IMPROVED PROCESSES

STRONGER LEADERSHIP

BRIGHTER FUTURE

₱301.69 million
Net Income

₱204 billion
guaranteed loans

ISO 9001:2008 Certified

Home Guaranty Corporation

2011-2015 • CONSOLIDATED REPORT

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OUR COVER

The foundation of HGC's momentous turnaround starts with a strong leadership, followed by strategic process improvements. These two factors allow the company to secure a better future for its stakeholders.

This is the theme of the company's 2011-2015 Consolidated Annual Report, entitled Improved Processes, Stronger Leadership, Brighter Future. The light color palette and circular geometric design reflect the optimism expressed by the company to the people it works with and works for – the Filipino people.

VISION

Improved private sector participation
in addressing the Nation's housing needs
through a viable system of credit guarantees.

MISSION

To mobilize resources for housing through
a system of credit guaranties and incentives.

MESSAGE OF THE VICE PRESIDENT

Jejomar "Jojo" C. Binay, Sr.
VICE PRESIDENT OF THE PHILIPPINES

Over the last five years, HGC has instituted reforms in its core business and has created new guaranty products that empower the poor by increasing their access to housing credits.

HGC guaranteed housing loans amounting to ₱204 billion, mostly earmarked for socialized and low-cost housing, from 2011-2015. With a guaranty capacity of ₱165.73 billion (as of the yearend 2015), assistance to as much as 118,580 homebuyers of varied housing packages was afforded.

The launching of two new guaranty programs—the Guaranty Program for Rural Banks and the Guaranty Program for Microfinance and Small Loans for Home Improvement is commendable. These programs will boost homeownership in the regions and will pave the way for an estimated 22.8 million Filipinos, living in slums, to have a house they can call their own.

Congratulations HGC for the productive and fruitful five years. I laud the current administration for its commitment and dedication in serving its mandate and assisting the government in providing solutions to the demand for decent housing.

Mabuhay kayo.

MESSAGE OF THE DOF SECRETARY

I write to commend the Home Guaranty Corporation for its service to the Filipino people. Just as how the Philippine government weathered global economic and financial downturns better than its regional peers, HGC has also demonstrated strong performance in the past five years.

The company's financial health has been on the upswing since 2011 primarily due to the many initiatives that the new Board has introduced.

The institutionalization of policy reforms in its core business prevented the recurrence of transactions that proved disadvantageous to the company and the government. Stricter adherence to new requirements for guaranty line approvals, rigorous procedures in processing of guaranty calls, effective implementation of ground enrolments facilitated a more robust HGC.

Alongside this policy reform is the initiative to expand guaranty programs to the countryside through the engagement of rural banks. From a mere two in 2011, HGC has increased its rural bank clients to 21 in 2015. With these new clients from the countryside, HGC's home-lending program is expected to increase homeownership in areas outside the National Capital Region.

Recognizing that a huge chunk of our population belongs to low-income and underprivileged sectors who do not have access to formal lending credits, HGC's move to adopt the Guaranty Program for Microfinance and Small Loans for Home Improvement is a welcome development. The program, which intends to improve the access of low-income sectors to housing finance through Microfinance Institutions (MFIs), may stand to benefit 22.8M Filipinos living in informal settlements. Hopefully, it will also provide solution to housing backlog affecting 3.9M Filipinos.

It is no doubt that HGC has enormously contributed to the country's housing agenda and nation-building. It has, indeed, come full circle.

Congratulations and *Mabuhay!*

Cesar V. Purisima
DEPARTMENT OF FINANCE

MESSAGE OF THE HUDCC CHAIRPERSON

HGC not only remains committed to its current programs but continues to explore possibilities of providing decent shelter to the poor.

Atty. Chito M. Cruz

The Home Guaranty Corporation (HGC), under the current administration, has made a tremendous turnaround over the last five years. It has become both financially healthy and service-oriented for the benefit of millions of Filipinos.

From 2011 to 2015, HGC guaranteed housing loans amounting to ₱204 billion, mostly catering to socialized and low-cost housing. This translated to housing assistance to as many as 118,580 homebuyers of varied housing packages.

HGC not only remains committed to its current programs but continues to explore possibilities of providing decent shelter to the poor. It has instituted reforms in its core business and has created new guaranty products that empower the poor by allowing them access to housing credits. It is one of the key players in financial inclusion, which the national government has identified as an important strategy for inclusive growth.

Through its new guaranty programs, rural banks and microfinance companies are able to expand their reach to the lower income sectors of our society. These programs will boost homeownership in the regions and will pave the way for an estimated 22.8 million Filipinos who are currently living in slums, to have a house that they can call their own.

I wish to congratulate HGC for its remarkable achievements over the last five years. I laud the current administration for its commitment and dedication in serving its mandate and assisting the national government in providing solutions for meeting the demand for decent housing.

I hope that HGC will continue to be the link between the private banks' safe and efficient delivery of banking and financial services to the poor and to the poor's broad access to these services.

Mabuhay kayo.

THE PRESIDENT'S REPORT

But what would account for our accomplishments over and above the projections are the fruits of our accumulated labors from 2011 to 2015—our fortitude and the indomitable spirit that permeates the entire Corporation, from the Board to the rank and file, the wisdom to learn from the lessons of the past, the drive to constantly improve ourselves and remain worthy of the respect of our partners, the tenacity to achieve our goals even against seemingly insurmountable odds, the audacity to blaze new trails in housing finance and genuine concern for the people we serve to explore various ways of addressing their housing needs.

Atty. Manuel R. Sanchez
PRESIDENT

When we assumed management of the Home Guaranty Corporation (HGC) in September 2010, the Corporation's Net Worth stood at ₱2.95 billion. Outstanding debts totaled ₱19.27 billion. The Net Income from Operations for the year was ₱268.77 million. After taxes and annual financial charges of servicing zero-coupon bonds issued during the previous administration, the books registered a net loss of ₱878.95 million for the year.

That had been HGC's story since 2002. Year after year, annual financial charges totaling more than a billion ate up the Corporation's income. The Corporation was hemorrhaging. Stopping the bleeding and nursing HGC back to full financial health was our first order of business.

In 2011, we took the initiative of exploring with the Department of Finance (DOF) options for the settlement of HGC's obligations maturing in November 2013. The talks with DOF established that it was to the best interest of HGC and the National Government that HGC remain financially viable; that HGC's inventory of acquired assets, when liquefied, is greater in value than its debts; and that HGC is in a better position to dispose its portfolio of acquired assets.

In 2013, in lieu of the requested capital infusion against the ₱35.4 billion balance of HGC's charter-authorized capitalization, the National Government extended financial assistance to HGC in the form of advances to settle its maturing obligation. HGC was to continue to sell its acquired assets to generate as much funds as possible and pay off the National Government advances from the proceeds of the sale.

Emboldened by this development, we projected a significantly lower Net Loss of ₱485.91 million in 2014 and Positive Net Incomes of ₱209 million and ₱416 million in 2015 and 2016, respectively.

We outperformed our projections.

In 2014, after long years of being in the red, HGC already registered a positive Net Income of ₱106.7 million.

By the end of 2015, our Income from Operations was ₱875.8 million. After expenses, taxes and other financial charges, we still registered a positive Net Income of ₱301.69 million. The Corporation's Net Worth stood at ₱8.4 billion—almost three times the Net Worth when we started in 2010.

The much-needed advances from the National Government contributed significantly to the Corporation's recovery. With it we were able to diminish losses and ultimately, increase gains. But what would account for our accomplishments over and above the projections are the fruits of our accumulated labors from 2011 to 2015—our fortitude and the indomitable spirit that permeates the entire Corporation, from the Board to the rank and file, the wisdom to learn from the lessons of the past, the drive to constantly improve ourselves and remain worthy of the respect of our partners, the tenacity to achieve our goals even against seemingly insurmountable odds, the audacity to blaze new trails in housing finance and genuine concern for the people we serve to explore various ways of addressing their housing needs.

Instituting Reforms

During my first years as President of the Corporation, I have been told on too many occasions that "banks and developers avail of the HGC guaranty only for the tax incentives". And, strangely enough, some chose to believe it as gospel truth. It was because of this false notion that HGC then bargained from a position of weakness, we would rather be lenient with our rules than lose business.

Dispelling this myth, as soon as possible, became one of my urgent goals.

Immediately after we assumed office in 2010, we did a comprehensive review of all our programs and an inventory of all our assets. It immediately became apparent that the financial condition of the Corporation was a result of flawed guaranteed projects, loopholes in the guaranty contract, and absence of due diligence.

In 2011, we flexed our guaranty muscles and started instituting reforms in our core business to prevent the recurrence of transactions that are disadvantageous to the Corporation and to the government. Foremost of the reforms included stricter adherence to new requirements for guaranty line approvals and rigorous procedures in processing of guaranty calls; and enforcement of grounds for denial of unverified claims and cancellation of non-complying guaranty enrollments.

Despite these stricter conditionalities, our risk guaranty cover was still sought after and our clients' base expanded. Myth dispelled.

As a complementary effort to instituting reforms in our guaranty business, we also began in 2011 the practice of thoroughly accounting for the actual number of housing units covered by the HGC guaranty. We were determined to ascertain that actual houses were built due to our guaranty and that the houses were built to completion. We wanted to have a ready answer to the question "where are these housing units?"

Blazing New Trails in Housing Finance

Data on the geographical location of the housing units covered by our guaranty showed the concentration of guaranty coverage in NCR, its adjacent regions and in major cities in Visayas and Mindanao. Although by no means surprising given the concentration of major banks in these areas, the data presented both a challenge and an opportunity. We started contemplating ways of using our guaranty to boost housing finance in the regions.

Expansion of Guaranty Programs to the Countryside through Rural Banks

An ongoing initiative that has been started in 2011 is the expansion of HGC guaranty programs to the countryside. Orientations and briefings about the HGC guaranty were conducted to rural banks in different parts of the country. By the end of 2012, HGC was able to reach 237 rural banks from 15 provincial federations in nine regions, namely: National Capital Region, Region I, Region II, Region III, Region IV-A, Region V, Region VII, Region VIII and Region XIII.

From this extensive marketing campaign, rural bank clients increased from two (2) in 2011 to fifteen (15) in 2012, eighteen (18) in 2013, twenty-three (23) in 2014 and twenty-one (21) in 2015.

The operations of these new clients are mostly located outside the boundaries of the National Capital Region. With the HGC guaranty, their home-lending program is expected to increase homeownership in the regions.

In January 2015, during the final stage of the Performance Agreement Negotiation with the Governance Commission for Government-Owned-Or-Controlled Corporations (GCG), we committed to having as many of the top 100 rural banks as possible for our clients. This is part of our commitment to our stakeholders to 'maintain a guaranty portfolio in favor of the lower income sectors'.

Guaranty Program for Microfinance and Small Loans for Home Improvement

Another initiative first contemplated in 2011 but was more thoroughly explored and developed in 2012 was the Guaranty Program for Microfinance and Small Loans for Home Improvement. The program intends to improve the access of low-income sectors, especially those in the countryside, to housing finance through Microfinance Institutions (MFIs) and other financial institutions. These low-income and underprivileged sectors include street vendors, small entrepreneurs, farmers and fisher folks, which do not have access to formal lending credits because they do not have collateral to offer and documentary proof of income to establish paying capacity.

The guaranty program will cover the unsecured loans of MFIs', cooperatives', and financial institutions' individual members for the improvement of the houses they own.

The BBB+B Program

In January 2012, I conceptualized a program that would bring together bankers, builders and buyers in a housing finance circle complementing each other's needs and functions.

Dubbed BBB (Bankers-Builders-Buyers), the program is an enhancement of HGC's function as Fund Mobilizer for Housing and aimed to boost lending by banks and borrowings by developers and homebuyers. More specifically, the BBB Program aims to: assist partner banks promote their housing loan products to builders and homebuyers; bring builders to banks for project financing and to prospective buyers to promote their housing units; and guide homebuyers to self-qualify for housing loans and provide them with home-buying options according to their financial capacities, types of housing unit, location and other preferences.

A key component of the BBB program is the official BBB website. The BBB website is an online database of housing loan products of partner banks, available housing units of partner developers, home buying tips and guides, FAQs and other various information for qualifying and applying for housing loans.

In 2013, the BBB program began enhancements to include real estate brokers. Thus, BBB became BBB+B (plus Brokers) to really complete the housing finance circle. By the end of 2013, nine brokers already applied to the program online. To expand the reach of the program, HGC also took to social networking sites Facebook and Twitter in the first half of 2013.

In 2014, the BBB+B Program made it to the shortlist of the FutureGov Awards, an international award-giving body recognizing programs of the most successful government, education, and healthcare organizations in Asia Pacific. FutureGov serves as an international benchmark by which public sector innovation is judged. The organization specifically advocates improving governance, efficiency, and citizen engagement in public sector organizations in the Asia Pacific region.

The BBB+B Program was chosen out of over 550 nominations from across the region, representing the Philippines under the Digital Inclusion category and competing with four other contenders from Malaysia, Indonesia, and Singapore.

Recouping Previous Losses

Prior to 2000, HGC extended guaranty cover to Asset Participation Certificates (APCs) which funded Urban Renewal Projects of the National Government and other mass housing projects of private developers. HGC, a government instrumentality solely mandated to provide guaranty cover for housing developments, was made to guarantee the Smokey Mountain Development and Reclamation Project, Bilibid Viejo Urban Renewal Project, Commonwealth Enterprise Zone Project, Sariling Pabahay sa Riles Project, Subic Bay Metropolitan Authority APEC Project, and other private sector- initiated projects

These APC-funded projects failed resulting to guaranty calls of ₱16.45 billion including interests. The lack of due diligence in assessing guaranty applications and guaranty calls at that time, the failure to put in place adequate safety nets, and the project designs themselves had also been contributing factors.

Task Force APC

APC-funded projects have been a bane of the Corporation. It boggles the mind how these projects were declared failures in short periods after they were started. Even more puzzling was that we paid all the guaranty calls with nary a question being raised.

In return for the guaranty payments, HGC acquired overvalued and underdeveloped raw provincial lands. Big ticket assets turned over were occupied by informal settlers, making them almost impossible to sell. There were definitely lapses and oversights in project management. There are lessons to be learned from these failures. And there could be individuals or corporate entities that were responsible for the losses suffered by HGC. We intended to investigate, identify them and hold them accountable. The Corporation must be made whole.

It is with this in mind that I have created Task Force APC in 2011. The Task Force was instructed to look into these projects and to leave no stone unturned. Management committed to the Task Force access to all data, personnel and resources in the performance of its function.

The Task Force looked into the failed APC-funded projects to: review all documentation pertaining to APC-funded projects; identify lapses and oversights, if any, relative to each individual project especially in approving guaranty and guaranty calls; identify parties, individuals or corporate entities, who or which may be held accountable for the losses suffered by HGC; recommend to Management action steps for recovering HGC exposure, including legal actions, if necessary.

Results of the legal study were forwarded to the Office of the Ombudsman for appropriate legal actions. Steps to recover HGC's other assets and go after those who have illegally enriched themselves at the expense of HGC and the government were also initiated.

Takeover of the Management of the Manila Harbour Centre (MHC)

HGC's interests in the Smokey Mountain and Manila Harbour Centre began as a result of a failed completion of a joint venture agreement between the National Housing Authority (NHA) and R-II Builders Inc. to convert the Smokey Mountain dumpsite into a habitable housing project inclusive of the reclamation of the areas across Radial Road 10 (R-10).

R-II Builders was supposed to finance all aspects of development but failed to do so. To save the project, bonds were floated to raise the needed funds. HGC guaranteed payment for the bonds and assumed all financial obligations to investors amounting to more than ₱4 billion, including interests. R-II walked away with ₱6.7 billion for his only ₱270 million equity on the project.

The sale of MHC lots to locators includes the obligation of the Developer to form a locators' association to manage the business affairs of the Harbour Center and select its property manager. However, R-II Builders never formed the locators' association.

In April 2005, several locators met and organized the Manila Harbour Centre Industrial Park Association, Inc. (MHCIPAI) and registered it with the Securities and Exchange Commission (SEC). R-II Builders opposed the formation of the association arguing that, as the developer, it is the only entity authorized to form an association that will act as the property manager.

On November 7, 2012, HGC received a copy of an Order from the Regional Trial Court of Manila, Branch 24, dated 19 October 2012, directing R-II Builders to immediately turnover all common areas, utilities and facilities to MHCIPAI. On November 8, 2012, HGC with the court and SEC-recognized locators' association began preparations for the takeover of the MHC. The takeover was completed on November 15, 2012.

HGC was eventually appointed Property Manager of the Manila Harbour Centre by the MHCIPAI. A property management team (PMT) was created by HGC to ensure effective and efficient operations of the MHC. The PMT has effectively managed MHC and significantly improved the physical condition of roads and open spaces and management of vehicle traffic.

The HGC-led takeover of the Manila Harbour Centre is a significant step to fully recover HGC's exposure in the failed Smokey Mountain Reclamation and Development Project and to protect the government's interests in the area.

Pro-poor Asset Disposition Schemes

The comprehensive inventory of our acquired assets presented several challenges in their disposition. Aside from overvalued and undeveloped assets saddled with legal and various other infirmities, our portfolio included several developmental and numerous retail assets of diminishing values while being occupied for free by informal settlers and evicted former owners. HGC acquired these assets as a result of guaranty call payments.

While we are duty-bound to recover our exposures from these assets, we never lost sight of our social mission of providing for the housing needs of our people. Defaulted borrowers were always given the option to pay the amount in full, update their accounts, apply for HGC's restructuring programs and/or avail of the condonation program. Defaulted borrowers' failure to avail of any of these options leads to property foreclosure. Said properties are then offered for public bidding. Still, former owners and current illegal occupants were always encouraged to participate. Acquired assets without bid proposals are rented out to existing occupants. All of these, just so they never lose their homes.

Regularization of informal settler families and re-documentation of delinquent accounts

Guided by Vice-President and HUDCC Chairman Jejomar Binay's vision of *"Gaganda ang buhay sa sariling bahay"*, HGC launched a campaign to formalize the settler-families' ownership of the properties they occupied. Titles were released to fully-paid homebuyers, whenever available. Certificates of Lot Award were given for fully-paid accounts while the titles were being readied. Buyers who were in arrears were given Certificates of Lot Allocation with re-structured payment plans. Undocumented occupants, whether originally-intended beneficiaries or informal settler families, were also awarded Certificates of Lot Allocation once they agree to a payment scheme on liberal terms.

From 2012 to 2015, 144 Certificates of Lot Award and 513 Certificates of Lot Allocation were given to families occupying HGC properties in Baguio City, Las Piñas City, Batangas, and Cavite.

Enrolling project assets to the CMP

Other project assets were also identified for enrollment to the CMP of the Social Housing Finance Corporation (SHFC). CMP is a "win-win" solution for both HGC and the family-beneficiaries. The families' ownership of the properties will be formalized and their tenure secured through CMP. For HGC, it will be able to recover its exposure in the projects sooner. HGC will also be freed of collection and estate management responsibilities.

HGC continuously coordinates with the Social Housing Finance Corporation (SHFC) for the requirements. The projects are currently in various stages of CMP-readiness.

The Beneficial Land Use Scheme

The Beneficial Land Use (BLU) Scheme was conceptualized to legitimize existing occupants' ownership of the properties owned by HGC through negotiated sale. The BLU formula adjusts the selling price of properties to a more affordable payment term.

The BLU scheme was intended for all existing undocumented occupants of HGC-owned-or-managed projects regardless whether they are original beneficiaries or assignees of the original beneficiaries. The BLU scheme was expected to benefit more than 15,000 families.

In 2014, 397 families signed up for the BLU scheme. In 2015, 517 families were already updating their accounts through the program.

In 2011, we closely examined all our functions, both core and non-core. The idea was to shed off non-core functions that use up much of our time and resources so that we could focus on enhancing and perfecting, if you may, those functions directly related to our mandate. Moreover, non-core functions might be better performed by others who could better benefit from them.

For example, management of trusteeship projects and Rural BLISS assets which were written-off by COA are best turned-over to Local Government Units (LGU) which can derive the most benefit from them. Titles to properties must be immediately released to buyers upon full payment. The management of road lots and open spaces should likewise be turned over to LGUs, Homeowner's or Condominium Owners' Association who can better see to their upkeep.

Partnerships with LGUs

In 2012, we began exploring arrangements with LGUs for the purchase or development of HGC assets in their respective localities for housing projects for their constituents. On September 11, 2012, HGC accepted the offer of the City Government of Calbayog, Western Samar to purchase Western Heights Subdivision for ₱1.50 million.

On November 14, 2012, HGC also sold a long-held non-performing asset through a negotiated sale to Virac LGU for ₱2.63 million. The 9-hectare Our Lady's Village IV-B located in Barangay Cavinitan, Virac has been earmarked as a relocation site for Virac's informal settlers, evacuation site for residents living along coastal and low-lying areas, low-cost housing site for municipal employees and for other public purposes.

Turnover of Rural BLISS Projects

In 1979, the Ministry of Human Settlements, through its corporate arm, the Human Settlements Development Corporation (HSDC) embarked on a massive construction of low-cost housing units in rural areas nationwide under the Rural BLISS (RB-I) project. The HSDC financed the development while the LGUs provided the project site.

After the EDSA Revolution, the BLISS Development Corporation (BDC), a subsidiary of HSDC assumed management of all RB-I projects. The HGC took over the management of the BDC in 1990. The Strategic Investment and Development Corporation (formerly HSDC) ceded, transferred and conveyed to HGC all its rights and interests in BDC at a discounted cost which HGC paid to the Bureau of the Treasury.

In 2012, we began coordinating with LGUs regarding the turnover of the administration and the reconveyance of the BLISS project sites to them. This is in line with the directive from the Vice President and HUDCC Chairman to collaborate with LGUs to redevelop and maximize the use of the BLISS projects in their respective jurisdiction. After the turnover, the LGUs, in return, will collect from the beneficiaries and remit collections to HGC for it to recover its exposure in the projects.

In 2015, seven RB-I projects have been subjected for reconveyance to their respective LGUs.

Promoting Transparency, Accountability and Culture of Excellence

HGC is among the first national government agencies to comply with the requirements for "enhancing transparency and enforcing accountability". The Department of Budget and Management (DBM) granted the Transparency Seal to the HGC after satisfying the requirements of Section 93 of Republic Act No. 10155 or the General Appropriations Act of Fiscal Year 2012

HGC also continues to comply with all the Good Governance Conditions set by the GCG and the DBM.

ISO Certification

In response to Executive Order No. 605, s. 2007 which directs all government instrumentalities to adopt ISO 9001:2000 Quality Management Systems, HGC started the process for ISO certification in April 2012.

More than just for the bragging rights of having the ISO seal on our letterhead, we were sincere and determined to have our business processes brought to the level of international standards. We may not be the first government agency to aspire for ISO certification, but we may be the only government agency, at the time, to aim for ISO certification of all our core business processes at the same time.

On March 15, 2013, TUV Rheinland confirmed ISO Certification to the following HGC's core business processes: Application for Guaranty; Guaranty Enrolment; and Guaranty Call. In 2014, after another round of audit and evaluation we maintained our ISO certification for another year.

We didn't stop there.

During the first quarter of 2015, we started preparations for getting our Quality Management System certification for all our processes updated according to the latest standards. By November 2015, we were on our way for ISO 9001:2015 certification and the certification of our Information Security Management System under the ISO/ IEC 27001:2013 standards.

