

Alas Oplas & Co., CPAs
8/F Richmond Plaza, San Miguel Avenue
corner Lourdes Drive, Ortigas Center,
Pasig City Philippines 1605
Phone No.: (02) 8535-5029
Email: aocortigasbranch@alasoascpas.com

10/F Philippine AXA Life Centre
1286 Sen. Gil Puyat Avenue
Makati City, Philippines 1200
Phone No.: (632) 7759-5090 | (632) 8889-1861
Email: aoheadoffice@alasoascpas.com
www.alasoascpas.com

INDEPENDENT AUDITORS' REPORT

To the Members and the Board of Trustees
COMPOSITE WING SAVINGS AND LOAN ASSOCIATION, INC.
(A Non-Stock Savings and Loan Association)
Villamor Air Base, Pasay City

Independent Member of
B K R International

Opinion

We have audited the financial statements of **COMPOSITE WING SAVINGS AND LOAN ASSOCIATION, INC.** (the "Association") which comprise the statements of financial position as of December 31, 2020 and 2019, and the statements of comprehensive income, statements of changes in members' equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

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

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

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

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

Alas Oplas & Co., CPAs

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Alas Oplas & Co., CPAs

The Supplementary Information Required under Bangko Sentral ng Pilipinas (BSP) Circular No. 1075 and Revenue Regulations Nos. 15-2010 and 19-2011

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary Information required under BSP Circular No. 1075 in Note 33, and Revenue Regulations Nos. 15-2010 and 19-2011 on taxes, duties and license fees paid or accrued during the taxable year, taxable income, and deductions in Notes 31 and 32 to the financial statements, are presented for purposes of filing with the BSP and Bureau of Internal Revenue, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of **COMPOSITE WING SAVINGS AND LOAN ASSOCIATION, INC.** The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ALAS, OPLAS & CO., CPAs

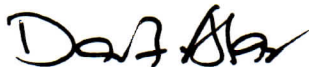
BOA Registration No. 0190, valid from September 4, 2019 to October 30, 2022

SEC A.N. (Firm) 0321-FR-1, issued on February 7, 2019; effective until February 6, 2022

TIN 002-013-406-000

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

By:



DANILO T. ALAS

Partner

CPA License No. 0027120

SEC A.N. (Individual) 1529-AR-1, issued on February 7, 2019; effective until February 6, 2022

TIN 132-466-021-000

BIR A.N. 08-001026-001-2021, issued on January 11, 2021; effective until January 10, 2024

PTR No. 8533764, issued on January 4, 2021, Makati City

March 25, 2021

Makati City, Philippines

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

	Notes	2020	2019
ASSETS			
Cash	8	813,520,480	524,272,636
Financial assets at fair value through other comprehensive income	9	3,500	3,500
Loans receivable – net	10	8,915,487,311	9,263,707,874
Advances to members	11	284,023,728	257,336,437
Property and equipment – net	12	107,594,043	109,937,164
Other assets	13	486,585,006	21,400,176
TOTAL ASSETS		10,607,214,068	10,176,657,787
LIABILITIES AND MEMBERS' EQUITY			
LIABILITIES			
Deposit liabilities	14	2,858,481,846	2,849,683,186
Bills payable	15	1,523,700,278	1,734,982,511
Accrued and other payables	16	400,150,038	292,393,977
Retirement benefit obligation	19	6,985,536	6,537,894
Income tax payable	21	43,928	–
Total Liabilities		4,789,361,626	4,883,597,568
MEMBERS' EQUITY			
Capital contribution	22	3,946,254,365	3,657,229,843
Surplus reserves	23	336,525,087	270,744,597
Surplus free	24	1,548,731,484	1,373,548,022
Actuarial loss on defined benefit plan	19	(13,658,494)	(8,462,243)
Total Members' Equity		5,817,852,442	5,293,060,219
TOTAL LIABILITIES AND MEMBERS' EQUITY		10,607,214,068	10,176,657,787

See Notes to Financial Statements.

COMPOSITE WING SAVINGS AND LOAN ASSOCIATION, INC.
(A Non-Stock Savings and Loan Association)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
In Philippine Peso

	Notes	2020	2019
INTEREST INCOME			
Loans receivable	10	1,249,038,987	1,109,156,936
Bank deposits	8	2,871,266	6,917,702
		1,251,910,253	1,116,074,638
INTEREST EXPENSE			
Deposit liabilities	14	(182,808,166)	(164,825,273)
Bills payable	15	(91,891,322)	(89,348,126)
Lease liability	16	(154,555)	(195,949)
		977,056,210	861,705,290
NET INTEREST INCOME		977,056,210	861,705,290
PROVISION FOR CREDIT LOSSES	25	(11,725,971)	(42,017,841)
NET INTEREST INCOME AFTER PROVISION		965,330,239	819,687,449
OTHER INCOME	20	38,978,455	95,263,404
		1,004,308,694	914,950,853
OPERATING EXPENSES	18	(268,098,883)	(409,463,434)
INCOME BEFORE TAX		736,209,811	505,487,419
INCOME TAX EXPENSE	21	(43,928)	—
INCOME FOR THE YEAR		736,165,883	505,487,419
OTHER COMPREHENSIVE LOSS			
Items that will not be reclassified to statement of comprehensive income:			
Actuarial loss on defined benefit plan	19	(5,196,251)	(5,895,481)
TOTAL COMPREHENSIVE INCOME		730,969,632	499,591,938

See Notes to Financial Statements.

