



**DEVELOPMENT BANK OF THE PHILIPPINES**

Head Office: Sen. Gil J. Puyat Avenue corner  
Makati Avenue, Makati City, Philippines



14 January 2025

**ATTY. SUZY CLAIRE R. SELLEZA**  
**HEAD - ISSUER COMPLIANCE AND DISCLOSURE DEPARTMENT**  
**PHILIPPINE DEALING & EXCHANGE CORPORATION**  
29<sup>th</sup> Floor, BDO Equitable Tower  
8751 Paseo de Roxas  
Makati City 1226

**SUBJECT: Audited FS – As of 31 December 2023**

**Dear Atty. Selleza:**

Pursuant to the PDEX Issuer Operating Disclosures Guidelines, which requires the submission of the annual financial report 105 days after fiscal year end, we respectfully submit the Audited Financial Statements of the Bank as part of our previous commitment indicated in our initial submission to PDEX dated 04 March 2024.

Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read 'Allen Louis V. Yanza', is written over a faint circular stamp.

**ALLEN LOUIS V. YANZA**  
Associated Person



**CORPORATE GOVERNMENT AUDIT SECTOR  
CLUSTER 1 – BANKING AND CREDIT**

June 28, 2024

**Mr. MICHAEL O. DE JESUS**  
President and CEO  
Development Bank of the Philippines  
Makati City

Dear President De Jesus:

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines, we transmit herewith the Auditor's report on the results of audit of the accounts and transactions of the **Development Bank of the Philippines (DBP)** for the years ended December 31, 2023 and 2022.

The report consists of the Independent Auditor's Report, Audited Financial Statements, Observations and Recommendations, and the Status of Implementation of Prior Years' Audit Recommendations.

The Auditor rendered an unmodified opinion on the fairness of presentation of the financial statements of the DBP for the years ended December 31, 2023 and 2022.

The significant observations and recommendations that need immediate action are as follows:

1. A provision of P400 million was recognized for the Separation and Early Retirement Program (SERP) benefits of DBP personnel, without the approval from the Governance Commission for GOCCs (GCG), hence, the Bank's present obligation was not established as at December 31, 2023, contrary to the 2018 Conceptual Framework for Financial Reporting and Philippine Accounting Standards (PAS) 37, resulting in the overstatement of the balances of Deferred Credits and Other Liabilities and Compensation and Fringe Benefits Expenses accounts by P400 million as at December 31, 2023.

We recommended that Management adjust the provision of P400 million for SERP benefits of DBP personnel since there is no present obligation of the Bank existing as at reporting date, for the faithful representation of the balances of the Deferred Credits and Other Liabilities and Compensation and Fringe Benefits Expenses accounts in the financial statements as at December 31, 2023.

2. Collections from borrowers and payables to suppliers and other creditors totaling P25.841 million as at December 31, 2023, recognized under Accounts Payable, have remained not applied to proper accounts, refunded to payees nor resolved from over 30 days to 10 years, contrary to the DBP Revised Manual of Procedures, DBP Circular No. 01 (OS-CG-01), the 2018 Conceptual Framework for Financial Reporting and PAS

1, resulting in the misstatements of the balances of Accounts Payable, Loans Receivable and other affected accounts by undetermined amount as at December 31, 2023.

We recommended and Management agreed that the Branches/Units/Departments concerned:

- a. Facilitate the reconciliation and verification of accounts for application to borrowers' accounts, refund to payees and settlement of other unresolved payables, including payables with abnormal balances as at reporting date;
- b. Coordinate with the DBP Head Office for the proper disposition of the accounts affected by system limitations;
- c. Prepare the necessary adjustments to correct the balances of the Accounts Payable, Loans Receivable and other affected accounts in the financial statements as at December 31, 2023; and
- d. Adhere to paragraphs B.2.4, B.2.5 and B.2.6 of DBP Circular No. 01 on the sending of formal notices to creditors, monitoring of replies and reclassification of unclaimed Accounts Payable to Miscellaneous Income.

3. Receivables totaling P9.327 million have remained outstanding from over one year to 22 years in DBP Regional Branches due to the non-implementation of appropriate legal remedies or actions to recover these receivables, contrary to the DBP Manual of Operations and COA Circular No. 2023-008 dated August 17, 2023, thereby depriving the Bank of additional funds that could be used for its operations.

We recommended and Management agreed to require the DBP Regional Branches concerned to:

- a. Exhaust all available remedies and implement appropriate actions to collect the long outstanding accounts receivable of the Bank; and
- b. Evaluate and identify dormant receivable accounts aged 10 years or more, where efforts to collect proved futile despite exhausting all possible means, and consider filing a request for authority to write off pursuant to COA Circular No. 2023-008 or relevant DBP policies.

The audit observations together with the recommended courses of action, which were discussed by the Audit Team with concerned Management officials and staff during the exit conference conducted on May 30, 2024, are presented in detail in Part II of the report.

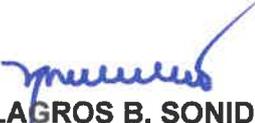
We respectfully request that the recommendations contained in Part II of the report be implemented and that this Commission be informed of the actions taken thereon by submitting the Agency Action Plan and Status of Implementation within 60 days from date of receipt.

We acknowledge the support and cooperation that Management extended to the Audit Team, thus facilitating the completion of the report.

Very truly yours,

**COMMISSION ON AUDIT**

By:

  
**MILAGROS B. SONIDO**  
**Director IV**  
**Cluster Director**

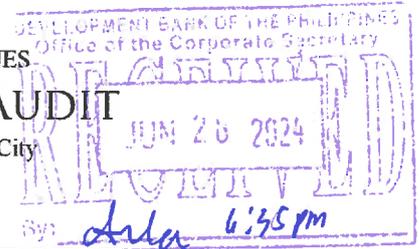
Copy Furnished:

The President of the Philippines  
The Vice President  
The President of the Senate  
The Speaker of the House of Representatives  
The Chairperson – Senate Finance Committee

The Chairperson – Appropriations Committee  
The Secretary of the Department of Budget and Management  
The Governance Commission of Government-Owned or-Controlled Corporations  
The National Library  
The UP Law Center



REPUBLIC OF THE PHILIPPINES  
**COMMISSION ON AUDIT**  
Commonwealth Avenue, Quezon City



**CORPORATE GOVERNMENT AUDIT SECTOR  
CLUSTER 1 – BANKING AND CREDIT**

June 28, 2024

**THE BOARD OF DIRECTORS**  
Development Bank of the Philippines  
Makati City

Gentlemen:

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines, we transmit herewith the Auditor's report on the results of audit of the accounts and transactions of the **Development Bank of the Philippines (DBP)** for the years ended December 31, 2023 and 2022.

The report consists of the Independent Auditor's Report, Audited Financial Statements, Observations and Recommendations, and the Status of Implementation of Prior Years' Audit Recommendations.

The Auditor rendered an unmodified opinion on the fairness of presentation of the financial statements of the DBP for the years ended December 31, 2023 and 2022.

The significant observations and recommendations that need immediate action are as follows:

1. A provision of P400 million was recognized for the Separation and Early Retirement Program (SERP) benefits of DBP personnel, without the approval from the Governance Commission for GOCCs (GCG), hence, the Bank's present obligation was not established as at December 31, 2023, contrary to the 2018 Conceptual Framework for Financial Reporting and Philippine Accounting Standards (PAS) 37, resulting in the overstatement of the balances of Deferred Credits and Other Liabilities and Compensation and Fringe Benefits Expenses accounts by P400 million as at December 31, 2023.

We recommended that Management adjust the provision of P400 million for SERP benefits of DBP personnel since there is no present obligation of the Bank existing as at reporting date, for the faithful representation of the balances of the Deferred Credits and Other Liabilities and Compensation and Fringe Benefits Expenses accounts in the financial statements as at December 31, 2023.

2. Collections from borrowers and payables to suppliers and other creditors totaling P25.841 million as at December 31, 2023, recognized under Accounts Payable, have remained not applied to proper accounts, refunded to payees nor resolved from over 30 days to 10 years, contrary to the DBP Revised Manual of Procedures, DBP Circular No. 01 (OS-CG-01), the 2018 Conceptual Framework for Financial Reporting and PAS 1, resulting in the misstatements of the balances of Accounts Payable, Loans

Receivable and other affected accounts by undetermined amount as at December 31, 2023.

We recommended and Management agreed that the Branches/Units/Departments concerned:

- a. Facilitate the reconciliation and verification of accounts for application to borrowers' accounts, refund to payees and settlement of other unresolved payables, including payables with abnormal balances as at reporting date;
- b. Coordinate with the DBP Head Office for the proper disposition of the accounts affected by system limitations;
- c. Prepare the necessary adjustments to correct the balances of the Accounts Payable, Loans Receivable and other affected accounts in the financial statements as at December 31, 2023; and
- d. Adhere to paragraphs B.2.4, B.2.5 and B.2.6 of DBP Circular No. 01 on the sending of formal notices to creditors, monitoring of replies and reclassification of unclaimed Accounts Payable to Miscellaneous Income.

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We recommended and Management agreed to require the DBP Regional Branches concerned to:

- a. Exhaust all available remedies and implement appropriate actions to collect the long outstanding accounts receivable of the Bank; and
- b. Evaluate and identify dormant receivable accounts aged 10 years or more, where efforts to collect proved futile despite exhausting all possible means, and consider filing a request for authority to write off pursuant to COA Circular No. 2023-008 or relevant DBP policies.

The audit observations together with the recommended courses of action, which were discussed by the Audit Team with concerned Management officials and staff during the exit conference conducted on May 30, 2024, are presented in detail in Part II of the report.

In a letter of even date, we requested the President and CEO of DBP that the recommendations contained in Part II of the report be implemented and that this Commission be informed of the actions taken thereon within 60 days from date of receipt.

We acknowledge the support and cooperation that Management extended to the Audit Team, thus facilitating the completion of the report.

Very truly yours,

**COMMISSION ON AUDIT**

By:



**MILAGROS B. SONIDO**  
**Director IV**  
**Cluster Director**

Copy Furnished:

The President of the Philippines  
The Vice President  
The President of the Senate  
The Speaker of the House of Representatives  
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The Secretary of the Department of Budget and Management  
The Governance Commission of Government-Owned or-Controlled Corporations  
The National Library  
The UP Law Center



*Republic of the Philippines*  
**COMMISSION ON AUDIT**  
*Commonwealth Ave., Quezon City*

# **ANNUAL AUDIT REPORT**

**on the**

**DEVELOPMENT BANK OF THE  
PHILIPPINES**

**For the years ended December 31, 2023 and 2022**

## EXECUTIVE SUMMARY

### INTRODUCTION

The Development Bank of the Philippines (DBP or the “Parent Bank”), created under Republic Act No. 85, as amended by Executive Order No. 81 dated December 3, 1986, primarily provides banking services principally to cater to the medium and long-term financing needs of agricultural and industrial enterprises particularly in the countryside with emphasis on small and medium-scale industries. The Parent Bank also provides financial assistance to participating financial institutions for on-lending to investment enterprises and direct to borrowers as may be required by its catalytic role in the economy. It is likewise involved in other activities including investments in government and private financial instruments.

The Bangko Sentral ng Pilipinas (BSP), in its letter dated December 20, 1995, granted the Parent Bank the permit to operate as an expanded commercial bank (EKB). The Parent Bank commenced operation as an EKB on February 7, 1996.

The Parent Bank and its subsidiaries referred to as the Group are engaged in development banking, financing, management services, computer services, leasing and remittance services.

The Parent Bank’s principal place of business is at Sen. Gil J. Puyat Avenue Corner Makati Avenue, Makati City.

As of December 31, 2023, the Group had 3,334 employees, operated 140 branches with 14 branch lite units, and installed a total of 903 Automated Teller Machines nationwide.

### SCOPE AND OBJECTIVES OF AUDIT

The audit covered the examination, on test basis, of the accounts and transactions of DBP and its subsidiaries for the period January 1 to December 31, 2023 in accordance with the International Standards of Supreme Audit Institutions to enable us to express an opinion on the fairness of presentation of DBP and its subsidiaries (Group) and DBP (Parent Bank) financial statements for the years ended December 31, 2023 and 2022. Also, we conducted our audit to assess compliance with pertinent laws, rules and regulations as well as adherence to prescribed policies and procedures.

### FINANCIAL HIGHLIGHTS

#### I. Comparative Financial Position (In thousand pesos)

	Group			Parent		
	2023	2022 As restated	Increase/ (Decrease)	2023	2022 As restated	Increase/ (Decrease)
Total assets	987,113,422	1,046,773,762	(59,660,340)	984,024,041	1,044,344,157	(60,320,116)
Total liabilities	902,003,734	968,556,713	(66,552,979)	899,302,833	965,718,468	(66,415,635)
Total Equity	85,109,688	78,217,049	6,892,639	84,721,208	78,625,689	6,095,519

## II. Comparative Results of Operations (In thousand pesos)

	Group			Parent		
	2023	2022 As restated	Increase (Decrease)	2023	2022 As restated	Increase/ (Decrease)
Interest Income	46,801,031	37,035,037	9,765,994	46,723,311	36,959,708	9,763,603
Interest expense	(23,417,874)	(12,746,979)	(10,670,895)	(23,341,351)	(12,686,679)	(10,654,672)
Provision for Impairment	(6,421,311)	(7,815,931)	1,394,620	(7,066,380)	(7,803,850)	737,470
Other income	6,829,563	4,332,193	2,497,370	6,244,369	4,048,416	2,195,953
Compensation and fringe benefits	(6,789,157)	(6,315,467)	(473,690)	(6,440,234)	(6,024,392)	(415,842)
Maintenance and other operating expenses	(9,669,141)	(9,751,444)	82,303	(9,583,706)	(9,687,122)	103,416
Provision for income tax	(577,931)	(800,773)	222,842	(602,016)	(799,108)	197,092
Net income for the year	6,755,180	3,936,636	2,818,544	5,933,993	4,006,973	1,927,020
Other comprehensive income/(loss)	141,485	(2,572,122)	2,713,607	161,526	(2,574,224)	2,735,750
<b>Comprehensive income for the year</b>	<b>6,896,665</b>	<b>1,364,514</b>	<b>5,532,151</b>	<b>6,095,519</b>	<b>1,432,749</b>	<b>4,662,770</b>

## III. Budget and Actual Expenditures (In thousand pesos)

The total corporate operating budget and the corresponding expenditures of the Parent are broken down as follows:

	2023		2022	
	Budget	Actual Expenditures	Budget	Actual Expenditures
Personal services	7,104,530	6,401,102	6,641,043	6,259,808
Maintenance and other operating expenses	12,783,392	8,957,659	11,806,776	9,203,453
Capital expenditures	4,619,075	242,485	2,276,837	391,938
<b>Total</b>	<b>24,506,997</b>	<b>15,601,246</b>	<b>20,724,656</b>	<b>15,855,199</b>

## INDEPENDENT AUDITOR'S OPINION

The Auditor rendered an unmodified opinion with emphasis of the matter on the fairness of presentation of the DBP and its subsidiaries (Group) and DBP (Parent Bank) financial statements for the years ended December 31, 2023 and 2022.

## SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

1. A provision of P400 million was recognized for the Separation and Early Retirement Program (SERP) benefits of DBP personnel, without the approval from the Governance Commission for GOCCs (GCG), hence, the Bank's present obligation was not established as at December 31, 2023, contrary to the 2018 Conceptual Framework for Financial Reporting and Philippine Accounting Standards (PAS) 37, resulting in the overstatement of the balances of Deferred Credits and Other Liabilities and Compensation and Fringe Benefits Expenses accounts by P400 million as at December 31, 2023.