This time, all our processes and services, will be subjected to audit and evaluation for efficiency and effectiveness and in meeting the requirements of our clients. Our drive for Information Security Management certification emphasizes the premium we place on information security, risk management, improving employees' awareness of security issues and their responsibility within the organization.

I am confident that HGC will pass the audits and acquire both certifications by March 2016.

International recognition

Our drive for promoting quality and culture of excellence did not go unnoticed, even at the international arena.

On September 29th, 2013, we received the International Star Award for Quality (ISAQ) in the Gold category. The award was given during the 14th ISAQ Annual Convention in Geneva, Switzerland.

The International Star Award for Quality (ISAQ) of Business Initiative Directions (BID) is awarded to companies or organizations, in different countries, throughout the world in recognition of their achievement in implementing and promoting quality culture.

HGC was voted for the prestigious award by participating leaders and experts in quality and excellence from 118 countries based on ISAQ regulations and QC100 Total Quality Management Model criteria.

Computerization of Core Operations

In July 2011, we started the computerization of our core operations as part of the Corporation's Information System Strategic Plan (ISSP). HGC's ISSP was formulated to develop a customized IT solution in support of HGC's various operations using the latest and flagship Enterprise Resource Planning Software from Microsoft.

The ISSP implementation will improve and hasten all aspects of HGC operations from executive decision-making to client and customer service. HGC Information Systems was set to be fully operational by December 2012. However, due to variations and feature enhancements to the modules requested by the different Groups and Other Operating Units, project completion was moved to 1st semester of 2017.

Connecting with our stakeholders

HGC is the oldest of all key shelter agencies. For so long, it has conducted its business behind the limelights. Thus, dubbed an "invisible hand" in housing finance. Early in my term as President of the Corporation, HGC had been the target of negative publicity. Old rumors of HGC's impending bankruptcy, of mismanaged assets, of lost causes among others, ran rampant and rehashed to the point of bad taste in the papers. Some may have been instigated by entities whose interests were threatened by our determined legal efforts to recover what we've lost from previous dubious dealings.

We had to respond lest we lose the confidence of our partners and the general public. We responded to all allegations thrown against us in print and broadcast media until all rumors are finally laid to rest.

Public Relations Campaign

From a reactionary PR stance and occasional 'praise' releases in 2011, we shifted to a systematized and more aggressive media exposure and public relations strategy in 2013 and 2014. These were carried out so that HGC's contributions to addressing the housing need are recognized both by the financial market and the general public. Such move is crucial

and aligned with our goal of expanding the guaranty business. HGC's PR campaign employed the following:

Press Releases and Print Ads

Write-ups and photo releases on various HGC activities, such as forging partnerships with new clients, turnover of titles to HGC homebuyers, guaranty accomplishments, and other important HGC events and achievements, were published in leading broadsheets and tabloids. HGC also released print ads on upcoming important events.

In my administration, HGC has generated more than 50 positive exposures in the newspapers. This is on top of paid advertisements and notices.

The 2014 PR campaign

The 2014 PR campaign aimed to introduce HGC's functions and mandate to the general public. The campaign's key challenge was to 'laymanize' what we do in terms of benefits to homebuyers and borrowers. We made use of the following media in implementing the campaign:

LED Boards- Drivers, commuters, bystanders, and passers-by surely have noticed the huge LED board mounted on the façade of a building at the intersection of Makati and Sen. Gil Puyat Avenues. HGC placed ads here and were shown 100 times daily during peak business hours of the day when the volume of prospective audience is at its maximum.

Radio Stations - HGC radio ads were aired via DZRH, which is heard all over the archipelago; and Love Radio, the number one FM radio station in the country. The radio ads were aired throughout the day. At Love Radio, HGC had live endorsements from the award-winning DJ Nicole Hyala.

Public utility buses- HGC tapped buses to carry its ads. Buses are mobile and can reach a great number of audience. Buses carrying HGC's ads ply the following routes: SM Fairview to Baclaran via EDSA; Ayala Avenue, Buendia, Taft, Roxas Blvd. to Baclaran; Baclaran to Grotto via Commonwealth and EDSA; and FTI Taguig to Tungko, Fairview via EDSA, Commonwealth.

LRT Line 1 - Many commuters choose to ride the train to reach their homes, schools, or workplaces. One of the most patronized railway is the LRT Line 1. It has 20 stations that run from Roosevelt Station in Quezon City to Baclaran in Pasay City. HGC tube ads were placed inside several train coaches of LRT Line 1.

Facebook Page - HGC launched its official Facebook Page in March 2014. Found at www.facebook.com/homeguarantycorporation, the HGC FB Page is an alternative source of information about HGC. Bits of information about various HGC programs, initiatives, and events are posted here.

Support to disaster-affected buyers of HGC properties

HGC recognizes that calamities caused by severe weather and natural disasters have impact on home-buyers' ability to pay. The HGC Board has authorized Management to immediately

implement moratorium programs or suspension of amortization payments on sold HGC assets in affected areas, should the need arise. Once moratorium is in place, buyers of HGC properties need not pay their monthly amortization for the duration of the moratorium, which is usually three (3) to six (6) months, with no penalty charge.

Management is also open to suspending monthly amortization obligations if the capacity of the buyers to pay is affected by such disasters. The buyers need only to submit written requests for evaluation.

In compliance with the directive of VP Jejomar Binay, HGC has coordinated with partner banks to encourage them to lend more for home construction and repairs in disaster-affected areas. We also explored guaranty partnerships with rural banks and other financial institutions in Yolanda-affected areas.

HGC was one with the Filipino people when typhoon Yolanda wrought havoc to the country. In response to President Aquino's Declaration of National Calamity, the HGC Management and Employees Association took part in Oplan Hatid by providing transportation assistance to Yolanda survivors flown in to Villamor Air Base. This is on top of relief goods and survival packs that HGC shared to Yolanda survivors.

Very Positive Client Satisfaction Rating

In line with the GCG directive to have a customer satisfaction survey, undertaken by a third party as part of the 2015 performance agreement between HGC and GCG, HGC engaged the services of Contact-Asia Services, Inc. (CASI). CASI Research is a full-service market research company based in Makati City.

CASI was engaged to develop survey instruments/questionnaire, administer the questionnaire and conduct interviews with guaranty clients and submit report on survey results.

The customer satisfaction survey questionnaire created by CASI focused on the process and process requirements, customer satisfaction in transacting business with HGC and on overall satisfaction with business transactions with HGC. Clients were also asked to rank the seven guaranty benefits and give suggestions on how to improve HGC products and services.

Out of HGC's 92 existing clients composed of banks, developers and other financial institutions who availed HGC services in the last 3 years, 74 participated in the survey. The respondents were presidents, vice-presidents and officers-in-charge based in Metro Manila and other provinces.

CASI's findings indicated that HGC clients were "very satisfied" in the process, process requirements and in the overall business transactions with HGC.

Among the attributes, "professionalism and courtesy of staff" was rated the highest followed by "responsiveness to customer needs".

The survey likewise confirmed that the primary driver of availing the HGC guaranty is the benefit of the "risk cover". This survey speaks highly of the clients' confidence in HGC as a credible guarantor. Those findings sum up just about right the fruits of our labor from 2011-2015.

PERFORMANCE

• 2011

HIGHLIGHTS

- 2015 •

Addressing the housing needs requires the complementation of efforts of both the government key shelter agencies and the private sector. The Home Guaranty Corporation stands unique in the field of housing finance. No other government housing agency is mandated to function as HGC does. A constant challenge for HGC is to mobilize more private funds for public housing. Private sector contribution in addressing the housing need may take on investments in any or all of the following forms: production of housing units; financing for housing construction/home purchase; and investments in bonds/securities to raise funds for housing purposes.

EARLY CHALLENGES

Prior to 2000, HGC extended guaranty cover to Asset Participation Certificates (APCs) which funded Urban Renewal Projects of the National Government and other mass housing projects of private developers. HGC, a government instrumentality solely mandated to provide guaranty cover for housing developments, was made to guarantee the Smokey Mountain Development and Reclamation Project, Bilibid Viejo Urban Renewal Project, Commonwealth Enterprise Zone Project, Sariling Pabahay sa Riles Project, Subic Bay Metropolitan Authority APEC Project, and other private sector initiated projects

These APC-funded projects failed resulting to guaranty calls of ₱16.45 billion including interests. HGC, at that time, only had ₱300 million in cash with which to pay the accumulated obligation. The then HGC Board of Directors from 2002 to 2006, approved bond flotation to raise funds to meet said obligations.

The first HGC Zero Coupon bonds of ₱7.0 billion issued in 2002 were utilized to settle obligations to the private sectors. The second flotation of ₱3.0 billion that was issued in 2004 were utilized to pay government financial institutions (GFIs) and government-owned and controlled corporations (GOCCs) which also invested in the APCs.

Had HGC been adequately capitalized, there might have been no need to borrow from the capital market. The enactment of Republic Act No. 8763, also known as the HGC Act of 2000, increased HGC's authorized capitalization from ₱2.5 billion to ₱50 billion. RA 8763 also authorized the initial infusion of ₱7.5 billion. Due to the fiscal position of the National Government at the time, it was only in the year 2006 that the release of the ₱7.5 billion equity was completed. To date, HGC has yet to receive ₱35 billion of its ₱50 billion Charter-authorized capitalization from the National Government.

(APCs)
Asset Participation Certificates
FUNDED

URBAN RENEWAL PROJECTS

It was envisioned that the assets HGC acquired in exchange for the payment of guaranty claims would provide sufficient funds for redeeming the bonds. These assets, however, were unfinished and were saddled with encumbrances and legal disputes, such as, illegal settlers or occupants, unpaid contractors, unpaid landowners, dissatisfied beneficiaries, and other third party claims, which diminished asset values. The assets were not sold on time.

Hence, there were insufficient funds for redeeming the ₱7.0 billion Zero Coupon bonds when these matured in August 2007. The then HGC Management issued another ₱12.0 billion new Zeroes in 2006 to generate funds to redeem the maturing bonds.

HGC's financial capacity to redeem the ₱12 billion bonds set to mature in November 2013 had been the subject of speculations among its clients. This was not unforeseen. As early as 2011, talks between HGC and the Department of Finance already began to explore options for settling the maturing obligation. In the meantime, HGC continued to implement its three-pronged business goals of expanding guaranty business, speedy yet judicious disposition of acquired assets, and enhancing collection efficiency to sustain the Corporation's financial viability.

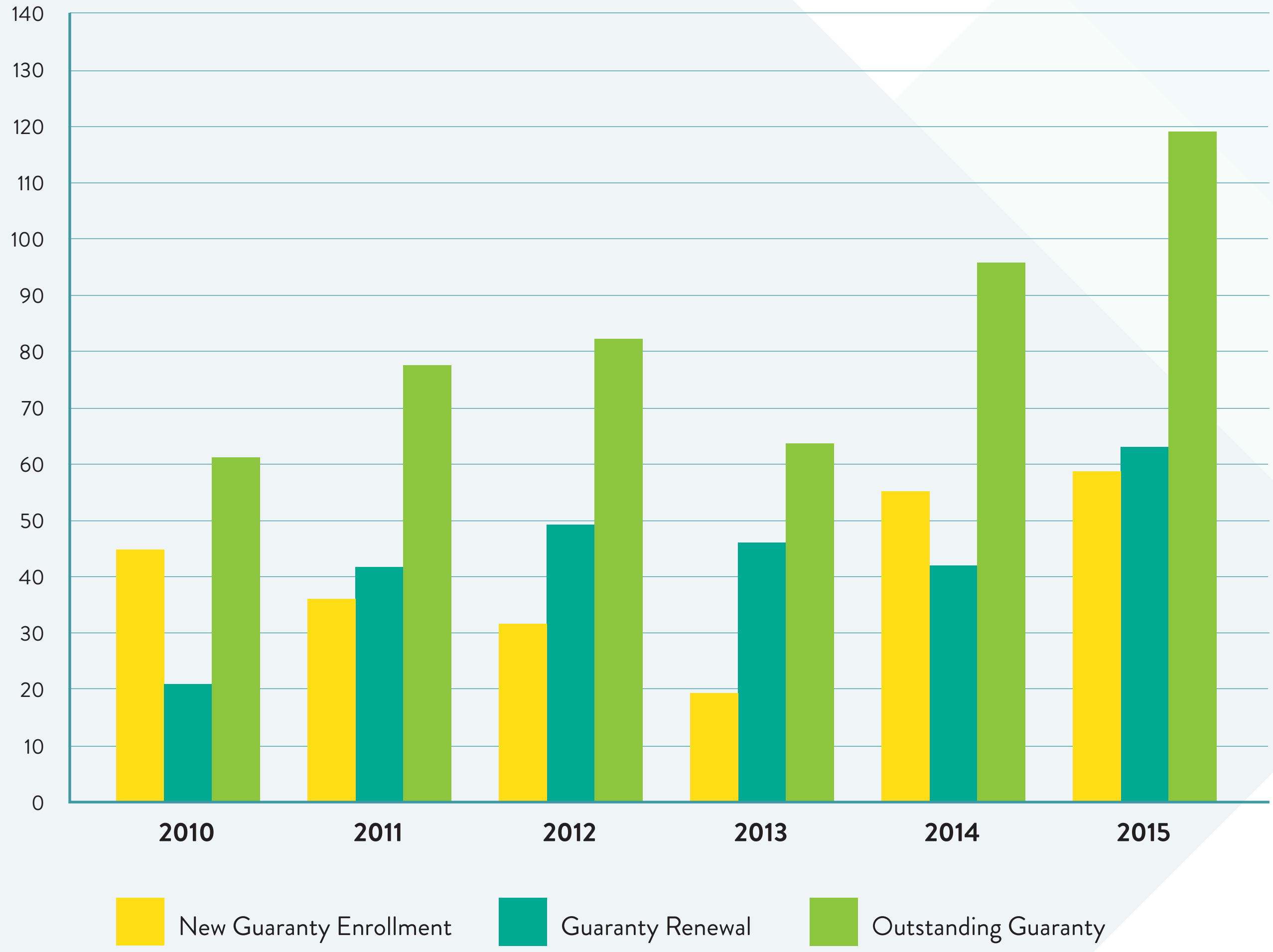
EXPANDING THE GUARANTY BUSINESS

Rumors and speculations regarding HGC's capacity to redeem the ₱12 billion zero-coupon bonds maturing in November 2013 took its toll on the guaranty business. While client banks and developers were constantly assured that HGC's guaranty is backed by the Republic, some opted to wait for more definite resolution of the issues. The effect of these speculations is reflected in HGC's diminishing guaranty enrollments from 2010 to 2013 and the drop in guaranty renewals from 2012 to 2013.

HGC's settlement of the ₱12 billion zeroes in November 2013 laid all speculations to rest and had the desired expected result in the guaranty business. Both New Guaranty Enrollment and Renewals increased after 2013, adding up to steep increases in the Outstanding Guaranty.

Summary of Guaranty Operations 2010 - 2015 (in ₱ Millions)

	2010	2011	2012	2013	2014	2015
New Guaranty Enrollment (₱)	45,522.67	37,899.79	32,427.73	19,197.72	55,742.36	58,841.19
Guaranty Renewal (₱)	21,106.58	43,819.83	49,833.97	46,887.38	42,167.17	63,446.26
Outstanding Guaranty (₱)	62,747.43	78,338.93	82,402.99	63,509.82	97,250.53	119,995.87



New Guaranty Clients

As early as 2011, almost all major banks headquartered in Metro Manila with housing loan portfolios were already HGC's clients. Expanding the guaranty business necessitated not only maintaining a roster of satisfied clients but also exploring previously untapped housing finance resources.

HGC's aggressive marketing efforts and the renewed confidence in the HGC guaranty paid off with eleven (11) new clients in 2014 – three (3) thrift banks, five (5) rural banks, one (1) cooperative bank, and two (2) developers; and fourteen (14) new clients in 2015 - thirteen (13) banks and one (1) developer.

Guaranty lines approved for these new clients amounted to ₱11.41 billion and ₱1.8 billion in 2014 and 2015, respectively.

From 2011 to 2015, the HGC Board approved one hundred twenty-three (123) guaranty line applications amounting to ₱259.15 billion from ninety-one (91) financial institutions: eight (8) universal banks, one (1) commercial bank, twenty-one (21) thrift banks, thirty-one (31) rural banks, one (1) cooperative bank, one (1) building and loan association, one (1) microfinance institution, twenty (20) developers and five (5) other institutions engaging in housing finance.

New Guaranty Enrollment

Long term New Guaranty Enrollment targets are set following a pattern of projected growth in the business. Targets for the upcoming years, however, are adjusted based on the current years' actual accomplishment and new developments in the market.

The very high accomplishment in 2010 resulted to drastically-increased annual targets for 2011 and 2012. Despite good performances during those years, the high targets set resulted to low percentage of accomplishments. Doubts on HGC's financial capacity to settle its obligation maturing in 2013 was already starting to take its toll on New Guaranty Enrollment figures. Expectedly, New Guaranty Enrollment was lowest in 2013.

	Loan Classification	2010	2011	2012	2013	2014	2015
Value of Housing Loans Enrolled for Guaranty (in ₱ millions)	Socialized Housing	1,800.28	509.36	525.23	23.31	301.91	286.03
	Low Cost Housing	28,515.73	24,735.90	20,733.25	11,377.94	39,405.92	33,738.07
	Medium Cost Housing	3,296.35	3,313.33	2,444.37	1,429.94	4,947.00	7,931.81
	Open Housing	11,910.31	9,341.19	8,724.89	6,366.54	11,087.54	16,885.27
	Total	**45,522.67**	**37,899.79**	**32,427.73**	**19,197.72**	**55,742.36**	**58,841.19**
	Target for the Year	23,156.00	42,925.00	48,804.00	37,081.00	34,609.00	41,950.00
	% Accomplishment	**196.59%**	**88.29%**	**66.44%**	**51.77%**	**161.06%**	**140.27%**
Actual Number of Housing Units Enrolled for Guaranty	Socialized Housing	5,849	2,501	3,849	274	1,079	1,159
	Low Cost Housing	31,925	19,697	14,814	8,431	25,430	23,420
	Medium Cost Housing	992	1,474	811	676	2,001	2,911
	Open Housing	1,638	1,334	1,163	1,480	2,414	3,662
	Total	**40,404**	**25,006**	**20,637**	**10,861**	**30,924**	**31,152**

New Guaranty Enrollment figures registered a drastic 190% increase from ₱19.197 billion in 2013 to ₱55.742 billion in 2014; and a 22% or more than ₱10 billion increase from 2010 figures. While the very high increase from 2013 to 2014 proved difficult to match, 2015 New Guaranty Enrollment figures still showed a 5.6% or ₱3 billion+ increase from the previous year.

From 2011 to 2015, more than ₱204 billion worth of new housing loans for the construction or purchase of 118, 580 housing units were enrolled for HGC guaranty.

₱204 billion
worth of housing loans

TRANSLATED INTO

118,580
housing units

Guaranty Renewals

Despite the decreasing trend in New Guaranty Enrollments from 2010 to 2013, Guaranty Renewals remained more or less steady from 2011 to 2014 and increased significantly in 2015.

	Loan Classification	2010	2011	2012	2013	2014	2015
Value of Housing Loans Renewed for Guaranty Coverage (in ₱ millions)	Socialized Housing	2,405.10	3,270.09	2,863.91	3,003.01	2,453.48	796.10
	Low Cost Housing	12,914.04	30,967.38	34,999.79	35,072.30	29,171.72	39,293.36
	Medium Cost Housing	2,094.59	3,319.85	3,937.11	3,190.81	3,869.99	8,719.61
	Open Housing	3,692.85	6,262.51	8,033.16	5,621.26	6,671.98	14,637.19
	Total	**21,106.58**	**43,819.83**	**49,833.97**	**46,887.38**	**42,167.17**	**63,446.26**
	Target for the Year	43,005.00	34,162.00	38,778.00	49,442.00	41,281.00	48,070.00
	% Accomplishment	**49.08%**	**128.27%**	**128.51%**	**94.83%**	**102.15%**	**131.99%**
Actual Number of Housing Units Renewed for Guaranty Coverage	Socialized Housing	14,786	17,926	17,510	18,518	15,564	10,434
	Low Cost Housing	18,476	43,417	41,629	40,263	27,730	32,743
	Medium Cost Housing	1,072	1,259	1,545	1,416	1,686	3,505
	Open Housing	1,236	1,450	1,734	1,516	1,761	3,680
	Total	**35,570**	**64,052**	**62,418**	**61,713**	**46,741**	**50,362**

Except for the 94.83% accomplishment in 2013, Guaranty Renewals accomplishment from 2011 to 2015 has always been above the 100% mark. Maintaining good relations and improved delivery of service were key to consistently high Guaranty Renewals accomplishment.

Outstanding Guaranty

At any given time, from 2011 to 2015, the HGC guaranty was covering at least ₱63.5 billion worth of housing loans or at least 69,600 housing units. This was the lowest Outstanding Guaranty performance for the five-year period. The significant increases in New Enrollment and Renewals in 2015 brought the Outstanding Guaranty figures to ₱119.99 billion corresponding to 79,809 housing units—almost double the 2010 figures.

	Loan Classification	2010	2011	2012	2013	2014	2015
Value of Housing Loans Covered by Guaranty (in ₱ millions)	Socialized Housing	3,912.73	3,801.91	3,393.80	2,847.83	2,464.56	1,017.92
	Low Cost Housing	41,580.77	51,849.99	53,848.37	44,929.79	62,337.84	71,046.33
	Medium Cost Housing	4,618.04	6,622.20	6,994.50	4,597.49	11,126.69	16,483.85
	Open Housing	12,635.89	16,064.82	18,166.33	11,134.70	21,321.44	31,447.77
	Total	**62,747.43**	**78,338.93**	**82,402.99**	**63,509.82**	**97,250.53**	**119,995.87**
Actual Number of Housing Units Covered by Guaranty	Socialized Housing	21,089	20,625	21,359	18,769	13,585	11,307
	Low Cost Housing	52,667	59,823	55,408	46,591	54,435	54,721
	Medium Cost Housing	1,567	2,739	2,583	1,931	4,343	6,392
	Open Housing	1,925	2,860	3,315	2,323	4,701	7,389
	Total	**77,248**	**86,047**	**82,665**	**69,614**	**77,064**	**79,809**
Percentage share of total	Socialized and Low Cost	95.48%	93.49%	92.87%	93.89%	88.26%	82.73%
	Medium Cost Housing	2.03%	3.18%	3.12%	2.77%	5.64%	8.01%
	Open Housing	2.49%	3.32%	4.01%	3.34%	6.10%	9.26%

In line with its mandate of serving the housing needs of the lower income sectors, HGC strives to maintain a guaranty portfolio favoring the lower priced housing loan packages. As much as possible, at least 70% of HGC's Outstanding Guaranty should be for socialized and low-cost housing packages and only 30% for medium cost and open housing packages. This meant constantly striking a good balance between profit

and mandate. The lower-priced housing packages bring in low guaranty premium despite having generally higher default risk while the higher-priced housing packages despite having relatively lower default risk are charged higher guaranty premium. This seemingly ironic business model serves to encourage banks and developers to invest more on housing packages within reach of the lower income sectors.

