Cash equivalents are made for varying periods not exceeding three months depending on the immediate cash requirements of the Association and earn interest at effective rates ranging from 3.50% to 6.13% in 2024 and 5.00% to 6.50% in 2023.

Interest income earned from cash and cash equivalents for the years ended December 31, 2024 and 2023 amounts to ₱78,463,642 and ₱57,237,096, respectively.

In Philippine Peso

There are no restrictions imposed on the Association's cash and cash equivalents as of December 31, 2024 and 2023.

11. FINANCIAL ASSETS AT AMORTIZED COST – net

The Association's financial assets at amortized cost, other than cash and cash equivalents, as of December 31 are disclosed below:

		2024		2023
Insurance receivables, net	₱	**3,242,983**	₱	10,708,028
Loans and receivables, net		**7,118,761,827**		5,627,383,582
Investment securities at amortized cost		**14,726,081,886**		14,159,645,619
Other financial assets at amortized cost		**1,074,757**		1,074,757
	₱	**21,849,161,453**	₱	19,798,811,986

11.01 Insurance Receivables, net

The account as of December 31 consists of:

		2024		2023
Gross insurance receivables	₱	**60,140,187**	₱	67,605,232
Allowance for credit losses		**(56,897,204)**		(56,897,204)
	₱	**3,242,983**	₱	10,708,028

Insurance receivables pertain to amounts due from a reinsurer under liquidation and other receivables from third parties.

There were no additional provision for credit losses recognized for insurance receivables for the years ended December 31, 2024 and 2023.

11.02 Loans and Receivables, net

The account as of December 31 consists of:

		2024		2023
Loans receivable				
Salary loans	₱	**6,674,756,050**	₱	5,938,901,818
Equity loans		**986,848,262**		576,476,566
Loans receivables – gross		**7,661,604,312**		6,515,378,384
Allowance for credit losses		**(646,353,277)**		(976,897,007)
		7,015,251,035		5,538,481,377
Interest receivable		**86,772,889**		83,611,219
Dividend receivable		**11,263,275**		–
Advances to officers and employees		**1,865,818**		2,330,045
Receivable from members		**1,080,243**		1,089,463
Others		**2,528,567**		1,871,478
	₱	**7,118,761,827**	₱	5,627,383,582

11.02.01 Salary Loans

Salary loans are due in monthly installments ranging from one to five years with fixed nominal interest rates ranging from 5.00% to 16.00% per annum.

In Philippine Peso

11.02.02 Equity Loans

Equity loans, which the members can avail up to 90.00% of the members' equity value, are payable in monthly installments with fixed interest rates ranging from 6.00% to 8.00% per annum and are due over a period of two years.

11.02.03 Dividend Receivable

Dividend receivable pertains to the receivable represents income to be received from dividends declared on investments in stocks.

11.02.04 Interest Receivable

Interest receivable pertains to interest income earned but not yet collected from the Association's debt investments, and its salary and equity loans.

Interest income earned from loans and receivables for the years ended December 31, 2024 and 2023 amounts to ₱1,121,756,088 and ₱1,100,520,593, respectively.

11.02.05 Receivable from Members

Receivable from members pertain to overpayments of Member's Experience Refund ("MER") and Member's Benefit from Interest on Equity Value ("MBIEV") to members.

11.02.06 Allowance for Credit Losses

The Association applied the general approach under PFRS 9, Financial Instruments, to measure expected credit losses (ECL) on its loans and receivables.

To measure the ECL, the Association uses three categories that reflect the credit risk of the underlying receivable balance and how the loan loss provision is determined for each of those categories. A summary of the assumptions underpinning the Association's ECL model is as follows:

Category	Definition	Basis of recognition
Performing	Counterparty debtors have a low risk of default and a strong capacity to meet contractual cash flows	12-month expected losses. Where the expected term of the loan is less than 12 months, expected losses are measured at its expected lifetime.
Underperforming	Loans for which there is a significant increase in credit risk; a significant increase in credit risk is presumed if interest and/or principal repayments are more than 30 days past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are more than 90 days past due	Lifetime expected losses

Over the term of the loans, the Association accounts for its credit risk by appropriately providing for ECL on a timely basis. The ECL rates are based on the payment profiles of loans and receivables over a period of 48 months before December 31, 2024 and 2023 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Association has identified the unemployment rate to be the most relevant macroeconomic factor, and accordingly adjusts the historical loss rates based on expected changes in the factor.

In Philippine Peso

The movements in the allowance for credit losses of loans and receivables for the years ended December 31 are shown below:

	2024	2023
Balance, January 1	₱ **976,897,007**	₱ 661,638,029
Provision for (reversal of) credit losses	**(330,543,730)**	315,258,978
Balance, December 31	₱ **646,353,277**	₱ 976,897,007

The allowance for credit losses pertains to salary loans receivable and equity loans receivables.

Management has performed an assessment and concluded that the allowance for credit loss pertaining to the other loans and receivable balances is immaterial.

Management writes off loans and receivables based on factors such as number of years past due, collection costs exceeding recoveries, borrower status, and non-significant loan balances, subject to the approval of the Board.