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We recommended and Management agreed that the Branches/Units/Departments concerned:

- a. Facilitate the reconciliation and verification of accounts for application to borrowers' accounts, refund to payees and settlement of other unresolved payables, including payables with abnormal balances as at reporting date;
- b. Coordinate with the DBP Head Office for the proper disposition of the accounts affected by system limitations;
- c. Prepare the necessary adjustments to correct the balances of the Accounts Payable, Loans Receivable other affected accounts in the financial statements as at December 31, 2023; and
- d. Adhere to paragraphs B.2.4, B.2.5 and B.2.6 of DBP Circular No. 01 on the sending of formal notices to creditors, monitoring of replies and reclassification of unclaimed Accounts Payable to Miscellaneous Income.

## **SUMMARY OF SUSPENSIONS, DISALLOWANCES AND CHARGES**

As at December 31, 2023, total disallowances and charges amounted to P1.011 billion and P1.289 billion, respectively. There was no audit suspension as at December 31, 2023.

## **STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS**

Out of the 25 audit recommendations embodied in the prior years' Annual Audit Reports, 16 were implemented, and nine were not implemented and are reiterated in Part II of this report.

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# **PART I - AUDITED FINANCIAL STATEMENTS**

## **PART II - OBSERVATIONS AND RECOMMENDATIONS**

**PART III - STATUS OF IMPLEMENTATION OF  
PRIOR YEARS' AUDIT RECOMMENDATIONS**

# **ANNEX**



**REPUBLIC OF THE PHILIPPINES  
COMMISSION ON AUDIT  
Corporate Government Audit Sector  
Cluster I – Banking and Credit**

**INDEPENDENT AUDITOR'S REPORT**

**The Board of Directors  
Development Bank of the Philippines  
Makati City**

**Report on the Audit of Financial Statements**

**Opinion**

We have audited the financial statements of the **Development Bank of the Philippines (DBP)** and its subsidiaries (the Group), and of DBP (Parent Bank), which comprise the statements of financial position as at December 31, 2023 and 2022, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Group and of the Parent Bank as at December 31, 2023 and 2022, and their financial performance and their cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting reliefs issued by the Bangko Sentral ng Pilipinas (BSP) and approved by the Securities and Exchange Commission (SEC), as described in Note 2.2 to the financial statements.

**Basis for Opinion**

We conducted our audits in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group and of the Parent Bank in accordance with the Revised Code of Conduct and Ethical Standards for Commission on Audit Officials and Employees (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Emphasis of Matters**

We draw attention to Note 2.2 to the financial statements, which states that the financial statements have been prepared in accordance with the PFRSs, as modified by the application of the financial reporting reliefs issued by the BSP and approved by the SEC in response to the COVID-19 pandemic. The impact of the application of the financial

reporting reliefs on the financial statements as at December 31, 2023 and 2022 is discussed in detail in Note 2.2.1 to the financial statements.

Also, we draw attention to Note 2.18 - Capitalized Interest and Other Charges (CIOC) on Restructured Loans, which states that any increase in the face amount of the loans resulting from accrued interest and accumulated charges which have been capitalized or made part of the principal or restructured loans are booked under Other Deferred Credits - CIOC and shall be amortized/credited to income using the effective interest method in accordance with the BSP's Financial Reporting Package.

Our opinion is not modified in respect of these matters.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, as modified by the application of the financial reporting reliefs issued by the BSP and approved by the SEC, as described in Note 2.2 to the financial statements, 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 Group's and the Parent Bank'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 Group and the Parent Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and the Parent Bank's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 ISSAIs, 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 Group's and the Parent Bank'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 Group's and the Parent Bank'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 Group and the Parent Bank 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 accordance with PFRSs, as modified by the application of the financial reporting reliefs issued by the BSP and approved by the SEC, as described in Note 2.2 to the financial statements.

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.

### **Report on Other Regulatory Requirements**

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under the Revenue Regulations No. 15-2010 in Note 47 and the BSP Circular No. 1074 in Notes 5, 15, 40 and 45 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and the BSP, respectively, and is not a required part of the basic financial statements. Such supplementary information is the responsibility of the management of the Parent Bank and has been subjected to the auditing procedures applied in our audits 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**

  
**NIDA A. SINGSON**  
OIC, Supervising Auditor

June 19, 2024



DEVELOPMENT BANK OF THE PHILIPPINES  
Head Office: Sen. Gil J. Puyat Avenue corner  
Makati Avenue, Makati City, Philippines



BAGONG PILIPINAS

June 19, 2024

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of the Development Bank of the Philippines and Subsidiaries (the Group) and of the Development Bank of the Philippines (the Parent) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2023 and 2022, in accordance with the prescribed financial reporting framework indicated therein, 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.

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

The Board of Directors is responsible for overseeing the Group's and the Parent's financial reporting processes.

The Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the regulators, creditors, and other users.

The Commission on Audit has audited the financial statements of the Group and of the Parent in accordance with the International Standards of Supreme Audit Institutions, and in its report to the Board of Directors, has expressed its opinion on the fairness of the presentation upon completion of such audit.

**PHILIP G. LO**  
Chairman of the Board

**MICHAEL O. DE JESUS**  
President and Chief Executive Officer

**CATHERINE T. MAGANA**  
Senior Vice President  
Officer-in-Charge, Operations Sector

**DEVELOPMENT BANK OF THE PHILIPPINES**  
**STATEMENTS OF FINANCIAL POSITION**  
As at December 31, 2023 and 2022  
(In thousand pesos)

	Note	Group		Parent Bank	
		2023	2022 As restated	2023	2022 As restated
<b>ASSETS</b>					
Cash and other cash items	7	5,999,317	6,412,239	5,980,293	6,397,601
Due from Bangko Sentral ng Pilipinas	8	76,109,867	125,147,543	75,774,099	124,853,077
Due from other banks	9	10,231,396	9,624,316	10,227,868	9,623,603
Interbank loans receivable	10	10,246,972	22,916,233	10,246,972	22,916,233
Securities purchased under agreement to resell	11	42,907,022	27,662,401	42,807,134	27,555,388
Financial assets at fair value through profit or loss (FVTPL)	12	2,664,026	2,809,824	2,664,026	2,809,824
Financial assets at fair value through other comprehensive income (FVOCI)	13	42,207,510	39,763,065	42,172,324	39,708,212
Financial assets at amortized cost (Held to collect)	14	262,892,553	282,774,597	262,771,117	282,741,699
Financial assets at amortized cost (Loans and receivables, net)	15	486,237,941	509,642,705	483,305,972	506,325,969
Bank premises, furniture, fixtures and equipment - net	16	2,394,203	2,488,671	2,384,914	2,477,160
Rights-of-use assets - net	17	643,225	471,561	632,862	452,461
Investment property - net	18	1,652,005	1,584,549	1,604,038	1,550,246
Equity investment in subsidiaries - net	19	0	0	949,931	1,810,853
Equity investment in associates and joint venture - net	20	215,433	231,076	50,531	50,531
Non-current assets held for sale - net		205,175	218,256	205,175	218,256
Deferred tax assets	22	7,639,280	5,360,683	7,502,739	5,308,410
Intangible assets - net	23	190,434	239,148	188,508	237,161
Other assets - net	24	34,677,063	9,426,895	34,555,538	9,307,473
<b>TOTAL ASSETS</b>		<b>987,113,422</b>	<b>1,046,773,762</b>	<b>984,024,041</b>	<b>1,044,344,157</b>
<b>LIABILITIES AND EQUITY</b>					
Liabilities					
<b>Deposit liabilities</b>					
Bills payable	25	775,346,569	825,627,450	774,884,254	825,156,874
Official Development Assistance (ODA)		30,276,018	35,661,650	30,276,018	35,661,650
Non-ODA		26,175,849	35,585,125	25,256,626	34,424,360
		56,451,867	71,246,775	55,532,644	70,086,010
Bonds payable	27	32,376,486	28,593,260	32,376,486	28,593,260
Manager's checks and demand drafts outstanding	29	193,639	221,125	192,461	217,613
Accrued taxes, interests and expenses	30	10,955,349	8,048,483	10,547,174	7,753,471
Unsecured subordinated debt	31	0	10,000,000	0	10,000,000
Deferred credits and other liabilities	32	26,679,824	24,819,620	25,769,814	23,911,240
<b>TOTAL LIABILITIES</b>		<b>902,003,734</b>	<b>968,556,713</b>	<b>899,302,833</b>	<b>965,718,468</b>
<b>EQUITY</b>					
Capital stock	33	32,000,000	32,000,000	32,000,000	32,000,000
Retained earnings		54,125,518	47,375,556	53,774,603	47,841,726
Retained earnings reserves	34	266,498	265,382	246,498	245,382
Accumulated other comprehensive income/(loss)	35	(1,281,941)	(1,423,428)	(1,299,893)	(1,461,419)
		85,110,075	78,217,510	84,721,208	78,625,689
Non-controlling interest		(387)	(461)	0	0
<b>TOTAL EQUITY</b>		<b>85,109,688</b>	<b>78,217,049</b>	<b>84,721,208</b>	<b>78,625,689</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>987,113,422</b>	<b>1,046,773,762</b>	<b>984,024,041</b>	<b>1,044,344,157</b>

The Notes on pages 10 to 126 form part of these financial statements.

**DEVELOPMENT BANK OF THE PHILIPPINES**  
**STATEMENTS OF PROFIT OR LOSS**  
For the years ended December 31, 2023 and 2022  
(In thousand pesos)

	Note	Group		Parent Bank	
		2023	2022 As restated	2023	2022 As restated
<b>INTEREST INCOME</b>					
Loans and receivables		29,917,818	22,563,215	29,855,939	22,498,948
Financial assets - debt securities		13,355,698	11,559,337	13,352,817	11,557,398
Deposits with banks		1,253,879	1,749,017	1,248,250	1,743,176
Interbank loans receivable/Securities purchased under agreement to resell		2,273,636	1,163,468	2,266,305	1,160,186
		<b>46,801,031</b>	<b>37,035,037</b>	<b>46,723,311</b>	<b>36,959,708</b>
<b>INTEREST EXPENSE</b>					
Bills payable and other borrowings					
ODA Borrowings		(1,594,014)	(1,658,363)	(1,594,013)	(1,658,363)
Other Borrowings		(2,667,856)	(2,375,447)	(2,590,081)	(2,314,919)
Deposits		(19,156,004)	(8,713,169)	(19,157,257)	(8,713,397)
		<b>(23,417,874)</b>	<b>(12,746,979)</b>	<b>(23,341,351)</b>	<b>(12,686,679)</b>
<b>NET INTEREST INCOME</b>		<b>23,383,157</b>	<b>24,288,058</b>	<b>23,381,960</b>	<b>24,273,029</b>
Provision for impairment	21	(6,421,311)	(7,815,931)	(7,066,380)	(7,803,850)
<b>NET INTEREST INCOME AFTER PROVISION FOR IMPAIRMENT</b>		<b>16,961,846</b>	<b>16,472,127</b>	<b>16,315,580</b>	<b>16,469,179</b>
<b>OTHER INCOME</b>					
Profits/(loss) from investment and securities trading		419,096	(190,167)	419,096	(190,167)
Foreign exchange profit/(loss)		2,717,372	1,852,152	2,717,372	1,852,152
Service charges, fees and commissions	36	1,874,852	1,586,438	1,604,913	1,396,624
Dividends - equity investments		212,072	294,781	246,854	298,724
Miscellaneous income	37	1,606,171	788,989	1,256,134	691,083
		<b>6,829,563</b>	<b>4,332,193</b>	<b>6,244,369</b>	<b>4,048,416</b>
<b>OTHER EXPENSES</b>					
Compensation and fringe benefits		(6,789,157)	(6,315,467)	(6,440,234)	(6,024,392)
Taxes and licenses	39,47	(4,888,339)	(4,918,148)	(4,845,822)	(4,898,128)
Occupancy expenses		(58,358)	(136,843)	(51,720)	(133,117)
Other operating expenses	38	(4,722,444)	(4,696,453)	(4,686,164)	(4,655,877)
		<b>(16,458,298)</b>	<b>(16,066,911)</b>	<b>(16,023,940)</b>	<b>(15,711,514)</b>
Net Income before tax		7,333,111	4,737,409	6,536,009	4,806,081
Provision for income tax	39	(577,931)	(800,773)	(602,016)	(799,108)
<b>NET INCOME FOR THE YEAR</b>		<b>6,755,180</b>	<b>3,936,636</b>	<b>5,933,993</b>	<b>4,006,973</b>
Attributable to:					
Equity holder of DBP		6,755,222	3,936,690		
Non-controlling interest		(42)	(54)		
		<b>6,755,180</b>	<b>3,936,636</b>		

The Notes on pages 10 to 126 form part of these financial statements.

**DEVELOPMENT BANK OF THE PHILIPPINES**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
For the years ended December 31, 2023 and 2022  
(In thousand pesos)

	Note	Group		Parent Bank	
		2023	2022 As restated	2023	2022 As restated
<b>NET INCOME FOR THE YEAR</b>		6,755,180	3,936,636	5,933,993	4,006,973
<b>Other comprehensive income/(loss)</b>					
Items that may be reclassified subsequently to profit or loss:					
<i>Debt instruments at FVOCI</i>					
Net change in fair value during the year	35	1,064,784	(2,706,004)	1,064,784	(2,706,004)
Items that will not be reclassified subsequently to profit or loss:					
<i>Equity instruments at FVOCI</i>					
Net change in fair value during the year	35	(914,132)	(50,967)	(894,467)	(50,938)
<i>Cumulative Foreign Currency Translation</i>	35	(8,791)	182,718	(8,791)	182,718
<i>Remeasurement Gain on Pension Benefit Payable</i>	35	(374)	2,124		
Total Other Comprehensive Income/(Loss)		141,487	(2,572,129)	161,526	(2,574,224)
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>6,896,667</b>	<b>1,364,507</b>	<b>6,095,519</b>	<b>1,432,749</b>
Attributable to:					
Equity Holder of DBP		6,896,711	1,364,554		
Non-controlling interest		(44)	(47)		
		<b>6,896,667</b>	<b>1,364,507</b>		

The Notes on pages 10 to 126 form part of these financial statements.