As shown in the previous table, the actual socialized and low cost housing units made up more than 80% of the Outstanding Guaranty from 2011 to 2015.

ASSET DISPOSITION

Liquefying HGC's assets has always been challenging. By 2011, what remained in HGC's portfolio valued at ₱14.89 billion are mostly hard-to-sell assets. Only approximately 20% of these assets, amounting to ₱3.156 billion are free from infirmities.

Of the remaining 80%, roughly 25% are involved in litigation. Assets with unlitigated legal issues, documentary deficiencies and illegally occupied comprise the remaining 55%.

Bringing the assets to marketable stage required substantial costs for clearing the properties of informal settlers, effecting relocation, removing existing structures, consolidation expenses, and taxes. As such, most assets are sold on an "as-is-where-is" basis.

The substantial variance between latest appraisal and book values of some assets, which may result to capital loss when disposed presents another asset disposition dilemma.

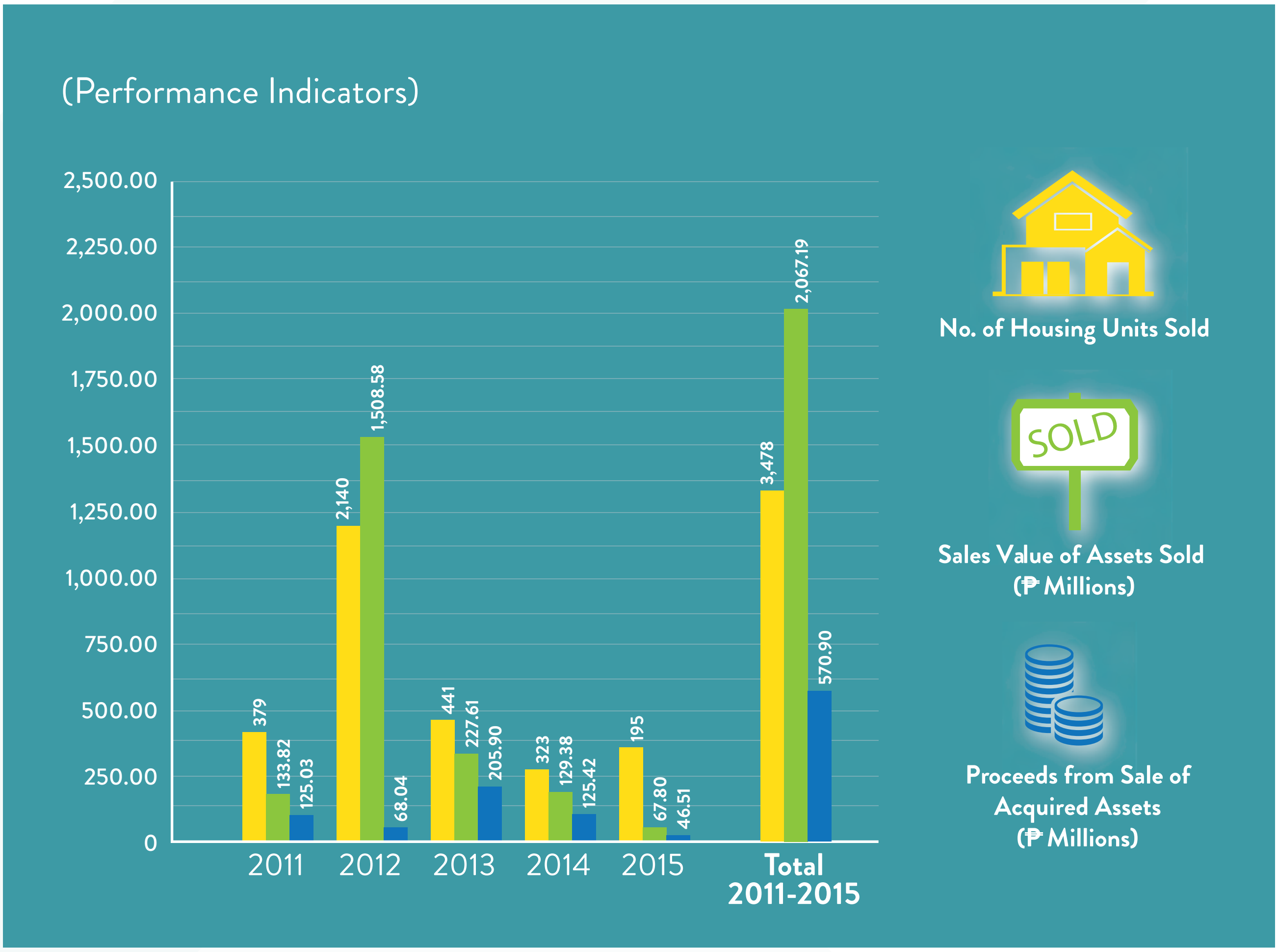
Despite these obstacles, HGC was able to dispose ₱2.07 billion worth of acquired assets in terms of sales value in 2011-2015.

HGC sold

₱2.07 billion

worth of acquired assets from

2011-2015.



In 2011, the auction of HGC's inventory of acquired assets was suspended pending the conduct of an asset disposition review audit. The audit firm, however, consented to dispose some of the assets resulting to 379 housing units sold. With a total value of ₱133.82 million.

Assets slated for disposition in 2011, but were put on hold due to the asset disposition review, were sold in 2012. HGC adopted the "priced–right" policy where assets were disposed through negotiated sale on a best offer basis after a failed public bidding. This made the assets more saleable. HGC also commissioned a property auctioneer to conduct auction of HGC's retail accounts. Accreditation of brokers was suspended to give way to the auction to speed up asset disposition. The initiatives bore fruit and resulted to a total of 2,140 housing units sold. The cash inflow, though, for big-ticket accounts sold towards the end of the year was realized only in 2013.

The initiatives to speed up the disposition of assets were carried on in 2013. HGC was able to sell 441 housing units and registered ₱205.90 million cash inflow which includes that of the sold big-ticket accounts towards the end of 2012.

Most of the more attractive and saleable properties were already sold in 2012 and 2013, leaving mostly the harder-to-sell properties. Hence, the number of housing units sold further decreased in 2014 and 2015, and correspondingly, the sales value of assets sold and the proceeds from sales, as well.

Asset Disposition through the BLU scheme

More than 15,000 units in HGC-owned or managed projects had been identified for disposition through the Beneficial Land Use (BLU) scheme. In 2014, 397 families signed up for the BLU scheme. In 2015, 517 families in 10 HGC projects were already updating their accounts through the program.

The BLU Scheme was conceptualized to legitimize existing occupants' ownership of HGC-owned properties through a negotiated sale. The scheme adjusts the selling price, interests and penalties for more affordable payment terms. This is to encourage undocumented occupants of the properties to enter into Contracts to Sell with HGC to legalize their tenure.

	Project	Location	No. of Families (as of Jan. 2014)	No. of Availing Families
1	MASHAI	Brgy. BF, Sucat, Paranaque City	512	10
2	Sambayanihan People's Village HOA, Inc.	Brgy. CAA, Las Pinas City	178	121
3	FM Pasig BLISS	Brgy. Rosario, Pasig City	154	86
4	Pila Lakeshore	Brgy. Wawa, Pila, Laguna	29	2
5	Malaban Lakeshore	Brgy. Wawa, Binan, Laguna	323	1
6	BF Bernabe Subdivision	Brgy. San Dionisio, Paranaque City	115	67
7	Pinesville Subdivision	Brgy. Kias, Baguio City	167	105
8	Jovil Village 3	Brgy. San Isidro, Rodriguez, Rizal	363	25
9	Suburban Housing	Brgy. San Isidro, Rodriguez, Rizal	702	98
10	SAPARI MRB	Paco, Manila	208	2
Total			**2,751**	**517**

Some 11,578 units more in HGC-managed projects in Paranaque, Bulacan, Cavite and Rizal are being prepared for sales documentation through the BLU scheme.

The increased buy-in of family-beneficiaries to the BLU scheme should boost asset disposition figures in the coming years.

Enhancing Collection Efficiency

HGC's efficiency in the collection of receivables from leases and sale of acquired assets on installment basis has always been good from 2011 to 2015, at least as far as current accounts are concerned. Starting 2012, collection efficiency on current accounts even surpassed the 90% mark—high by industry standards. The delinquent and non-moving accounts brought to current status in 2013 raised the collection efficiency to 105% translating to ₱225.32 million in actual collection. The collection efficiency for the succeeding years remained high with 94.09% in 2014 and 99.07% in 2015, amounting to ₱245.8 million and ₱210.9 million in actual collections, respectively.

The HGC Management has taken steps to prevent account delinquency and to make sure current accounts remain current. Initiatives along this line include:

1. Close monitoring of current accounts. Proven as an effective strategy, current accounts are being closely monitored to prevent any delinquency or default in amortization payment. The enhanced automation of HGC's business processes allows for speedier generation of clients' Statements of Account (SOA) which are sent to their registered addresses on a timely and regular basis.

   Payment reminders and notices using landline and short message service (SMS) are also employed for prompt and effective notification system.

2. Making amortization payments easier and more convenient. HGC has entered into an agreement with the Land Bank of the Philippines (LBP) for an on-line collection (on-coll) facility for amortization payments. This allowed buyers of HGC properties to pay amortization in any LBP branch instead of having to go to HGC in Makati.

   Payments made with LBP's on-coll facility in 2014 increased to ₱20.14 million, a 396.46% increase, compared to ₱5.08 million payment in 2013. Number of deposits also increased from 752 to 2,564 deposits. In 2015, payments thru LBP's on-coll facility amounted to ₱29.95 million

Current Accounts	2010	2011	2012	2013	2014	2015
Target Collection (P millions)	210.21	246.93	248.12	213.97	261.24	212.87
Actual Collection (P millions)	184.64	216.83	227.81	225.32	245.8	210.9
Collection Efficiency	87.84%	87.81%	91.81%	105.30%	94.09%	99.07%
Delinquent/ Non-Moving Accounts						
Target Collection (P millions)	84.97	75.62	54.65	62.89	32.09	34.74
Actual Collection (P millions)	49.25	35.28	49.09	125.15	13.67	15.28
Collection Efficiency	57.96%	46.65%	89.83%	199.00%	42.06%	43.98%

Not surprisingly, collection efficiency on delinquent/non-moving accounts is much lower compared to that of current accounts. Still, for the period 2011 to 2015, collection efficiency for delinquent/non-moving accounts never fell below the 40% mark.

Remarkably, collection efficiency for these accounts rose to 89.83% in 2012 and 199% in 2015 amounting to ₱49.09 million and ₱125.15 million in actual collections, respectively.

Aside from preventing delinquency and ensuring current accounts remain current, another key step for enhancing collection efficiency is to bring delinquent accounts to current status. HGC implements the following strategies toward this end:

1. Cleaning-up of project documents and other deficiencies. This include the following: judicial reconstitution of missing/unavailable TCTs, cancellation of encumbrances/annotations on TCTs/CCTs, re-subdivision and/or transfer of TCTs, CCTs and TDs in HGC's name and application of negotiated/approved acceptable payment for delinquent/undocumented accounts.

2. Implementation of the 15-year restructuring program. Under the program, delinquent buyers/lessees are given the option to restructure their total obligation under the following terms:

    - Total obligation payable over a period of one year with no interest on amortized payments, or

    - Total outstanding obligation payable over a maximum term of 15 years or the remaining term of the loan: minimum down payment of 10% of the total obligations, payable in six (6) months without interests. Balance payable over 15 years or remaining term of the loan with interest at 6%, 9% or 12% depending on the amount of outstanding obligation. A discount of 1% on the interest rate is given for payments that are settled on or before the due date.

3. Engagement of collection agents.

4. Endorsement of delinquent accounts to the Legal Department for appropriate action and ultimately to the collection agent.

FINANCIAL

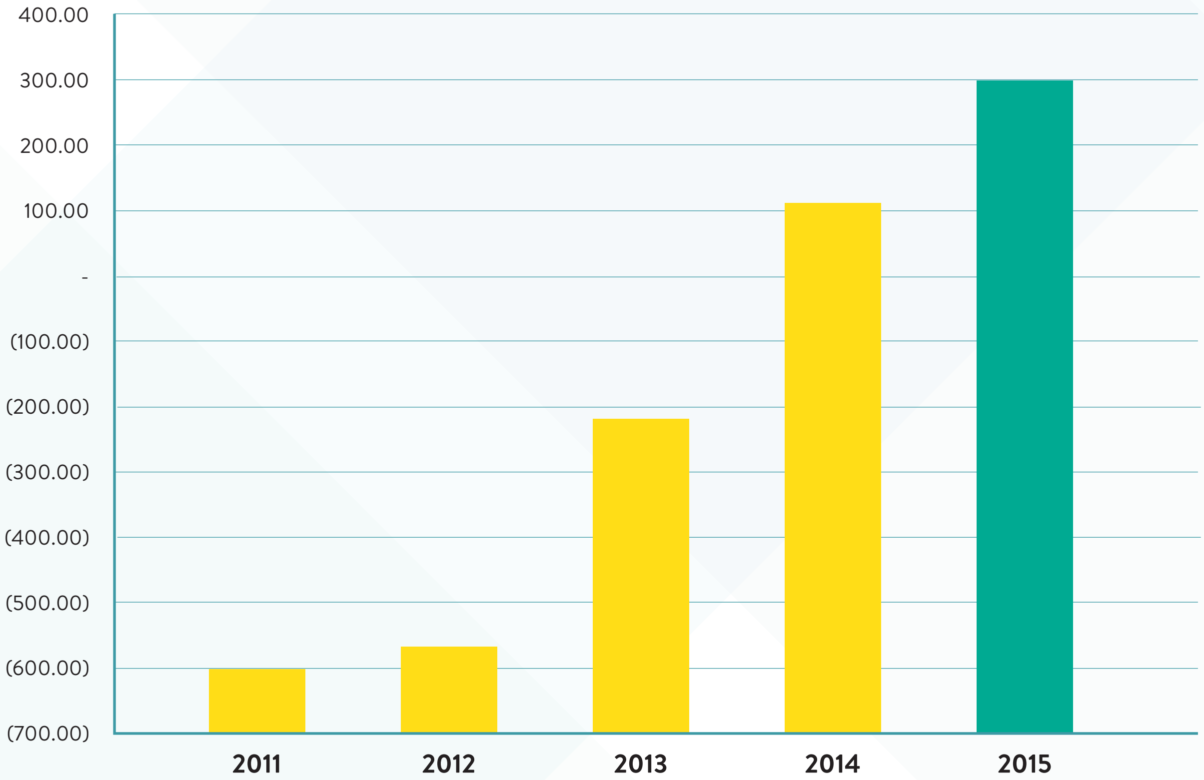
• 2011

HIGHLIGHTS

- 2015 •

FINANCIAL HIGHLIGHTS

HGC Income (Loss) 2011-2015 (₱ Million)



Despite maintaining a positive operational income, HGC continued to experience losses until 2013 due to financial charges. The Corporation issued Zero Coupon Bonds in 2004 and 2005 to settle guaranty obligations from failed Asset Participation Certificate (APC) projects. The Corporation had to comply with the sinking fund requirements of Bureau of the Treasury in anticipation of the maturities of the issuances in 2011 and 2013, respectively.

Upon the assumption into office of President Benigno S. Aquino III, the new HGC Board of Directors and Management conducted a review of all programs and made an inventory of all projects and assets of the Corporation. Reforms in its core business were instituted to prevent the recurrence of transactions disadvantageous to the Corporation and to the government.

After fully settling its obligations to the investors of the Zero Coupond Bonds— ₱3 billion in 2011 and ₱12 billion in 2013, HGC has been freed from paying heavy annual financial charges, which ate-up its revenues. Income then started to improve significantly by an average of 80% from 2010 until 2015.

In 2014, HGC recovered with a ₱106.70million net income; a 147% growth from the previous year. This was further improved by 183% with ₱301.70 million in 2015. This turnaround is a result of a more robust guaranty business and the continued trust of its client-banks, real estate developers and other financial institutions.

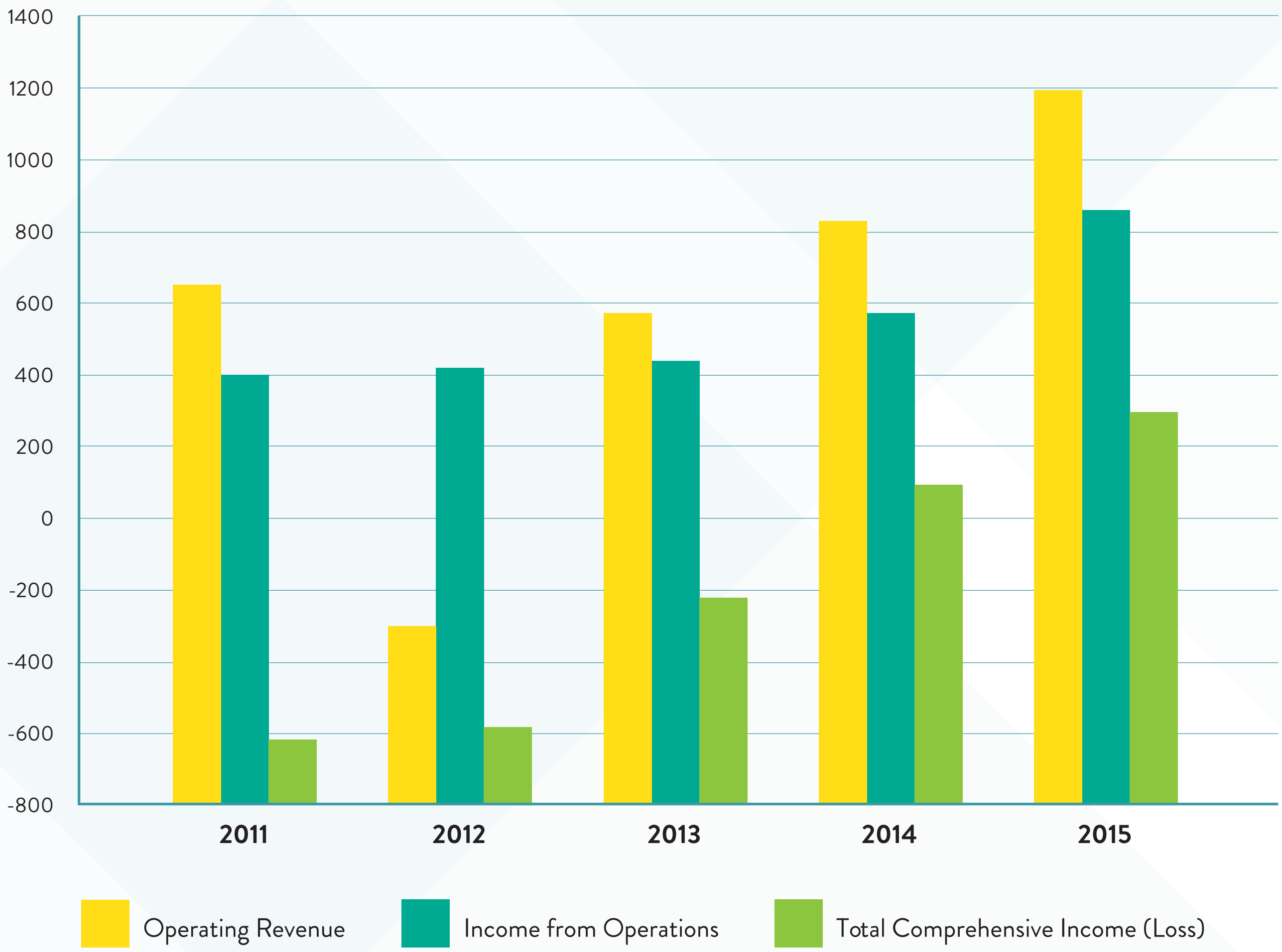
HGC was able to sustain its financial viability through premium income, recovery of exposure through disposition of acquired assets and collection of receivables, and capital infusion from the National Government

Its guaranty business remains to be its main source of income. From 2011 – 2015, its guaranty capacity utilization was at an annual average of 61% of Outstanding Guaranties.

(Values in ₱ Million)

	2011	2012	2013	2014	2015
Total Assets	29,538.32	32,727.08	33,815.23	33,118.75	33,381.22
Total Liabilities	24,883.60	25,089.80	25.760.32	24,733.42	24,982.54
Net Worth	4,654.72	7,637.29	8,054.91	8,385.33	8,398.69
Operating Expense	262.93	281.90	288.57	299.80	309.59
Other Income / Expenses	116.33	-10.98	46.94	-25.56	-8.41
Total Financial Charges	1,096.88	972.06	864.54	360.17	435.91
Taxes	41.41	30.47	-118.24	45.83	129.06
Dividends Declared		1.00		86.74	210.46

HGC posted its highest Net Worth in 2015 for the period. With a Total Asset of ₱33.4 billion and Total Liabilities of ₱25 billion, HGC's Net Worth as of December 31, 2015 stood at ₱8.4 billion. This is an 80% improvement to 2011's Net Worth of ₱4.7 billion. With the current Net Worth, HGC can guarantee as much as ₱168 billion worth of housing loans and investments.



Having settled the ₱12 billion zeroes in 2013, HGC is freed from the burden of paying a sizeable amount of Financial Charges each year that took a toll on the credibility of HGC as a guaranty institution. In 2015, HGC remitted over ₱86 million in cash from its ₱109 million net income for 2014 as dividends to the National Government through the Bureau of the Treasury. It further remitted ₱210.46 million for its gains in 2015.

INCOME FROM OPERATIONS

SOURCES	INCOME PER YEAR (in ₱ Million)				
	2011	2012	2013	2014	2015
Financing Fees - Insurance/Guaranty Fees	520.56	565.14	594.86	657.80	969.57
Rent Income	90.76	106.44	111.47	142.19	160.97
Interest Income - Installment Receivable	44.49	50.56	37.13	34.39	42.32
Other Fines and Penalties	5.94	8.62	6.19	5.18	10.01
Other Service Income	0.55	0.35	0.27	0.20	0.30
Miscellaneous Income	0.64	1.21	1.02	0.59	2.22
GROSS INCOME	**662.94**	**732.32**	**759.61**	**840.36**	**1,185.39**

The bulk of HGC's generated income came from Insurance/Guaranty Fees constituting 79% (averaged) of the Gross Income for the period, followed by Rent Income that accounted for 14%. The share of Insurance/Guaranty Fees went up to 82% in 2015.

Premuim Income in ₱ Million					
	2011	2012	2013	2014	21015
Socialized	28.54	23.82	20.8	18.64	8.26
Low Cost	431.95	433.93	371.65	549.92	626.06
Medium Cost	55.20	53.53	39.69	76.93	137.09
Open Housing	117.32	138.63	94.28	158.85	270.40

Sixty-six percent (66%) of income from premiums were generated from guaranteed low-cost housing packages. Twenty-one percent (21%) came from guaranteed open housing packages.

From 2011 to 2015, HGC's premium income is more than enough to defray operating expenses. HGC has been earning more than twice it has been spending.

OPERATING EXPENSES

(Values in ₱ Million)					
Expenses	2011	2012	2013	2014	2015
Personal Services and Maintenance and other Operating Expenses(MOOE)	262.93	281.91	288.57	299.80	309.59
GROSS INCOME	662.94	732.32	759.61	840.36	1,185.39
Expenses / Gross Income	40%	38%	38%	36%	26%

Strict adherence to austerity measures enabled Management to keep its operating expenses at an annual average of 36% of Gross Income from 2011 to 2015. It was able to reduce expenditures from 40% in 2011 to 26 % in 2015.