11.03 Investment Securities at Amortized Cost

The account as of December 31 consists of:

	2024	**Average interest rates**	2023	Average interest rates
Government securities				
Retail treasury bonds	₱ **2,175,000,000**	**5.55%**	₱ 2,475,000,000	5.36%
Fixed treasury notes	**6,237,581,252**	**5.81%**	5,682,911,474	5.44%
Treasury bills	**2,796,810,634**	**5.99%**	3,074,044,145	6.10%
	11,209,391,886		11,231,955,619	
Corporate bonds	**3,416,690,000**	**5.85%**	2,827,690,000	5.84%
Long-term negotiable certificate of deposits	**100,000,000**	**4.19%**	100,000,000	4.19%
	₱ **14,726,081,886**		₱ 14,159,645,619	

Government securities amounting to ₱25,000,000 as at December 31, 2024 and 2023 are on deposit with the Bureau of Treasury under the Registry of Scripless Securities System, in accordance with the provision under Section 405 of the Insurance Code of the Philippines, as amended by Republic Act No. 10607, "An Act Strengthening the Insurance Industry" (the amended Code), as security for the benefit of members and creditors of the Association.

For the years ended December 31, 2024 and 2023, interest income earned from financial assets at amortized cost amount to ₱610,463,957 and ₱525,391,667, respectively.

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

	2024	2023
Balance, January 1	₱ **14,159,645,619**	₱ 12,986,207,394
Acquisitions	**4,940,943,210**	4,654,564,225
Maturities	**(4,716,826,951)**	(3,543,324,000)
Amortization of discount	**342,320,008**	62,198,000
Balance, December 31	₱ **14,726,081,886**	₱ 14,159,645,619

In Philippine Peso

Management has performed an assessment and concluded that the allowance for credit loss pertaining to the other financial assets at amortized cost is immaterial considering the counterparties' credit standing (sovereign and corporate entities rated investment-grade at a minimum and deposits held at banks with high credit ratings) and with no history of payment defaults in the past.

11.04 Other Financial Assets at Amortized Cost

Other financial assets at amortized cost as of December 31, 2024 and 2023 amount to ₱1,074,757. These assets pertain to deposit to various service providers.

12. FINANCIAL ASSETS AT FVTPL

The financial assets at FVTPL account as at December 31 consists of:

		2024		2023
Equity securities	₱	**600,000,000**	₱	424,611,271
Debt securities				
Government securities		**–**		191,416,697
Corporate bonds		**–**		31,447,277
Unit investment trust funds (UITFs)		**–**		5,975,503
	₱	**600,000,000**	₱	653,450,748

Government securities and corporate bonds earn at an average interest rate of 6.33% and 6.05% with maturities from three (3) to twenty (20) years and two (2) to seven (7) years from date of acquisition, respectively. Interest income earned from government securities and corporate bonds for the years ended December 31, 2024 and 2023 amount to nil and ₱12,318,039, respectively.

Dividend income earned from equity securities for the years ended December 31, 2024 and 2023 amount to ₱30,365,292 and ₱1,877,921, respectively.

Investments amounting to nil and ₱345,450,478 as of December 31, 2024 and 2023, respectively, are under a trust fund agreement with Metropolitan Bank and Trust Corporation and BDO Unibank, Inc. – Trust and Investment Group for the administration of these investments.

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

		2024		2023
Balance, January 1	₱	**653,450,748**	₱	310,458,177
Acquisitions		**300,000,000**		360,009,319
Maturities		**(345,450,748)**		(34,485,992)
Fair value adjustments		**(8,000,000)**		17,469,244
Balance, December 31	₱	**600,000,000**	₱	653,450,748

The unrealized fair value gains or losses on financial assets at FVTPL are presented as part of "Fair value changes on financial assets at FVTPL" in the statement of total comprehensive income.

13. INVESTMENT PROPERTY

Investment property as of December 31, 2024 and 2023 amounts to ₱2,814,000.

The fair value of investment property as at December 31, 2024 and 2023 is ₱4,060,000. The fair value of the investment property was obtained using the market approach and is based on sales and listings of comparable properties registered within the vicinity. The fair value of the Association’s investment property falls under the Level 3 category. The most significant input for purposes of estimating fair value pertains to price per square meter ranging from ₱13,872 to ₱15,300 per square meter. Sensitivities surrounding the carrying value of investment property is considered minimal.

The fair value of investment property as of December 31, 2024 and 2023 was determined by an independent appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. In estimating the fair value of the parcels of land, the appraisal made gave due consideration to the highest and best use of the property following the market approach.

13.01 Fair Value Measurement for Investment Property

The fair value of a non-financial asset is measured based on its highest and best use. The asset’s current use is presumed to be its highest and best use.

The Association uses valuation techniques that are appropriate in the circumstances and applies the technique consistently. Commonly used valuation techniques are as follows:

- Market approach - A valuation technique that uses observable inputs, such as prices, broker quotes and other relevant information generated by market transactions involving identical or comparable assets or group of assets.
- Income approach - A valuation technique that converts future amounts (e.g., cash flows or income and expenses) to a single current (i.e., discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.
- Cost approach - A valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

In Philippine Peso

14. PROPERTY AND EQUIPMENT – net

Movements in the account are as follows:

2024	**Land**	**Building improvements**	**Office machine and equipment**	**Furniture and fixtures**	**Transportation equipment**	**Total**
Cost						
Balance, January 1	₱ 265,367,374	₱ 510,927,176	₱ 241,190,866	₱ 31,763,039	₱ 111,709,007	₱ 1,160,957,462
Additions	1,284,333	7,645,278	26,209,080	3,128,295	331,600	38,598,586
Disposals	–	–	(621,660)	(47,945)	(19,280,416)	(19,950,021)
Reclassifications	–	(1,125,000)	1,125,000	–	–	–
Balance, December 31	**266,651,707**	**517,447,454**	**267,903,286**	**34,843,389**	**92,760,191**	**1,179,606,027**
Accumulated depreciation						
Balance, January 1	–	416,852,511	189,475,122	28,429,443	48,912,134	683,669,210
Depreciation (Note 20)	–	23,323,509	28,674,724	1,946,143	15,891,728	69,836,104
Disposals	–	–	(621,659)	(47,946)	(19,280,416)	(19,950,021)
Balance, December 31	**–**	**440,176,020**	**217,528,187**	**30,327,640**	**45,523,446**	**733,555,293**
Carrying amount	**₱ 266,651,707**	**₱ 77,271,434**	**₱ 50,375,099**	**₱ 4,515,749**	**₱ 47,236,745**	**₱ 446,050,734**