DEVELOPMENT BANK OF THE PHILIPPINES  
STATEMENTS OF CHANGES IN EQUITY  
For the years ended December 31, 2023 and 2022  
(In thousand pesos, except per share amounts)

Group						
Attributable to the Equity holder of DBP						
Note	Capital Stock (Note 33)	Retained Earnings	Retained Earnings Reserves (Note 34)	Accumulated Other Comprehensive Income/(Loss) (Note 35)	Non- Controlling Interest	Total
<b>BALANCE AT JANUARY 1, 2022</b>	32,000,000	44,695,504	262,950	1,148,701	(521)	78,106,634
<b>Cumulative effect of prior period adjustments</b>	48		(1,250,117)		107	(1,250,010)
<b>RESTATED BALANCE AT JANUARY 1, 2022</b>	32,000,000	43,445,387	262,950	1,148,701	(414)	76,856,624
<b>Total Comprehensive income, net of tax</b>						
Net Income for the year, as restated		3,936,690			(54)	3,936,636
Net change in fair value of debt instrument at FVOCI				(2,706,004)		(2,706,004)
Net change in fair value of equity instrument at FVOCI				(50,967)	7	(50,960)
Cumulative Foreign Currency Translation				182,718		182,718
Remeasurement of Net Defined Benefit Liability/(Asset)				2,124		2,124
	0	3,936,690	0	(2,572,129)	(47)	1,364,514
<b>Dividends</b>						
Reclassification to (from) Surplus Free						
Set up of reserve for Trust Business			(4,089)			(4,089)
	0		(4,089)			(4,089)
<b>RESTATED BALANCE AT DECEMBER 31, 2022</b>	32,000,000	47,375,556	265,382	(1,423,428)	(461)	78,217,049
<b>Total Comprehensive income, net of tax</b>						
Net Income for the year		6,755,222			(42)	6,755,180
Net change in fair value of debt instrument at FVOCI				1,064,784		1,064,784
Net change in fair value of equity instrument at FVOCI				(914,132)	(2)	(914,134)
Cumulative Foreign Currency Translation				(8,791)		(8,791)
Remeasurement of Net Defined Benefit Liability/(Asset)				(374)		(374)
	0	6,755,222	0	141,487	(44)	6,896,665
<b>Dividends</b>						
Reclassification to (from) Surplus Free						
Set up of reserve for Trust Business			(4,026)			(4,026)
<b>Adjustment</b>						
Set up of reserve for Trust Business			(1,116)	1,116		0
			(118)		118	0
	0	(5,260)	1,116	0	118	(4,026)
<b>BALANCE AT DECEMBER 31, 2023</b>	32,000,000	54,125,518	266,498	(1,281,941)	(387)	85,109,688
<b>Parent Bank</b>						
<b>BALANCE AT JANUARY 1, 2022</b>	32,000,000	45,675,283	242,950	1,112,805		79,031,038
<b>Cumulative effect of prior period adjustments</b>	48		(1,838,098)			(1,838,098)
<b>RESTATED BALANCE AT JANUARY 1, 2022</b>	32,000,000	43,837,185	242,950	1,112,805		77,192,940
<b>Total Comprehensive income, net of tax</b>						
Net Income for the year, as restated		4,006,973				4,006,973
Net change in fair value of debt instrument at FVOCI				(2,706,004)		(2,706,004)
Net change in fair value of equity instrument at FVOCI				(50,938)		(50,938)
Cumulative Foreign Currency Translation				182,718		182,718
	0	4,006,973	0	(2,574,224)		1,432,749
<b>Reclassification to (from) Surplus Free</b>						
Set up of reserve for Trust Business			(2,432)	2,432		0
	0		(2,432)	2,432	0	0
<b>RESTATED BALANCE AT DECEMBER 31, 2022</b>	32,000,000	47,841,726	245,382	(1,461,419)	0	78,625,689
<b>Total Comprehensive income, net of tax</b>						
Net Income for the year		5,933,993				5,933,993
Net change in fair value of debt instrument at FVOCI				1,064,784		1,064,784
Net change in fair value of equity instrument at FVOCI				(894,467)		(894,467)
Cumulative Foreign Currency Translation				(8,791)		(8,791)
	0	5,933,993	0	161,526		6,095,519
<b>Reclassification to (from) Surplus Free</b>						
Set up of reserve for Trust Business			(1,116)	1,116		0
	0		(1,116)	1,116	0	0
<b>BALANCE AT DECEMBER 31, 2023</b>	32,000,000	53,774,603	246,498	(1,299,893)	0	84,721,208

The Notes on pages 10 to 126 form part of these financial statements.

**DEVELOPMENT BANK OF THE PHILIPPINES**  
**STATEMENTS OF CASH FLOWS**  
For the years ended December 31, 2023 and 2022  
(In thousand pesos)

	Note	Group		Parent Bank	
		2023	2022 As restated	2023	2022 As restated
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Interest income received		47,449,369	37,026,005	47,357,049	37,094,203
Interest expense paid		(20,416,786)	(12,374,963)	(20,340,284)	(12,314,643)
Bank commission, service charges and fees received		1,874,881	1,587,263	1,604,942	1,397,449
Profits from investment and securities trading		393,837	(180,423)	393,837	(180,423)
Dividend and other income		2,040,709	2,007,934	1,785,786	1,747,908
General and administrative expenses paid		(15,341,021)	(14,427,437)	(15,031,984)	(14,094,157)
Changes in operating assets and liabilities:					
(Increase) Decrease in operating assets:					
Financial assets - FVTPL		109,606	2,960,991	109,606	2,960,991
Financial assets at Amortized Cost (Loans and receivables, net)		17,771,993	(56,723,227)	17,681,483	(56,310,221)
Non-current assets held for sale		27,888	(17,660)	27,888	(20,563)
Other assets		(654,639)	831,672	(643,616)	497,130
Increase (Decrease) in operating liabilities:					
Deposit liabilities		(50,177,711)	(121,552,265)	(50,169,450)	(121,694,336)
Due to Bangko Sentral ng Pilipinas/other banks		0	(152)	0	(152)
Manager's checks and demand drafts outstanding		(27,486)	(210,905)	14,778	(206,856)
Accrued taxes, interest and expenses		2,934,618	2,022,194	2,821,455	2,019,909
Deferred credits and other liabilities		(406,764)	(3,405,932)	(398,045)	(3,497,819)
Cash generated from operating activities		(14,421,506)	(162,456,905)	(14,786,555)	(162,601,580)
Income taxes paid		(3,559,606)	(2,255,939)	(3,500,477)	(2,253,930)
Net cash used in operating activities		(17,981,112)	(164,712,844)	(18,287,032)	(164,855,510)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
(Increase) Decrease in:					
Financial assets - FVOCI		(2,432,644)	(9,353,766)	(2,432,644)	(9,353,766)
Financial assets at Amortized Cost (HTC)		18,164,836	(20,834,903)	18,258,152	(20,856,804)
Equity investment in subsidiaries		0	0	(77,000)	(35,000)
Equity investment in associates and joint ventures		15,643	(14,896)	0	0
Bank premises, furnitures, fixtures and equipment		(187,341)	(186,428)	(179,487)	(177,907)
Investment properties		(162,060)	(463,645)	(148,398)	(428,318)
Intangible assets		59	(6,478)	(3,290)	(1,567)
Contribution to the Maharliika Investment Fund		(25,000,000)	0	(25,000,000)	0
Net cash used in investing activities		(9,601,507)	(30,860,116)	(9,582,667)	(30,853,362)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Increase (Decrease) in:					
Borrowings		(12,055,479)	750,745	(11,813,936)	1,001,231
Bonds Payable		3,875,000	(9,000,000)	3,875,000	(9,000,000)
Payment of matured Unsecured Subordinated		(10,000,000)	0	(10,000,000)	0
Cash dividends paid		(4,026)	(4,088)	0	0
Net cash used in financing activities		(18,184,505)	(8,253,343)	(17,938,936)	(7,998,769)
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>					
		(482,375)	3,295,836	(482,375)	3,295,836
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(46,249,499)</b>	<b>(200,530,467)</b>	<b>(46,291,010)</b>	<b>(200,411,805)</b>
Cash and cash equivalents, beginning of the year		191,724,229	392,254,696	191,307,658	391,719,463
<b>CASH AND CASH EQUIVALENTS, end of the year</b>	<b>7</b>	<b>145,474,730</b>	<b>191,724,229</b>	<b>145,016,648</b>	<b>191,307,658</b>

The Notes on pages 10 to 126 form part of these financial statements.

**DEVELOPMENT BANK OF THE PHILIPPINES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023 and 2022**

(All amounts in thousand pesos unless otherwise stated)

**1. General Information**

1.1 Incorporation and Operations

The Development Bank of the Philippines (DBP or the “Parent Bank”), created under Republic Act (RA) No. 85, as amended by Executive Order No. 81 dated December 3, 1986, primarily provides banking services principally to cater to the medium and long-term financing needs of agricultural and industrial enterprises particularly in the countryside with emphasis on small and medium-scale industries. The Parent Bank also provides financial assistance to participating financial institutions for on-lending to investment enterprises and direct to borrowers as may be required by its catalytic role in the economy. It is likewise involved in other activities including investments in government and private financial instruments.

The Bangko Sentral ng Pilipinas (BSP), in its letter dated December 20, 1995, granted the Parent Bank the permit to operate as an expanded commercial bank (EKB). The Parent Bank commenced operation as an EKB on February 7, 1996.

The Parent Bank and its subsidiaries referred to as the Group are engaged in development banking, financing, management services, computer services, leasing and remittance services.

The Parent Bank's principal place of business is at Sen. Gil J. Puyat Avenue corner Makati Avenue, Makati City.

As of December 31, 2023, the Group had 3,334 employees, operated 140 branches with 14 branch lite units and installed a total of 903 ATMs nationwide.

1.2 Approval of Financial Statements

These financial statements have been approved and authorized for issuance by the Board of Directors (BOD) of the Parent Bank on June 19, 2024 under Board Resolution No. 0245.

**2. Material Accounting Policies**

2.1 Basis of Financial Statement Preparation

The financial statements comprise the statements of financial position, the statements of profit or loss and other comprehensive income presented as two statements, the statements of changes in equity, the statements of cash flows and the notes.

These financial statements have been prepared on a historical cost basis except for Financial Assets and Financial Liabilities at Fair Value Through Profit or Loss (FVTPL),

Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI), derivative financial instruments and real and other properties owned that have been measured at fair value.

The accompanying financial statements of the Parent Bank reflect the accounts maintained in the Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU).

The preparation of financial statements in conformity with Philippine Financial Reporting Standards (PFRSs) requires the use of certain critical accounting estimates. It also requires the Group to exercise its judgment in applying the accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

## 2.2 Statement of Compliance

The Group's consolidated financial statements have been prepared in accordance with PFRSs, as modified by the application of the following reliefs issued by the BSP and approved by the Securities and Exchange Commission in response to the COVID-19 pandemic.

As contained in Board Resolution No. 0297 dated May 20, 2020, the BOD of the Parent Bank approved the Parent Bank's availment of the temporary regulatory and operational relief measures as detailed in BSP Memoranda Nos. M-2020-008, 011 and 033 dated March 14, 19 and April 27, 2020, respectively.

### 2.2.1 Updates on Staggered Booking

The Parent Bank's application for the relief measures was approved by the BSP per its letter dated June 11, 2020. It includes, among others, the temporary operational and relief measure on the staggered booking of allowance for credit losses (ACL). After the Parent Bank submitted additional documents to BSP for evaluation, on October 4, 2021, BSP approved the Parent Bank's request for staggered booking of ACL amounting to P3,281 million covering 149 borrowers, subject to the condition that the Parent Bank shall immediately recognize the ACL amounting to P656 million, which is equivalent to the ACL that should be recognized in the first year of the five-year period, while the equal annual booking of P656 million within the period of five years, or until December 31, 2025.

The Parent Bank recorded the third tranche of staggered booking of P656 million in CY 2023, with the remaining unbooked balance amounted to P1,313 million as at end CY 2023. The Parent Bank's Net Income was registered at P4,007 million in CY 2022 (as restated) and P5,934 million in CY 2023. Had the Parent Bank not availed of the financial reporting relief for the implemented staggered booking of ACL, Net income would have ended at P4,499 million and P6,426 million in CY 2022 and 2023, respectively.

### 2.3 New and amended standards adopted by the Group effective January 1, 2023:

- PAS 1 (Amendments), Presentation of Financial Statements – Disclosure of Accounting Policies

The amendment requires the disclosure of material accounting policy. It clarifies that an accounting policy may be material due to its nature and that the users of the financial statements would require such accounting policy in understanding another material information.

- PAS 8 (Amendments), Accounting Estimates – Definition of Accounting Estimates

The amendment sets forth the new definition of a change in accounting estimate which covers the financial statements' monetary amounts that are subject to measurement uncertainty.

- PAS 12 (Amendments), Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from Single Transactions

The amendments clarify that the initial recognition exemption does not apply to transactions that give rise to equal taxable and deductible temporary differences arise on initial recognition.

Adoption of the above-mentioned standards did not have any impact on the Group's financial statements.

### 2.4 New standards, amendments and interpretations not yet adopted:

- PAS 1 (Amendments), Presentation of Financial Statements – Classification of Liabilities as Current or Non-current (effective for annual periods beginning on or after January 1, 2023, deferred to January 1, 2024).

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

- PAS 1 (Amendments), Presentation of Financial Statements – Non-current Liabilities with Covenants (effective for annual periods beginning on or after January 1, 2024).

The amendments modify the requirements introduced by Classification of Liabilities as Current or Non-current on how an entity classifies debt and other financial liabilities as current or non-current in particular circumstances. Only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months.

- PAS 7 (Amendments) Statement of Cash Flows and PFRS 7 Financial Instruments: Disclosures – Supplier Finance Arrangements (effective for annual periods beginning on or after January 1, 2024).

The amendments add disclosure requirements and ‘sign-posts’ within existing disclosure requirements that ask entities to provide qualitative and quantitative information about supplier finance arrangements.

- PFRS 16 (Amendments) Leases – Lease Liability in a Sale and Leaseback (effective for annual reporting periods beginning on or after January 1, 2024).

The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognizing in profit or loss any gain or loss relating to the partial or full termination of a lease.

The Group is currently assessing the impact of these amendments in its financial statements.

## 2.5 Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Bank and its subsidiaries which are prepared for the same reporting period as the Parent Bank using consistent accounting policies. The percentage of effective ownership of the Parent Bank in operating subsidiaries at December 31, 2023 is as follows:

	<u>Percentage of ownership</u>
DBP Data Center, Incorporated	- 100 per cent owned
DBP Management Corporation	- 100 per cent owned
DBP Leasing Corporation	- 100 per cent owned
Al-Amanah Islamic Investment Bank of the Philippines	- 99.95 per cent owned

Under PAS 27, *Consolidated Financial Statements and Accounting for Investments in Subsidiaries*, the financial statements of the investee company are required to be consolidated with the financial statements of the investor even if the shareholding of the Parent Bank is below 50 per cent but the investor has evidence of control.

All significant inter-company balances and transactions are eliminated in full upon consolidation. The consolidated financial statements of the Group are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

## 2.6 Investments in subsidiaries

Subsidiaries are entities over which the Parent Bank has the power to control its financial and operating policies. The Parent Bank obtains and exercises control through voting rights.

Subsidiaries’ financial statements are consolidated when the Parent Bank has control over it and cease to be consolidated on the date the Parent Bank loses its control.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Parent Bank. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets is recorded as goodwill.

Non-controlling interest represents the portion of profit or loss and net assets not owned, directly or indirectly, by the Parent Bank.

Non-controlling interests are presented separately in the statements of profit or loss, statements of comprehensive income and within equity in the statements of financial position, separately from equity attributable to the Parent Bank. Any losses applicable to the non-controlling interest are allocated against the interests of the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

## 2.7 Investments in associates and joint ventures

Associates and joint ventures are entities over which the Parent Bank has significant influence but not control, generally accompanying a shareholding of between 20 per cent and 50 per cent of the voting rights. Investments in associates and joint ventures in the consolidated financial statements are accounted for under the equity method of accounting. Under the equity method, the carrying amount is increased or decreased to recognize the investor's share of profit or loss of the investee after the date of acquisition.

## 2.8 Investments in subsidiaries, associates and joint ventures

Equity investments reflected in the Parent Bank's separate financial statements which represent investments in subsidiaries, associates and joint ventures are accounted for at cost method in accordance with PAS 27. Under the cost method, income from investment is recognized in the statements of profit or loss only to the extent that the investor receives distributions from accumulated net income of the investee arising subsequent to the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as reduction of the cost of investment.

The Parent Bank recognizes a dividend from a subsidiary or associate or joint venture in profit or loss in its separate financial statements when its right to receive the dividend is established.

The Parent Bank determines at each reporting date whether there is any indication that the investment in the subsidiary or associate or joint venture is impaired. If this is the case, the Parent Bank calculates the amount of impairment or the difference between the recoverable amount and the carrying value and the difference is recognized in profit or loss.

Investment in subsidiaries or associates or joint ventures are derecognized upon disposal or when no future economic benefits are expected to be derived from the

subsidiaries or associates or joint ventures at which time the cost and the related accumulated impairment loss are removed in the statement of financial position. Any gain or loss on disposal is determined by comparing the proceeds with the carrying amount of the investment and recognized in profit or loss.

## 2.9 Foreign Currency Translation

### a. Functional and Presentation Currency

Items included in the financial statements of the parent's investee company are measured using the currency of the primary economic environment in which the subsidiary operates (the functional currency). The consolidated financial statements are presented in the Philippine peso, which is the Parent Bank's functional and presentation currency.