ASSET DISPOSITION

(Values in ₱ Million)					
	2011	2012	2013	2014	2015
Sales Value of Assets Sold	133.82	1,508.58	227.61	129.38	67.80
Proceeds from Sales of Acquired Assets	125.03	68.04	205.90	125.42	46.51
Gain / Loss on Sale of Disposed Assets	(1.64)	(73.39)	9.05	15.40	10.26

The sale of acquired assets resulted in losses in recent years. This was due to the disparity between the book value of the assets and their sales value. Starting 2013, however, gains were achieved in the disposition of acquired assets.

CAPITAL INFUSION FROM THE NATIONAL GOVERNMENT

Of HGC's Charter-authorized capitalization of ₱50 billion, only ₱15.07 billion has been released so far. The capital infusion from the National Government is used mainly for enhancing liquidity in the event of calls on the guaranty and to increase guaranty capacity.

For the last several years, GAA-approved annual capital infusion from the National Government was ₱500 million, despite requests for ₱1 billion.

National Government Equity Contribution to HGC	
Charter-Authorized Capitalization (R.A. 8763)	₱50,000,000,000.00
Fund Releases	₱15,073,000,000.00
BALANCE	₱34,927,000.000.00
Request of ₱1 billion every year	
2013 and beyond	2013 : ₱500 million released 2014 : ₱500 million released 2015 : No release

FINANCIAL STATEMENTS

HOME GUARANTY CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Management of the HOME GUARANTY CORPORATION is responsible for all information and representations contained in the statements of financial position, statements of comprehensive income, statements of changes in equity, and statements of cash flow as of December 31, 2015 and 2014. These Financial Statements have been prepared in conformity with Philippine Financial Reporting Standards and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

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

The Board of Directors review the financial statements before such statements are approved.

The Commission on Audit (COA), has audited the financial statements of the Company in accordance with auditing standards generally accepted in the Philippines and has expressed their opinion on the fairness of presentation upon completion of such audit, in their report to the Board of Directors.

CORAZON G. CORPUZ
Officer-In-Charge

JIMMY B. SARONA
VP-Legal Group
And concurrent VP-Corporate Services Group

March 21, 2016

Republic of the Philippines
COMMISSION ON AUDIT
Corporate Government Sector
Cluster A – Financial

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Home Guaranty Corporation
335 Sen. Gil J. Puyat Avenue
Makati City

Report on the Financial Statements
We have audited the accompanying financial statements of the Home Guaranty Corporation (HGC), which comprise the statements of financial position as of December 31, 2015 an d 2014, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 misstatements, whether due to fraud or error.

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of home Guaranty Corporation as of December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Emphasis of Matter
We draw attention to Note 2.6.5 to financial statements, which states that various Other Garnished/Foreclosed Assets carried in the books at cost for P1.71 billion have an appraised value of P594 million or an impairment of P1.117 billion as of December 31, 2015. Gain or loss on impairment, however, shall be recognized in the profit or loss upon disposition of the assets. In contrast, Paragraph 60 of Philippine Accounting Standards 36 requires that an impairment loss shall be recognized immediately in profit and loss, unless the asset is carried at reduced amount in accordance with another Standard. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that of other Standard. Considering the decision of HGC to disclose only the said impairment in the financial statements, our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements
Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue regulations 19-2011 and 15-2010 in Notes 22 and 23 to financial statements, respectively, is 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 management of HGC. 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 be basic financial statements taken as a whole.

COMMISSION ON AUDIT

BY:

REBECCA A. DUMAGUIT
State Audit V
Supervising Auditor

May 31, 2016

HOME GUARANTY CORPORATION

STATEMENTS OF FINANCIAL POSITION

December 31, 2015 and 2014
(In Philippine Peso)

	Note	2015	2014 (As restated)
ASSETS			
Current assets			
Cash and cash equivalents	3	4,517,111,956	3,975,933,606
Short-term investments	4.1	1,818,805	19,219,652
Receivables - net	6.1	1,049,808,367	1,021,921,284
Inventories	7	877,876	503,108
Prepayments	8.1	17,545,716	34,766,309
		5,587,162,720	**5,052,343,959**
Non-current assets			
Long-term investments	4.2	1,556,422,409	1,556,024,535
Investment property	5	8,039,998,297	8,041,847,011
Receivables	6.2	5,456,193,989	5,562,246,241
Long-term prepayments	8.2	20,858,395	20,858,395
Property and equipment - net	9	61,484,863	73,252,322
Deferred tax asset	10	164,598,848	338,542,191
Other assets	11	12,494,503,124	12,473,632,397
		27,794,059,925	**28,066,403,092**
TOTAL ASSETS		**33,381,222,645**	**33,118,747,051**
LIABILITIES AND EQUITY			
Current liabilities			
Payables and other liability accounts	12	6,436,324,287	6,224,891,983
Bonds payable	13.1	130,854,785	100,000,000
		6,567,179,072	**6,324,891,983**
Non-current liabilities			
Bonds payable	13.2	13,028,745	136,567,178
Deferred tax liability	15	89,613	51,318
Trust liabilities	16	1,821,197,951	1,779,775,251
Unearned income	17	1,013,674,124	1,012,120,177
Due to National Treasury - Bureau of Treasury	14	11,463,794,904	11,411,090,419
Due to other funds - Abot-Kaya Pabahay Fund	11.2	3,020,469,555	2,986,034,713
Other liabilities - Assets held-in-trust	11.3	1,083,101,564	1,082,888,795
		18,415,356,456	**18,408,527,851**
TOTAL LIABILITIES		**24,982,535,528**	**24,733,419,834**
EQUITY		**8,398,687,117**	**8,385,327,217**
TOTAL LIABILITIES AND EQUITY		**33,381,222,645**	**33,118,747,051**

The Notes on pages 8 to 41 form part of these financial statements.

HOME GUARANTY CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2015 and 2014
(In Philippine Peso)

	Note	2015	2014 (As restated)
INCOME			
Financing fees - insurance/guaranty fees	2.7	969,568,122	657,803,675
Rent income		160,970,527	142,193,357
Interest income - installment receivable	2.7	42,322,287	34,390,213
Other fines and penalties		10,010,968	5,184,255
Other service income	2.7	297,067	198,592
Miscellaneous income		2,216,267	591,027
		1,185,385,238	**840,361,119**
EXPENSES			
Personal services	21.1	119,029,369	116,430,389
Maintenance and other operating expenses (MOOE)	21.2	190,557,972	183,370,134
		309,587,341	299,800,523
NET INCOME FROM OPERATIONS		**875,797,897**	**540,560,596**
OTHER INCOME (EXPENSES)			
Interest income - investments	2.7	61,779,420	49,227,736
Interest income - bank deposits	2.7	4,082,220	2,700,681
Dividend income	2.7	476,400	1,905,600
Gain on sale of disposed assets	2.11	10,260,453	15,404,542
Loss on sale of securities		(496,674)	-
Gain on foreign exchange	2.10	127,651	10,152
Technical loss reserves	2.6	(2,560,723)	(1,999,337)
Other MOOE - projects	21.4	(82,076,384)	(92,812,089)
		(8,407,637)	(25,562,715)
INCOME BEFORE FINANCIAL CHARGES		**867,390,260**	**514,997,881**
FINANCIAL CHARGES			
Interest on guaranty obligations		198,793,808	198,793,808
Interest on NG advances		236,682,959	161,142,418
Interest on debenture bonds		344,147	147,629
Bank charges		92,245	85,920
		435,913,159	360,169,775
NET INCOME BEFORE TAX		**431,477,101**	**154,828,106**
TAXES	**22**	**129,060,906**	**45,824,405**
NET INCOME FOR THE YEAR		**302,416,195**	**109,003,701**
OTHER COMPREHENSIVE INCOME			
Unrealized losses on available for sale investments	2.7	(730,199)	(2,307,200)
TOTAL COMPREHENSIVE INCOME		**301,685,996**	**106,696,501**

The Notes on pages 8 to 41 form part of these financial statements.

HOME GUARANTY CORPORATION

STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2015 and 2014
(In Philippine Peso)

	Capital stock (Note 18)	Donated capital (Note 5.1)	Revaluation increment in property (Note 20)	Unrealized gains from Available-for-sale (Note 2.7)	Deficit (Note 19)	Total
Balance, January 1, 2014, as restated	14,573,000,000	4,069,154,826	2,407,442,041	3,666,398	(13,187,888,744)	7,865,374,521
Equity infusion from the National Government	500,000,000	-	-	-	-	500,000,000
						-
Decrease in the fair value of available-for-sale investments	-	-	-	(2,307,200)	-	(2,307,200)
Net income for the year, as restated	-	-	-	-	109,003,701	109,003,701
Dividend for the year	-	-	-	-	(86,743,805)	(86,743,805)
Balance, December 31, 2014 as restated	**15,073,000,000**	**4,069,154,826**	**2,407,442,041**	**1,359,198**	**(13,165,628,848)**	**8,385,327,217**
Sale of investments	-	-	-	(466,686)	-	(466,686)
Decrease in the fair value of available-for-sale investments	-	-	-	(263,513)	-	(263,513)
Expired NOLCO (2012)	-	-	-	-	(65,731,954)	(65,731,954)
Expired excess MCIT over RCIT (2012)	-	-	-	-	(12,138,498)	(12,138,498)
Net income for the year	-	-	-	-	302,416,195	302,416,195
Dividend for the year	-	-	-	-	(210,455,644)	(210,455,644)
Balance, December 31, 2015	**15,073,000,000**	**4,069,154,826**	**2,407,442,041**	**628,999**	**(13,151,538,749)**	**8,398,687,117**

The Notes on pages 8 to 41 form part of these financial statements.

HOME GUARANTY CORPORATION

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2015 and 2014
(In Philippine Peso)

	Note	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Collection of various income		1,225,046,870	985,645,238
Collection of receivables		155,872,241	257,455,474
Collection received in trust		56,607,667	87,938,392
Collection due to other agencies		77,600,716	72,081,141
Receipts of performance/bidders/bail bonds		1,118,725	2,154,180
Payment of personnel services		(137,379,041)	(132,570,496)
Payment of other maintenance and operating expenses		(106,278,990)	(123,310,148)
Payment of various advances		(26,864,566)	(34,628,120)
Payment of project expenses		(322,882,817)	(47,991,406)
Payment of gross receipts tax		(37,656,595)	(36,633,919)
Remittances of GSIS/Pag-IBIG/Philhealth/withholding taxes		(40,454,071)	(41,527,211)
Remittances of HGCEA/Provident Fund contributions		(32,453,523)	(31,975,768)
Payment of prepaid expenses		(9,376,898)	(5,630,361)
Purchases of office supplies		(10,736,617)	(10,201,798)
Payment of capitalized expenses		(6,214,233)	(3,936,593)
Payment of payables		(718,094)	(24,960,388)
Net cash provided by (used in) operating activities		**785,230,774**	**911,908,217**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from investments		32,650,338	1,353,248,565
Income from investments		38,175,269	35,903,109
Investment placement		(33,497,053)	(137,143,661)
Proceeds from sale of property and equipment		527,844	25,180
Purchase of property and equipment		(2,218,197)	(2,053,021)
Net cash provided by (used in) investing activities		**35,638,201**	**1,249,980,172**
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipt of National Government equity release		-	500,000,000
Dividend received		476,400	1,905,600
Redemption of bonds		-	(134,097,389)
Payment of NG advances - BTr		(87,873,096)	(448,332,000)
Interest on NG advances		(104,946,904)	(121,488,000)
Payment of dividend		(87,266,197)	-
Interest on debenture bonds		(208,479)	(160,514)
Net cash provided by (used in) financing activities		**(279,818,276)**	**(202,172,303)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**541,050,699**	**1,959,716,086**
Net foreign exchange difference		**127,651**	**10,152**
Cash, beginning of year		**3,975,933,606**	**2,016,207,368**
CASH, END OF YEAR	**3**	**4,517,111,956**	**3,975,933,606**

The Notes on pages 8 to 41 form part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014
(All amounts in Philippine Peso unless otherwise stated)

1. GENERAL INFORMATION

The Home Guaranty Corporation (HGC), a government-owned and controlled corporation, is tasked to operate a credit guaranty program in support of government's effort to promote home ownership. Since its creation on September 15, 1950 as the Home Financing Commission with the passage of Republic Act (RA) No. 580 and later as Home Insurance and Guaranty Corporation, HGC has institutionalized a viable system of credit guarantees that have become an integral component of the shelter program of the government.

HGC stands alone and unique in this field of housing finance. No other government institution or instrumentality, for lack of enabling law, can provide the risk cover and tax incentives that HGC is authorized to extend. The Corporation provides risk guarantees and fiscal incentives for housing credits extended by banks, investors and other financial institutions, thereby stimulating the flow of funds from both the government and private sectors for housing and urban development.

With the enactment of its new Charter, RA No. 8763, otherwise known as the Home Guaranty Corporation Act of 2000, the corporate life of HGC was extended for another 50 years and the Corporation's authorized capital stock was increased from P2.5 billion to P50 billion, out of which, only P15.073 billion were actually received from the National Government as of December 31, 2015. Specifically, HGC has the following mandates:

a) To guaranty the payment of any and all forms of mortgages, loans and other forms of credit facilities and receivables arising from financial contracts exclusively for residential purposes and the necessary support facilities;

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

c) To promote homebuilding and landownership, giving primary preference to the homeless and underprivileged sectors of the society;

d) To promote housing by the aided self-help method;

e) To pursue the development and sustainability of a secondary mortgage market for housing;

f) To supervise and regulate building and loan associations; and

g) To administer the Cash Flow Guaranty (CFG) System of the Abot-Kaya Pabahay Fund (AKPF) pursuant to RA No. 6846, known also as the Social Housing Support Fund Act of 1990.

   In carrying out and fulfilling its above stated mandates, the Corporation offers the following guaranty programs:

   a) Developmental loan guaranty : a guaranty facility covering loans extended for the development of subdivisions, townhouses, dormitories, apartments and other residential dwellings;

   b) Retail loan guaranty : guaranty coverage on loans/credit facility extended for the purchase/acquisition of a single-family residence; and

   c) Guaranty for securitization schemes: guaranty coverage on securities or financial instruments backed-up by a pool of assets such as receivables from loans/mortgages and/or real estate properties.

The borrowings and guaranty obligations of the Corporation both as to principal and interest are guaranteed by the Republic of the Philippines subject to the following limitations:

a) Guaranty obligations, not to exceed 20 times the Corporation's capital and surplus; and

b) Corporate borrowings, not to exceed the aggregate amount of principal obligations of all accounts guaranteed.

With the enactment of its new charter, the HGC is relieved of its peripheral task involving registration, supervision and adjudication of Homeowners' Associations. This function has been transferred to the Housing and Land Use Regulatory Board. The Corporation is also vested with a new mandate that will ensure its active involvement in the development of the secondary market for housing mortgages, bonds, debentures, notes and securities. Further, RA No. 8763 compels the Corporation to give preferential attention and incentives to socialized and low cost housing.

The Corporation is governed by a Board of Directors composed of seven members, including the Chairman as follows:

Chairman	:	Secretary, Department of Finance
Vice-chairman	:	Chairman, Housing and Urban Development Coordinating Council
Member	:	Director General, National Economic and Development Authority
Member	:	President, HGC
Member	:	Three (3) others appointed by the President of the Philippines

The policies of the Board are implemented into action by the President with the assistance of the Executive Vice President and five Vice Presidents.

In 2009, the Board adopted Board Resolution No. 33-2009 dated July 30, 2009 authorizing the President to issue the financial statements of HGC and AKPF – CFG Component for the calendar year ending December 31, 2008 and every year thereafter. Pursuant thereto, the President of HGC approved the issuance of the financial statements of HGC for CY 2015 on March 21, 2016.

The Corporation has its registered office at 335 Jade Building, Sen. Gil J. Puyat Avenue, Makati City.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in preparing the financial statements of the Corporation are as follows:

2.1. Basis of Financial Statement Preparation

(a) Statement of Compliance with Philippine Financial Reporting Standards

The accompanying financial statements of HGC as of and for the years ended December 31, 2015 and 2014 have been prepared by applying accounting policies in accordance with the Philippine Financial Reporting Standards (PFRS). PFRS are issued by the Financial Reporting Standards Council (FRSC) and approved by the Philippine Board of Accountancy (BOA) based on International Financial Reporting Standards issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) *Presentation of Financial Statements*

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, Presentation of Financial Statements. HGC presents all items of income and expenses in a single statement of comprehensive income.

(c) *Functional and Presentation Currency*

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

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

2.2. Adoption of New and Amended PFRS

2.2.1 *Effective in 2015 that are Relevant to the Corporation*

In 2015, the HGC adopted for the first time the following amendments and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after July 1, 2014, for its annual reporting beginning January 1, 2015:

PAS 19 (Amendment):	Employee Benefits – Defined Benefit Plans – Employee Contributions
Annual Improvements:	Annual Improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle)

Discussed below are the relevant information about these amendment and improvements:

(i) PAS 19 (Amendment), *Employee Benefits-Defined Plans–Employee Contributions.* The amendment clarifies that if the amount of the contributions from employees or third parties is dependent on the number of years of service, an entity shall attribute the contributions to periods of service using the same attribution method (i.e., either using the plan's contribution formula or a straight-line basis) for the gross benefit. The amendment did not have a significant impact on the Corporation's financial statements.

(ii) Annual Improvements to PFRS. Annual improvements to PFRS (2010-2021 Cycle) and PFRS (2011-2013 Cycle) made minor amendments to a number of PFRS. Among those improvements, the following amendments are relevant to the Corporation but had no material impact on the Corporation's financial statements as these amendments mere clarify the existing requirements:

Annual improvements to PFRS (2010-2012 Cycle)

- PAS 16 (Amendment), *Property, Plant and Equipment, and PAS 38, (Amendment), Intangible Assets.* The amendments clarify that when an item of property, plant and equipment and intangible assets is revalued, the gross carrying amount is adjusted in a manner that is consistent with a revaluation of the carrying amount of the asset.

Annual Improvements to PFRS (2011-2013 Cycle)

- PFRS 13 (Amendment), *Fair Value Measurement.* The amendment clarifies that the scope of the exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis (the portfolio exception) applies to all contracts within the scope of and accounted for in accordance with PAS 39, *Financial Instruments: Recognition and Measurement, or* PFRS 9, *Financial Instruments,* regardless of whether they meet the definition of financial assets of financial liabilities as defined in PAS 32, *Financial Instruments: Presentation.*
- PAS 40 (Amendment), *Investment Property.* The amendment clarifies the interrelationships of PFRS 3, *Business Combinations,* and PAS 40 in determining the classification of property as an investment property or owner-occupied property, and explicitly requires an entity to use judgment in determining whether the acquisition of an investment property is an acquisition of an asset or a group of asset in accordance with PAS 40 or a business combination in accordance with PFRS 3.

2.2.2 *Effective in 2015 that are not Relevant to the Corporation*

The following annual improvements to PFRS are mandatory for accounting periods beginning on or after July 1, 2014 but are not relevant to the Corporation's financial statements:

PFRS (2010-2012 Cycle)

PFRS 2 (Amendments)	Share-based Payment – Definition of Vesting Condition
PFRS 3 (Amendments)	Business Combinations – Accounting for Contingent Consideration in a Business Combination
PFRS 8 (Amendments)	Operating Segments– Aggregation of Operating Segments, and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets
PFRS 24 (Amendments)	Related Party Disclosures – Key Management Personnel

PFRS (2011-2013 Cycle)

PFRS 3 (Amendments)	Business Combinations – Scope Exceptions for Joint Ventures

2.2.3 *Effective Subsequent to 2015 but not Adopted Early*

There are new PFRS, amendments and annual improvements to existing standards effective for annual periods subsequent to 2015 which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Corporation's financial statements:

(i) *PAS 1 (Amendment), Presentation of Financial Statements-Disclosure Initiative effective from January 1, 2016.* The amendment encourages entities to apply professional judgment in presenting and disclosing information in the financial statements. Accordingly, it clarifies that materiality applies to the whole financial statements and an entity shall not reduce the understandability of the financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. Moreover, the amendment clarifies that an entity's share of other comprehensive income of associates and joint ventures accounted for using equity method should be presented based on whether or not such other comprehensive income item will subsequently be reclassified to profit or loss. It further clarifies that in determining the order of presenting the notes and disclosures, an entity shall consider the understandability and comparability of the financial statements.

(ii) *PAS 16 (Amendment), Property, Plant and Equipment and PAS 38 (Amendment), Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization effective from January 1, 2016.* The amendment in PAS 16 clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment. In addition, amendment to PAS 38 introduces a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is not appropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of an intangible asset are highly correlated. The amendment also provides guidance that the expected future reductions in the selling price of an item that was produced using the asset could indicate an expectation of technological or commercial obsolescence of an asset, which may reflect a reduction of the future economic benefits embodied in the asset.

(iii) *PAS 27 (Amendment), Separate Financial Statements – Equity Method in Separate Financial Statements effective from January 1, 2016.* This amendment introduces a third option which permits an entity to account for its investments in subsidiaries, joint ventures and associates under the equity method in its separate financial statements in addition to the current options of accounting those investments at cost or in accordance with PAS 39 or PFRS 9, Financial Instruments. As of the end of the reporting period, the Corporation has no plan to change the accounting policy for its investments in its subsidiaries and associates.

(iv) PFRS 9 (2014), Financial Instruments effective from January 1, 2018. This new standard on financial instruments will eventually replace PAS 39 and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:

- Three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;
- An expected loss model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and
- A new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

The Corporation does not expect to implement and adopt any version of PFRS 9 until its effective date. In addition, management is currently assessing the impact of PFRS 9 on the financial statements of the Corporation and it will conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

2.3 Financial Assets

Financial assets are recognized only when HGC becomes a party to the contractual terms of the financial instrument. Financial assets other than those designated and effective as hedging instruments are classified into the following loans and receivables and available-for-sale (AFS) financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. Regular purchases and sales of financial assets are recognized on their trade date. A more detailed description of HGC's financial assets is as follows:

2.3.1 Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when HGC provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the reporting period which are classified as non-current assets.

The HGC's financial assets categorized as loans and receivables are presented as cash and cash equivalents and accounts and other receivables in the statement of financial position. Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any. Impairment loss is provided when there is objective evidence that HGC will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

2.3.2 AFS Financial Assets

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are included in non-current assets under the Other Financial Assets account in the statement of financial position unless management intends to dispose of the investment within 12 months from the reporting period. The HGC's AFS financial assets include equity securities and corporate bonds.

All financial assets within this category are subsequently measured at fair value. Gains and losses from changes in fair value are recognized in other comprehensive income, net of any income tax effects, and are reported as part of the Revaluation reserves account in equity. When the financial asset is disposed of or is determined to be impaired, the cumulative fair value gains or losses recognized in other comprehensive income is reclassified from equity to profit or loss and is presented as reclassification adjustment within other comprehensive income.

Reversal of impairment losses are recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of Finance costs or Finance income account in the statement of comprehensive income.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

The financial assets are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party.

2.3.3 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys to use the asset.