COMPOSITE WING SAVINGS AND LOAN ASSOCIATION, INC.
(A Non-Stock Savings and Loan Association)
STATEMENTS OF CHANGES IN MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
 In Philippine Peso

	Capital contribution (Note 22)	Surplus reserves (Note 23)	Surplus free (Note 24)	Other comprehensive income (loss) (Note 19)	Total members' equity
Balance at December 31, 2018	2,743,949,036	192,478,981	1,374,919,156	(2,566,762)	4,308,780,411
Transaction with members:					
Additional capital contributions	1,151,278,792	-	-	-	1,151,278,792
Withdrawal of capital contribution	(237,997,985)	-	-	-	(237,997,985)
Increase in withdrawable share reserves	-	18,265,616	(18,265,616)	-	-
Increase in reserve for office premises and equipment	-	60,000,000	(60,000,000)	-	-
Dividend declaration	-	-	(399,559,440)	-	(399,559,440)
Distribution of loyalty incentives	-	-	(29,033,497)	-	(29,033,497)
Total transaction with members	913,280,807	78,265,616	(506,858,553)	-	484,687,870
Comprehensive income:					
Income for the year	-	-	505,487,419	-	505,487,419
Actuarial loss on defined benefit plan	-	-	-	(5,895,481)	(5,895,481)
Total comprehensive income	-	-	505,487,419	(5,895,481)	499,591,938
Balance at December 31, 2019	3,657,229,843	270,744,597	1,373,548,022	(8,462,243)	5,293,060,219
Transaction with members:					
Additional capital contributions	407,808,952	-	-	-	407,808,952
Withdrawal of capital contribution	(118,784,430)	-	-	-	(118,784,430)
Increase in withdrawable share reserves	-	5,780,490	(5,780,490)	-	-
Increase in reserve for office premises and equipment	-	60,000,000	(60,000,000)	-	-
Dividend declaration	-	-	(462,821,048)	-	(462,821,048)
Distribution of loyalty incentives	-	-	(32,380,883)	-	(32,380,883)
Total transaction with members	289,024,522	65,780,490	(560,982,421)	-	(206,177,409)
Comprehensive income:					
Income for the year	-	-	736,165,883	-	736,165,883
Actuarial loss on defined benefit plan	-	-	-	(5,196,251)	(5,196,251)
Total comprehensive income	-	-	736,165,883	(5,196,251)	730,969,632
Balance at December 31, 2020	3,946,254,365	336,525,087	1,548,731,484	(13,658,494)	5,817,852,442

See Notes to Financial Statements.

COMPOSITE WING SAVINGS AND LOAN ASSOCIATION, INC.
(A Non-Stock Savings and Loan Association)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
In Philippine Peso

	Notes	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before tax		736,209,811	505,487,419
Adjustments for:			
Provisions for credit losses	25	11,725,971	42,017,841
Depreciation	12,18	10,757,226	9,791,318
Retirement benefit expense	19	7,251,391	58,136,603
Interest expense on lease liability	16	154,555	195,949
Gain on disposal of property and equipment	12,21	(146,428)	–
Gain on cancellation of lease		(1,435)	–
Amortization	13,18	–	13,643
Operating cash flows before working capital changes		765,951,091	615,642,773
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Loans receivable		336,494,592	(2,061,191,684)
Other assets		(465,184,831)	(4,894,232)
Increase in:			
Deposit liabilities		8,798,660	398,580,200
Accrued and other payables		107,944,448	31,897,797
Cash used in operations		754,003,960	(1,019,965,146)
Contributions to the retirement fund	19	(12,000,000)	(60,000,000)
Income tax paid		–	(8,648)
Net cash generated from (used in) operating activities		742,003,960	(1,079,973,794)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property and equipment	12	(6,192,424)	(15,324,123)
Proceeds from sale of property and equipment	12	146,428	–
Net cash used in investing activities		(6,045,996)	(15,324,123)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments made on bills payable	15	(954,282,233)	(1,291,277,778)
Proceeds from availment of bills payable	15	743,000,000	1,770,000,000
Dividends paid	11	(489,508,340)	(421,586,759)
Additional capital contribution	22	407,808,952	1,151,278,792
Withdrawal of capital contribution	22	(118,784,430)	(237,997,985)
Distribution of loyalty incentives	24	(32,380,883)	(29,033,496)
Long-term lease payments	16	(2,563,186)	(1,784,277)
Net cash generated from (used in) financing activities		(446,710,120)	939,598,497
NET INCREASE (DECREASE) IN CASH		289,247,844	(155,699,420)
CASH AT BEGINNING OF YEAR		524,272,636	679,972,056
CASH AT END OF YEAR	8	813,520,480	524,272,636

See Notes to Financial Statements.