### b. Transactions and Balances

Foreign currency monetary items are accounted for in accordance with the provisions of PAS 21, "Effects of Changes in Foreign Exchange Rates". Actual foreign currency transactions are booked based on prevailing Philippine Dealing System (PDS) as of transaction date and are revalued monthly using the PDS peso/US dollar closing rate and the New York US dollar/third currencies closing rates as prescribed under BSP Circular 494 dated September 20, 2005. Foreign exchange differences arising from the above are charged to operations.

## 2.10 Cash and cash equivalents

For purposes of reporting cash flows, cash and cash equivalents consist of cash and other cash items on hand, bank deposits and interbank loans receivable and securities purchased under agreements to resell with maturities of less than three months from the date of acquisition.

## 2.11 Due from other banks

Due from other banks includes balances of funds on deposit with other foreign and local banks to meet not only reserve requirements but also to cover operational requirements especially in areas not covered by BSP clearing offices. This includes requirements for encashment of checks issued by various government agencies against their DBP accounts for the payroll of public-school teachers and other disbursements of the Department of Budget and Management (DBM) under the Modified Disbursement Scheme (MDS) of the Bureau of Treasury.

## 2.12 Financial Instruments – Date of Recognition

Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date – the date that an asset is delivered to or by the Group. For settlement date accounting, financial assets are recognized on the day it is delivered subject to the provisions of PFRS 9. The corresponding gain or loss on disposal is recognized at the time of derecognition.

Loans and advances to customers are recognized when funds are transferred to the customers' accounts. The Group recognizes balances due to customers when funds are transferred to the Group.

## 2.13 Initial Measurement of Financial Instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described below. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from, this amount. When the fair value of financial instruments at initial recognition differs from the transaction price, the Group accounts for the Day 1 profit or loss, as described below.

### a. Business Model Assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or purchased financial assets going forward.

### b. The Solely Payments of Principal and Interest (SPPI) Test

As a second step of its classification process the Group assesses the contractual terms of financial to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for

example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

#### c. Day 1 Profit or Loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Group recognizes the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognized in profit or loss when the inputs become observable, or when the instrument is derecognized.

### 2.14 Classification and Measurement of Financial Assets

The Group classifies its financial assets in the following categories: financial assets at FVTPL, financial assets at FVOCI, and financial assets at amortized cost.

#### a. Financial Assets at FVTPL (Debt and Equity)

This is the classification of instruments that are held for trading or for which the entity's business model is to manage the financial instrument on a fair value basis i.e. to realize the asset through sale. A held for trading security is a financial asset that:

- Is acquired principally for the purpose of selling it in the near term;
- On initial recognition is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of recent actual pattern or short-term profit-taking; or
- Is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index

of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the 'underlying');

- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors; and
- It is settled at a future date.

This category also represents the default or residual category if the requirements to be classified as amortized cost or FVOCI are not met. These are normally classified as current assets.

Financial assets at FVTPL are carried at fair value and realized and unrealized gains and losses on these instruments are recognized as 'Profit/(loss) from investment and securities trading' in the statement of profit or loss. Interest earned on these investments is reported as 'Interest income' in the statement of profit or loss.

#### b. Financial Assets at FVOCI (Debt and Equity)

A financial asset shall be measured at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in other comprehensive income (OCI). Interest income and foreign exchange gains and losses are recognized in profit or loss in the same manner as for financial assets measured at amortized cost. On derecognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to profit or loss.

Investments in equity instruments at FVOCI are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Subsequently, these are measured at fair value, with no deduction for sale or disposal costs. Gains and losses arising from changes in fair value are recognized in OCI and accumulated in 'Accumulated other comprehensive income' in the statement of financial position. When the financial asset is disposed of, the cumulative gain or loss previously recognized in 'Accumulated other comprehensive income' is never recycled to statement of profit or loss, but to 'Retained Earnings'.

c. Financial Assets at Amortized Cost (Includes Held to Collect and Loans and Receivables)

Financial assets are measured at amortized cost if both of the following conditions are met:

- The financial asset is held within the Group's business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets meeting these criteria are measured initially at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. These are subsequently measured at amortized cost using the effective interest method, less allowance for credit losses, with the interest calculated recognized as 'Interest income' in the statement of profit or loss. Gains and losses are recognized in the statement of profit or loss when the financial assets are derecognized and impaired, as well as through the amortization process.

The Group classified 'Cash and other cash items', 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Loans and receivables', 'Investment securities at amortized cost' and certain assets under 'Other assets' as financial assets at amortized cost.

d. Financial Asset Reclassification

When, and only when, the Group changes its business model for managing financial assets it shall reclassify all affected financial assets. The Group is required to reclassify as follows:

- From amortized cost to FVTPL if the objective of the business model changes so that the amortized cost criteria are no longer met. The fair value of the instrument shall be measured at the reclassification date; and
- From FVTPL to amortized cost if the objective of the business model changes so that the amortized cost criteria start to be met and the instrument's contractual cash flows are solely payments of principal and interest on the principal outstanding. The fair value of the instrument at reclassification date becomes its new gross carrying amount.

Reclassification of financial assets designated as at FVTPL at initial recognition is not permitted. A change in the objective of the Group's business model must be effected before the reclassification date. The reclassification date is the beginning of the next statement of financial position date following the change in the business model.

## 2.15 Impairment of assets

### a. Financial Assets

Under PFRS 9, the expected credit loss (ECL) allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case the allowance is based on the 12-month expected credit loss (12mECL). The Group's policies for determining if there has been a significant increase in credit risk are set out in Note 5.1.4.

The Group classifies its financial instruments into three groups or stages based on their level of credit quality deterioration from initial recognition to properly designate 12mECL and LTECL. Each of the stages shall be composed of the following:

- Stage 1: When financial instruments are first recognized, the Group recognizes an allowance based on 12mECL. Stage 1 financial instruments also include facilities where the credit risk has improved and the financial instruments have been reclassified from Stage 2;
- Stage 2: When a financial instrument has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECL. Stage 2 financial instruments also include facilities, where the credit risk has improved and the financial instrument has been reclassified from Stage 3; and
- Stage 3: Financial instruments that have shown objective evidence of impairment (credit-impaired). The bank records an allowance for the LTECL.

For financial instruments for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial instrument is reduced. This is considered a (partial) derecognition of the financial asset.

The Group calculates ECL based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the Effective Interest Rate (EIR). A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

- Probability of Default (PD) – an estimate of the likelihood that the counterparty will default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio;

- Exposure at Default (EAD) – an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments; and
- Loss Given Default (LGD) – an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The mechanics of the ECL method are summarized below:

- Stage 1: The 12mECL is calculated as the portion of LTECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date;
- Stage 2: When a financial instrument has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECL. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR;
- Stage 3: For financial instruments considered credit-impaired, the Group recognizes the lifetime expected credit losses for these financial instruments. The method is similar to that for Stage 2 assets, with the PD set at 100 per cent; and
- Loan commitments and letters of credit: When estimating LTECL for undrawn loan commitments, the Group estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on three probability-weighted scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

For revolving facilities that include both a loan and an undrawn commitment, ECL is calculated and presented together with the loan. For loan commitments and letters of credit, the ECL is recognized within Provisions.

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is

greater than the allowance for credit losses, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to provision for impairment.

## 2.16 Classification and Measurement of Financial Liabilities

Financial liabilities are classified, at initial recognition, either as financial liabilities at FVTPL or other financial liabilities at amortized cost.

### a. Financial liabilities at amortized cost

These liabilities are classified as such when the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

These financial liabilities are measured initially at fair value, net of directly attributable transaction costs. After initial measurement, these liabilities are subsequently measured at amortized cost using the effective interest method.

Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

### b. Financial liabilities at FVTPL

These are the liabilities that upon initial recognition are designated by the bank at fair value through profit or loss.

Financial liabilities at FVTPL are carried at fair value and realized and unrealized gains and losses on these instruments are recognized as 'Profit/(loss) from investment and securities trading' in the statement of profit or loss. Interest incurred on these liabilities is reported as 'Interest expense' in the statement of profit or loss.

## 2.17 Derecognition of Financial Assets and Financial Liabilities

### a. Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when the rights to receive cash flows from the financial asset have expired. The Group also derecognizes the financial asset if it has transferred the financial asset and the transfer qualifies for derecognition.

The Group transfers the financial asset if, and only if, it either:

- Transfers its contractual rights to receive cash flows of the financial asset; or
- Retains the rights to the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients, called a pass-through arrangement.

When the Group enters a pass-through arrangement, it shall treat the transaction as a transfer of a financial assets when all of the following three conditions are met:

- The Group has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset, excluding short-term advances by the Group with the right to full recovery of the amount lent plus accrued interest at market rates;
- The Group is prohibited by the terms of the transfer contract from selling or pledging the original asset other than a security to the eventual recipients for the obligation to pay them cash flows; and
- The Group has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay.

A transfer only qualifies for derecognition if either:

- The Group transfers substantially all the risks and rewards of ownership of the financial asset; or
- The Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has transferred control of the asset.

The Group considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Group has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognized only to the extent of the Group's continuing involvement, in which case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Group could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Group would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's

continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

#### b. Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms or a substantial modification of the terms of an existing financial liability or part of it shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.

#### 2.18 Capitalized Interest and Other Charges (CIOC) on Restructured Loans

The Group derecognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan or it becomes a restructured loan based on the Bank's existing policy. Any increase in the face amount of the loans resulting from accrued interest and accumulated charges which have been capitalized or made part of the principal or restructured loans are booked under Other Deferred Credits - CIOC and shall be amortized/credited to income using the effective interest method in accordance with BSP's Financial Reporting Package (FRP).

According to BSP Circular No. 941 Series of 2017, Restructured Loans shall refer to loans and other credit accommodations the original contractual terms and conditions of which have been modified in accordance with a formal restructuring agreement that sets forth a revised schedule of payments for the purpose of lessening the financial difficulty of the borrower and maximizing collection and realizable economic value on an obligation within the reasonable period of time. The modification may include, but is not limited to, change in principal due, maturity, interest rate and other charges, collateral, or other terms and conditions.

As of December 31, 2023, the outstanding balance of Other Deferred Credits – CIOC is P1,730 million.

#### 2.19 Offsetting Financial Assets and Financial Liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

#### 2.20 Non-Financial Assets

In the case of Investment property, Non-current assets held for sale, Bank premises, furniture, fixtures and equipment, and Other assets, impairment loss is the difference between the carrying amount and the fair value less costs to sell in case carrying amount is higher. The loss is recognized in the statement of profit or loss and an allowance account is set up to reduce the carrying amount of the asset.

## 2.21 Bank Premises, Furniture, Fixtures and Equipment

Bank premises, furniture, fixtures and equipment (including leasehold improvements) are stated at cost, less accumulated depreciation and amortization, and any impairment in value. When the assets are disposed/sold, the cost and accumulated depreciation and amortization shall be derecognized or taken out from the books and any gain or loss resulting from disposal is included in profit or loss from derecognition.

The initial cost of property comprises its purchase price (less any discounts), plus any and all taxes (on a net basis) and any costs directly attributable to bringing the asset to its working condition and location for its intended use. Extraordinary repairs which benefits future accounting periods through greater productivity and/or longer useful life and which increase the net book value of the asset or cost of repair exceeding 50 per cent of the original acquisition cost are capitalized to the cost of the property.

The computation of the depreciation expense starts on the following month after the delivery/issue date to end-users of the bank premises, furniture, fixtures and equipment, irrespective of the date within the month. Depreciation is computed based on a straight-line method, by dividing the cost (net of residual value) over the estimated useful lives of the related assets. Beginning January 1, 2018, residual value is at least five per cent of the acquisition cost in compliance with Commission on Audit (COA) Circular No. 2017-004 which provides the guidelines on the implementation of PFRS on Property, Plant and Equipment (PPE). Useful lives of the related assets are as follows:

Building	20 – 50 years
Transportation Equipment	7 – 10 years
Furniture and Equipment	3 – 10 years

Impairment is recognized when there is a substantial evidence of decline in the value of the bank premises, furniture, fixtures and equipment and recoverable amount falls below its carrying amount.

The cost of leasehold improvements shall be depreciated over the term of a lease or life of the improvements, whichever is shorter. Minor expenditures for replacement, maintenance and repairs are expensed as incurred. Major renovations and betterments that will extend the life of the asset are capitalized.

Properties that are no longer used in the Group's operation for various reasons are classified at the remaining book value of the asset as Miscellaneous Assets – Others Unserviceable Properties. All non-serviceable properties or those no longer economical to maintain shall be disposed in accordance with COA rules and regulation particularly on publication and public bidding. Property Disposal Committees were created for this purpose. The cost and the related accumulated depreciation and amortization of the disposed asset are removed from the accounts and any resulting gain or loss is credited or charged to current operations.

COA Circular No. 2022-004 was issued by the COA as an implementing guideline on the implementation of Section 23 of the FY 2022 General Appropriations Act. It states that "Tangible items which meet the definition and recognition criteria of PPE but cost is below P50,000.00 shall be accounted in the books of accounts of the agencies as semi-expendable property". This shall be supported by the issuance of the Inventory

Custodian Slip (ICS) to establish accountability of the end-user. ICS shall be issued to the end-user and shall be renewed every three years or every time there is a change in custodianship/user of the property. The threshold shall be applied on an individual asset or per item basis. Each item within the bulk of acquisition such as library books, small equipment, computer peripherals, work animals, and the like, will need to meet the amount of below P50,000.00 to be recognized as semi-expendable property.

## 2.22 Investment Property (IP)

IP includes land and buildings acquired upon foreclosure which are not immediately available for sale in the next 12 months. It shall be measured initially at its fair value following paragraph 27 of PAS 40. The difference between the outstanding loan balance and the fair value of the collateral shall be recognized as a gain or loss in accordance with PFRS 9. Transaction cost shall be included in the initial measurement.

After initial recognition, the investment property shall be measured using the cost model. Under this model, the investment property shall be carried at cost less any accumulated depreciation and any accumulated impairment loss.

Depreciation of IP shall be in the same manner as that for PPE and shall be computed on a straight-line method using the remaining useful life of the asset based on the carrying amount less five per cent residual value.

## 2.23 Non-Current Assets Held For Sale (NCAHFS)

NCAHFS consist of real and other properties acquired (ROPA) through foreclosure of mortgaged properties, dacion-en-pago arrangements, or Sales Contract Receivables (SCR) rescissions, where foremost objective is disposal generally under cash or term sale transactions within one year from classification as held of sale. An extension of the period required to complete a sale does not preclude an asset from being classified as held for sale if the delay is caused by events or circumstances beyond the control of the Bank and there is sufficient evidence that the Bank remains to be committed to its plan to sell the asset.

The initial measurement of assets classified as NCAHFS shall be at the lower of the carrying amount of the loan and fair value of the collateral less costs to sell. The difference between the outstanding loan balance and the fair value of the collateral shall be recognized as a gain or loss in accordance with PFRS 9.

However, if the asset is reclassified from Investment Property to NCAHFS, the carrying amount of NCAHFS shall be measured at the lower of the carrying amount of the investment property at the time of classification and fair value less costs to sell. If the fair value less cost to sell of the asset is lower than the carrying amount, an impairment loss shall be recognized.

Assets classified as NCAHFS shall not be depreciated or amortized.

## 2.24 Leases

### a. The Group as a Lessee

The Group follows a single lessee accounting model which requires recognition of assets and liabilities, unless the lease term is 12 months or less or the underlying asset is of low value. The Group is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

At the commencement date, the Group recognizes a right-of-use asset and a lease liability as follows:

- Right-of-Use (ROU) asset

It is measured at cost which comprises (a) the amount of the initial measurement of the lease liability; (b) any lease payments made at or before the commencement date, less any lease incentives received; (c) any initial direct costs incurred by the Group; and (d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

After the commencement date, the ROU asset is measured at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any remeasurement of the lease liability. The depreciation is computed based on the straight-line method.