(a) HGC as lessor

Leases where the Corporation transfers substantially all the risk and benefits incidental to ownership of the leased item to the lessee are classified as finance lease. Lease receivables are recognized at an amount equal to the total consideration of the contract. On the other hand, leases where the Corporation does not transfer substantially all the risk and benefits of ownership of the assets are classified as operating lease. Lease rentals received are recognized in the statement of comprehensive income.

(b) HGC as lessee

HGC entered into a lease agreement with the owner of the building for the lease of a five-storey building where HGC holds office. The duration of the contract of lease is for a period of ten years from June 1, 2007 up to May 31, 2017. Operating lease payments are recorded as expense and recognized in the statement of comprehensive income. Improvements made on the leased property are capitalized and booked under Leasehold improvements account and amortized over the remaining term of lease.

2.4 Income Taxes

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

Deferred tax is provided, using the balance sheet method on temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the balance sheet method, with certain exemptions, deferred tax liabilities are recognized for all temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred income tax asset can be utilized.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in the statement of comprehensive income. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities are charged or credited directly to equity.

2.5 Events After the End of the Reporting Period

The Board of Directors of the HGC under Board Resolution No. 04-2016 dated February 18, 2016, approved the conveyance of the HGC's Philippine National Railways Air Rights and Paco Mall property to the National Government (NG) through the Department of Finance (DOF) at appraised value of P3.22 billion by way of dacion en pago, in partial settlement of HGC's outstanding obligations to the NG.

2.6 Judgments and Estimates

The preparation of the Company's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately different from these estimates.

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

2.6.1 Technical Loss Reserves

For CY 2015, the Corporation provided a Technical loss reserves amounting to P2.56 million for the anticipated losses to be incurred in the disposition of acquired assets. This is based on the severity of loss rate as recommended by the Actuary on the total retail guaranty calls paid. The Corporation started setting up the reserves in 2007. Total technical loss reserves to date amounts to P25.8 million, of which P14.6 million is recorded as Allowance for impairment losses of Accounts Receivable-guaranty call and P11.2 million as Allowance for impairment losses of Foreclosed assets.

2.6.2 Contingent Liabilities – Outstanding Guaranty

HGC is obligated to pay call on the guaranty in the event that the borrower/mortgagor is in default of its monthly amortization as follows:

a) Cash guaranty coverage: call payment shall be in cash;

b) Bond guaranty coverage: call payment shall be in the form of HGC debenture bond, regardless of the period or timing of the default;

c) Cash flow guaranty coverage : call payment shall be in the form of amortizing debenture bond. The debenture bond shall cover the scheduled monthly amortizations at HGC's guaranteed interest rate; and

d) Standard guaranty coverage: combination of bond and cash. Call payment is in the form of HGC debenture bond if default occurs within the first five years of guaranty coverage and call payment is in the form of cash if default occurs after five years of guaranty coverage.

Total outstanding guaranty as of December 31, 2015 and 2014 under the above described coverages as follows:

Type of Coverage	2015	2014
Cash	80,993,416	12,206,320,054
Bond	116,088,212,275	82,857,527,083
Cash flow	3,466,844,839	1,976,723,104
Standard	359,821,363	209,955,631
Total	**119,995,871,893**	**97,250,525,872**

2.6.3 Contingent Liabilities - Others

(a) Unpaid Obligations

The Corporation has a probable obligation to Subic Bay Metropolitan Authority (SBMA) amounting to P727,912,610 as of December 31, 2009. The obligation pertains to unpaid base rent, service fees, power bills, horse insurance and medical services for the various leased properties at Subic Bay Freeport Zone chargeable against Financial Building Corporation (FBC).

Under the Court approved Compromise Agreement (CA) between HGC and FBC, the latter shall be responsible for all its legal obligations with SBMA up to the turn-over to HGC of its share of all the assets free from any liens and encumbrances. In case HGC is made to pay any legal obligation of FBC to SBMA, FBC shall indemnify/reimburse HGC for such payment.

The SBMA, who is not a party to the CA, refused to recognize the assignment of the lease unless the base rent is paid. To settle the issue, HGC, upon the approval of the HGC Board, entered into a Memorandum of Agreement with SBMA stating that the parties can further negotiate and compromise as to the final amount of HGC's obligation to be settled.

The obligation with SBMA is the subject of an on-going court case before the Regional Trial Court of Olongapo City involving the Corporation, FBC and SBMA, entitled FBC vs. SBMA and HGC. It is the Corporation's position that it should not be compelled to pay for the obligations of FBC as these are in the nature of private debts of the latter. Payment of private debts by the Corporation is contrary to public policy. Any agreement to that effect would be void and would violate Section 4(2) of the Government Auditing Code, which provides that government funds or property shall be spent or used solely for public purposes.

(b) Pending Legal Cases

There are pending legal cases where the Corporation is either a party defendant or plaintiff. These are ejectment and other civil cases involving claims against some of the assets acquired by the Corporation.

2.6.4 Unserviceable Assets

Included in the other assets account are the transferred construction materials to HGC from the defunct Bliss Development Corporation (BDC) purchased prior to 1993 amounting to P2.8 million. Allowance for impairment losses amounting to P2,575,806 was provided by BDC before the assets was turned over to HGC. These materials are damaged and obsolete. Under Memorandum dated July 4, 2013, the HGC Management requested the relief from property accountability from COA as basis for dropping the unserviceable assets from the books of accounts. However, said request was returned by COA to HGC per Memorandum dated July 15, 2013 due to insufficiency of documents. Efforts are being made to comply with all the documentary requirements with COA.

2.6.5 Impaired Assets

Various Other Garnished/Foreclosed Assets carried in the books at cost for P1.71 billion have an appraised value of P594 million or an impairment of P1.117 billion as of December 31, 2015. Gain or loss on impairment, however, shall be recognized in the profit or loss upon disposition of the assets.

Details of impaired acquired assets as shown below:

Foreclosed assets	Book value 2015	Appraised value/ Recoverable amount	Year appraised	Impairment
Legacy Memorial Estates	1,261,043,504	388,105,000	2015	(872,938,504)
Tradition Homes	162,317,549	67,748,500	2013	(94,569,049)
South View Homes	111,816,826	12,815,000	2015	(99,001,826)
Hacienda Valley	62,845,500	59,865,000	2015	(2,980,500)
Margarita Eastville	53,584,500	43,071,500	2015	(10,513,000)
Margarita Nortville	29,654,555	9,709,500	2015	(19,945,055)
Imperial-San Pablo	18,955,840	4,850,000	2014	(14,105,840)
Sugarland (Divine Grace)	11,284,491	8,786,500	2014	(2,497,991)
Total	**1,711,502,765**	**594,951,000**		**(1,116,551,765)**

Paragraph 60 of Philippine Accounting Standards 36 states that an impairment loss shall be recognized immediately in profit and loss, unless the asset is carried at reduced amount in accordance with another Standard (for example, amount in accordance with the revaluation model in PAS 16). Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that of other Standard.

2.7 Recognition of income

2.7.1 Insurance Premiums

The Corporation uses the accrual basis of accounting for premium on credit insurance/guaranty. HGC guarantee fees are collected upon issuance of the Certificate of Guaranty. The guaranty premium rates range from 0.75 per cent to 1.5 per cent for retail loans and 1.5 per cent to 2.0 per cent for developmental loans. Amounts collected are credited to deferred income account and amortized to Insurance premium monthly.

2.7.2 Interest Income

Interest on loans and other interest bearing instruments are recognized on the basis of the accrual method of accounting. No interest is accrued on past-due accounts, in accordance with Bangko Sentral ng Pilipinas Circular No. 202, series of 1999 dated May 19, 1999.

2.7.3 Other Service Income

Application, audit, enrollment and processing fees are directly credited to other service income account when collected.

2.7.4 Dividend Income

These represents cash dividends earned on investment of 200,000 shares of Petron Preferred shares at a rate of P2.382 per share received quarterly amounting to P0.476 million.

2.7.5 Unrealized Gain from AFS Investments

The unrealized gain is the difference between the face amount of the corporate securities and their quoted closing bid price. These securities with a total face amount of P16.68 million were valued at their fair market value of P17.31 million as of December 31, 2015.

Two hundred thousand shares of Petron Preferred shares with Face Value of P20.36 million and Power Sector Assets and Liabilities Management bond with P10.00 million were redeemed on April 2015.

2.8 Property and Equipment

The property and equipment are stated at cost less accumulated depreciation. Only additional expenses that will enhance usefulness of assets are capitalized and amortized over the remaining life of the asset, otherwise these are charged to operations. Depreciation is computed on a straight – line method based on the estimated useful lives of the assets as follows:

Asset	Estimated Useful Life
Land improvements	20 to 30 years
Office furniture and equipment	5 to 10 years
Transportation equipment	7 years
IT equipment and software	5 years
Leasehold improvements	Over the remaining lease term

An item of property and equipment, including the related accumulated depreciation is derecognized upon disposal. Any gain or loss on the disposal is reflected in the statement of comprehensive income.

2.9 Dividends

Pursuant to Section 6-A of RA No. 7656, the Board of Directors of the HGC under Board Resolution No. 10-2016 declared cash dividends to the NG amounting to P210.45 million for CY 2015.

2.10 Foreign Exchange

The Cash in bank – Foreign currency balance as of December 31, 2015 was reported at closing dollar exchange rate based on BSP Reference Exchange Rate Bulletin of P47.166 to $1. Foreign exchange differences are recognized in the statement of comprehensive income as gain or loss on foreign exchange. All transactions are recorded using the applicable exchange rate at the time of the transaction.

2.11 Gain on Sale of Disposed Assets

The gain on sale of disposition of acquired assets is the difference between the selling price and the book value or carrying amount of the asset as of actual sales date. Also, the account includes amortization of unearned income on installment sales based on collection of principal portion of monthly amortization.

3. CASH AND CASH EQUIVALENTS

This account consists of the following:

	2015	2014
Cash in banks	1,946,996,747	1,407,817,583
Cash with collecting officers/ disbursing officers	14,898,538	8,823,682
Cash equivalents – time deposits	2,555,216,671	2,559,292,341
	4,517,111,956	**3,975,933,606**

Cash equivalents are short-term investments in High-Yield Savings Accounts or Special Savings Account with maturities of three months or less.

The significant increase in cash in banks was a result of the redemption of short-term investments the proceeds of which were reinvested in High-Yield Savings Account.

4. INVESTMENTS

	2015	2014 (As restated)
4.1. Short-term		
Sinking fund – zeroes	-	17,217,196
10 – year agrarian reform bonds	1,818,805	2,002,456
	1,818,805	19,219,652
4.2. Long-term		
Sinking fund – Guaranty reserve	715,820,553	707,422,679
Stocks	840,601,856	848,601,856
	1,556,422,409	1,556,024,535

The P17.217 million balance of the sinking fund-zeroes as of December 31, 2014 was used as partial payment for the outstanding guarantee fee with the Bureau of the Treasury.

In 2008, the Corporation set up a Guaranty reserve fund amounting to P453 million to answer for guaranty calls. Additional reserve fund amounting to P127.32 million was added to the fund in 2014 representing five percent of income before financial charges for the period covering 2008 to 2014. The funds are invested in corporate securities and short term deposits. The increase in the fund represents income earned from said investments.

The Investments in stocks account consists of the following:

	2015	2014
Subscribed shares of HGC (Subic) Corporation (HSC)	-	8,000,000
Harbour Centre Port Terminal, Inc. (HCPTI)		
Common shares	184,536,358	184,536,358
Preferred shares	656,065,498	656,065,498
	840,601,856	**848,601,856**

The Governance Commission for GOCCs (GCG) issued Memorandum Order No. 2014-21 to implement the abolition of HSC through an amendment of HSC's Articles of Incorporation to shorten its corporate life under Section 120 of Batas Pambansa Bilang 68.

In compliance with the above directive from the GCG, HGC Management effectuated the abolition of HSC.

The investment in shares of stocks of HCPTI is the subject of a Civil Case filed with Regional Trial Court, Branch 90, Quezon City against HCPTI for registration of shares in the name of HGC. The case was filed on March 3, 2009. HGC filed a motion of summary judgment for resolution on May 28, 2012. The motion was denied and the case is scheduled for presentation of plaintiff's evidence.

5. INVESTMENT PROPERTY

This account consists of the following:

	Land	Building	Total
Cost			
January 1, 2015	8,004,871,453	49,916,561	8,054,788,014
Additions	-	-	-
December 31, 2015	8,004,871,453	49,916,561	8,054,788,014
Accumulated depreciation			
January 1, 2015	-	12,941,003	12,941,003
Depreciation	-	1,848,714	1,848,714
December 31, 2015	-	14,789,717	14,789,717
Net book value – December 31, 2015	**8,004,871,453**	**35,126,844**	**8,039,998,297**
Net book value – December 31, 2014	**8,004,871,453**	**36,975,558**	**8,041,847,011**

5.1. Land

Land includes a property located in the National Government Center-Commonwealth Enterprise Zone (NGC-CEZ) commercial area with a total appraised value of P3,935,716,627. The assets are being disposed through outright sale, long-term leases, joint venture or any variant scheme. To date, 31,093.06 square meters of the 229,855 square meters are the subject of long term leases for 20 to 25 years.

The account also includes Urban BLISS projects which were transferred and conveyed to HGC, details as follows:

Location	Area (m^2)	Appraised value
Pasig Bliss, Col. Licsi St. Pasig City	14,274	139,885,000
Muntinlupa Bliss Bo. Putatan, Muntinlupa	11,643	56,647,000
Makati Bliss, Davila(Manlo), Vito Cruz, Makati City	2,025	282,491,000
Mandaluyong I and II Bliss Coronado, Hulo	27,359	602,000,000
Tejeros Bliss H. Santos St., Makati City	17,010	298,523,000
Guadalupe Bliss	101,484	1,522,260,000
Paco Bliss	2,053	61,590,000
C-5	39,992	1,105,758,826
	215,840	**4,069,154,826**

5.2. Building

The property with a cost of P49,299,061 is the Commonwealth Market, a two-storey building with a basement, located at Block 6, Commonwealth Enterprise Zone, Commonwealth Avenue, Quezon City. The Commonwealth market is under long-term lease to 3A Boys Corporation.

5.3. Tower Club, Inc. – Club A corporate shares

In January 2010, the Corporation purchased Club A corporate shares in Tower Club, Inc. for P617,500 in consonance with the public relation activities of the Corporation. Ownership of a share represents an undivided interest in the assets of Tower Club, which principally consists title over the facilities and other assets of the Club and a 25-year leasehold right over the 33rd and 34th Floors and their appurtenance parking units in the Philamlife Tower.

6. RECEIVABLES – NET

This account consists of the following:

	2015	2014 (As restated)
6.1. Current		
Accounts receivable guaranty call (net of allowance for impairment losses of P1,459,880 in 2015 and P2,382,666 in 2014)	16,668,726	18,537,709
Accounts receivable installment	430,977,358	437,723,189
Other receivables (net of allowance for impairment losses of P22,163,568 in 2015 and 2014)	100,715,995	122,333,155
Government owned and controlled corporations (net of allowance for impairment losses of P245,777 in 2015 and 2014)	47,076,570	47,076,570
Lease receivables	28,713,058	12,859,205
Interest receivable	9,572,869	1,698,205
Due from other funds	296,882,298	262,408,460
Local government agencies	7,364,079	7,364,079
Disallowances/Charges	111,837,414	111,920,712
	1,049,808,367	**1,021,921,284**
6.2. Non-current		
Accounts receivable guaranty call (net of allowance for impairment losses of P13,138,923 in 2015 and P21,443,991 in 2014)	150,018,533	166,839,381
Accounts receivable installment	3,878,796,221	3,939,508,698
Lease receivables	240,267,268	268,980,326
National government agencies	130,987,372	130,799,980
Notes receivable (net of allowance for impairment losses of P2,286,698 in 2015 and 2014)	27,573,624	27,566,886
Due from National Housing Authority (NHA)	1,028,550,971	1,028,550,970
	5,456,193,989	**5,562,246,241**

The *Accounts Receivable-Guaranty Call* was restated to take-up approved loan restructuring of various retail accounts. On the other hand, *Accounts Receivable-Installment* was restated to recognize the reversal of 50% car loan subsidy of Mr. Kevin Kho and Mr. Cadano as well as recognition of approved loan restructuring of various retail and developmental accounts.

The 10 per cent of the *Accounts receivable-Guaranty* call and *Installment receivable* are presented as current assets while the 90 per cent as non-current assets.

The balance of *Receivable from Government Owned and Controlled Corporation* in 2014 was restated to consider reclassification of accounts.

The *Lease receivables account* represents the receivables from Guru Property Development and Management Corporation over the lease of Monumento Plaza (now called Victory Mall) Leasehold Rights classified as current and non-current receivables.

The increase in *Due from other funds account* amounting to P33.36 million represents the share of AKPF in the HGC's operating expenses for the operation of the CFG Program for CY 2015.

Receivables from Disallowances/Charges account was restated due to double take up of disallowed separation benefits of Ms. Elizabeth Patron and Mr. Florencio Rapada.

The *Receivable from NHA account* represents advances of the Smokey Mountain Asset Pool which has been assigned and conveyed to HGC by virtue of call on HGC guaranty.

7. INVENTORIES

The movements of this account during the year follow:

	2015	2014
January 1	503,108	781,109
Add: Purchases during the year	2,513,320	1,992,751
Total	3,016,428	2,773,860
Less: Cost of consumption during the year	2,138,552	2,270,752
December 31	**877,876**	**503,108**

Inventories consist of supplies and materials that are valued at cost using the weighted average method.

8. PREPAYMENTS

Breakdown of this account is as follows:

	2015	2014 (As restated)
8.1. Current		
Prepaid insurance	91,935	94,497
Other prepaid expenses	17,453,781	34,671,812
	17,545,716	**34,766,309**
8.2. Non-current		
Other prepaid expenses	20,858,395	20,858,395
	20,858,395	**20,858,395**

Other prepaid expenses were restated to consider the adjustment in the recording of Deferred Tax Asset from Net Operating Loss Carry Over (NOLCO) and Minimum Corporate Income Tax (MCIT). The account includes creditable withholding taxes on sale of acquired assets as follows:

	2015	2014
Total income tax due	19,950,834	13,226,838
Less: Total tax credits	34,337,043	45,113,215
Net tax payable (overpayment)	**(14,386,209)**	**(31,886,377)**

10. DEFERRED TAX ASSET

Deferred tax asset account consists of the following:

	2015	2014
Minimum Corporate Income Tax	45,471,716	37,659,379
Net Operating Loss Carry Over	117,587,390	300,111,287
Provision for Impairment Losses	1,539,742	771,525
	164,598,848	338,542,191

11. OTHER ASSETS

Breakdown of these accounts are as follows:

	2015	2014 (As restated)
11.1. Foreclosed properties		
Foreclosed assets, at cost	8,359,230,579	8,363,179,406
Allowance for impairment losses	(125,628,805)	(115,800,748)
	8,233,601,774	**8,247,378,658**
11.2. AKPF	**3,020,469,555**	**2,986,034,713**
11.3. Assets Held in Trust		
Department of Public Works and Highways (DPWH)/ National Housing Authority (NHA) –North Hills project	470,960,827	470,822,514
Department of Public Works and Highways – FVR and Family Village project	202,085,121	201,937,183
Department of Transportation and Communication (DOTC)	242,253,395	242,327,396
DPWH – Baras project	87,707,738	87,707,552
Presidential Management Staff–C5 MRB	80,094,483	80,094,150
	1,083,101,564	**1,082,888,795**
11.4. Other assets – various	**157,330,231**	**157,330,231**
	12,494,503,124	**12,473,632,397**

9. PROPERTY AND EQUIPMENT

This account is composed of the following:

Particulars	Land Improvements	IT Equipment	Office Furniture, Fixtures and Equipment	Motor Vehicles	Leasehold Improvements	Total
Cost						
January 1, 2015	53,797,173	73,483,220	24,077,398	30,855,881	31,630,915	213,844,587
Addition	-	1,898,702	366,495	3,058,840	-	5,324,037
Disposal	-	-	-	(5,194.463)	-	(5,194.463)
December 31, 2015	53,797,173	75,381,922	24,443,893	28,720,258	31,630,915	213,974,161
Accumulated Depreciation						
January 1, 2015	25,687,734	56,148,895	12,777,513	27,155,569	18,822,555	140,592,266
Depreciation	1,630,967	5,941,765	1,114,276	3,997,008	5,300,015	17,984,031
Reclassification	-	-	-	-	-	-
Disposal	-	-	-	(6,086,999)	-	(6,086,999)
December 31, 2015	27,318,701	62,090,660	13,891,789	25,065,578	24,122,570	152,489,298
Net Book Value – December 31, 2015	**26,478,472**	**13,291,262**	**10,552,104**	**3,654,680**	**7,508,345**	**61,484,863**
Net Book Value – December 31, 2014 (As restated)	**28,109,439**	**17,334,326**	**11,299,885**	**3,700,312**	**12,808,360**	**73,252,322**

The *Foreclosed properties* represent the book value of various called projects as follows:

i. Funded through the issuance of Asset Participation Certificates (APC);

ii. Foreclosed accounts/projects with expired redemption period or with waiver of redemption rights; or

iii. Projects under dacion en pago, the titles of which had already been consolidated in the name of HGC.

These are considered real estate inventory available for sale to recover HGC's exposure on the projects as a result of payment of call on the guaranty.

Included in the foreclosed assets account are the properties of the Smokey Mountain Asset Pool project with a book value of P858.94 million. The titles of the lots are already transferred in the name of HGC. However, the titles bear the annotation of adverse claim of a developer, claiming among others, that the said developer is entitled to the residual value of the properties. The net decrease in Foreclosed assets account was due to the following:

Particulars	Amount
Disposition of various properties	(34,270,151)
Adjustments in the cost of sales of disposed assets	(2,427,158)
Reclassification from Accounts receivable – Guaranty call to foreclosed asset account	29,475,221
Capitalized expenses for various projects	3,273,261
	(3,948,827)

The foreclosed property was restated to take up reclassification of various collections and adjustment of sales.

The *AKPF account* represents the total assets less total liabilities or the Fund balance of the CFG Component of the AKPF which is administered by the HGC pursuant to RA No. 6846. A separate set of books is being maintained and separate Financial Statements are prepared by HGC to support the balance of this account.

The *Assets held-in-trust account* represents funds held by HGC as the designated Trustee for various housing/resettlement projects.

The HGC, since 1992 has been designated as Trustee of other government agencies, such as DPWH, NHA, DOTC for funds used to acquire and develop resettlement/relocation sites affected by their projects. The funds entrusted were disbursed in accordance with the provisions of the Trust Agreement and existing COA rules and regulations. A separate set of books are being maintained and separate Financial Statements are prepared by HGC for each fund.

12. PAYABLE AND OTHER LIABILITY ACCOUNTS

This account consists of the following:

	2015	2014 (As restated)
Other liability accounts, current	4,996,242,539	4,958,901,014
Intra-agency payables, current	554,022,028	552,153,451
Other deferred credits, current	476,023,040	419,258,976
Inter-agency payables	14,974,178	155,100,645
Interest payable	183,978,473	52,242,419
Dividend payable	210,455,644	86,743,805
Due to officers and employees	628,385	491,673
	6,436,324,287	**6,224,891,983**

The *Other liability account* consists mainly of the recognized liability for call on HGC guaranty which has been approved for payment by the HGC Board. The rights to the property securing the guaranteed obligation have been conveyed to and/or claims of the mortgagee against the mortgagor have been assigned to the Corporation.