2023	Land	Building improvements	Office machine and equipment	Furniture and fixtures	Transportation equipment	Total
Cost						
Balance, January 1	₱ 142,808,464	₱ 487,970,365	₱ 212,706,330	₱ 29,196,716	₱ 82,114,557	₱ 954,796,432
Additions	122,120,816	23,443,530	33,416,092	2,691,843	43,225,600	224,897,881
Disposals	–	–	(4,980,181)	(125,520)	(13,631,150)	(18,736,851)
Reclassifications	438,094	(486,719)	48,625	–	–	–
Balance, December 31	265,367,374	510,927,176	241,190,866	31,763,039	111,709,007	1,160,957,462
Accumulated Depreciation						
Balance, January 1	–	395,639,169	170,062,917	27,165,761	49,637,031	642,504,878
Depreciation (Note 20)	–	21,213,342	24,364,280	1,382,091	12,906,243	59,865,956
Disposals	–	–	(4,952,075)	(118,409)	(13,631,140)	(18,701,624)
Balance, December 31	–	416,852,511	189,475,122	28,429,443	48,912,134	683,669,210
Carrying amount	₱ 265,367,374	₱ 94,074,665	₱ 51,715,744	₱ 3,333,596	₱ 62,796,873	₱ 477,288,252

In Philippine Peso

In 2024, the Association disposed certain assets with a net book value of nil for ₱4,568,739, resulting to a gain on disposal of ₱4,568,739. In 2023, the Association disposed certain fixed assets with a net book value of ₱35,227 for ₱4,144,961 resulting to a gain on disposal of ₱4,109,734. Gain on disposal is presented under Other income, as disclosed in Note 21.

15. OTHER ASSETS – net

The account as of December 31 consists of:

	Notes		2024		2023
Development in progress – software		₱	**137,456,043**	₱	137,189,975
Creditable withholding tax	30		**2,131,421**		2,593,682
Office supplies inventory			**1,907,593**		1,032,576
Unrefunded SSS Benefit			**422,564**		520,663
Prepaid expenses			**139,469**		1,421,665
Deferred tax assets	26		**86,111**		148,637
Others			**615,155**		719,155
		₱	**142,758,356**	₱	143,626,353

Development in progress represents payments made for the procurement of PSMBFI Unified Loans and Insurance Systems (PULIS) to be used as the Association's accounting and member's accounts application systems.

As of December 31, 2024 and 2023, the total cost of software that is still being used by the Association amounts to ₱6,552,944.

16. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

The account as of December 31 consists of:

		2024		2023 As restated
Payable to members	₱	**1,249,516,795**	₱	1,741,654,022
Accrued expenses		**74,249,761**		77,906,665
Payables to government agencies		**25,033,291**		17,406,043
	₱	**1,348,799,847**	₱	1,836,966,730

Payable to members includes outstanding balances related to experience refund, loan overpayments, refund of equity value of terminated members, and interest accretions which are payable on demand or within one year.

Special Group Term Insurance (SGTI) refund for the years ended December 31, 2024 and 2023 amount to ₱9,123,192 and ₱8,632,331, respectively. Consistent with the intention of the Board to provide benefit to its members, the amount of experience refund is presented in the statement of total comprehensive income.

As of December 31, 2024 and 2023, the outstanding payables related to experience refund amount to ₱197,258,097 and ₱977,424,313, respectively.

Accrued expenses pertain to accrual of various expenses such as repairs, representation, travel, and transportation expenses.

In Philippine Peso

Payables to government agencies pertain to withholding taxes such as fringe benefit, compensation, expanded and final withholding taxes, and statutory contributions payable to Social Security System ("SSS"), Home Development Mutual Fund ("HDMF") and Philippine Health Insurance Corporation ("PhilHealth").

17. INSURANCE CONTRACT LIABILITIES AND RELATED ACCOUNTS

17.01 Claims Payable and Legal Policy Reserves

The movements in the Association's insurance contract liabilities consisting of claims payable and legal policy reserves for the years ended December 31 are shown below:

	Claims payable			Legal policy	
	Actual	IBNR	Total	reserves	Total
At December 31, 2022	146,580,368	29,673,838	176,254,206	592,881,810	769,136,016
Provisions during the year	336,719,349	(5,747,467)	330,971,882	6,287,724	337,259,606
Claims paid during the year	(348,457,370)	–	(348,457,370)	–	(348,457,370)
At December 31, 2023	134,842,347	23,926,371	158,768,718	599,169,534	757,938,252
Provisions during the year	349,477,663	1,095,379	350,573,042	54,103,637	404,676,679
Claims paid during the year	(368,055,723)	–	(368,055,723)	–	(368,055,723)
At December 31, 2024	**116,264,287**	**25,021,750**	**141,286,037**	**653,273,171**	**794,559,208**

Claims payable arises from life insurance contracts entered into by the Association with its members.

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

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

17.02 Premiums Deposits

The account pertains to premiums left on deposit with the Association which are applied to succeeding premium payments due. Upon application, they are recognized as premium revenues. They do not earn interest while held by the Association pending application to premiums due.