The details of ROU asset are presented in Note 17.

- Lease liability

It is measured at the present value of the lease payments that are not paid at reporting date. The lease payments were discounted using the interest rate implicit in the lease if the rate can be readily determined. If the rate cannot be readily determined, the Group uses its incremental borrowing rate or the PHP (Philippine Peso) BVAL (Bloomberg Valuation Service) reference rates as of the commencement date of the lease. Lease payments comprise (a) fixed payments less any lease incentives receivable; (b) variable lease payments that depend on an index or rate, initially measured using the index or rate as at the commencement date; (c) amounts expected to be payable by the Group under residual value guarantees; (d) the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and (e) payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liability by (a) increasing the carrying amount to reflect interest on the lease liability; (b) reducing the carrying amount to reflect the lease payments made; and

(c) remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

The Group remeasures the lease liability to reflect changes to the lease payments. The amount of the remeasurement of the lease liability is recognized as an adjustment to the ROU asset. However, if the carrying amount of the ROU asset is reduced to zero and there is further reduction in the measurement of the lease liability, the Group shall recognize any remaining amount of the remeasurement in profit or loss.

Interest on the lease liability in each period during the lease term shall be the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. The Group recognizes in profit or loss, unless the costs are included in the carrying amount of another asset applying other applicable Standards, both interest on the lease liability; and variable lease payments not included in the measurement of the lease liability in the period in which the event or condition that triggers those payments occur.

The details of finance lease liability as of December 31, 2023 are presented in Note 32.2.

- Lease modifications

The Group accounts for a lease modification as a separate lease if both:

- i. The modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- ii. The consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

If a modification is a separate lease, a lessee applies the requirements of PFRS 16 to the newly added asset independently of the original lease. The accounting for the original lease continues unchanged.

If a modification is not a separate lease, the accounting reflects that there is a linkage between the original lease and the modified lease. The existing finance lease payable is remeasured with a corresponding adjustment to the ROU asset on the effective date of the modification.

- Short-term lease and lease of low value underlying asset

- a. Short-term lease

A lease contract with a term of 12 months or less without a purchase option shall be accounted for as a short-term lease. The Group recognizes lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic

basis if that basis is more representative of the pattern of the Group's benefit.

The election for short-term leases was made by class of underlying asset to which the right of use relates. A class of underlying asset is a grouping of underlying assets of a similar nature and use in an entity's operations.

b. Lease of low value underlying asset

The Group assess the value of an underlying asset based on the value of the asset when it is new, regardless of the age of the asset being leased. The assessment of whether an underlying asset is of low value is performed on an absolute basis. The assessment is not affected by the size, nature or circumstance of the Group.

An underlying asset can be of low value only if:

- i. The Group can benefit from the use of the underlying asset on its own or together with other resources that are readily available to the Group; and
- ii. The underlying asset is not highly dependent on, or highly interrelated with, other assets.

A lease of an underlying asset does not qualify as a lease of a low-value asset if the nature of the asset is such that, when new, the asset is typically not of low value, e.g. cars. The Group considers the underlying assets to be low value if the asset has a value or selling price of P250,000.00 or less when new, regardless of the age of the asset being leased. Low-value underlying assets can include table, personal computers, small items of office furniture, point-of-sale (POS) terminals and telephone.

If the Group subleases an underlying asset, or expects to sublease an asset, the head lease does not qualify as a lease of low value assets. Short-term and low value lease contracts are booked under Rent Expense and presented as a separate line item under "Occupancy Expenses" in the Statement of Profit or Loss.

b. The Group as a Lessor

The Group substantially carries forward the lessor accounting requirements in PAS 17 where a lessor continues to classify its leases as operating leases or finance leases and to account for those types of leases differently, in reference to PFRS 16, paragraph IN14.

## 2.25 Intangible Assets

### a. Computer software

Computer software represents the cost of software licenses, application system software and technical upgrade. The amortization expense commences on the following month upon 100 per cent completion/delivery of the software/project. Computer software are measured at cost and amortized based on a straight-line method with an expected useful life as follows:

Application System Software	5 years
Technical Upgrade	5 years

Costs associated with developing or maintaining computer software programs are recognized as an expense when incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Parent Bank, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs include software development, employee costs and an appropriate portion of relevant overheads.

### b. BSP License

The Parent Bank's license with the Bangko Sentral ng Pilipinas is measured at cost and amortized based on a straight-line method with an expected useful life of 10 years.

### c. Non-proprietary club shares

Non-proprietary club shares held by the Parent Bank are equity instruments in their legal form but not in the context of PAS 32. The Bank pays only for the privilege to enjoy the club facilities but not for the ownership. Hence, the non-proprietary club shares are classified as intangible assets under PAS 38.

The details of the intangible assets are presented in Note 23.

## 2.26 Employee benefits

All Parent Bank personnel who were employed after June 1, 1977, shall be paid directly by the Government Service Insurance System (GSIS) and are covered under RA No. 8291.

In compliance with applicable laws, the Parent Bank established a Provident Fund for the benefit of its employees. Contributions made to the fund based on a predetermined rate are charged to operations.

## 2.27 Deferred Income Tax

Deferred income tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences, including asset revaluations. Deferred

income tax assets are the amounts of income taxes recoverable in future periods which are recognized for all deductible temporary differences, the carry forward of unused net operating loss carryover (NOLCO) to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of and unused NOLCO, and unused tax credits can be utilized.

Taxable temporary differences are temporary differences that will result in taxable amounts in determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled. Deductible temporary differences are temporary differences that will result in amounts that are deductible in determining taxable profit (tax loss) of future periods when the carrying amount of the asset is recovered or liability is settled.

The carrying amount of deferred income tax asset is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Any such reduction should be subsequently reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Deferred income tax assets and liabilities are measured at the tax rates that are applicable 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 by the end of the reporting period. Deferred Tax Assets is presented in Note 22.

#### 2.28 Borrowing costs

Borrowing costs represent interests and other pertinent financial charges and costs incurred in connection with the availments of domestic and foreign borrowings. In compliance with PAS 23 that prescribes the accounting treatment for borrowing costs, such costs are generally recognized and accrued as an expense in the period in which they are incurred.

#### 2.29 Bills Payable with FX Risk Cover

Pursuant to Monetary Board (MB) Resolution No. 393, the Bank has granted regulatory relief from the applicability of MB Resolution No. 1063 dated August 14, 2008 to the Foreign Exchange Risk Cover Agreement between the DBP and the National Government (NG), without prejudice to the opinion of COA on the Bank's financial statements and to allow the Bank to reclassify its revaluation loss from foreign currency-denominated borrowings to Accounts Receivable in its prudential reports to BSP. Hence, the resulting FX revaluation losses are charged to "Accounts Receivable NG FX Differential" account, while FX revaluation gains are credited "FX Profit or Loss Revaluation" account, consistent with PAS 21 and BSP Circular No. 494. Upon settlement, the AR-NG FX Differential or FX revaluation gains are reversed and actual losses are recognized as claims to the NG or Accounts Receivable-Bureau of Treasury and gains, on the other hand, as Foreign Exchange gains.

## 2.30 Government grants

### a. World Bank Grant

The availment period for the Global Environment Facility (GEF) Grant provided for the Rural Power Project (RPP) ended in 2012. Out of the USD 0.62 million availed from the grant proceeds, USD 0.17 million or equivalent to P7.6 million was established for the Project Preparation Fund (PPF). PPF was approved by World Bank as one of the components of the grant intended to assist financing project preparation activities for renewable energy (RE) technologies.

As of December 31, 2023, the outstanding balance of the grant is P7.72 million inclusive of interest earned from deposit.

### b. Netherlands Government and Organization of the Petroleum Exporting Countries (OPEC) Grant

The Financing Energy Services for Small Scale End-Users (FINESSE) fund amounted to USD 0.18 million (USD 0.04 million coming from the Netherlands Government thru United Nations Development Programme (UNDP)/FINESSE and USD 0.14 from the OPEC Fund). The Fund is meant to be self-sustaining, with the principal and interest from the loan repayment to flow back to the Fund. The Fund is intended to assist entrepreneurs, enterprises, and other organizations (e.g. rural electric cooperatives and Non-Government Organizations) in the identification, design and packaging of project for financing. The fund was placed in the DBP Trust under a Directional Trust Agreement between UNDP and DBP.

In order to encourage the development of effective renewable energy projects, the DBP established New and Renewable Energy Project Preparation Revolving Fund (NRE-PPRF) using the FINESSE fund. The purpose of technical assistance loan for project preparation activities is to ensure the generation of bankable proposals for DBP lending for renewable energy.

As of December 31, 2023, the outstanding balance of the grant is P5.87 million.

### c. Swedish Government Grant

Training and Technical Assistance (TTA) is a form of grant from the Swedish government through the Beregningen for International Teknikst-ekomiskt Samarbate of Sweden (the "BITS" Sweden") attached to DBP's loan obtained from WB for Industrial Restructuring in 1991.

With the approval of BITS of Sweden, the TTA fund was lent to one (1) eligible borrower to support the company's long-term strategic plan to produce high-grade bleached market pulp from its own plantation of falcate and bagras. The repayments of the loan made by the borrower were deposited in the Trust Account managed by the TTA Fund Board of Trustees

(BOT). After the closure of loan, the TTA Fund Trust Account remained unutilized.

In 2021, the TTA Fund BOT approved the termination of the Trust Agreement with the DBP-Trust Banking Group and the transfer of the entire outstanding balance of the TTA Fund to a designated TTA Fund Savings/Special Savings Account in the DBP-Financial Center.

The purpose of the TTA Fund is to finance environment protection, conservation and preservation projects including but not limited to the following:

- o Acquisition of consultancy services,
- o Undertaking of feasibility studies
- o Acquisition of materials, tools and services for training/workshop/other capacity building activities and other incidental expenses related to environmental projects

As of December 31, 2023, the outstanding balance of the grant is P11.66 million.

In compliance with PAS 20, Accounting for Government Grants and Disclosure of Government Assistance, the grants were recorded as miscellaneous asset.

### 2.31 Interest and other income and expense

Interest and other income and expenses are recognized on accrual basis, except for those loan accounts which are adversely classified consistent with the guidelines of the BSP.

The Group recognizes interest on financial instruments based on the effective interest method of accounting. The EIR method is a method of calculating the amortized cost of a financial asset or a financial liability and allocating the interest income or interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the EIR, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) including any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized thereafter using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

### 2.32 Segment Reporting

The Parent Bank's operating segments are reported in a manner consistent with the management reporting provided to the President and Chief Executive Officer who is

responsible for allocating resources to the reportable segments and assessing their performance.

Intra-segment transactions are conducted on an arm's length basis, and each segment's income and expenses are included in the evaluation of the segment's performance. In accordance with PFRS 8, the Parent Bank identified the following operating segments: (a) Treasury and Corporate Finance, and (b) Development Lending. Note 41 discusses in length the operations and performance of these segments.

### 2.33 Dividend Policy

The Parent Bank consistently adheres to the provisions under the Revised Implementing Rules and Regulations to RA No. 7656 (2016), "an act requiring Government-Owned or Controlled Corporations (GOCCs) to declare dividends under certain conditions to the National Government (NG), and for other purposes".

It shall be the policy of the State that in order for the NG to realize additional revenues, GOCCs, without impairing their viability and the purpose for which they have been established shall have a substantial amount of their Net Earnings remitted to the NG.

"Net Earnings" as defined in RA No. 7656 refers to income derived from whatever source, whether exempt or subject to tax, net of deductions allowed under Section 29 of the National Internal Revenue Code, as amended, and income tax and other taxes paid thereon, but in no case shall any reserve for whatever purpose be allowed as a deduction from Net Earnings. For the avoidance of doubt, "Net Earnings" shall include:

- i. Income subject to tax, as provided in the Annual Income Tax Return, net of tax;
- ii. Income subject to final tax, as provided in the Annual Income Tax Return Schedule on Supplemental Information, net of tax; and
- iii. Income exempt from tax, as provided in the Annual Income Tax Return Schedule on Gross Income/ Receipts Exempt from Income Tax, net of tax.

Also, consistent with BSP Circular No. 888 dated October 9, 2015, the following provisions are strictly complied with:

- i. That the Parent Bank shall not declare dividends greater than its accumulated net profits then on hand, deducting therefrom its losses and bad debts;
- ii. That the Parent Bank has complied with the requirements in the declaration of dividends as stated in the MORB Section X136.2 a to f; and
- iii. That the Parent Bank shall ensure compliance with the minimum capital requirements and risk-based capital ratios even after the dividends distribution.

Declaration of dividends shall be reported by the Parent Bank to the appropriate department of BSP-Supervision and Examination Sector within 10 banking days after the date of declaration as duly approved by the BOD.

### **3. Significant Accounting Judgments and Estimates**

The following are the critical judgments and key assumptions that have a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year:

#### **3.1 Impairment Losses on Financial Assets**

The measurement of impairment losses both under PFRS 9 across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgments and estimates include:

- The Group's internal credit grading model, which assigns PDs to the individual grades;
- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary. The details of impairment losses on financial assets are presented in Note 21.

#### **3.2 Fair Value of Derivatives**

The fair values of financial instruments that are not quoted in active markets are determined by using valuation methods. Where valuation methods are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. To the extent practicable, valuation methods use only observable data. Changes in assumptions about these factors could affect reported fair values of financial instruments.

### 3.3 Financial Assets at Amortized Cost

The Group's business model can be to hold financial assets to collect contractual cash flows even when sales of certain financial assets occur. PFRS 9, however, emphasizes that if more than an infrequent number of sales are made out of a portfolio of financial assets carried at amortized cost, the entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Group considers the sales or derecognition of debt instrument under any of the circumstances spelled out under Paragraph 7, Section 2 of BSP Circular No. 708, Series of 2011. Details are presented in Note 14.

### 3.4 Financial Assets Not Quoted in an Active Market

The Group classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination if quoted prices are readily and regularly available, and if those prices represent actual and regularly occurring market transactions on an arm's length basis.

The Group has investments in non-marketable equity securities (INMES) that are classified as fair value through other comprehensive income (FVOCI) upon adoption of PFRS 9. These INMES accounts are measured at fair values based on guidelines provided by PFRS. Judgement is involved in the selection and application of a valuation technique, which significantly relies on the available information unique to each INMES being valued. Methods considered based on PFRS are multiples valuation method, if sufficient comparable companies are known; discounted cash flow method, if cash flow is unique such as unequal growth rates; adjusted net asset method, in case information on specific facts and circumstances of the company such as history, nature of the investee's assets and liabilities, capital structure, etc. are available. Details are presented in Note 13.

Further, the selection of the valuation method to be used considers the possible results which will be most representative of the fair value of each INMES. Lastly, the technique to be used also considers the least subjective adjustments to the available inputs, maximizing the use of relevant observable inputs, and minimizing the use of unobservable inputs.

### 3.5 Classification of Non-Current Assets Held for Sale (NCAHFS)

The Group follows the principles in PFRS 5 in classifying foreclosed assets as assets held for sale when the carrying amount of the assets will be recovered principally through sale. The Group is committed to a plan to sell these foreclosed assets and the assets are actively marketed for sale at a price that is reasonable in relation to their current fair value. Subsequent write-down of the asset to fair value less cost to sell is recognized as impairment loss in the statement of profit or loss.

### 3.6 Realization of Deferred Income Tax Assets

The Group reviews at each reporting date the carrying amounts of deferred tax assets. The carrying amount of deferred tax assets is reduced to the extent that the related tax assets cannot be utilized due to insufficient taxable profit against which the deferred tax

losses will be applied. The Group believes that sufficient taxable profit will be generated to allow all or part of the deferred income tax assets to be utilized. Details are presented in Note 22.