The account was restated to take-up various expenses of prior years' totalling to P210,938,727. The increase in other liability accounts was mainly due to the accrued interest on the guaranty obligations to SSS.

Intra-agency payables consist of amounts due to the AKPF and the HGC Provident Fund.

Inter-agency payables consist of amounts due to BTr, BIR, GSIS, Pag-IBIG, Philhealth, Other NGAs and GOCCs.

Interest payable represents interest on the P12 billion advances from the National Government.

Dividend Payable was restated to take up additional cash dividend of P14.22 million for CY 2014

13. BONDS PAYABLE

This account consists of the following:

	2015	2014
13.1. Current		
HGC debenture bonds	130,854,785	100,000,000
13.2. Non-current		
HGC debenture bonds	13,028,745	136,567,178
	143,883,530	**236,567,178**

The HGC debenture bonds were issued by the Corporation in payment of call on HGC guaranty.

14. DUE TO NATIONAL TREASURY – Bureau of the Treasury

The account represents the advances from the National Government for the settlement of the P12 billion zero-coupon Bonds.

The Corporation has identified assets with a book value of P16.47 billion to settle the NG advances. The proceeds from sale/collections from these assets shall be used to settle advances of the NG. As of December 31, 2015, HGC has remitted to the BTr the total amount of P762.64 million from the collections of disposed identified assets. The repayment was applied to the interest amounting to P226.43 million and the balance to principal.

The interest on the NG Advances is computed quarterly based on the average rate of the 364 Treasury bill of the preceding quarter. As of December 31, 2015, the total amount of unpaid interest is P183,978,473.

For CY 2015, HGC has collected P150.72 million for remittance to the BTr in 2016.

15. DEFERRED TAX LIABILITY

Deferred tax liability account consists of the following:

	2015	2014
Unrealized Foreign currency (gain) losses	89,613	51,318
	89,613	51,318

16. TRUST LIABILITIES

	2015	2014 (As restated)
Trust – projects	1,223,603,287	1,197,167,925
Trust – insurance premium	420,451,755	408,356,510
Other trust liabilities	177,142,909	174,250,816
	1,821,197,951	**1,779,775,251**

Trust - projects represents various collections from buyers/clients. Included in the accounts are collections of advance rent and security deposits; collections from buyers awaiting execution of sales documents; and various collections received that lacks appropriate information on the application of payments, i.e. principal, interest and penalty. The account shall be analyzed and reclassified to proper accounts. The breakdown of this account is as follows:

	Amount
Developmental projects	616,775,149
Retail accounts	187,259,550
Pinesville project	176,075,465
Bliss Development Corporation projects	103,551,579
Folio accounts	47,953,094
Cooperative Housing Program projects	10,833,301
Community Mortgage Program projects	6,413,240
Others	74,741,909
	1,223,603,287

Trust - insurance premium account is reclassified to income-financing fees upon regularization of the enrolled accounts.

The *Other trust liabilities account* consists mainly of collections from contracts of lease with option to purchase (CLOP) and excess of book value over cost on the acquisition of BDC. Collections from CLOP are applied as down payment when the lessee exercises his option to purchase. Otherwise, these are forfeited and recognized as income by the Corporation.

The trust liabilities accounts were restated due to reclassifications of various collections to its proper accounts.

17. UNEARNED INCOME

This account represents gain on sale of acquired assets where the down payment is less than 25 per cent of installment sale. The unearned income is amortized and recognized as gain on sale of acquired assets when collected based on the gross profit rate.

18. CAPITAL

The authorized capitalization of HGC under RA No. 580 as amended by Executive Order (EO) No. 535, RA No. 7835 and RA No. 8763 is P50 billion. The NG equity to the Corporation is included in the annual General Appropriation Act (GAA). Total capital released to HGC as of December 31, 2015 amounts to P15.073 billion.

For CY 2015, the Corporation did not receive any equity infusion from the NG.

19. DEFICIT

	2015	2014 (As restated)
Balance, January 1, as restated	(13,165,628,848)	(13,187,888,744)
Expired DTA-NOLCO (2012)	(65,731,954)	-
Expired DTA-MCIT (2012)	(12,138,498)	-
Net income (loss)	302,416,195	109,003,701
Dividends	(210,455,644)	(86,743,805)
Balance, December 31	**(13,151,538,749)**	**(13,165,628,848)**

In consonance with PAS No. 8 – Accounting Policies, Changes in Accounting Estimates and Errors, the deficit for CY 2014 was restated as follows:

	2014
Balance at the beginning of the year as previously reported	(12,998,348,987)
Correction/adjustment of prior years' errors	(189,539,757)
Balance as restated	**(13,187,888,744)**

The correction/adjustment on prior years' errors consists of the following:

	Amount
Operating income	1,036,981
Other income	(15,233,023)
Personal services	(3,392,867)
Maintenance and other operating expenses	(1,110,724)
Project expenses	(193,308,872)
Income tax expense	(48,272)
Income tax Benefit	22,517,020
	(189,539,757)

20. REVALUATION SURPLUS

The account represents increase in the carrying amount of the investment property account, specifically the NGC-CEZ commercial area amounting to P2.407 billion.

21. EXPENSES

21.1 Personal Services

	2015	2014 (As restated)
Salaries and wages	51,141,104	50,316,477
Provident fund benefits	21,865,558	21,161,698
Life and retirement insurance contributions	5,722,926	5,532,598
Year-end bonus	4,142,273	3,915,036
Representation allowance	3,419,381	3,385,151
Transportation allowance	3,406,371	3,355,195
Additional compensation	1,889,102	1,835,956
Terminal leave benefits	334,834	151,485
Productivity incentive allowance	4,046,039	2,161,556
Personnel economic relief allowance	630,404	612,422
Clothing/uniform allowance	529,906	508,697
Cash gift	525,686	509,574
Philhealth contributions	502,212	480,687
Longevity pay	166,052	170,010
Pag-IBIG contributions	126,675	127,754
ECC contributions	125,620	121,523
Honoraria	2,553,548	2,283,840
Other bonuses and allowances	15,415,543	17,378,175
Other personnel benefits	2,486,135	2,422,555
	119,029,369	**116,430,389**

21.2 Maintenance and Other Operating Expenses

	2015	2014 (As restated)
Taxes, duties and licenses	63,446,197	45,558,486
Rent expenses	31,070,547	29,510,527
Other professional services	21,186,490	26,891,107
Depreciation	16,385,316	17,213,581
Office supplies	9,747,761	9,690,427
Electricity expenses	7,492,694	8,450,759
Auditing services	4,632,105	5,427,639
Janitorial services	4,872,696	4,662,890
Security services	5,999,618	4,593,135
Advertising expenses	964,125	4,154,210
Extraordinary expenses	3,612,243	3,377,832
Representation expenses	2,128,708	3,582,764
Gasoline, oil & lubricants expenses	2,359,598	3,302,815
Repairs and maintenance	3,359,554	3,500,444
Telephone expenses	2,803,323	2,731,531
Traveling expenses	1,090,328	1,525,523
Insurance expenses	305,235	472,898
Donations	219,769	234,260
Consultancy services	952,331	263,119
Cable, satellite, telegraph/radio expenses	822,278	567,849
Council/board members benefits	878,196	620,961
Fidelity bond premiums	221,131	329,688
Training expenses	1,135,536	1,032,494
Water expenses	307,315	313,773
General services	170,435	185,901
Printing and binding expenses	457,564	125,050
Subscription expenses	362,672	293,562
Postage and deliveries	114,534	203,247
Accountable forms	39,558	35,082
Legal services	69,007	69,829
Membership, dues and contributions	47,910	56,571
Miscellaneous expenses	3,303,198	4,392,180
	190,557,972	**183,370,134**

21.3 Other Professional Services Account

This account consists of payments for the services of employees contracted under job order basis and collection service fees. The Corporation tapped the services of a collection agency to assist in the collection of non-moving/inactive/past due receivable accounts.

21.4 Other MOOE – Projects

This account includes expenses incurred in the maintenance, protection and preservation of foreclosed/acquired assets such as repairs, real property taxes, security services, fire insurance, appraisal, publication, documentary stamps and other related expenses amounting to P82.07 million.

The increase was mainly due to the payment of real property tax for the Manila Harbor lots amounting to P48.44 million.

21.5 Compensation of Key Management Personnel

The key management personnel are the President, Executive Vice President and the Vice Presidents of various operating groups. The remuneration of key management personnel during the year was as follows:

	2015	2014
Salaries	4,980,948	4,967,926
Other allowances and benefits	8,308,493	6,257,923
Extraordinary and miscellaneous expenses	705,600	1,938,600
	13,995,041	**13,164,449**

On the other hand, the remuneration received by the Board of Directors during the year was as follows:

	2015	2014
Per diem	1,335,000	900,000
Performance Based Incentive	376,800	-
Reimbursable expenses	1,658,613	2,783,684
	3,370,413	**3,683,684**

22. TAXATION

22.1 Gross Receipt Tax (GRT)

Effective January 1, 2004, Section 4 of RA No. 9238 (Amending certain sections of National Internal Revenue Code of 1997) imposed the GRT on banks and other non-bank financial intermediaries. Further, Section 122 of the NIRC of 1997 states that:

> *"Section 122 - Tax on Other Non-Bank Financial Intermediaries - there shall be collected a tax of five per cent (5%) on the gross receipts derived by other non-bank financial intermediaries doing business in the Philippines, from interest, commissions, discounts and all other items treated as gross income under the NIRC code."*

For CY 2015, the Corporation paid P63.25 million for five per cent GRT pursuant to the above provision.

22.2 Minimum Corporate Income Tax (MCIT)

Income tax was computed based on the MCIT rate of two per cent. Under RA No. 8424 entitled, "An Act amending the National Internal Revenue Code, as Amended and For Other Purposes", the MCIT shall be imposed whenever a domestic corporation has zero taxable income or whenever the amount of MCIT is greater than the normal income tax due from such corporation.

22.3 Final Tax

The final tax refers to the 20 per cent tax on interest earned from HGC's investment in government securities and bank deposits amounting to P12.99 million for CY 2015.

22.4 Current and Deferred Taxes

The components of tax expense are as follows:

	2015	2014
Reported in Statement of Comprehensive Income:		
Current tax expense:		
Regular Corporate Income Tax @ 30%	-	-
Final Tax @ 20% and 7.5%	12,998,885	10,385,265
	12,998,885	10,385,265
Deferred tax expense (income) Relating to origination and reversal of temporary differences	116,062,021	35,439,140
	129,060,906	**45,824,405**

Reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in the statement of comprehensive income follows:

	2015	2014 (As amended)
Tax expense at 30% Corporate Tax	129,443,131	46,448,432
Adjustment for income subject to lower tax rates	(6,759,607)	(5,193,260)
Tax effects of:		
Non-taxable income	(142,920)	(571,680)
Non-deductible interest expense	6,520,302	5,140,913
Tax Expense	**129,060,906**	**45,824,405**

The net deferred tax assets relate to the following as of December 31:

	Statement of Financial Position		Profit or Loss	
	2015	2014	2015	2014
Deferred Tax Assets:				
MCIT	45,471,716	37,659,379		
NOLCO	117,587,390	300,111,287	116,791,943	36,035,895
Provision for Technical Loss	1,539,742	771,525	(768,217)	(599,801)
Total	164,598,848	338,542,191	116,023,726	35,436,094
Deferred Tax Liabilities:				
Unrealized Foreign currency gain (losses)	89,613	51,318	38,295	3,046
Total	89,613	51,318	38,295	3,046
Net Deferred Tax Asset	**164,509,235**	**338,490,873**		
Deferred Tax Expense			**116,062,021**	**35,439,140**

23. COMPLIANCE WITH REVENUE REGULATIONS

23.1 Tax Compliance

In compliance with the requirements set forth by BIR Revenue Regulation (RR) No. 15-2010, hereunder are the information on taxes, duties and license fees paid or accrued during the taxable years 2015 and 2014.

The taxes and licenses paid/accrued during the year are as follows:

(a) *Withholding Taxes*

	2015	2014
Withholding Tax on compensation and benefits	16,488,769	15,696,540
Expanded withholding tax	3,606,145	3,668,079
Withholding Tax-VAT	4,670,072	4,737,826
Withholding Tax-Other Percentage Taxes	122,128	190,195
	24,887,114	**24,292,640**

(b) *Other Taxes and Licenses*

	2015	2014
Local		
Vehicle registration	101,262	52,518
Business tax	79,248	59,869
Corporate Community Tax	10,500	10,500
National		
Gross receipt tax	63,254,687	45,435,099
BIR annual registration	500	500
	63,446,197	**45,558,486**

(c) *Claims for Tax Credit*

HGC has a pending request for tax credit in the amount of P50 million representing erroneous tax payments to BIR RDO No. 49 (Makati) on December 28, 2007 for the capital gains tax on the 105 lots located in Vitas, Tondo, Manila.

23.2 Requirements under Revenue Regulation No. 19-2011

Revenue Regulation 19-2011 requires schedules of taxable revenues and other non-operating income, costs of sales and services, itemized deductions and other significant tax information, to be disclosed in the notes to financial statements.

(a) *Taxable Revenues*

	2015	2014
Sale of goods/properties	52,333,255	39,510,373
Sale of services	972,081,456	657,048,171
Lease of properties	160,970,527	142,135,101
	1,185,385,238	**838,693,645**

(b) *Cost of Services*

	2015	2014
Salaries and employee benefits	119,029,369	111,660,464
Project expenses	82,076,384	81,864,667
	201,105,753	**193,525,131**

(c) *Other Taxable Income Not Subjected to Final Tax*

	2015	2014
Gain on sale of disposed asset	13,262,233	16,173,365

(d) *Itemized Deductions*

	2015	2014
Interest	414,178,818	360,169,775
Taxes and licenses	63,446,197	45,558,486
Rental	31,070,547	29,510,527
Professional fees	21,186,490	26,891,107
Depreciation	16,385,316	17,006,021
Communication, light and water	11,425,610	12,167,665
Office supplies	9,787,320	10,144,122
Other services	4,632,105	5,495,218
Janitorial services	4,872,696	4,662,890
Security services	5,999,618	4,593,135
Advertising	964,125	4,154,210
Representation	2,128,708	3,682,015
Repairs and maintenance	3,359,554	3,500,393
Fuel and oil	2,359,598	3,302,815
Losses	3,498,454	3,110,045
Transportation and travel	1,090,328	1,545,993
Training and seminars	1,135,536	979,495
Director's fees	878,196	620,961
Insurance	305,235	472,898
Fidelity bond premium	221,131	329,688
Management and consultancy fee	952,331	263,119
Charitable contribution	219,769	259,260
Miscellaneous	8,137,562	8,110,113
	608,235,244	**546,529,951**

24. FINANCIAL RISK MANAGEMENT

The various programs/operations of the Corporation are exposed to various financial risks such as market risk, credit risk, and liquidity risk.

The financial risks are identified, measured and monitored through various control mechanisms to adequately assess market conditions to avoid adverse impact to the Corporation. The risk management policies are summarized below:

24.1 Market Risks

HGC is exposed to fluctuations in interest rates that could affect the cash flows from time deposits and government securities at the time of maturity and reinvestment of individual financial instrument. These fluctuations could affect the fair values of financial assets and financial liabilities and HGC's ability to support its obligations upon call on HGC guaranty.

To mitigate *interest rate risk,* HGC maintains a diversified investment portfolio mix with duration of investment ranging from 31 days to 360 days.

Also, the guaranty operations of HGC is affected by recession, decline in property values and major natural disaster, such as flooding and earthquake, decline in income of home borrowers, loss of jobs, increase in interest rate and political turmoil, which may result to possible increase in guaranty calls and/or decline in guaranty enrollments as well as reduce guaranty for.

Hence, to mitigate the risk on the marketability of guaranty operations, HGC employed the following mitigating measures to avoid the risk:

a) Diversification of portfolio:

- Socialized : 40% to guaranty capacity
- Low Cost : 30% to guaranty capacity
- Medium Cost : 20% to guaranty capacity
- Open Housing : 10% to guaranty capacity

b) Adopt prudent appraisal methods
c) Establish reserves to absorb technical loss
d) Strict loan to collateral ratio requirement compliance

24.2 Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to HGC. The Corporation's exposure to credit risk consists principally of (a) fixed income government securities; (b) term deposits with government financial institutions; and (c) installment receivables from sale of acquired real estate assets.

The following measures are undertaken by the Management to mitigate each exposure of HGC to credit risk:

a) HGC's investment policy only permits holding of securities issued by the NG or any of its instrumentalities;
b) Time deposits are placed with government financial institutions only; and
c) Strict compliance to credit checks on buyers of acquired assets to determine capacity to pay. Moreover, title to the property passes to the buyer only upon full payment of the selling price.

There is also a credit risk under the clients lending to non-credit worthy borrowers due to relaxing of credit ratio, low equity requirement, waiver of seasoning period, absence of credit checking and background investigation of borrowers, and lack of due diligence to paying capacity of borrowers.

HGC observes the following risk mitigants, in order to void these risks:

a) Strict implementation of HGC policies
   - Credit ratio of not more than 30% or 40% of borrower's Net Disposable Income
   - 10%, 20% and 30% down payment depending on type of housing package (Contract to Sell (CTS) accounts)
   - Seasoning period depending on percentage of down payment (CTS account)
b) Due diligence before accepting enrollment
c) Post-Audit

24.3 Liquidity Risk

Liquidity risk is the risk of having insufficient financial resources to meet HGC's cash and funding requirements in support of the guarantee extended on the housing loans granted by banks, developers and other financial institutions. To manage HGC's liquidity risk, Management ensures that it will have cash, demand and term deposits and marketable securities to meet its guaranty requirements.

HGC's principal sources of funds are cash generated from (a) additional equity infusion from the NG; (b) guaranty premium of client banks, developers and other financial institutions; (c) interest earned on investments; (d) Amortization/lease payment from installment buyers; and (e) proceeds from sale of acquired assets. These sources support HGC's financial obligation to guaranty housing loans granted by banks, developers and other financial institutions.

In the event that the investment portfolio must be drawn upon, it is the corporate policy that all investments are easily disposable in the secondary securities market. In the event that sovereign guaranty of the Republic of the Philippines shall be called upon, Management shall ensure that the provisions of Administrative Order No. 10 dated August 14, 1998 are strictly complied with.

In addition, HGC guaranty operations also has a liquidity risk on (a) properties conveyed not marketable, thus, not easily sold; and (b) if calls will reach 10 per cent of the guaranty portfolio, HGC may not be able to serve calls on the guaranty.

HGC manages these risks by due diligence, post-audit, limit on grant of cash guaranty to manageable level, promote bond guaranty, hasten disposition, strict penalty for non-compliant clients: cancellation of guaranteed accounts or guaranty line, and establish a system to determine and monitor the guaranty portfolio at risk or "value at risk" every quarter so that sufficient funds will be sourced to pay calls at any point in time.

Republic of the Philippines
COMMISSION ON AUDIT
Corporate Government Sector
Cluster A – Financial

2014

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Home Guaranty Corporation
335 Sen. Gil J. Puyat Avenue
Makati City

Report on the Financial Statements
We have audited the accompanying financial statements of Home Guaranty Corporation (HGC), which comprise the statement of financial position as of December 31, 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then end, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Home Guaranty Corporation as of December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with the Philippine Financial Reporting Standards.

Emphasis of Matter
We draw attention to Note 2.5.5 to financial statements which describe the material effect of the impairment value of the acquired assets in the financial position and condition of the Corporation amounting to P1.996 billion. Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements
Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 and 19-2011 in Note 23 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management of HGC. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated in, all material respects, in relation to the basic financial statements taken as a whole.

COMMISSION ON AUDIT

BY:

REBECCA A. DUMAGUIT
Supervising Auditor

June 10, 2015

HOME GUARANTY CORPORATION

STATEMENT OF FINANCIAL POSITION

December 31, 2014
With Comparative Figures For 2013
(In Philippine Peso)

	Note	2014	2013 (As restated)
ASSETS			
Current assets			
Cash and cash equivalents	3	3,975,933,606	2,016,207,368
Short-term investments	4.1	19,219,652	1,367,279,487
Receivables - net	6.1	1,036,304,571	1,037,830,409
Inventories	7	503,108	781,109
Prepayments	8.1	63,206,467	64,541,092
		5,095,167,404	**4,486,639,465**
Non-current assets			
Long-term investments	4.2	1,556,024,535	1,447,946,117
Investment property	5	8,041,847,011	8,043,695,726
Receivables	6.2	5,561,278,723	5,760,349,100
Long-term prepayments	8.2	20,858,395	20,858,395
Property and equipment - net	9	74,688,584	90,177,787
Deferred tax asset	10	339,167,220	325,940,383
Other assets	11	13,638,239,146	13,639,624,157
		29,232,103,614	29,328,591,665
TOTAL ASSETS		**34,327,271,018**	**33,815,231,130**
LIABILITIES AND EQUITY			
Current liabilities			
Payables and other liability accounts	12	5,999,268,582	6,000,295,163
Bonds payable	13.1	100,000,000	74,097,389
		6,099,268,582	**6,074,392,552**
Non-current liabilities			
Bonds payable	13.2	136,567,178	230,854,786
Trust liabilities	15	1,782,837,751	1,829,034,048
Unearned income	16	1,011,995,377	1,001,119,130
Due to National Treasury - Bureau of Treasury	14	11,411,090,418	11,442,768,000
Due to other funds - Abot-Kaya Pabahay Fund	11	4,151,034,713	4,116,959,885
Other liabilities - assets held-in-trust	11	1,082,888,795	1,065,188,451
		19,576,414,232	**19,685,924,300**
		25,675,682,814	**25,760,316,852**
EQUITY		**8,651,588,204**	**8,054,914,278**
TOTAL LIABILITIES AND EQUITY		**34,327,271,018**	**33,815,231,130**

The Notes on pages 8 to 41 form part of these financial statements.

HOME GUARANTY CORPORATION

STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 3 1, 2014
With Comparative Figures For 2013
(In Philippine Peso)

	Note	2014	2013 (As restated)
INCOME			
Financing fees - insurance/guaranty fees	2.6	656,259,810	594,784,383
Rent income		142,135,101	119,946,603
Interest income - installment receivable	2.6	34,361,140	37,833,774
Other fines and penalties		5,149,233	5,722,650
Other service income	2.6	198,592	273,534
Miscellaneous income		589,769	1,047,956
		838,693,645	**759,608,900**
EXPENSES			
Personal services	20.1	111,660,464	112,700,775
Maintenance and other operating expenses (MOOE)	20.2	183,250,130	175,870,775
		294,910,594	**288,571,550**
NET INCOME FROM OPERATIONS		**543,783,051**	**471,037,350**
OTHER INCOME (EXPENSES)			
Interest income - investments	2.6	49,227,736	63,358,481
Interest income - bank deposits	2.6	2,701,625	1,837,575
Dividend income	2.6	1,905,600	2,123,678
Gain on foreign exchange	2.9	10,152	160,907
Gain on sale of disposed assets	2.10	15,062,657	9,050,171
Gain on sale of securities		-	5,763,858
Technical loss reserves	2.5	(1,999,337)	(572,411)
Other MOOE - projects	20.4	(81,864,667)	(34,786,289)
		(14,956,234)	46,935,970
INCOME BEFORE FINANCIAL CHARGES		**528,826,817**	**517,973,320**
FINANCIAL CHARGES			
Interest on guaranty obligations		198,793,808	198,528,629
Interest on NG advances		161,142,418	12,588,000
Interest on debenture bonds		147,629	542,213
Interest on zero coupon bond	20.5	-	652,805,244
Bank charges		85,920	73,671
		360,169,775	864,537,757
NET INCOME (LOSS) BEFORE TAX		**168,657,042**	**(346,564,437)**
TAXES	**21**		
Final tax		10,385,454	13,038,014
Income tax		(13,226,837)	(131,277,989)
		(2,841,383)	(118,239,975)
INCOME (LOSS) FOR THE YEAR		**171,498,425**	**(228,324,462)**
OTHER COMPREHENSIVE INCOME			
Unrealized gains (loss) on available for sale investments	2.6	(2,307,200)	2,421,219
TOTAL COMPREHENSIVE INCOME (LOSS)		**169,191,225**	**(225,903,243)**

The Notes on pages 8 to 41 form part of these financial statements.