Premium deposits as of December 31, 2024 and 2023 amount to ₱52,641,737 and ₱108,186,021, respectively.

18. MEMBERS' CONTRIBUTIONS

The account as of December 31 consists of:

	2024	2023
Principal contributions	₱ **5,962,791,463**	₱ 5,374,455,951
Accumulated earnings	**956,483,556**	855,290,338
	₱ **6,919,275,019**	₱ 6,229,746,289

In Philippine Peso

Members' contributions pertain to the portion of the contributions received from the Member's Benefit Equity Plan (MBEP) and Member's Equity Plan (MEP) which represent the members' savings deposit in the Association. The members' contributions are withdrawable anytime on demand by the member.

The estimated fair value of members' contributions is the amount repayable on demand which is equal to the members' equity value. The most significant input for purposes of estimating fair value pertains to its interest rates.

Features of MBEP and MEP are as follows:

	Contributions breakdown		**Interest rate**	
	Members' contribution	Insurance premiums	2024	2023
MBEP	44%	56%	12%	12%
MEP	50%	50%	8%	6%

On February 29, 2024, the Board of Trustees approved the increase of interest rate of MEP from 6% to 8% effect on January 1, 2024 and graduated increase to 9% for the next four (4) years.

Principal contributions pertain to contributions received from a member representing the member's savings in the Association. The movements in the principal contributions for the years ended December 31 are shown below:

	2024	2023
At January 1	**₱ 5,374,455,951**	₱ 4,562,133,774
Contributions during the year	**1,205,880,116**	1,207,474,712
Refunds during the year	**(617,544,604)**	(395,152,535)
At December 31	**₱ 5,962,791,463**	₱ 5,374,455,951

Accumulated earnings represent the interest earned by the members over the principal contributions deposited with the Association. The movements in the accumulated earnings of principal contributions as of December 31 consist of:

	2024	2023
At January 1	**₱ 855,290,338**	₱ 617,651,947
Interest on contributions during the year	**526,264,645**	357,570,965
Refunds during the year	**(425,071,427)**	(119,932,574)
At December 31	**₱ 956,483,556**	₱ 855,290,338

Refunds on principal contributions and accumulated earnings represent withdrawals from the members either through voluntary or involuntary withdrawal or termination of their membership.

19. RETAINED SURPLUS

Section 408 of the amended Code provides that a mutual benefit association shall only maintain free and unassigned surplus of not more than twenty percent (20%) of its total liabilities as verified by the Commissioner. Excess amount shall be returned to the members by way of dividends, enhancing the equity value or providing benefits in kind and other relevant services. This amendment, however, is still subject for further interpretation. As of December 31, 2024 and 2023, the IC has not yet issued a circular relating to the guidelines on the implementation of this provision.

In Philippine Peso

The Association plans to retain the unappropriated retained surplus as of December 31, 2024 and 2023 of ₱4,314,609,785 and ₱4,389,284,188, respectively, for the following:

- As additional appropriation for future contingencies, including other losses, and additional funding for existing projects; and,
- To plan for any future distribution of MBIEV, enhancement of equity value, and any further provision of benefits in kind and other relevant services for members.

Management will continue to evaluate the plans to retain the unappropriated retained surplus over 20% of its total liabilities after considering the amended regulatory capital requirements of the IC on fixed capitalization and RBC framework.

The movements in the Association's appropriated retained surplus for the years ended December 31 are shown below:

		2024		2023
Balance, January 1	₱	**9,290,117,330**	₱	7,531,000,945
Appropriations during the year		**2,213,362,770**		1,759,116,385
Utilization of appropriations during the year		**(80,777,995)**		–
Balance, December 31	₱	**11,422,702,105**	₱	9,290,117,330

The balance of appropriated retained surplus as of December 31, 2024 and 2023 pertains to the following:

- On October 30, 2012, the Board approved appropriations amounting to ₱230 million and ₱46 million for the Association's mortality fund and guaranty fund, respectively, and ₱35 million representing the reserve to support the payment of the 20% administrative expense loading after a member has contributed for 20 years. The mortality fund represents the reserve for any unusual fluctuation in the mortality assumptions. The Association will determine adequacy of this appropriation on an annual basis and adjustments shall be made whenever necessary.
- On July 28, 2017, the Board approved the appropriation of ₱100 million for the construction of Regional Extension Office (REO) outside the PNP Camps in connection with the directives of the PNP to disallow private entities to maintain or lease an office inside camp premises. Thus, this necessitates the immediate relocation of all REOs.
- On January 29, 2018, the Board approved the appropriation of ₱400 million to support the land acquisition and regional office construction project of the Association, including the hiring of real estate professionals to assist in the project.
- On July 30, 2018, the Board approved the appropriation of ₱500 million for the Association's information technology (IT) enhancement project which would cover the data clean-up, data migration, IT security, IT peripherals, and all related expenses.
- On January 28, 2019, the Board approved the appropriation of ₱592 million which represents the reserve to support activities for the five-year development plan of the Association, inclusive of payment for the MER, preparation for the implementation of PFRS 17, product development and upgrade of audit database. On March 2, 2023, the Board approved the reversal of the appropriation of MER as the Association determined that there will be no need for additional appropriations for this activity with effect as of December 31, 2022.
- On June 30, 2020, the Board approved the appropriation of ₱7.20 billion from the unappropriated retained surplus to fund a number of projects pertaining to the Association's Bayanihan Program (₱2.50 billion), product development fund (₱1.00 billion), construction of REOs (₱790 million) and upgrade of its audit database (₱1 million) and funds set aside for patronage refund (₱1.22 billion). On March 2, 2023, the Board approved the reversal of completed plans of the Tulong Handog sa mga Miyembro: COVID 19 Crisis Pantawid Program for its members (₱1.00 billion) and experience refund (₱687 million) to its members with effect as of December 31, 2022.
- On October 28, 2022, the Board approved the appropriation of ₱778.23 million for the land banking project the super regions.
- On December 1, 2022, the Board approved the appropriation of ₱632.40 million from the unappropriated retained surplus to support the Patronage Refund from which the Salamat Kabalikat will be funded.