#### 4. Fair Values of Financial Assets and Liabilities

The table below summarizes the carrying amount and fair value of those significant financial assets and liabilities presented on the statement of financial position at December 31, 2023:

	Carrying Amount		Fair Value	
	Group	Parent	Group	Parent
<b>Financial assets:</b>				
Cash and other cash items	5,999,317	5,980,293	5,999,317	5,980,293
Due from BSP	76,109,867	75,774,099	76,109,867	75,774,099
Due from other banks	10,231,396	10,227,868	10,231,396	10,227,868
Interbank loan receivables	10,246,972	10,246,972	10,246,972	10,246,972
Securities purchased under agreement to resell	42,907,022	42,807,134	42,907,022	42,807,134
Fair value through profit or loss	2,664,026	2,664,026	2,664,026	2,664,026
Fair value through other comprehensive income	42,207,510	42,172,324	42,207,510	42,172,324
Amortized cost (Held to collect investments)	262,892,553	262,771,117	382,459,878	382,338,442
Amortized cost (Loans and receivables, net)	486,237,941	483,305,972	486,237,941	483,305,972
Other assets, net	3,122,581	3,032,035	3,122,581	3,032,035
<b>Total</b>	<b>942,619,185</b>	<b>938,981,840</b>	<b>1,062,186,510</b>	<b>1,058,549,165</b>
<b>Financial liabilities:</b>				
Deposit liabilities	775,346,569	774,884,254	775,346,569	774,884,254
Bills payable	56,451,867	55,532,644	56,451,867	55,532,644
Bonds payable	32,376,486	32,376,486	32,376,486	32,376,486
Manager's checks and demand drafts outstanding	193,639	192,461	193,639	192,461
Accrued taxes, interests and expenses	10,955,349	10,547,174	10,955,349	10,547,174
<b>Total</b>	<b>875,323,910</b>	<b>873,533,019</b>	<b>875,323,910</b>	<b>873,533,019</b>

##### 4.1 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfill an obligation.

The Group classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1* – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, Philippine Stock Exchange, Inc., Philippine Dealing and Exchange Corp., etc.).

*Level 2* – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the over-the-counter (“OTC”) derivative contracts. The primary source of input parameters like London Interbank Offered Rate yield curve or counterparty credit risk is Bloomberg.

*Level 3* – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

The appropriate level is determined based on the lowest level input that is significant to the fair value measurement.

#### 4.2 Fair value hierarchy

The following table presents the fair value hierarchy of the Group’s and Parent Bank’s assets, exclusive of accrued interest receivables, at December 31, 2023:

	Group			
	Level 1	Level 2	Level 3	Total
<b>Financial assets:</b>				
FVTPL				
Debt securities	2,546,790	0	0	2,546,790
Equity securities	113,545	0	0	113,545
	2,660,335	0	0	2,660,335
FVOCI				
Debt securities	41,132,812	0	0	41,132,812
Equity securities	159,783	289,050	266,637	715,470
	41,292,595	289,050	266,637	41,848,282
Held to Collect				
Unquoted debt securities classified as loan	0	13,353,638	0	13,353,638
<b>TOTAL</b>	<b>43,952,930</b>	<b>13,642,688</b>	<b>266,637</b>	<b>57,862,255</b>
	Parent			
	Level 1	Level 2	Level 3	Total
<b>Financial assets:</b>				
FVTPL				
Debt securities	2,546,790	0	0	2,546,790
Equity securities	113,545	0	0	113,545
	2,660,335	0	0	2,660,335
FVOCI				
Debt securities	41,132,812	0	0	41,132,812
Equity securities	140,597	289,050	250,637	680,284
	41,273,409	289,050	250,637	41,813,096
Held to Collect				
Unquoted debt securities classified as loan	0	13,353,638	0	13,353,638
<b>TOTAL</b>	<b>43,933,744</b>	<b>13,642,688</b>	<b>250,637</b>	<b>57,827,069</b>

The Parent Bank used the “market approach” in the valuation of unquoted equity securities. Under this approach, the Parent Bank estimated the fair value of the assets using the multiples (e.g., price-to-book) of publicly-traded comparable companies. Comparable companies include companies that are similar with the equity securities in terms of industry, market, product line or service type, growth, etc. These instruments are included in Level 3.

## **5. Management of Risks**

The responsibility of risk management resides in all levels of the organization with the Board of Directors (BOD) being ultimately responsible for the overall risk management of the Parent Bank. The risk management processes of the subsidiaries and affiliates, on the other hand, are separate responsibilities of their respective BOD.

The Parent Bank has established an enterprise risk management framework that meets best-practice and various regulatory requirements relative to its size, scope, and complexity. It is continually enhanced to address current challenges including continuing Basel III implementations, striking a balance between risks and returns, and achieving a risk profile suitable to the Parent Bank’s business plans. Risk and capital management are performed at all levels of the organization, instituting a culture of risk awareness and a risk-based approach to decision-making.

The BOD sets the tone and risk tolerance, draws up the risk strategy for the Parent Bank, and leads the promotion of a risk awareness culture throughout the institution. Strategic decisions in relation to risk management are made by the Risk Oversight Committee (ROC). The Senior Management then provides direction and visible management support in the implementation of risk management processes.

The Enterprise Risk Management Group (ERMG), as part of the Bank’s second line of defense, serves as the implementing unit of the ROC and is responsible for the development and implementation of the enterprise risk management framework. The management and mitigation of risks, specifically in credit, market and operational risk areas, are carried out through policies approved by the BOD as endorsed by the ROC, the Credit Committee (CreCom), the Asset Liability Management Committee (ALCO), and/or the Management Committee (MANCOM). The BOD-level Audit and Compliance Committee (ACC), assisted by the Internal Audit Group (IAG) and the Compliance Management Group (CMG), is responsible for monitoring compliance with the Parent Bank’s policies, processes, and controls and regulatory requirements.

The Parent Bank continues to take various initiatives in response to the changing risk environment to further reinforce its risk management capabilities. This puts the Parent Bank in a stronger position to manage both its current activities and support further growth and expansion. Meanwhile, the Parent Bank’s subsidiaries and affiliates manage their respective risks separately, each having their own risk management processes. These, however, have a similar structure to that of the Parent Bank. Further, policies and procedures adopted by the subsidiaries and affiliates are aligned with its Parent Bank under regular monitoring by ERMG.

## 5.1 Credit Risk

Credit risk is the risk of potential financial losses arising from failure of a borrower or counterparty to discharge its contractual payment obligations. Credit exposures arise from loans and advances to borrowers, commitments to counterparties, guarantees issued on clients' paying performance, investments in debt instruments of issuers, market-traded or over-the-counter derivatives, and off-balance sheet financial arrangements. Credit risk comprises the biggest risk exposure of the Parent Bank as it is naturally exposed to credit risk in line with its core lending and money market activities with financial institutions, corporations, local government units, electric cooperatives, water districts, and micro, small and medium enterprises.

The ROC provides direction and guidance in formulating the policy framework to manage credit exposures, developing appropriate risk management infrastructure and systems, and implementing policies and procedures. Reports are regularly provided to the BOD, thus making relevant information available to them in their oversight of the Parent Bank's risk-taking activities. Abrupt changes in the country's macroeconomic condition or a shift in the business climate of a particular industry segment for which the Parent Bank's portfolio may be concentrated could alter the risk profile of its exposure. Senior Management, therefore, takes into account the change in economic environment as it affects a particular credit or group of borrowers.

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

Comprehensive pre-approval credit risk review and internal credit risk rating review are being done on a borrower level. Likewise, credit reviews are being conducted on a portfolio level.

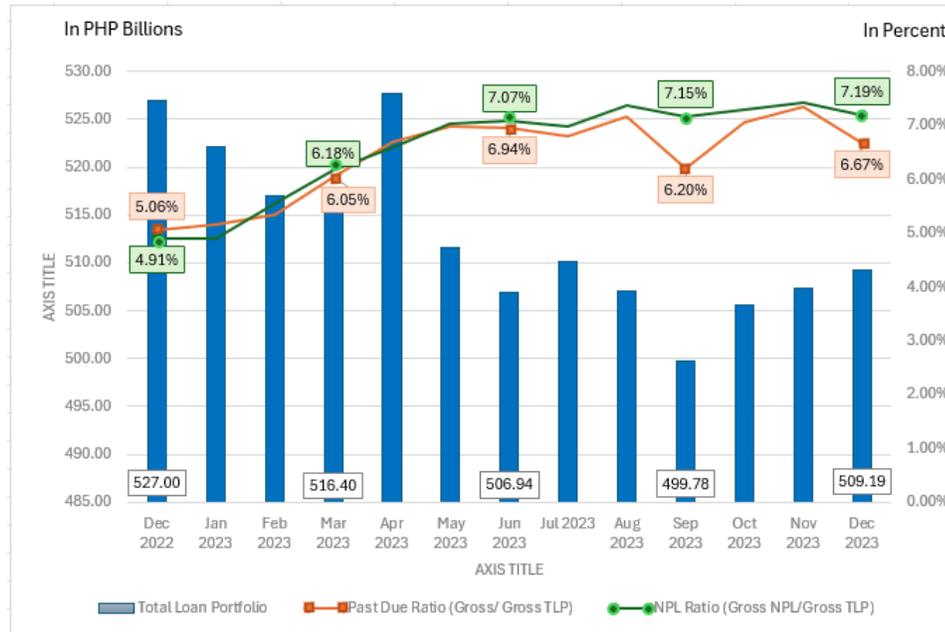
### 5.1.1 Credit Approval Process

A primary element of the Parent Bank's credit approval process is a detailed risk assessment of the credit exposure associated with a borrower or counterparty. The Parent Bank's risk assessment procedures entail an evaluation of the counterparty's creditworthiness and the risks associated with the specific credit accommodation or credit facility that will be granted. Borrowers are required to meet pre-defined risk acceptance criteria. An Internal Credit Risk Rating System (ICRRS) associated with specific borrower types is used in the evaluation of the credit strength, capturing the risks inherent to each type of business. These rating systems are used for making credit decisions, for assessing credit risk of existing and potential borrowers, for pricing purposes, and for determining the ECL.

All credit facilities are deliberated at different levels of approving authorities delegated by the BOD depending on the total amount of exposure and security of the loan. The Parent Bank implements a system of checks and balances such that no person can singly approve a credit facility. Furthermore, independent review of the credit risk and

compliance with policies, rules, and regulations are conducted by the Credit Risk Management Department and the IAG.

The Parent Bank has consistently maintained past due and non-performing loans (NPLs) at manageable single-digit levels in relation to the total loan portfolio even with last year's economic downturn due to the ensuing post-pandemic scenarios, and financial instability due to high inflation and monetary tightening. This reflects the Parent Bank's ability to identify, manage and control risks through credit policies and procedures that are aligned with regulations, the industry and responsive to the existing market and economic conditions.



### 5.1.2 Credit Portfolio Management

Movements in the Parent Bank's credit portfolio are closely monitored. Analysis is regularly performed to assess the Parent Bank's vulnerability to deteriorating credit environment and portfolio quality.

#### a. Loans and Advances

In determining credit risk of loans and advances at a counterparty level, taking into account both quantitative and qualitative measures, the Parent Bank endeavors to consider the following components, among others: (a) the probability of default by the client or counterparty on its contractual obligations; (b) current exposures to the counterparty and its likely future development; (c) the strength of financial capacity; (d) the likely recovery ratio in case of default; (e) equity contribution; and (f) quality and enforceability of collateral.

The Parent Bank assesses the probability of default of individual borrowers/ counterparties using internal rating tools tailored to the various categories of counterparty. In the Parent Bank's rating scale, exposures migrate between

classes as the assessment of their probabilities of default changes. The rating tools are reviewed and upgraded as necessary.

The Parent Bank has in place an ICRRS to assist in identifying, measuring, monitoring and pricing credit risks. The risk rating models were updated and aligned with the PFRS 9 - Financial Instruments. It is expected that with these risk rating systems, weaknesses in account management and internal controls could be addressed before the Parent Bank's portfolio deteriorates. The Parent Bank's ICRRS includes the scoring models for the following types of borrowers:

- Large Enterprises;
- Medium Enterprises;
- Small Enterprises;
- Micro Enterprises;
- Electric Cooperatives under supervision by the National Electrification Administration;
- Water Districts under supervision by the Local Water Utilities Administration;
- Local Government Units; and
- Financial Institutions.

Using the different rating models, the lending units are able to calculate the Borrower Risk Rating (BRR), which shall be the basis for the approval of any new or additional loan accommodation, whether for a prospective or an existing borrower and renewal of credit lines. Consistent with the risk-based lending practice in the Parent Bank, the BRR determines the basis for the loan pricing. The ICRRS is also tied up with existing policies on account classification and ECL provisioning. Definition of each rating/tier is described as follows:

BRR	Qualitative Rating	Characteristics
1	Excellent	<ul style="list-style-type: none"> <li>• Very low probability of default and no history of payment delinquency</li> <li>• High debt servicing capacity; strong and stable financial position and performance</li> <li>• Structuring ensures remote possibility of default; generally considered non-risk counterparties</li> <li>• Belonging to industries with strong resilience to adverse economic and market conditions</li> <li>• Undisputed market leader; has ready access to immediate funding</li> </ul>
2	Strong	<ul style="list-style-type: none"> <li>• Low probability of default and no history of payment delinquency</li> <li>• More than sufficient debt servicing capacity; no sign of weakness in financial position and performance</li> <li>• Strong market position in the industry with favorable outlook</li> <li>• Reliable access to funding</li> <li>• Capable of withstanding external stresses and</li> </ul>

<b>BRR</b>	<b>Qualitative Rating</b>	<b>Characteristics</b>
		industry disruptions
3	Good	<ul style="list-style-type: none"> <li>• Acceptable probability of default and no history of payment delinquency</li> <li>• Sound debt servicing capacity; conservative financial position; sustained good financial performance</li> <li>• May be susceptible to cyclical; able to withstand changes in market condition</li> </ul>
4	Adequate	<ul style="list-style-type: none"> <li>• Risk indicators are present indicating reasonable probability of default</li> <li>• Comfortable debt servicing capacity; volatile financial performance with prospect of improvement</li> <li>• Limited access to funding</li> <li>• With capability to withstand adverse market condition</li> </ul>
5	Acceptable	<ul style="list-style-type: none"> <li>• Considerable level of risk indicators leading to relatively weak but acceptable creditworthiness</li> <li>• Adequate cash flow for debt service; volatile financial performance</li> <li>• Belonging to a vulnerable industry; may be able to traverse unfavorable market or operating environment</li> </ul>
6	Watchlisted	<ul style="list-style-type: none"> <li>• Well-defined risk indicators and strong impression of weakened credit worthiness</li> <li>• Evident financial difficulties and company-specific issues questions ability or willingness to service debt</li> <li>• Business under gestation period; outlook with uncertainty</li> <li>• Existing facility risks increase the risk of default</li> <li>• Challenges in operating environment threaten repayment capability</li> </ul>
	Especially Mentioned	<ul style="list-style-type: none"> <li>• Past due for one to 30 days or with other banks/creditors</li> <li>• Below weaknesses, if uncorrected may affect borrower's overall repayment capacity and thus deserves management's close attention: <ul style="list-style-type: none"> <li>○ Facility risk (deficiencies in underwriting, structure, documentation and administration that can compromise the Bank's ability to control credit relationship if economic or other events adversely affect the borrower</li> <li>○ Documentation risk (adverse developments during releasing, non-compliance with loan covenants, terms and conditions)</li> </ul> </li> </ul>

BRR	Qualitative Rating	Characteristics
	Substandard	<ul style="list-style-type: none"> <li>○ Capacity to pay cannot be established; cash generation insufficient for operations and debt repayment, declining trend in liquidity, consistently declining trend in profitability, weakened position in the industry, and weakened response to industry disruptions</li> <li>● With court case that has impact on operations and capacity to pay, tight liquidity, net loss for one year, weak industry conditions, and impaired ability to weather adverse economic conditions</li> <li>● Past due for 31-180 days (365 days for secured)</li> <li>● Well-defined weaknesses that may jeopardize repayment/full repayment as indicated below: <ul style="list-style-type: none"> <li>○ Adverse developments and trends that affect willingness or repayment ability</li> <li>○ Weak financial condition and results of operations</li> <li>○ Deficit capital, cashflow / liquidity problems, sustained losses, Adverse industry conditions, and Unable to weather adverse economic conditions</li> <li>○ Collateral have been found with defects as to ownership or other adverse information</li> <li>○ Breach of financial covenants affecting capacity to pay</li> <li>○ Classified “Especially Mentioned” in the previous review without adequate correction</li> </ul> </li> </ul>
	Doubtful	<ul style="list-style-type: none"> <li>● Past due for 121-180 days (over one year to five years for secured)</li> <li>● More severe weakness based on known facts, conditions make collection highly improbable, non-operating or unable to operate, adverse industry conditions, and unable to weather adverse economic conditions</li> <li>● Secured loans where properties offered as collateral are either subject to an adverse claim rendering settlement of the loan through foreclosure doubtful or whose value has materially declined without the borrower offering additional collateral to cover the deficiency</li> <li>● Classification to “Loss” is imminent and is only being deferred based on specific factors which may strengthen the assets which include: merger, acquisition or liquidation procedures. Capital infusion, perfecting liens and refinancing plans which may work to the advantage of strengthening the asset.</li> </ul>

<b>BRR</b>	<b>Qualitative Rating</b>	<b>Characteristics</b>
	Loss	<ul style="list-style-type: none"> <li>• Considered uncollectible or worthless</li> <li>• Borrower's and co-makers/guarantor's whereabouts are unknown, or insolvent or their earning power is permanently impaired</li> <li>• Collaterals securing the loans are without recoverable values</li> </ul>

b. Debt Securities

For debt securities issued by sovereigns or foreign corporate companies, external ratings, given by international rating agencies such as Standard & Poor's, Moody's, Fitch, or their equivalent, are used by the Parent Bank to assess credit risk exposures. Investments in these securities allow the Parent Bank to further diversify its credit portfolio while maintaining considerable liquid assets. The external ratings are made as benchmarks for the Parent Bank's own credit rating systems.