HOME GUARANTY CORPORATION

STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2014
With Comparative Figures for 2013
(In Philippine Peso)

	Capital stock (Note 17)	Donated capital (Note 5.1)	Revaluation increment in property (Note 19)	Unrealized gains from Available-for-sale (Note 2.6)	Deficit (Note 18)	Total
Balance, January 01, 2013, as restated	14,073,000,000	4,069,154,826	2,407,442,041	1,245,179	(12,770,024,525)	7,780,817,521
Equity infusion from the National Government	500,000,000	-	-	-	-	500,000,000
Increase in the fair value of available-for-sale investments	-	-	-	2,421,219	-	2,421,219
Net loss, as restated	-	-	-	-	(228,324,462)	(228,324,462)
Balance, December 31, 2013 as restated	**14,573,000,000**	**4,069,154,826**	**2,407,442,041**	**3,666,398**	**(12,998,348,987)**	**8,054,914,278**
Equity infusion from the National Government	500,000,000	-	-	-	-	500,000,000
Decrease in the fair value of available-for-sale investments	-	-	-	(2,307,200)	-	(2,307,200)
Net income	-	-	-	-	171,498,425	171,498,425
Dividend for the year	-	-	-	-	(72,517,299)	(72,517,299)
Balance, December 31, 2014	**15,073,000,000**	**4,069,154,826**	**2,407,442,041**	**1,359,198**	**(12,899,367,861)**	**8,651,588,204**

The Notes on pages 8 to 41 form part of these financial statements.

HOME GUARANTY CORPORATION

STATEMENT OF CASH FLOWS

For the year ended December 31, 2014
With Comparative Figures For 2013
(In Philippine Peso)

	Note	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Collection of various income		985,645,238	702,039,836
Collection of receivables		257,455,474	360,381,546
Collection received in trust		87,938,392	110,827,249
Collection due to other agencies		72,081,141	87,761,058
Receipts of performance/bidders/bail bonds		2,154,180	2,229,609
Payment of personnel services		(132,570,496)	(125,679,218)
Payment of other MOOE		(123,310,148)	(117,614,427)
Payment of various advances		(34,628,120)	(52,992,237)
Payment of project expenses		(47,991,406)	(52,808,752)
Payment of gross receipts tax		(36,633,919)	(40,678,139)
Remittances of GSIS/Pag-IBIG/Philhealth/withholding taxes		(41,527,211)	(36,939,385)
Remittances of HGCEA/Provident Fund contributions		(31,975,768)	(31,439,048)
Payment of prepaid expenses		(5,630,361)	(26,225,160)
Purchases of office supplies		(10,201,798)	(10,104,047)
Payment of capitalized expenses		(3,936,593)	(9,940,508)
Payment of payables		(24,960,388)	(2,513,892)
		911,908,217	**756,304,485**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from investments		1,353,248,565	728,015,512
Income from investments		35,903,109	53,804,677
Investment placement		(137,143,661)	(2,077,315,560)
Proceeds from sale of property and equipment		25,180	14,691
Purchase of property and equipment		(2,053,021)	(5,772,156)
Net cash provided by (used in) investing activities		**1,249,980,172**	**(1,301,252,836)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipt of National Government equity release		500,000,000	500,000,000
Dividend received		1,905,600	2,123,678
Redemption of bonds		(134,097,389)	(286,809,881)
Payment of NG advances - BTr		(448,332,000)	-
Interest on NG advances		(121,488,000)	-
Interest on debenture bonds		(160,514)	(7,690,912)
Guaranty fees - BTr		-	(25,000,000)
Guaranty call payments		**-**	**(173,595)**
Net cash provided by (used in) financing activities		**(202,172,303)**	**182,449,290**
Net increase in cash and cash equivalents		**1,959,716,086**	**(362,499,061)**
Net foreign exchange difference		**10,152**	**163,986**
Cash, beginning of year		**2,016,207,368**	**2,378,542,443**
CASH, END OF YEAR	**3**	**3,975,933,606**	**2,016,207,368**

The Notes on pages 8 to 41 form part of these financial statements.

Republic of the Philippines
COMMISSION ON AUDIT
Corporate Government Sector
Cluster A – Financial

2013

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Home Guaranty Corporation
335 Sen. Gil Puyat Avenue
Makati City

Report on the Financial Statements

We have audited the accompanying financial statements of Home Guaranty Corporation (HGC), which comprise the statement of financial position as at December 31, 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Home Guaranty Corporation as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with the Philippine Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statement taken as a whole. The supplementary information for the year ended December 31, 2013 required by the Bureau of Internal Revenue as disclosed in Notes 18 and 20 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to basic financial statements taken as a whole.

COMMISSION ON AUDIT

EDGARDO T. GUIRIBA
Supervising Auditor

May 30, 2014

HOME GUARANTY CORPORATION

STATEMENT OF FINANCIAL POSITION

December 31, 2013
(In Philippine Peso)

	Note	2013	2012 (As restated)
ASSETS			
Current assets			
Cash and cash equivalents	3	2,016,207,368	2,378,542,443
Short-term investments	4.1	1,367,279,487	27,643,956
Receivables - net	6.1	1,016,092,588	962,729,394
Inventories		781,109	1,062,984
Prepayments	7.1	66,036,969	69,674,942
		4,466,397,521	3,439,653,719
Non-current assets			
Long-term investments	4.2	1,447,946,118	1,440,594,040
Investment property	5	8,043,695,726	8,045,544,441
Receivables	6.2	5,763,815,116	5,992,502,196
Long-term prepayments	7.2	20,858,395	20,868,395
Property and equipment - net	8	90,180,512	100,077,288
Other assets	9	13,654,534,919	13,687,836,556
		29,021,030,786	29,287,422,916
TOTAL ASSETS		**33,487,428,307**	**32,727,076,635**
LIABILITIES AND EQUITY			
Current liabilities			
Payables and other liability accounts	10	5,986,914,148	5,060,859,584
Bonds payable	11.1	74,097,389	11,768,122,214
		6,061,011,537	16,828,981,798
Non-current liabilities			
Bonds payable	11.2	230,854,785	303,554,786
Trust liabilities	13	1,873,822,551	2,724,568,310
Unearned income	14	943,312,428	111,184,492
Due to National Treasury-Bureau of the Treasury	12	11,430,180,000	-
Due to other funds - Abot-Kaya Pabahay Fund	9.2	4,116,959,885	4,052,710,660
Other liabilities - assets held-in-trust	9.3	1,065,188,451	1,068,790,234
		19,660,318,100	8,260,808,482
		25,721,329,637	25,089,790,280
EQUITY		7,766,098,670	7,637,286,355
TOTAL LIABILITIES AND EQUITY		**33,487,428,307**	**32,727,076,635**

The Notes on pages 8 to 34 form part of these financial statements.

HOME GUARANTY CORPORATION

STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 3 1, 2013
(In Philippine Peso)

	Note	2013	2012 (As restated)
INCOME			
Financing fees - insurance/guaranty fees	2.3	594,860,262	565,141,079
Rent income		111,473,228	106,443,078
Interest income - installment receivable	2.3	37,131,416	50,555,623
Other fines and penalties		6,192,180	8,618,391
Other service income	2.3	273,534	345,067
Miscellaneous income		1,021,914	1,213,944
		750,952,534	732,317,182
EXPENSES			
Personal services	17.1	109,762,826	107,246,313
Maintenance and other operating expenses (MOOE)	17.2	175,173,019	174,662,997
		284,935,845	281,909,310
NET INCOME FROM OPERATIONS		**466,016,689**	**450,407,872**
OTHER INCOME (EXPENSES)			
Interest income - investments	2.3	63,358,482	85,448,655
Interest income - banks		1,832,839	6,226,914
Dividend income		2,123,678	2,343,155
Gain (loss) on sale of disposed assets	2.8	7,657,172	(73,394,099)
Gain (loss) on sale of securities		5,763,858	(591,464)
Gain (loss) on foreign exchange	2.7	160,907	(136,447)
Technical loss reserves	2.2	(572,411)	(149,256)
Other MOOE - projects		(29,875,660)	(30,727,508)
		50,448,865	(10,980,050)
INCOME BEFORE FINANCIAL CHARGES		**516,465,554**	**439,427,822**
FINANCIAL CHARGES			
Interest on zero coupon bond		652,805,244	725,905,383
Interest on guaranty obligations		198,528,629	198,793,808
Interest on NG advances		12,588,000	-
Interest on debenture bonds		542,213	47,306,487
Bank charges		53,668	50,558
		864,517,754	972,056,236
LOSS BEFORE TAX		348,052,200	532,628,414
TAXES			
Final tax	20.b	13,037,849	18,331,117
Income tax	20.b	12,518,855	12,138,498
		25,556,704	30,469,615
LOSS FOR THE YEAR		**373,608,904**	**563,098,029**
OTHER COMPREHENSIVE INCOME			
Unrealized gains on available for sale investments	2.4	2,421,219	297,350
TOTAL COMPREHENSIVE LOSS		**371,187,685**	**562,800,679**

The Notes on pages 8 to 34 form part of these financial statements.

HOME GUARANTY CORPORATION

STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2013
(In Philippine Peso)

	Capital stock	Donated capital (Note 5.a)	Revaluation increment in property	Unrealized gains from Available-for-sale (Note 2.4)	Deficit (Note 15)	Total
Balance, January 01, 2012, as restated	13,573,000,000	1,379,546,000	2,407,442,041	15,419,501	(12,350,457,662)	5,024,949,880
Equity infusion from the National Government	500,000,000					500,000,000
Appraised value of land transferred and conveyed by the PMS to HGC (Bliss sites)		2,689,608,826				2,689,608,826
Sale of investments				(14,471,672)		(14,471,672)
Increase in the fair value of available-for-sale investments				297,350		297,350
Net loss, as restated					(563,098,029)	(563,098,029)
Balance, December 31, 2012 as restated	**14,073,000,000**	**4,069,154,826**	**2,407,442,041**	**1,245,179**	**(12,913,555,691)**	**7,637,286,355**
Equity infusion from the National Government	500,000,000					500,000,000
Increase in the fair value of available-for-sale investments				2,421,219		2,421,219
Net loss					(373,608,904)	(373,608,904)
Balance, December 31, 2013	**14,573,000,000**	**4,069,154,826**	**2,407,442,041**	**3,666,398**	**(13,287,164,595)**	**7,766,098,670**

The Notes on pages 8 to 34 form part of these financial statements.

HOME GUARANTY CORPORATION

STATEMENT OF CASH FLOWS

For the year ended December 31, 2013
(In Philippine Peso)

	Note	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Collection of various income		702,039,836	772,178,784
Collection of receivables		360,381,546	201,507,522
Collection received in trust		110,827,249	167,685,339
Collection due to other agencies		87,761,058	67,539,722
Receipts of performance/bidders/bail bonds		2,229,609	10,392,487
Refund of overpayment of collections		-	-
Payment of personnel services		(125,679,218)	(143,140,591)
Payment of other maintenance and operating expenses		(117,614,427)	(113,843,426)
Payment of various advances		(52,992,237)	(47,250,317)
Payment of project expenses		(52,808,752)	(36,109,702)
Payment of gross receipts tax		(40,678,139)	(41,206,302)
Remittances of GSIS/Pag-IBIG/Philhealth/withholding taxes		(36,939,385)	(36,907,608)
Remittances of HGCEA/Provident Fund		(31,439,048)	(8,852,039)
Payment of prepaid expenses		(26,225,160)	(5,368,095)
Purchases of office supplies		(10,104,047)	(11,066,553)
Payment of capitalized expenses		(9,940,508)	(22,883,961)
Payment of payables		(2,513,892)	(13,366,025)
Refund of collections		-	(463,392)
		756,304,485	**738,845,843**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from investments		728,015,512	-
Income from investments		53,804,677	71,611,765
Investment placement		(2,077,315,560)	(26,941,803)
Proceeds from sale of property and equipment		14,691	28,749
Dividends received		-	-
Purchase of property and equipment		(5,772,156)	(17,515,036)
Final tax on investments		-	-
Net cash provided by (used in) investing activities		**(1,301,252,836)**	**27,183,675**
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipt of National Government equity release		500,000,000	500,000,000
Dividend received		2,123,678	2,343,155
Redemption of bonds		(286,809,881)	(1,289,568,489)
Guaranty fees - BTr		(25,000,000)	(25,000,000)
Interest on debenture bonds		(7,690,912)	(81,120,483)
Guaranty call payments		(173,595)	(426,447)
Net cash provided by (used in) financing activities		**182,449,290**	**(893,772,264)**
Net increase in cash and cash equivalents		(362,499,061)	(127,742,746)
Net foreign exchange difference		163,986	(136,446)
Cash, beginning of year		2,378,542,443	2,506,421,635
CASH, END OF YEAR	**3**	**2,016,207,368**	**2,378,542,443**

The Notes on pages 8 to 34 form part of these financial statements.

Republic of the Philippines
COMMISSION ON AUDIT
Corporate Government Sector
Cluster A – Financial

2012

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Home Guaranty Corporation
335 Sen. Gil Puyat Avenue
Makati City

Report on the Financial Statements

We have audited the accompanying financial statements of Home Guaranty Corporation (HGC), which comprise the statement of financial position as at December 31, 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Home Guaranty Corporation as at December 31, 2012, and its financial performance and its cash flows for the year then ended in accordance with the Philippine Financial Reporting Standards.

COMMISSION ON AUDIT

EDGARDO T. GUIRIBA
Supervising Auditor

June 15, 2013

HOME GUARANTY CORPORATION

STATEMENT OF FINANCIAL POSITION

December 31, 2012
(In Philippine Peso)

	Note	2012	2011 (As restated)
ASSETS			
Current assets			
Cash on hand and in banks	3	**2,378,542,443**	2,506,421,635
Short-term investments	4.1	**33,068,694**	32,625,051
Receivables - net	6.1	**947,085,026**	578,026,868
Inventories		**1,302,567**	4,334,485
Prepayments	7.1	**69,680,603**	95,145,514
		3,429,679,333	3,216,553,553
Non-current assets			
Long-term investments	4.2	**1,440,594,040**	1,411,218,924
Investment property	5	**8,045,544,441**	5,357,784,329
Receivables	6.2	**5,949,689,387**	2,960,743,877
Long-term prepayments	7.2	**20,868,395**	20,858,395
Property and equipment - net	8	**101,490,516**	96,342,543
Other assets	9	**13,687,824,865**	16,474,820,167
		29,246,011,644	26,321,768,235
TOTAL ASSETS		**32,675,690,977**	29,538,321,788
LIABILITIES AND EQUITY			
Current liabilities			
Payables and other liability accounts	10	**5,087,159,245**	4,806,552,860
Bonds payable	11.1	**11,768,122,214**	12,188,790,251
		16,855,281,459	16,995,343,111
Non-current liabilities			
Bonds payable	11	**303,554,786**	600,741,361
Trust liabilities	12	**2,956,099,024**	2,063,712,580
Unearned income	13	**169,729,657**	164,535,476
Due to other funds - Abot-Kaya Pabahay Fund	9.2	**4,052,710,660**	3,995,427,963
Other liabilities - assets held-in-trust	9.3	**1,068,790,234**	1,063,837,146
		8,550,884,361	7,888,254,526
		25,406,165,820	24,883,597,637
EQUITY		**7,269,525,157**	4,654,724,151
TOTAL LIABILITIES AND EQUITY		**32,675,690,977**	29,538,321,788

The Notes on pages 7 to 22 form part of these financial statements.

HOME GUARANTY CORPORATION

STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 3 1, 2012
(In Philippine Peso)

	Note	2012	2011 (As restated)
INCOME			
Financing fees - insurance/guaranty fees		**565,094,409**	520,562,227
Rent income		**106,328,768**	90,762,936
Interest income - installment receivable		**50,369,997**	44,489,606
Other fines and penalties		**8,615,278**	5,941,324
Other service income		**345,067**	546,502
Miscellaneous income		**1,211,840**	640,543
		731,965,359	662,943,138
EXPENSES			
Personal services	16.1	**103,663,937**	94,401,641
Maintenance and other operating expenses (MOOE)	16.2	**170,716,297**	168,527,671
		274,380,234	262,929,312
NET INCOME FROM OPERATIONS		**457,585,125**	400,013,826
OTHER INCOME (EXPENSES)			
Interest income - investments		**85,448,655**	153,882,345
Interest income - banks		**6,226,914**	3,015,086
Dividend income		**2,343,155**	10,750
Gain (loss) on foreign exchange		**(136,447)**	765
Technical loss reserves		**(149,256)**	(2,807,167)
Loss on sale of disposed assets		**(86,166,371)**	(1,641,781)
Gain (loss) on sale of securities		**(591,464)**	1,108,923
Other MOOE - projects		**(37,157,671)**	(37,237,508)
		(30,182,485)	116,331,413
INCOME BEFORE FINANCIAL CHARGES		**427,402,640**	516,345,239
FINANCIAL CHARGES			
Interest on zero coupon bond		**725,905,383**	810,196,418
Interest on guaranty obligations		**198,793,808**	198,793,808
Interest on debenture bonds		**47,306,487**	87,820,341
Bank charges		**32,518**	69,445
		972,038,196	1,096,880,012
LOSS BEFORE TAX		**544,635,556**	580,534,773
TAXES			
Final tax		**18,331,117**	30,910,678
Income tax		**12,138,497**	10,500,808
		30,469,614	41,411,486
LOSS FOR THE YEAR		**575,105,170**	621,946,259
OTHER COMPREHENSIVE INCOME			
Unrealized gains on available for sale investments		**297,350**	15,419,501
TOTAL COMPREHENSIVE LOSS		**574,807,820**	606,526,758

The Notes on pages 7 to 22 form part of these financial statements.

HOME GUARANTY CORPORATION

STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2012
(In Philippine Peso)

	Note	Capital Stock	Donated Capital	Revaluation Increment in Property	Unrealized Gains from Available-for-Sale	Deficit	Total
Balance, January 01, 2011, as restated		12,673,000,000		2,407,442,041	11,572,866	(12,098,737,132)	2,993,277,775
Equity infusion from the National Government		900,000,000					900,000,000
Appraised value of land transferred and conveyed by the PMS to HGC (Bliss sites)			1,379,546,000				1,379,546,000
Increase in the fair value of available-for-sale investments					3,846,635		3,846,635
Net loss, as restated						(621,946,259)	(621,946,259)
Balance, December 31, 2011 as restated		**13,573,000,000**	**1,379,546,000**	**2,407,442,041**	**15,419,501**	**(12,720,683,391)**	**4,654,724,151**
Equity infusion from the National Government	14	500,000,000					500,000,000
Appraised value of land transferred and conveyed by the PMS to HGC (Bliss sites)	5		2,689,608,826				2,689,608,826
Increase in the fair value of available-for-sale investments					297,350		297,350
Net loss						(575,105,170)	(575,105,170)
Balance, December 31, 2012		14,073,000,000	4,069,154,826	2,407,442,041	15,716,851	(13,295,788,561)	7,269,525,157

The Notes on pages 7 to 22 form part of these financial statements.

HOME GUARANTY CORPORATION

STATEMENT OF CASH FLOWS

For the year ended December 31, 2012
(In Philippine Peso)

	Note	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Collection of various income		**772,178,784**	772,746,104
Collection of receivables		**201,507,522**	142,341,319
Collection received in trust		**167,685,339**	182,879,223
Collection due to other agencies		**67,539,722**	841,835,066
Receipts of performance/bidders/bail bonds		**10,392,487**	7,935,109
Refund of overpayment of collections		**-**	600,080
Payment of personnel services		**(143,140,591)**	(88,858,761)
Payment of other maintenance and operating expenses		**(113,843,426)**	(113,973,314)
Payment of various advances		**(47,250,317)**	(36,227,211)
Payment of gross receipts tax		**(41,206,302)**	(34,634,163)
Remittances of GSIS/Pag-IBIG/Philhealth/withholding taxes		**(36,907,608)**	(32,928,744)
Payment of project expenses		**(36,109,702)**	(39,669,521)
Payment of capitalized expenses		**(22,883,961)**	(92,878,637)
Payment of payables		**(13,366,025)**	(835,450,618)
Purchases of office supplies		**(11,066,553)**	(10,972,055)
Remittances of HGCEA, NHMFC, Provident Fund		**(8,852,039)**	(23,178,665)
Payment of prepaid expenses		**(5,368,095)**	(5,549,617)
Refund of collections		**(463,392)**	(2,144,252)
Net cash from operating activities		**738,845,843**	631,871,343
CASH FLOWS FROM INVESTING ACTIVITIES			
Income from investments		**89,366,359**	89,317,017
Investment placement		**(26,941,803)**	(592,784,913)
Purchase of property and equipment		**(17,515,036)**	(17,746,740)
Proceeds from sale of property and equipment		**28,749**	72,300
Final tax on investments		**(17,754,594)**	(17,440,721)
Proceeds from investments		**-**	220,186,044
Net cash provided by (used in) investing activities		**27,183,675**	(318,397,013)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipt of National Government equity release		**500,000,000**	900,000,000
Redemption of bonds		**(1,289,568,489)**	(429,320,561)
Interest on debenture bonds		**(81,120,483)**	(104,835,392)
Guarantees fees - BTr		**(25,000,000)**	-
Guaranty call payments		**(426,447)**	(872,399)
Dividends received		**2,343,155**	10,750
Net cash provided by (used in) financing activities		**(893,772,264)**	364,982,398
Net increase in cash and cash equivalents		**(127,742,746)**	678,456,728
Net foreign exchange difference		**(136,446)**	765
Cash, beginning of year		**2,506,421,635**	1,827,964,142
CASH, END OF YEAR	3	**2,378,542,443**	2,506,421,635

The Notes on pages 7 to 22 form part of these financial statements.

Republic of the Philippines
COMMISSION ON AUDIT
Corporate Government Sector
Cluster A – Financial

2011

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Home Guaranty Corporation
335 Sen. Gil Puyat Avenue
Makati City

We have audited the accompanying financial statements of Home Guaranty Corporation (HGC), which comprise the statement of financial position as a December 31, 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion

As discussed in item no. 1 of the Observations and Recommendations portion of the audit report, the impairment loss on the Corporation's foreclosed assets amounting to P1.603 billion was not recognized in the 2011 financial statements, which constitutes departure from Philippine Accounting Standard (PAS) 36. PAS 36 provides that the assets should be stated at no more than their recoverable value.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Home Guaranty Corporation as at December 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting standards.