In Philippine Peso

- On January 31, 2024, the Board approved the appropriation of ₱1.76 billion to support the following projects: Free Medical Assistance for Members (₱1.4 billion) and Loyalty Program (₱359.12 million). Funds shall be appropriated from the unassigned surplus as of December 31, 2023.
- On February 27, 2025, the Board approved the appropriation of ₱1.44 billion to support the following projects: PLUS - PSMBFI Learning and Upliftment Scholarship Program (₱385.13 million) and Salamat Kabalikat v2.0 (₱1.05 billion). Funds shall be appropriated from the unassigned surplus as of December 31, 2023.

Based on management's assessment, the above appropriations are still valid as of December 31, 2024 and 2023.

The above plans covered by appropriations are expected to be completed for a period within five (5) years, except for continuing programs such as, but not limited to, MER, acquisition of land, and construction of REO offices.

20. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended December 31 consist of:

	Notes		2024		2023
Personnel costs					
Employee benefits		₱	**214,448,130**	₱	166,237,210
Salaries and wages			**128,870,912**		128,025,035
Retirement benefit cost	22		**10,390,112**		7,799,991
			353,709,154		302,062,236
Depreciation	14		**69,836,104**		59,865,956
Transportation and travel			**27,101,265**		17,935,502
Collection fees			**26,863,594**		25,515,214
Taxes and licenses	30		**24,820,225**		27,028,038
Advertising and promotion			**22,985,081**		15,984,984
Communication, light and water			**19,042,443**		18,383,731
Representation and entertainment			**16,756,081**		12,743,272
Supplies			**15,850,645**		7,877,200
Bank charges			**12,279,755**		12,919,364
Professional fees			**12,135,524**		27,820,891
Repairs and maintenance			**10,605,370**		5,231,723
Social and community expense			**10,444,373**		1,058,824,670
Rent	25		**8,985,025**		7,421,468
Outside services			**6,239,144**		8,569,937
Fringe benefit tax	30		**5,387,431**		4,888,372
Trainings and seminars			**3,982,818**		1,448,430
Insurance expense			**1,763,364**		872,258
Subscription and periodicals			**72,272**		57,707
Fuel and Oil			**12,000**		–
Others			**53,478,141**		34,172,433
		₱	**702,349,809**	₱	1,649,623,386

Other expenses mainly pertain to general assembly meeting expenses and strategic planning expenses.

In Philippine Peso

21. OTHER INCOME – OTHERS

Other income - others pertain to the following:

	Note		2024		2023
Gain on disposal of property and equipment	14	₱	**4,568,739**	₱	4,109,734
Pre-termination fee on loans			**–**		9,076,934
Others			**2,695**		10,682
		₱	**4,571,434**	₱	13,197,350

22. RETIREMENT PLAN ASSET

The Association has a funded defined benefit retirement plan. Under the plan, qualified officers and employees will be entitled to receive retirement benefits when they reach the normal retirement age of 60. Retirement benefit is the amount equivalent to 125% of the final monthly salary for each year of service.

As of December 31, 2024 and 2023, the actuarial valuation of the Association's retirement plan was performed by an independent actuary using the projected-unit-credit method.

Management believes that the effect on the financial statements of the difference between the retirement costs determined under the current method used by the Association and the acceptable actuarial valuation is not material.

The amounts recognized in the statement of financial position as of December 31 are as follows:

		2024		2023
Present value of defined benefit obligation	₱	**125,492,954**	₱	127,069,815
Fair value of plan assets		**(185,899,000)**		(149,617,652)
Retirement plan asset	₱	**(60,406,046)**	₱	(22,547,837)

The movements in the retirement plan asset for the years ended December 31 follow:

2024	Note	**Present value of defined benefit obligation**	**Fair value of plan assets**	**Net liability (asset)**
At January 1		127,069,815	(149,617,652)	(22,547,837)
Retirement benefit cost recognized in profit or loss				
Current service cost		11,758,765	–	11,758,765
Interest cost (income)		7,713,138	(9,081,791)	(1,368,653)
	20	19,471,903	(9,081,791)	10,390,112
Remeasurements recognized in accumulated OCI				
Return on plan assets		–	310,724	310,724
Changes in experience adjustments		(2,210,171)	–	(2,210,171)
Changes in financial assumptions		(538,874)	–	(538,874)
		(2,749,045)	310,724	(2,438,321)
Transactions with retirement plan				
Contributions to retirement fund		–	(45,810,000)	(45,810,000)
Benefits paid from the retirement fund		(18,299,719)	18,299,719	–
		(18,299,719)	(27,510,281)	(45,810,000)
At December 31		**125,492,954**	**(185,899,000)**	**(60,406,046)**