Creditworthiness of a counterparty-issuer is determined by employing a combination of quantitative and qualitative assessments alongside active Senior Management and Board-level deliberations. Limits, exit mechanisms, and implications on credit concentration and liquidity are some of the major areas being addressed before investments on debt instruments are approved.

5.1.3 Risk Limit Control and Mitigation Policies

The Parent Bank manages limits and controls concentrations of credit risk wherever they are identified. The levels of credit risk are structured by placing limits on the amount of risk accepted in relation to one borrower, or a group of borrowers, or an industry segment. The same is true for treasury-related activities. Such risks are monitored on a regular basis and are subject to an annual or more frequent review when considered necessary. Macroeconomic indicators, industry analyses, and individual borrower risk assessments are taken into consideration to determine adjustments in existing lending limits.

Limits on large exposures and credit concentration are approved by the BOD. These credit limits set the maximum credit exposures the Parent Bank is willing to assume over specified periods. The Parent Bank's credit policies also establish procedures for exceptional cases when it may assume exposures beyond established limits. Actual exposures against established limits are monitored regularly to ensure that business units operate within the Parent Bank's defined risk tolerance. Industry concentration is quantified and regularly monitored against a Standard Concentration Index.

The Parent Bank employs a range of policies and practices to mitigate losses in case of default by a borrower. Some of these specific control and mitigation measures are outlined below:

#### a. Collateral

One of the most traditional and common practices in credit default loss mitigation is requiring security for loans and advances. The Parent Bank implements guidelines on the acceptability of specific classes of collateral. The principal collateral types for loans and advances are:

- Mortgages over real estate properties and chattels;
- Hold-out on financial instruments, such as debt securities, deposits, and equities;
- Assignment of receivables
- Credit life insurance or mortgage redemption insurance; and
- Standby letters of credit or use of guarantees.

In order to minimize credit loss, the Parent Bank seeks additional collateral from the counterparty when impairment indicators are observed for the relevant individual loans and advances.

#### b. Credit – Related Commitments

Standby letters of credit carry the same credit risk as loans albeit on contingent basis. Documentary and commercial letters of credit are written undertakings by the Parent Bank on behalf of a customer authorizing a third party to draw drafts on the Parent Bank up to a stipulated amount under specific terms and conditions. These are collateralized by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, or letters of credit. With respect to credit risk on commitments to extend credit, the Parent Bank manages its potential exposure to loss in an amount equal to the total unused commitments by a combination of effective fund management and imposition of commitment fees and are contingent upon customers maintaining specific credit standards. The Parent Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

### 5.1.4 Impairment and Provisioning Policies

Estimation of the ECL is done on a quarterly basis using PFRS 9-compliant models (i.e., Probability of Default, Loss Given Default, Exposure at Default, and Overlay) with consideration of the staging assessment criteria.

#### a. Staging Assessment

Stage is being assessed to determine whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. There is a significant increase in credit risk, even if there is no objective evidence

of impairment yet when any of the following events occur on the financial instrument:

- PD increased by 200 per cent at reporting date from origination;
- Risk rating deteriorated by two or more notches since origination;
- Risk rating of the treasury exposure fell below investment grade (below BBB-);
- BSP classified (especially mentioned, substandard or doubtful) with any other qualitative indicators of significant increase in credit risk; and
- Loan is past due for more than 30 days as of reporting date.

If a loan account has low credit risk, the Group assumed that there is no significant increase in credit risk as of reporting date.

A loan account shall be considered as low credit risk if:

- It has low risk of default;
- The borrower has strong capacity to meet its contractual cash flow obligations in the near term; and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

For regulatory reporting in accordance with BSP Circular No. 1011, s. 2018, the Parent Bank treated Stage 1 ECL as General Provisions (GP), while Stage 2 and 3 ECLs were treated as Specific Provisions (SP). A minimum of one per cent General Loan Loss Provision to all Stage 1 on-balance sheet loans, except for accounts considered as credit risk-free.

ECLs for Stages 1, 2 and 3 accounts were recognized in the statement of profit or loss. In cases when the computed ECL on Stage 1 accounts is less than the one per cent GP required, the deficiency was recognized by appropriating the Retained Earnings (RE) account. GP recognized in profit or loss as allowance for credit losses for Stage 1 accounts and the amount appropriated in RE were considered as Tier 2 capital subject to the limit provided under the Revised Risk-Based Capital Adequacy Framework.

#### b. Probability of Default (PD)

PD is an estimate of the likelihood that the counterparty will default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio.

The Group adopted the definition of default as defined by BSP. The Group considered a financial instrument as in default and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

As part of the qualitative assessment of whether a customer is in default, the Group considered a variety of instances that indicated unlikelihood to pay. When such events occurred, the Group carefully considered whether the event resulted in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 was appropriate. The Group generally classified a financial instrument as in default when the following cases occurred:

- If a credit obligation was considered non-performing under existing rules and regulations;
- If a borrower/obligor has sought or has been placed in bankruptcy, has been found insolvent, or has ceased operations in the case of businesses;
- If the Parent Bank sold a credit obligation at a material credit-related loss, i.e., excluding gains and losses due to interest rate movements. Parent Bank's board-approved internal policies that govern the use of their internal rating systems must specifically define when a material credit-related loss occurred; and
- If a credit obligation of a borrower/obligor was considered to be in default, all credit obligations of the borrower/obligor with the Group were also considered to be in default.

The table below summarizes the Parent Bank's PD estimation approach for each portfolio segmentation:

<b>Portfolio</b>	<b>Estimation Approach</b>
Corporate Loans	Calibrated PD based on Internal Credit Risk Rating (Quantitative and Qualitative factors)
Loans to Government Units	Qualitative and quantitative assessment with expert judgment
Electric Cooperatives	Qualitative assessment based on nature of instrument, financial performance and regulatory scorecard
Water Districts	Qualitative assessment based on nature of instrument, financial performance and regulatory scorecard
Salary Loans	Vintage analysis based on historical loss dataset
Universal and Commercial Banks	External rating-based approach
Rural Banks	Qualitative assessment with expert judgment
Cooperatives and Microfinance	Qualitative assessment with expert judgment
Others	Vintage analysis

c. Forward-Looking Information (Overlay)

The overlay is an adjustment to the ECL to incorporate future expectations of the economy by establishing a relationship between credit risk and macroeconomic factors over time. The Group recognized that the best available forward-looking information were included, along with current economic state and historical loss experience, in determining the appropriate level of ECL.

The Group incorporated the overlay in the portfolio PD through regression analysis. Multiple linear regression was utilized to quantify the historical relationship of macroeconomic factors with observed default rates. The observed default rate data served as the dependent variable of the linear regression model while, the macroeconomic factors were the independent variables.

Expert judgment and statistical metrics were used in determining the overlay models for each corporate portfolio. Forecasting for the relevant variables was likewise used to determine the forward-looking Point-in-Time PDs.

#### d. Loss Given Default (LGD)

The Group defines LGD as the amount of loss incurred from a defaulted account after considering all recoveries and costs. The Group's LGD was developed based on the historical workout data of recovery which is aligned with the concepts and methodology with Basel Internal Ratings-Based Approach for credit risk measurement. It was classified based on the sources of recoveries namely:

- Cured – Refers to those accounts that have defaulted but were able to pay the installment in arrears and revert to performing loans without any significant actions taken by the Group. An account was deemed cured when there was at least six consecutive months of zero default from the last default date. The month when an account reached the sixth month for the first time was the curing date.
- Restructured – Occurred when the payment schedule of the loan has changed or a new loan has been issued to replace the defaulted facility.
- Liquidated – Refers to those accounts whose loans were paid off through borrower payments, payment in kind (dacion en pago), or foreclosure, as well as accounts whose loans have been written-off or have been undergoing litigation.

#### e. Exposure at Default (EAD)

The Group defines EAD as the expected value of the exposure at the time of default. It takes into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. For uncommitted credit lines, EAD is equal to the outstanding balance as of reporting date. However, for committed lines, the EAD is considered as the expected portion of the loan commitment that was drawn as a customer approaches default.

In crafting the sample for EAD, the Group included all term loans which were availed in multiple instances. Term loans whose credit limit have been availed of partially – on multiple instances, were included in the sample for EAD. For term loans falling under this type of scenario, cash conversion factor (CCF) was still calculated and EAD was imputed since its behavior was similar to that of a Revolving Credit Line. CCF is defined as the ratio of the currently undrawn amount of a commitment that was expected to be drawn while a customer approaches default.

Three probable scenarios were developed by the Group with corresponding weights for calculation of ECL. These were based on the different economic outlooks of the Group which were incorporated in the Overlay Model for ECL calculation.

<b>Scenario</b>	<b>Probability</b>	<b>Description</b>
Upside case	10%	Positive economic outlook
Base case	60%	Steady economic outlook
Downside case	30%	Negative economic outlook

As required under PFRS 9, ECL reflects an unbiased and probability-weighted estimate of credit losses over the expected life of the financial instrument (i.e., the weighted average of credit losses with the respective risks of a default occurring as the weights). This probability weighted computation was applied to Stages 1, 2 and 3 of PFRS 9 ECL.

The tables below show the percentage of the Group and Parent Bank's loans and receivables and the related allowance for impairment as of December 31, 2023 and 2022.

	<b>Group</b>			
	<b>2023</b>		<b>2022</b>	
	<b>Credit Exposure</b>	<b>Allowance for Impairment</b>	<b>Credit Exposure</b>	<b>Allowance for Impairment</b>
Pass	80.00%	2.38%	80.20%	2.36%
Especially Mentioned	14.00%	10.43%	13.53%	5.94%
Substandard	3.25%	30.21%	3.82%	18.65%
Doubtful	1.95%	47.98%	1.74%	35.04%
Loss	0.80%	85.84%	0.71%	91.07%
	<u>100.00%</u>		<u>100.00%</u>	
	<b>Parent</b>			
	<b>2023</b>		<b>2022</b>	
	<b>Credit Exposure</b>	<b>Allowance for Impairment</b>	<b>Credit Exposure</b>	<b>Allowance for Impairment</b>
Pass	80.22%	2.39%	80.35%	2.36%
Especially Mentioned	14.07%	10.45%	13.62%	5.94%
Substandard	3.06%	31.00%	3.62%	19.16%
Doubtful	1.87%	48.20%	1.71%	34.79%
Loss	0.78%	85.48%	0.70%	92.16%
	<u>100.00%</u>		<u>100.00%</u>	

#### 5.1.5 Maximum Exposure to Credit Risk before Collateral Held or Other Credit Enhancements

## Collateral and other credit enhancements

The amount and type of collateral required depends on the assessment of the credit risk of the borrower or counterparty. The Parent Bank followed the guidelines on the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained were as follows:

- Cash, guarantees, securities, and physical collaterals (e.g., real estate, chattels, inventory, etc.); as a general rule, for real estate mortgage, commercial, industrial, and residential lots are preferred;
- Assignment of receivables;
- Credit life insurance and mortgage redemption insurance; and
- Personal surety of major stockholders and/or principal officers

Management monitors the market value of real property collateral every five years or as needed, and every year for chattels and for marketable securities, to preserve collateral cover. The existing market value of collateral was considered on the review of the credit facilities and adequacy of the allowance for credit losses.

An analysis of the maximum exposure to credit risk as of December 31, 2023 and 2022, without taking into account any collateral held or other credit enhancements, is shown below based on net carrying amounts as presented in the statement of financial position.