Emphasis of Matter

We draw attention to item nos. 2 and 3 of the Observations and Recommendations of this Report relative to HGC's accumulated deficit of P12.771 billion which continue to cast doubt on its ability to provide a viable shelter program for the homeless and working capital deficiency of P2.928 billion as its current liabilities of P6.102 billion exceeded its current assets of P3.174 billion.

COMMISSION ON AUDIT

TEODORA M. LACERNA
Supervising Auditor

June 15, 2012

HOME GUARANTY CORPORATION

STATEMENT OF FINANCIAL POSITION

December 31, 2011
(In Philippine Peso)

	Note	2011	As Restated 2010
ASSETS			
Current assets			
Cash on hand and in banks	3	**2,506,421,635**	1,827,964,142
Short-term investments	4	**16,253,046**	1,873,737,738
Receivables - net	6	**564,215,776**	533,970,389
Inventories		**2,306,232**	3,325,664
Prepayments	7	**85,125,965**	91,883,594
		3,174,322,654	4,330,881,527
Non-current assets			
Long-term investments	4	**1,427,590,929**	2,142,960,586
Investment property	5	**5,357,784,329**	3,980,087,043
Receivables	6	**2,926,276,395**	2,959,907,811
Long-term prepayments	7	**35,167,753**	50,951,168
Property and equipment - net	8	**99,164,929**	92,458,997
Other assets	9	**16,468,940,187**	16,363,862,771
		26,314,924,522	25,590,228,376
TOTAL ASSETS		**29,489,247,176**	29,921,109,903
LIABILITIES AND NET WORTH			
Current liabilities			
Payables and other liability accounts	10	**4,794,400,466**	4,341,352,675
Bonds payable	11	**1,307,415,985**	3,353,438,096
		6,101,816,451	7,694,790,771
Non-current liabilities			
Bonds payable	11	**11,482,115,627**	12,196,731,314
Trust liabilities	12	**2,075,305,265**	1,948,821,109
Unearned income	13	**165,362,633**	162,389,749
Due to other funds - Abot-Kaya Pabahay Fund	9	**3,995,427,963**	3,901,881,797
Other liabilities - assets held-in-trust	9	**1,063,837,146**	1,062,989,126
		18,782,048,634	19,272,813,095
		24,883,865,085	26,967,603,866
Net worth		**4,605,382,091**	2,953,506,037
TOTAL LIABILITIES AND NET WORTH		**29,489,247,176**	29,921,109,903

The Notes on pages 7 to 22 form part of these financial statements.

HOME GUARANTY CORPORATION

STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 3 1, 2011

(In Philippine Peso)

	Note	2011	As Restated 2010
INCOME			
Financing fees - insurance/guaranty fees		**506,529,215**	390,432,064
Rent income		**90,762,936**	81,283,896
Interest income - installment receivable		**43,927,283**	37,929,386
Other fines and penalties		**6,012,637**	4,119,788
Other service income		**546,502**	597,391
Miscellaneous income		**624,890**	730,531
		648,403,463	515,093,056
EXPENSES			
Personal services	17.1	**91,522,620**	87,700,282
Maintenance and other operating expenses (MOOE)	17.2	**169,288,759**	158,619,331
		260,811,379	246,319,613
INCOME FROM OPERATIONS		**387,592,084**	268,773,443
OTHER INCOME (EXPENSES)			
Interest income - investments		**153,882,345**	252,360,205
Interest income - banks		**3,014,996**	635,830
Dividend income		**10,750**	4,616,645
Gain (loss) on foreign exchange		**765**	(129,499)
Technical loss reserves		**(2,807,167)**	(2,172,943)
Loss on sale of disposed assets		**(1,834,072)**	(53,914,935)
Gain (loss) on sale of securities		**(230,540)**	49,599,548
Other MOOE - projects		**(34,193,708)**	(39,861,594)
		117,843,369	211,133,257
INCOME BEFORE FINANCIAL CHARGES		**505,435,453**	479,906,700
FINANCIAL CHARGES			
Interest on zero coupon bond		**810,196,418**	966,236,964
Interest on guaranty obligations		**198,793,808**	198,793,808
Interest on debenture bonds		**87,820,341**	147,831,989
Bank charges		**69,445**	106,667
Documentary stamp expense		**-**	138,459
		1,096,880,012	1,313,107,887
LOSS BEFORE TAX		**591,444,559**	833,201,187
TAXES			
Final tax		**30,910,678**	49,296,534
Income tax		**10,500,808**	8,028,116
		41,411,486	57,324,650
LOSS FOR THE YEAR		**632,856,045**	890,525,837
OTHER COMPREHENSIVE INCOME			
Unrealized gains on available for sale investments		**5,186,099**	11,572,867
TOTAL COMPREHENSIVE LOSS		**627,669,946**	878,952,970

The Notes on pages 7 to 22 form part of these financial statements.

HOME GUARANTY CORPORATION

STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2011
(In Philippine Peso)

	Note	Capital Stock	Donated Capital	Revaluation Increment in Property	Unrealized Gains from Available-for-Sale	Deficit	Total
Balance, December 31, 2009 as restated	14,16	12,073,000,000		2,407,442,041	6,742,541	(10,077,037,458)	4,410,147,124
Correction of prior period errors	15					(1,170,945,576)	(1,170,945,576)
As restated		12,073,000,000		2,407,442,041	6,742,541	(11,247,983,034)	3,239,201,548
Equity infusion from the National Government		600,000,000					600,000,000
Increase in the fair value of available-for- sale investments					4,830,326		4,830,326
Net loss, as restated						(890,525,837)	(890,525,837)
Balance, December 31, 2010 as restated		**12,673,000,000**	**-**	**2,407,442,041**	**11,572,867**	**(12,138,508,871)**	**2,953,506,037**
Balance, December 31, 2010		12,673,000,000		2,407,442,041	11,572,867	(12,138,508,871)	2,953,506,037
Equity infusion from the National Government	3	900,000,000				-	900,000,000
Appraised value of land transferred and conveyed by the PMS to HGC (Bliss sites)	5		1,379,546,000				1,379,546,000
Increase in the fair value of available-for-sale investments					5,186,099		5,186,099
Net loss						(632,856,045)	(632,856,045)
Balance, December 31, 2011		**13,573,000,000**	**1,379,546,000**	**2,407,442,041**	**16,758,966**	**(12,771,364,916)**	**4,605,382,091**

The Notes on pages 7 to 22 form part of these financial statements.

HOME GUARANTY CORPORATION

STATEMENT OF CASH FLOWS

For the year ended December 31, 2011
(In Philippine Peso)

	Note	**2011**	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Collection due to other agencies		**841,835,066**	31,149,949
Collection of various income		**772,746,104**	649,262,173
Collection received in trust		**182,879,223**	130,763,523
Collection of receivables		**142,341,319**	175,830,592
Receipts of performance/bidders/bail bonds		**7,935,109**	3,655,187
Refund of overpayment of collections		**600,080**	3,410,572
Collection from sale of acquired assets		**-**	64,874,073
Payment of payables		**(835,450,618)**	(7,525,396)
Payment of other maintenance and operating expenses		**(113,973,314)**	(95,444,927)
Payment of various advances		**(36,227,211)**	(31,278,856)
Payment of personnel services		**(88,858,761)**	(72,886,619)
Payment of gross receipts tax		**(34,634,163)**	(37,225,279)
Payment of project expenses		**(39,669,521)**	(45,230,948)
Remittances of GSIS/Pag-IBIG/Philhealth/withholding taxes		**(32,928,744)**	(30,560,659)
Remittances of HGCEA, NHMFC, Provident Fund		**(23,178,665)**	(20,179,334)
Payment of capitalized expenses		**(92,878,637)**	(11,174,011)
Payment of prepaid expenses		**(5,549,617)**	(8,684,315)
Purchases of office supplies		**(10,972,055)**	(10,614,120)
Refund of collections		**(2,144,252)**	(4,392,798)
Net cash provided by operating activities		**631,871,343**	683,748,807
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from investment		**220,186,044**	1,859,348,245
Income from investments		**89,317,017**	119,011,850
Proceeds from sale of property and equipment		**72,300**	71,000
Dividends received		**10,750**	4,616,645
Investment placements		**(592,784,913)**	(787,458,655)
Purchase of property and equipment		**(17,746,740)**	(19,564,210)
Final tax on investments		**(17,440,721)**	(21,152,416)
Net cash provided by (used in) investing activities		**(318,386,263)**	1,154,872,459
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipt of National Government equity release		**900,000,000**	600,000,000
Redemption of bonds		**(429,320,561)**	(513,326,002)
Interest on debenture bonds		**(104,835,392)**	(166,993,494)
Guaranty call payments		**(872,399)**	(4,159,271)
Payment of guarantees fees - BTr		**-**	(100,000,000)
Net cash provided by (used in) financing activities		**364,971,648**	(184,478,767)
Net increase in cash		**678,456,728**	1,654,142,499
Net foreign exchange difference		**765**	(129,499)
Cash at beginning of year		**1,827,964,142**	173,951,142
CASH AT END OF YEAR	3	**2,506,421,635**	1,827,964,142

The Notes on pages 7 to 22 form part of these financial statements.

BOARD OF

EXECUTIVE

DIRECTORS AND OFFICERS

BOARD OF

ATTY. CHITO M. CRUZ
Chairman
Housing & Urban Development
Coordinating Council (HUDCC)
Vice Chairman, HGC Board
From July 2015

JEJOMAR C. BINAY
Vice President, Republic of the Philippines
Chairman,
Housing & Urban Development
Coordinating Council (HUDCC)
Vice Chairman,
HGC Board
2010 - June 2015

CESAR V. PURISIMA
Secretary of Finance
Chairman,
HGC Board

Atty. MANUEL R. SANCHEZ
President, Home Guaranty Corporation
Member, HGC Board

DIRECTORS

DANILO V. FAUSTO
Member

MAGLEO V. ADRIANO
Menber

FLORANTE A. CASTILLO
Member

ARSENIO M. BALISACAN
NEDA Director General
Member

PROFILES OF THE HGC BOARD

HON. JEJOMAR C. BINAY

Vice President Jejomar C. Binay graduated with a degree in Political Science and Bachelor of Laws at the University of the Philippines. He took his master's degree in Public Administration and Law at the University of the Philippines and the University of St. Tomas, respectively.

After the EDSA revolution, Binay was appointed by then President Corazon C. Aquino as Officer-in-Charge of Makati City. Two years later, he was elected as the Mayor of Makati. He then reigned as Makati's Chief Executive for a total of 21 years. During his term, Binay also served as the chairman of the Metropolitan Manila Development Authority (MMDA).

When he won the Vice Presidential seat in 2010, President Benigno S. Aquino III appointed him as the Chairman of the Housing and Urban Development Coordinating Council (HUDCC). Binay acted as the Vice Chairman of the HGC Board from July 2010 until his resignation in June 2015.

As the HUDCC Chairman and the Vice Chairman of the HGC Board, Binay pushed for the many reforms and innovations in the guaranty business that led to the financial recovery of HGC.

HON. CESAR V. PURISIMA

Cesar V. Purisima is the Secretary of the Department of Finance. He is a member of the Monetary Board of the Bangko Sentral ng Pilipinas (BSP). He serves as Governor for the Philippines at the World Bank, Alternate Governor for the Philippines at the International Monetary Fund, and is presently Governor for the Philippines at the Asian Development Bank (ADB). He was Chairman of the Board of Governors from 2011-2012. In May 2012, he chaired the 45th Annual Meeting of the Board of Governors held in Manila.

Sec. Purisima is a certified public accountant. He was Chairman and Managing Partner of the country's largest professional services firm, SGV & Co. (a member firm of Andersen Worldwide until 2002 and presently member firm of Ernst & Young Global) until 2004. He became Area Managing Partner for Asia-Pacific for Assurance and Business Service of Andersen Worldwide, the first and only Filipino so far to head the Area practice of a Big 4 accounting firm. In Ernst & Young Global, he was a member of both the Global Executive Board and Global Practice Council. He has been conferred the highest awards in accountancy by the Professional Regulation Commission and the Philippine Institute of CPAs.

Sec. Purisima has a master's degree in business administration from the JL Kellogg Scholl of Management, Northwestern University. He obtained his commerce degree from De La Salle University (DLSU). He was conferred Doctor of Humanities, Honoris Causa, by Angeles University.

ATTY. CHITO M. CRUZ

Director Chito M. Cruz was appointed Chairman of the Housing and Urban Development Coordinating Council (HUDCC) on July 31, 2015. As HUDCC Chairman, Atty. Cruz also serves as Chairman of the Home Development Mutual Fund (HDMF) or Pag-IBIG Fund, Housing and Land Use Regulatory Board (HLURB), National Home Mortgage Financing Corporation (NHMFC), National Housing Authority (NHA) and Social Housing Finance Corporation (SHFC), and Vice Chairman of the Home Guaranty Corporation (HGC).

Prior to his appointment, Chairman Cruz served as the General Manager of the NHA for five years, where he led the implementation of the Armed Forces of the Philippines and Philippine National Police (AFP/PNP) Housing Program, Housing Program for Informal Settler Families (ISFs) living in danger areas, and permanent housing projects for calamity victims. From 2009 to 2010, He was the Corporate Secretary of Subic Executive Lofts Condominium Corporation . He was Chairman of the Freeport Services Corporation (Subsidiary Corporation of SBMA) in 2001 to 2003, Chairman of the Subic Technopark, Inc. Japanese Technology Park, Subic Bay Freeport Zone from 1999 to 2004, Senior Deputy Administrator for Support Services of the Subic Bay Metropolitan Authority from 1998 to 2004. Together with his colleagues, he established the Cruz, Cruz and Navarro Law Offices in 1993, of which he remains a partner up to this day. From 1989 to 1992, he was a Legal Consultant to Cong. Felicito Payumo . From 1993 to 1985, he was a Senior Associate at the Belo Abiera & Associates Law Firm.

Director Cruz earned his degrees in Law and AB at the Ateneo de Manila University. He passed the bar in 1986. His fields of concentration are real estate development, litigation, corporate law, and property law.

He was the President of the Rotary Club of Metro West Triangle District 3780, Philippines Paul Harris Fellow from 2004 to 2005. He is a member of the Fraternal Order of Utopia, Ateneo Law; Integrated Bar of the Philippines; Ateneo Alumni Association ; and the Ateneo Law Alumni Association.

ATTY. MANUEL R. SANCHEZ

Atty. Manuel R. Sanchez was appointed President of the Home Guaranty Corporation by President Benigno S. Aquino III on 17 September 2010. Atty. Sanchez obtained his Bachelor of Arts in Political Science and Bachelor of Laws from the University of the Philippines, and was admitted to the Philippine bar in 1968. He holds a Masters Degree in International Politics from Fordham University, Bronx, New York, U.S.A., and a Masters Degree in Public Administration from Harvard University, John F. Kennedy School of Government, Cambridge, Massachusetts, U.S.A. He was likewise admitted to the New York State bar in 1974.

He spent fifteen (15) illustrious years in the U.S. as Partner in the Sanchez and Mckay Law Offices, and as Chief Assistant Public Defender in Rockland County, New York.

In 1992, he was elected Representative of the First Congressional District of Rizal, becoming the Assistant Majority Floor Leader during the 9th Philippine Congress.

After his stint in the Legislative Branch, he held various top-ranking posts in the Executive Branch: as Undersecretary for Local Government, Department of Interior and Local Government (DILG); Undersecretary for Broadcast, Office of the Press Secretary (OPS); Undersecretary for Local Government, Department of Environment and Natural Resources (DENR); Chairman, Laguna Lake Development Authority (LLDA); Presidential Assistant, Office of the President (OP); and Chairman and CEO, Energy Regulatory Commission (ERC).

HON. DANILO V. FAUSTO

Hon. Danilo V. Fausto is an investment banker, a dairy farmer and a civic leader. He was appointed by President Benigno Aquino III as a Member of the Board of the Home Guaranty Corporation in September 2010.

He obtained his Bachelor of Arts degree in Economics from the University of the Philippines and Masters in Business Administration post graduate studies from the De La Salle University. He was a former Assistant Manager for Corporate Planning at the Mitsui & Company. He then moved to the National Housing Authority (NHA) and engaged in investments, planning and project implementation. He was Executive Vice President and General Manager of Preferred Securities Corporation and taught finance subjects to graduating classes at St. Scholastica's College in Manila. He pioneered and was a main intervener in local government bond flotation and other credit facilities as an alternative means of sourcing funds for local government units (LGUs) for its income generating priority projects; empowering them with true and real autonomy. He acted as financial advisor for over 40 LGUs and designed and packaged over P7 Billion worth of Municipal (LGU) bonds and other credit facilities for their priority projects. He is President of Preferred Ventures Corporation, the corporate vehicle in designing and packaging LGU government bonds or municipal bonds.

He is currently a member of the Advisory Board of the Philippine Carabao Center, Chairman, Dairy Committee, Philippine Chamber of Agriculture and Food, Inc. As the Founder of the Talavera Dairy Cooperative and President of the DVF Dairy Farm, Inc., he is very much involved in the production, processing and marketing of fresh Carabaos milk and other dairy products. From 2006-2012, he was National Chairman of the Dairy Confederation of the Philippines. He was Rotary International D3780 District Governor for Rotary Year 2007-2008 and is currently the Chairman of District 3780 Rotary Leadership Institute. He was the Chairman of the Rotary Academy and Information Committee, RC New Manila East Club Trainer and RI D3780 District Trainer for Rotary Years 2014-2015 and 2015-2016.

He was the country's year 2010 recipient of the Presidential Award for Agriculture. He was Philippine Chamber of Commerce and Industry's 2001 Most Outstanding Entrepreneur and recipient of Philippine Broadcasting System, Radyo ng Bayan (DZRB), NBN Channel 4 and the Huwarang Filipino Foundation's Huwarang Pilipino Hall of Fame Award in 3 categories: Cooperative Development, Business and Industry and Public Service. In addition, he was Magigiting na Manggagawa Foundation's Dakilang Lakan Awardee and recipient of the University of the Philippines, Manila, Chancellor's Gawad ng Parangal sa Larangan ng Pagnenegosyo. He is the author of the book entitled "Dare to Dream, A Filipino Entrepreneur's Tale of Success in Dairy Farming" and one of the featured stories in Go Negosyo's "50 Inspiring Stories of Agri-Entrepreneurs".

HON. MAGLEO V. ADRIANO

Hon. Magleo V. Adriano is an experienced professional with a successful career in sales, marketing, financial services, business development, and administration. From 1994 up to the present, he is the President and CEO of the American Resources Group Phils., Inc., Manila. From 1987 – 1994, he was the Regional Vice President of the Primerica Financial Services, Los Angeles, CA. Director Adriano earned his Bachelor of Science in Industrial Engineering degree from Adamson University, Manila, Philippines in 1975.

HON. FLORANTE A. CASTILLO

Hon. Florante A. Castillo was appointed Member Of Board Of Directors Home Guaranty Corporation in Sept 2010. Since 2008, He has been the Controller of the Sustainable Development Solutions For Asia & The Pacific, an action oriented NGO organized by environmental consultants. He served as an Environmental Finance Consultant from Oct. 2005 up to March 2009 to the AGOS Project (Manila Water), BIGAS Project (Bayer Crop Science) and UNEP-APRSCP 3R Project in the Philippines.

He was the Chief Finance Officer of the Asia Pacific Roundtable for Sustainable Consumption and Production (APRSCP) from Oct. 2005 until Sept. 2008. He was a Stockholder & Board Member (1997-2010) and President & CEO (1997-2003) of the Metro Verde Development Corporation (MVDC), a company organized for the redevelopment and privatisation of military camps in the Philippines.

He was President of a number of institutions: Fcastillo - Financial Consultants (1997-2003), General Satellite Corp., Galaxy Services, American Transport Services Corp., and RSBS Investment House Corporation (1996-1997), and of the Asia Division of EMMET Inc. (1992 - 1994).

He was the Senior Vice-President for Investment Banking (1996) of Philbanking Corporation, for Projects of State Investment Trust, Inc. (1994-1996),

He was the Senior Vice President & Chief Operating Officer of the National Home Mortgage Finance Corp. from 1986 to 1989 and once served as Vice President of Filcapital Development Corp. He was the Director For Finance of the International Redevelopment Corp. (1990 - 1994).

Dir. Castillo has had several consultancy engagements. He was a Mortgage Banker Consultant for the Housing Finance and Investment Specialist (1989-1990). He was involved in a Technical Assistance Study of the Asian Development Bank for the Housing Development Finance Corp. (HDFC) Project in Colombo, Sri Lanka. He was consultant for the National Home Mortgage Finance Corporation in 1979-1983 and 1985- 1986. He also provided consulting services for the Pag-Ibig Fund and the then Home Insurance & Guaranty Corp. (now known as the Home Guaranty Corporation)

He was a consultant and packager of housing projects. This include the La Salle Heights, a 100 hectare subdivision project at Antipolo and the Teachers Village in Malabon.

HON. ARSENIO M. BALISACAN

Dr. Arsenio M. Balisacan is Socioeconomic Planning Secretary and Director- General of the National Economic and Development Authority (NEDA). Prior to his appointment in NEDA, he was Dean and Professor of the University of the Philippines (UP) School of Economics and Executive Director of the Philippine Center for Economic Development. He has taught Development Economics, Agricultural and Resource Economics, and Economics of Poverty and Inequality.

An Academician of the National Academy of Science and Technology and Adjunct Professor of the Australian National University, Secretary Balisacan is now on secondment from UP. He also served as Director-Chief Executive of the Southeast Asian Regional Centre for Graduate Study and Research in Agriculture (SEARCA), an intergovernmental organization, for six years (2003-2009) wherein he led SEARCA gain stature in the academic world and become a regional center of excellence for agriculture and rural development in Southeast Asia.

In 2000-2001 and 2003, he was Undersecretary for Policy, Planning and Research of the Department of Agriculture (DA). As Undersecretary of DA, he was the country's chief negotiator in the Agriculture Negotiations of the World Trade Organization (WTO) and in various bilateral agriculture negotiations. Before joining the UP faculty in 1987, he was a Research Fellow at the East West Center in Honolulu and Economist at the World Bank in Washington, D.C. He served as adviser to public chief executives and legislators, non-government organizations, and multilateral development institutions such as the World bank (WB), Asian Development Bank (ADB), various United Nations (UN) agencies and the Australian Centre for International Agricultural Research (ACIAR).

He has led leadership positions in professional associations. He served as President of the Philippine Economic Society in 2006, President of the Human Development Network in 2003-2009, Founding Secretary-General of the Asia-Pacific Agricultural Policy Forum in 2003-2006, and Executive Secretary of the Southeast Asian University Consortium for Graduate Education in Agriculture and Natural Resources in 2003-2009. Currently, he is President of the Asian Society of Agricultural Economics.

Dr. Balisacan holds a PhD in Economics from the University of Hawaii, an MS degree in Agricultural Economics from the University of the Philippines Los Baños and a BS degree in Agriculture (magna cum laude) from Mariano Marcos State University.

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HGC Help Desk: 897-3531
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