In Philippine Peso

2023	Note	Present value of defined benefit obligation	Fair value of plan assets	Net liability (asset)
At January 1		102,920,455	(130,446,969)	(27,526,514)
Retirement benefit cost recognized in profit or loss				
Current service cost		9,757,126	–	9,757,126
Interest cost (income)		7,317,644	(9,274,779)	(1,957,135)
	20	17,074,770	(9,274,779)	7,799,991
Remeasurements recognized in accumulated OCI				
Return on plan assets		–	392,304	392,304
Changes in experience adjustments		(128,229)	–	(128,229)
Changes in financial assumptions		13,384,611	–	13,384,611
		13,256,382	392,304	13,648,686
Transactions with retirement plan				
Contributions to retirement fund		–	(16,470,000)	(16,470,000)
Benefits paid from the retirement fund		(6,181,792)	6,181,792	–
		(6,181,792)	(10,288,208)	(16,470,000)
At December 31		127,069,815	(149,617,652)	(22,547,837)

As of December 31, 2024 and 2023, the weighted average duration of the defined benefit obligation is years and 18 years, respectively. The projected maturity analysis of the undiscounted benefit payments as at December 31 are as follows:

	2024	2023
Less than one year	₱ **7,608,999**	₱ 6,803,963
1 to 5 years	**46,520,918**	38,536,217
6 to 10 years	**82,678,389**	73,539,576
11 to 15 years	**170,460,270**	132,458,817
16 to 20 years	**492,565,666**	554,809,056

As of December 31, the Association's plan assets are invested in the following:

	2024	2023
Cash and cash equivalents	₱ **42,587,434**	₱ 34,846,268
Financial assets at FVTPL	**151,268,828**	113,954,206
Other assets	**61,393**	991,674
Payables	**(8,018,655)**	(174,496)
	₱ **185,899,000**	₱ 149,617,652

The plan is being administered by a trustee-bank who is authorized to invest the fund as deemed proper based on trust agreement with the objective of obtaining optimal return.

The Association's transactions with the retirement fund are limited to contributions and benefit payments.

The fair value of the plan assets approximates their carrying value as of December 31, 2024 and 2023.

The retirement plan typically exposes the Association to a number of risks such as investment risk, interest rate risk and salary risk, the most significant of which relate to investment and interest rate risks. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

In Philippine Peso

A decrease in government bond yields will increase the defined benefit obligation although this will also be partially offset by an increase in the value of the plan's fixed income holdings. Hence, the present value of defined benefit obligation is directly affected by the discount rate to be applied by the Association. However, the Association believes that due to the long-term nature of the pension liability and the strength of the Association itself, the mix of investments of the plan is an appropriate element of the Association's long-term strategy to manage the plan efficiently.

The actual return on plan assets for the years ended December 31, 2024 and 2023 amount to ₱8,771,067 and ₱8,882,475, respectively.

The principal assumptions used in the actuarial valuation of the Association's retirement plan are as follows:

	2024	2023
Discount rate	**6.11%**	6.07%
Salary increase rate	**4.00%**	4.00%

22.01 Discount Rate

The discount rate was determined in accordance with the PIC-approved Q&A 2008-01 (Revised), which mandates that discount rates reflect (a) benefit cash flows and (b) use of zero-coupon rates, even though theoretically derived. The procedure of bootstrapping was applied to the PHP BVAL (Bloomberg valuation) reference rates on government bonds to arrive at the theoretical zero-coupon yield curve. These derived rates were then used to compute the present value of the expected future benefit cash flows across valuation years.

Finally, the single-weighted discount rate was calculated as the uniform discount rate that produced the same present value.

22.02 Future Salary Increases

This is the expected long-term average rate of salary increase taking into account inflation, seniority, promotion and other market factors. Salary increases comprise of the general inflationary increases plus a further increase for individual productivity, merit and promotion. The future salary increase rates are set by reference over the period over which benefits are expected to be paid.

22.03 Sensitivity Analysis

As at December 31, the sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is as follows:

		Impact on retirement benefit obligation	
2024	**Change in assumption**	**Increase in assumption**	**Decrease in assumption**
Discount rate	1.00%	(12,426,286)	14,487,417
Salary increase rate	1.00%	14,741,073	(12,998,473)

		Impact on retirement benefit obligation	
2023	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1.00%	(12,909,852)	15,130,717
Salary increase rate	1.00%	15,379,196	(13,480,374)

In Philippine Peso

Each sensitivity analysis on the significant actuarial assumptions was prepared by remeasuring the defined benefit obligation at the reporting date after first adjusting one of the current assumptions according to the applicable sensitivity increment or decrement (based on changes in the relevant assumption that were reasonably possible at the valuation date) while all other assumptions remained unchanged. The corresponding change in the defined benefit obligation was expressed as a percentage change from the base defined benefit obligation.

It should be noted that the changes assumed to be reasonably possible at the valuation date are open to subjectivity, and do not consider more complex scenarios in which changes other than those assumed may be deemed to be more reasonable.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

23. RELATED PARTY TRANSACTIONS

The Association's related parties include the members of the Board, its officers and key management personnel. The following are the significant transactions with related parties:

	2024		2023	
	Transactions for the year	**Outstanding balance at December 31**	Transactions for the year	Outstanding balance at December 31
Advances to related parties	**370,265**	**566,830**	(143,190)	196,565

The transactions presented above pertain to net amount of additions and liquidations on the advances to related parties. The outstanding balance as of December 31 is presented as part of advances to officers and employees in Note 11.

Advances to related parties pertain to non-interest-bearing cash advances provided to members of the Board and officers in the ordinary course of business. These advances are subject to liquidation, unguaranteed, unsecured, and payable within a period of twelve (12) months.

Based on the objective assessment done by management on the related party balances, no allowance for credit loss has been recognized against receivables from related parties, as these are all deemed to be fully recoverable as of December 31, 2024 and 2023 in the absence of history of payment default of the related parties.

The aggregate amounts included in the determination of income before income tax that resulted from transactions with key management personnel for the years ended December 31 are as follows:

		2024		2023
Salaries	**₱**	**19,920,225**	₱	15,322,262
Bonuses		**16,194,423**		11,813,703
Other short-term benefits		**3,353,415**		2,045,593
Compensated absence		**715,341**		718,363
Social security costs		**199,800**		190,300
Short-term medical benefits		**619,056**		195,975
	₱	**41,002,260**	₱	30,286,196

In Philippine Peso

24. RESTATEMENT OF PRIOR PERIOD ERROR

In 2024, the Association restated its financial statements as of and for the years ended December 31, 2023 and 2022 to reflect certain prior period adjustments. These adjustments pertain to the correction of members' experience refund as relating to the favorable experience of 2020 and 2021.

The analysis of the affected line items in the statement of financial position of the Association as of December 31, 2023 is shown below:

	As previously reported	Adjustment	As restated
Changes in liabilities			
Accounts payable and accrued expenses[(a)]	₱ 1,057,875,739	₱ 779,090,991	₱ 1,836,966,730

	As previously reported	Adjustment	As restated
Changes in equity			
Retained surplus – unappropriated [(b)]	₱ 5,168,375,179	₱ (779,090,991)	₱ 4,389,284,188

The analysis of the affected line items in the statement of financial position of the Bank as of December 31, 2022 is shown below:

	As previously reported	Adjustment	As restated
Changes in liabilities			
Accounts payable and accrued expenses[(a)]	₱ 1,305,372,989	₱ 779,090,991	₱ 2,084,463,980

	As previously reported	Adjustment	As restated
Changes in equity			
Retained surplus – unappropriated [(b)]	₱ 6,329,849,984	₱ (779,090,991)	₱ 5,550,758,993

(a) Restatement pertains to the recording of members' experience refund as part of the account as of December 31, 2022.
(b) Restatement pertains to the declaration of members' experience refund as charged against the retained Retained surplus – unappropriated as of December 31, 2022.

25. LEASES

25.01 The Association as Lessor

The Association leases out a portion of its existing building to various lessees for a period ranging from two to five years. These contracts are generally subject to 6% to 10% annual escalation rate. Rental income related to these agreements for the years ended December 31, 2024 and 2023 amount to ₱7,025,670 and ₱6,615,796, respectively.

Direct costs relating to the depreciation of the premises being leased out amount to ₱5,255,723 and ₱6,423,430 for the years ended December 31, 2024 and 2023, respectively.

In Philippine Peso

The future minimum rental receivables under long-term operating leases as at December 31 are as follows:

		2024		2023
Within one year	₱	**1,062,346**	₱	4,393,469
After one year but not more than five years		**5,963,324**		4,544,869
	₱	**7,025,670**	₱	8,938,338

25.02 The Association as Lessee

The Association has short-term lease agreements for its REOs. Rent expense related to these agreements for the years ended December 31, 2024 and 2023 amount to ₱8,985,025 and ₱7,421,468, respectively, as disclosed in Note 20.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

26. INCOME TAXES

26.01 Income Tax Recognized in Profit or Loss

Components of income tax expense (benefit) are as follows:

		2024		2023
Income tax expense – current	₱	**682,323**	₱	86,111
Income tax expense (benefit) - deferred		**62,526**		(148,637)
	₱	**744,849**	₱	(62,526)

A numerical reconciliation between income tax expense and the product of accounting loss multiplied by the tax rate in 2024 and 2023 follows:

		2024		2023
Accounting income	₱	**2,139,433,216**	₱	597,579,054
Tax expense at 25%		**534,858,304**		149,394,764
Tax effects of				
Income that is subject to lower rate		**(172,231,900)**		(148,736,701)
Income that is non-taxable		**(772,330,975)**		(665,062,135)
Expenses that are non-deductible		**410,449,420**		664,341,546
	₱	**744,849**	₱	(62,526)

26.02 Net Operating Loss Carry-Over (NOLCO)

Under Section 34(D) (3) of NIRC, the net operating loss of business or enterprises for any taxable year immediately preceding the current taxable year which had not been previously offset as deduction from gross income, shall be carried over as a deduction from gross income for the next three (3) consecutive taxable years immediately following the year of such loss.

In Philippine Peso

As of December 31, 2024, the Association's NOLCO that can be claimed as deductions against future taxable income or used as a deduction against future income tax liabilities are as follows:

Year Incurred		Amount		Applied in 2024		Unapplied	Expiry Date
2023	**₱**	**250,103**	**₱**	**250,103**	**₱**	**–**	**2026**

26.03 Minimum Corporate Income Tax (MCIT)

Section 27(E) of the National Internal Revenue Code of 1997 provides that an MCIT of two percent (2%) of the gross income as of the end of the taxable year is imposed on a taxable corporation beginning on the fourth taxable year immediately following the year in which such corporation commenced its business operation, when the MCIT is greater than RCIT for the taxable year. The Association was incorporated on December 11, 1997; thus, the Association is already subject to MCIT.

Details of Association's excess MCIT over RCIT which can be claimed as tax credits against regular income tax are as follows:

Year Incurred		Amount		Applied/Expired		Unapplied	Expiry Date
2023	**₱**	**86,111**	**₱**	**–**	**₱**	**86,111**	**2026**

26.04 Deferred Tax Assets

Components of deferred tax assets are as follows:

		2024		2023
MCIT	**₱**	**86,111**	₱	86,111
NOLCO		–		62,526
	₱	**86,111**	₱	148,637

Deferred tax assets are presented under "Other assets" in Note 15.

27. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Association is not aware of any pending or threatened litigation, claims or assessments or unasserted claims of assessments that are required by PAS 37 to be accrued or disclosed in the financial statements and the Association has not consulted a lawyer concerning litigation, claims or assessments. The Association has complied with all aspects of contractual agreements that could have a material effect on the accounts in the event of non-compliance.

28. EVENTS AFTER THE END OF THE REPORTING PERIOD

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

29. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorized for issue by the Board of Trustees on April 22, 2025.

In Philippine Peso

30. SUPPLEMENTARY INFORMATION UNDER REVENUE REGULATIONS NO. 15-2010

Revenue Regulations (RR) No. 21-2002 prescribing additional procedural and/or documentary requirements in connection with the preparation and submission of financial statements accompanying income tax returns was amended under RR No. 15-2010. The amendment that became effective on December 28, 2010 requires the inclusion in the notes to financial statements, information on taxes, duties and license fees paid or accrued during the year in addition to what is required under the Philippine Financial Reporting Standards and such other standards and/or conventions.

Below is the additional information required by RR 15-2010. This information is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

30.01 Value-added Tax (VAT)

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

30.01.01 Output VAT

Output VAT for the year ended December 31, 2024 and 2023 the revenues upon which the same was based consist of:

	2024		2023	
	Gross amount of revenues	**Output VAT**	Gross amount of revenues	Output VAT
Subject to 12% VAT	**₱ 11,684,167**	**₱ 1,402,100**	10,984,287	₱ 1,318,114

Net VAT payable as of December 31, 2024 and 2023 amount to ₱456,319 and ₱478,580, respectively, and is presented under Accounts payable and accrued expenses.

30.01.02 Input VAT

Movements in input VAT for the years ended December 31, 2024 and 2023 follow:

	2024	2023
Beginning balance	**₱ –**	₱ 22,326
Add: Current year's domestic purchases/payments for services lodged under other accounts	**328,611**	310,664
Less: Claims for tax credit/refund and other adjustments	**328,611**	332,990
Total input VAT	**₱ –**	₱ –

30.02 Withholding Taxes

An analysis on the Association's withholding taxes paid or accrued during 2024 and 2023 are as follows:

2024	**Paid**	**Accrued**	**Total**
Withholding tax on compensation	₱ 20,084,059	₱ 17,630,530	₱ 37,714,589
Expanded withholding tax	2,967,519	1,072,076	4,039,595
Fringe benefit tax	1,938,738	3,448,693	5,387,431
Documentary stamp tax	21,340,578	712,676	22,053,254
	₱ 46,330,894	**₱ 22,863,975**	**₱ 69,194,869**

In Philippine Peso

2023		Paid		Accrued		Total
Withholding tax on compensation	₱	16,661,403	₱	9,487,876	₱	26,149,279
Expanded withholding tax		4,448,866		1,155,984		5,604,850
Fringe benefit tax		1,179,542		3,708,830		4,888,372
Final tax		51,250		6,000		57,250
Documentary stamp tax		15,346,062		891,832		16,237,894
	₱	37,687,123	₱	15,250,522	₱	52,937,645

As at December 31, 2024 and 2023, total outstanding creditable withholding tax amount to ₱2,131,421 and ₱2,593,682, respectively, as disclosed in Note 15.

Accrued withholding taxes are included as part of Accounts payable and accrued expenses in the statement of financial position.

30.03 Other Taxes and Licenses

An analysis on the Association's other taxes and licenses and permit fees paid or accrued as of December 31, 2024 and 2023 are as follows:

		2024		2023
Permits and licenses	₱	**24,321,097**	₱	27,015,579
Registration fees		**499,128**		12,459
	₱	**24,820,225**	₱	27,028,038

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

30.04 Tax Assessments and Tax Cases

Taxable year 2024 and 2023 are open tax years. The Association has not received any Preliminary or Final Assessment Notices on the open tax years as of December 31, 2024 and 2023.

The Association has no outstanding tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the BIR as of December 31, 2024 and 2023, other than an on-going tax case for certain order of payments due to a local government unit.

30.05 RR No. 34-2020

On December 18, 2020, the BIR issued RR No. 34-2020, Prescribing the Guidelines and Procedures for the Submission of BIR Form No. 1709, Transfer Pricing Documentation (TPD) and other Supporting Documents, Amending for this Purpose the Pertinent Provisions of RR Nos. 19-2020 and 21-2002, as amended by RR No. 15-2010, to streamline the guidelines and procedures for the submission of BIR Form No. 1709, TPD and other supporting documents by providing safe harbors and materiality thresholds. Section 2 of the RR provides the list of taxpayers that are required to file and submit the RPT Form, together with the annual income tax return.

The Association is not covered by the requirements and procedures for related party transactions provided under this RR as it does not meet any criteria of the taxpayers prescribed in Section 2 of the RR.

PUBLIC SAFETY MUTUAL BENEFIT FUND (PSMBFI) INCORPORATED
SUPPLEMENTARY SCHEDULE OF EXTERNAL AUDITOR FEE-RELATED INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
In Philippine Peso

	2024	2023
Total audit fees	**990,000**	890,000
Non-audit service fees:		
Other assurance services	**–**	–
Tax services	**–**	–
All other services	**–**	–
Total non-audit fees	**–**	–
Total audit fees and non-audit fees	**990,000**	890,000

Audit and non-audit fees of other related entities

	2024	2023
Total audit fees	**–**	–
Non-audit service fees:		
Other assurance services	**–**	–
Tax services	**–**	–
All other services	**–**	–
Total audit fees and non-audit fees of other related entities	**–**	–

The amount disclosed are inclusive of VAT.