	Group		Parent	
	2023	2022 As restated	2023	2022 As restated
Due from BSP	76,109,867	125,147,543	75,774,099	124,853,077
Due from other banks	10,231,396	9,624,316	10,227,868	9,623,603
Interbank loans receivable	10,246,972	22,916,233	10,246,972	22,916,233
Securities purchased under agreements to resell	42,907,022	27,662,401	42,807,134	27,555,388
Financial asset at FVTPL – net	2,664,026	2,809,824	2,664,026	2,809,824
Financial assets at FVOCI – net	42,207,510	39,763,065	42,172,324	39,708,212
Financial asset at amortized cost – net (HTC)	262,892,553	282,774,597	262,771,117	282,741,699
Loans and receivables, net	486,237,941	509,642,705	483,305,972	506,325,969
Other assets, net	3,122,581	3,011,936	3,032,035	2,939,657
	<b>936,619,868</b>	<b>1,023,352,620</b>	<b>933,001,547</b>	<b>1,019,473,662</b>

Credit risk exposures relating to off-balance sheet items are as follows:

	Group		Parent	
	2023	2022	2023	2022
Undrawn loan commitments	17,452,858	22,837,340	17,452,858	22,837,340
Others	1,234,285	2,517,015	1,234,285	2,517,015
	<b>18,687,143</b>	<b>25,354,355</b>	<b>18,687,143</b>	<b>25,354,355</b>

### 5.1.6 Credit Quality

The following table shows the credit quality of financial assets as of December 31, 2023 and 2022:

<b>Group 2023</b>					
	<b>Loans and receivables</b>	<b>Loans and advances to banks *</b>	<b>Investment securities **</b>	<b>Other assets***</b>	<b>Total</b>
Neither past due nor impaired	435,483,123	139,495,257	308,130,156	3,366,259	886,474,795
Past due but not impaired	4,546,681	0	0	0	4,546,681
Impaired	77,063,215	0	0	0	77,063,215
	517,093,019	139,495,257	308,130,156	3,366,259	968,084,691
Allowance for impairment	(30,855,078)	0	(366,067)	(243,678)	(31,464,823)
	<b>486,237,941</b>	<b>139,495,257</b>	<b>307,764,089</b>	<b>3,122,581</b>	<b>936,619,868</b>

<b>Group 2022 As restated</b>					
	<b>Loans and receivables</b>	<b>Loans and advances to banks *</b>	<b>Investment securities **</b>	<b>Other assets***</b>	<b>Total</b>
Neither past due nor impaired	457,578,513	185,350,493	325,544,736	3,260,061	971,733,803
Past due but not impaired	3,489,728	0	0	0	3,489,728
Impaired	73,484,268	0	0	0	73,484,268
	534,552,509	185,350,493	325,544,736	3,260,061	1,048,707,799
Allowance for impairment	(24,909,804)	0	(197,250)	(248,125)	(25,355,179)
	<b>509,642,705</b>	<b>185,350,493</b>	<b>325,347,486</b>	<b>3,011,936</b>	<b>1,023,352,620</b>

<b>Parent 2023</b>					
	<b>Loans and receivables</b>	<b>Loans and advances to banks *</b>	<b>Investment securities **</b>	<b>Other assets***</b>	<b>Total</b>
Neither past due nor impaired	433,804,741	139,056,073	307,973,534	3,268,205	884,102,553
Past due but not impaired	4,546,681	0	0	0	4,546,681
Impaired	75,255,538	0	0	0	75,255,538
	513,606,960	139,056,073	307,973,534	3,268,205	963,904,772
Allowance for impairment	(30,300,988)	0	(366,067)	(236,170)	(30,903,225)
	<b>483,305,972</b>	<b>139,056,073</b>	<b>307,607,467</b>	<b>3,032,035</b>	<b>933,001,547</b>

<b>Parent 2022 As restated</b>					
	<b>Loans and receivables</b>	<b>Loans and advances to banks *</b>	<b>Investment securities **</b>	<b>Other assets***</b>	<b>Total</b>
Neither past due nor impaired	455,498,473	184,948,301	325,456,985	3,180,309	969,084,068
Past due but not impaired	3,489,228	0	0	0	3,489,228
Impaired	71,985,055	0	0	0	71,985,055
	530,972,756	184,948,301	325,456,985	3,180,309	1,044,558,351
Allowance for impairment	(24,646,787)	0	(197,250)	(240,652)	(25,084,689)
	<b>506,325,969</b>	<b>184,948,301</b>	<b>325,259,735</b>	<b>2,939,657</b>	<b>1,019,473,662</b>

\* Comprise Due from BSP, Due from Other Banks, Interbank Loans Receivable and Securities Purchased Under Agreements to Resell

\*\* Comprise FVTPL, FVOCI and Amortized Cost

\*\*\* Comprise Accounts receivable, Other receivables and Other assets

The tables below present the aging analysis of gross amount of loans and receivables that were past due but not impaired. Collateralized past due loans are not considered impaired when the cash flows that may result from foreclosure of the related collateral are higher than carrying amount of the loans.

	<b>Group</b>		<b>Parent</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Past due less than 31	262,795	2,449,970	262,795	2,449,970

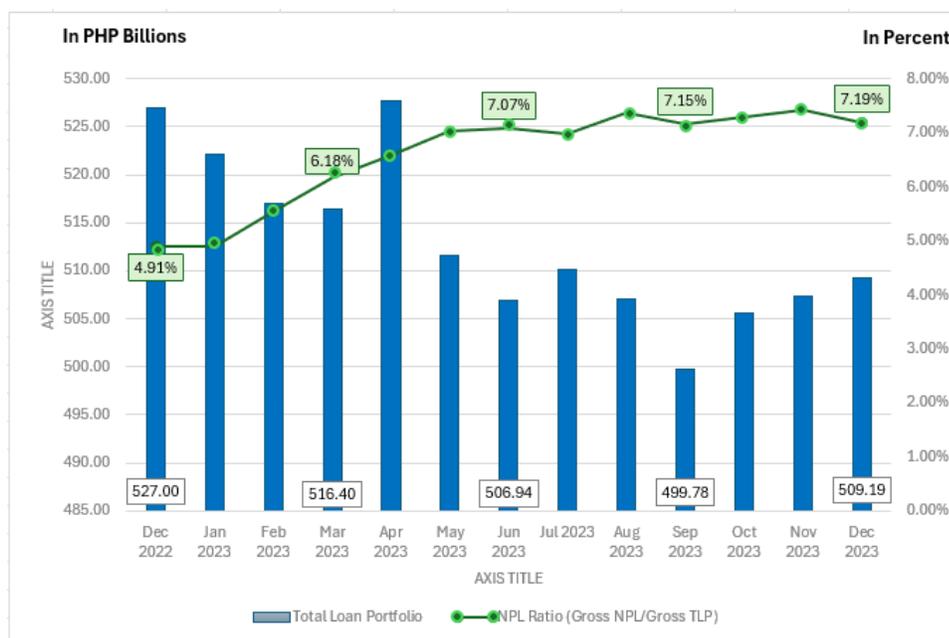
	Group		Parent	
	2023	2022	2023	2022
days				
Past due 31 - 60 days	2,056,711	214,868	2,056,711	214,868
Past due 61 - 90 days	1,244,497	124,997	1,244,497	124,497
Over 90 days	982,678	699,893	982,678	699,893
	<b>4,546,681</b>	<b>3,489,728</b>	<b>4,546,681</b>	<b>3,489,228</b>
<b>Fair value of collateral</b>	<b>130,341</b>	<b>585,757</b>	<b>130,341</b>	<b>585,757</b>

Credit quality of foreign currency-denominated investments are classified according to the following credit grades which are based on the below-enumerated range of Standard and Poor's (S&P) equivalent long-term issue ratings:

Credit Grades	S & P Credit Equivalent Ratings	
	From	To
High Grade	AAA	BBB-
Standard Grade	BB+	B
Substandard	B-	C
Default		D

Credit ratings used for exposures to the Philippine government and its instrumentalities are the S&P sovereign long-term rating of the Philippines for its foreign currency and local denominated debt which are both at BBB+ (investment grade).

The Parent Bank has maintained single-digit levels of NPL Ratios throughout the year. The graph below shows the NPL Ratio against the Parent Bank's Total Loan Portfolio and the movement in the NPL Ratio from December 2022 to December 2023. The average NPL ratio for 2023 was 6.59 per cent with an NPL Ratio high of 7.42 per cent in November 2023. The Bank managed to reduce it to 7.19 per cent by end of 2023.



### 5.1.7 Detailed Credit Quality Analysis on Investments

The following tables present the Parent Bank's detailed grade classification and staging analysis of financial investments in compliance with PFRS 7 and 9, respectively:

<b>Parent 2023</b>				
	<b>FVTPL*</b>	<b>FVOCI*</b>	<b>FA at Amortized Cost**</b>	<b>Total</b>
Grade				
High Grade	2,550,481	41,128,655	238,753,853	282,432,989
Standard Grade	0	363,385	24,383,331	24,746,716
Substandard Grade	0	0	0	0
Default	0	0	0	0
<b>Total</b>	<b>2,550,481</b>	<b>41,492,040</b>	<b>263,137,184</b>	<b>307,179,705</b>
Stage				
1	2,550,481	41,492,040	263,050,255	307,092,776
2	0	0	86,929	86,929
3	0	0	0	0
<b>Total</b>	<b>2,550,481</b>	<b>41,492,040</b>	<b>263,137,184</b>	<b>307,179,705</b>

\* Exclusive of P793.829 million Investment in Equity Securities (See Note 12 and 13) as these are not credit exposures.

\*\*Inclusive of Accrued Interest Receivables but exclusive of Allowance for Credit Losses.

<b>Parent 2022 As restated</b>				
	<b>FVTPL</b>	<b>FVOCI*</b>	<b>FA at Amortized Cost**</b>	<b>Total</b>
Grade				
High Grade	2,809,824	26,060,597	242,313,933	271,184,354
Standard Grade	0	11,329,608	40,625,016	51,954,624
Substandard Grade	0	0	0	0
Default	0	0	0	0
<b>Total</b>	<b>2,809,824</b>	<b>37,390,205</b>	<b>282,938,949</b>	<b>323,138,978</b>
Stage				
1	2,809,824	36,857,679	282,850,983	322,518,486
2	0	532,526	87,966	620,492
3	0	0	0	0
<b>Total</b>	<b>2,809,824</b>	<b>37,390,205</b>	<b>282,938,949</b>	<b>323,138,978</b>

\* Exclusive of P2,318.007 million Investment in Equity Securities (See Note 13) as these are not credit exposures.

\*\*Inclusive of Accrued Interest Receivables but exclusive of Allowance for Credit Losses.

### 5.1.8 Detailed Credit Quality Analysis on Amortized Cost – Loans and Receivables

In view of PFRS 9 compliance, presented below are the Parent Bank's credit exposure of receivables from borrowers and its corresponding staging analysis.

PFRS 9 disclosures pertaining to 2023:

<b>Parent 2023 Gross Carrying Amount</b>				
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Developmental Loans				
Large Enterprises (L)	282,714,689	54,767,185	28,167,706	365,649,580
Medium Enterprises (M)	6,955,391	3,756,612	5,344,187	16,056,190
Small Enterprises (S)	1,206,730	512,769	850,520	2,570,019
Micro Enterprises (Mi)	481,933	212,205	304,425	998,563
Local Government Units (LGU)	66,354,516	12,733,215	0	79,087,731
Financial Institutions (FI)	25,361,120	89,489	19,250	25,469,859
Electric Cooperatives (EC)	5,218,245	821,845	241,452	6,281,542
Water Districts (WD)	5,280,615	80,192	0	5,360,807
Salary Loans	7,097,393	123,630	497,290	7,718,313
<b>Gross Loans and Receivables</b>	<b>400,670,632</b>	<b>73,097,142</b>	<b>35,424,830</b>	<b>509,192,604</b>
<b>Parent 2023 Accrued Interest Receivables</b>				
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Developmental Loans				
Large Enterprises (L)	2,761,223	491,957	268,268	3,521,448
Medium Enterprises (M)	64,487	38,458	22,881	125,826
Small Enterprises (S)	9,122	5,314	5,297	19,733
Local Government Units (LGU)	3,087	1,810	0	4,897
Micro Enterprises (Mi)	311,161	108,669	0	419,830
Financial Institutions (FI)	165,080	785	0	165,865
Electric Cooperatives (EC)	21,024	1,016	844	22,884
Water Districts (WD)	19,579	109	0	19,688
Salary Loans	48,590	663	3	49,256
<b>Accrued Interest Receivables</b>	<b>3,403,353</b>	<b>648,781</b>	<b>297,293</b>	<b>4,349,427</b>
<b>Parent 2023 Expected Credit Losses</b>				
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Developmental Loans				
Large Enterprises (L)	6,071,669	5,222,657	14,565,432	25,859,758
Medium Enterprises (M)	287,780	351,174	2,683,282	3,322,236
Small Enterprises (S)	58,182	13,197	203,654	275,033
Local Government Units (LGU)	12,711	9,622	85,834	108,167
Micro Enterprises (Mi)	843,020	128,419	0	971,439
Financial Institutions (FI)	308,729	2,248	18,527	329,504
Electric Cooperatives (EC)	50,240	8,229	2,423	60,892
Water Districts (WD)	53,002	803	0	53,805
Salary Loans	179,685	(62,480)	471,471	588,676
Staggered Booking of Reserves (See Note 2.2.1)	0	0	(1,312,538)	(1,312,538)
<b>Expected Credit Loss</b>	<b>7,865,018</b>	<b>5,673,869</b>	<b>16,718,085</b>	<b>30,256,972</b>

PFRS 9 disclosures pertaining to 2022:

<b>Parent 2022 Gross Carrying Amounts</b>				
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Developmental Loans				
Large Enterprises (L)	337,913,246	28,050,877	29,387,486	395,351,609
Medium Enterprises (M)	10,311,133	2,004,462	5,604,864	17,920,459
Small Enterprises (S)	1,822,149	213,447	736,214	2,771,810
Micro Enterprises (Mi)	845,283	125,621	493,947	1,464,851
Local Government Units (LGU)	68,533,373	110,410	0	68,643,783
Financial Institutions (FI)	20,111,657	30,942	100,075	20,242,674
Electric Cooperatives (EC)	5,495,026	1,023,329	353,681	6,872,036
Water Districts (WD)	5,305,414	92,906	1,587	5,399,907
Salary Loans	7,636,709	151,750	542,899	8,331,358
<b>Gross Loans and Receivables</b>	<b>457,973,990</b>	<b>31,803,744</b>	<b>37,220,753</b>	<b>526,998,487</b>

<b>Parent 2022 Accrued Interest Receivables</b>				
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Developmental Loans				
Large Enterprises (L)	2,657,788	202,285	438,537	3,298,610
Medium Enterprises (M)	84,538	20,396	16,325	121,259
Small Enterprises (S)	12,678	3,382	2,870	18,930
Local Government Units (LGU)	4,840	557	197	5,594
Micro Enterprises (Mi)	236,040	395	0	236,435
Financial Institutions (FI)	114,684	132	0	114,816
Electric Cooperatives (EC)	20,780	397	952	22,129
Water Districts (WD)	19,175	128	0	19,303
Salary Loans	45,479	932	49	46,460
<b>Accrued Interest Receivables</b>	<b>3,196,002</b>	<b>228,604</b>	<b>458,930</b>	<b>3,883,536</b>

<b>Parent 2022 Expected Credit Losses</b>				
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Developmental Loans				
Large Enterprises (L)	4,135,458	882,981	15,116,780	20,135,219
Medium Enterprises (M)	720,864	235,386	2,533,702	3,489,952
Small Enterprises (S)	28,754	5,561	382,546	416,861
Local Government Units (LGU)	17,795	3,242	147,632	168,669
Micro Enterprises (Mi)	687,701	1,108	0	688,809
Financial Institutions (FI)	475,082	2,769	70,341	548,192
Electric Cooperatives (EC)	55,158	10,137	354,634	419,929
Water Districts (WD)	53,246	930	905	55,081
Salary Loans	15,757	3,259	611,834	630,850
Staggered Booking of Reserves (Note 2.2.1)	0	0	(1,968,807)	(1,968,807)
<b>Expected Credit Loss</b>	<b>6,189,815</b>	<b>1,145,373</b>	<b>17,249,567</b>	<b>24,584,755</b>

Movements in the Gross Carrying Amounts and Allowance for Expected Credit Losses in 2023:

<b>Parent 2023 Gross Carrying Amount</b>				
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Gross carrying amount at January 1, 2023	457,973,990	31,803,744	37,220,753	526,998,487
New assets originated or purchased	14,167,370	741,475	4,351	14,913,196
Assets derecognized or repaid	(12,961,073)	(2,667,322)	(683,914)	(16,312,309)
Transfers to Stage 1	(12,408,379)	(7,549,522)	(1,601,853)	(21,559,754)
Transfers to Stage 2	(43,733,326)	55,734,836	(6,468,478)	5,533,032
Transfers to Stage 3	(2,367,950)	(4,966,069)	6,953,971	(380,048)
<b>At December 31, 2023</b>	<b>400,670,632</b>	<b>73,097,142</b>	<b>35,424,830</b>	<b>509,192,604</b>

<b>Parent 2023 Expected Credit Loss</b>				
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
ECL amount at January 1, 2023	6,189,815	1,145,373	17,249,567	24,584,755
New assets originated or purchased	276,552	61,655	4,133	342,340
Assets derecognized or repaid	(218,526)	(93,338)	(457,866)	(769,730)
Transfers to Stage 1	2,545,949	(264,583)	(346,044)	1,935,322
Transfers to Stage 2	(947,333)	5,147,353	(2,525,781)	1,674,239
Transfers to Stage 3	18,561	(322,591)	4,106,614	3,802,584
Staggered Booking of Reserves (Note 2.2.1)	0	0	(1,312,538)	(1,312,538)
<b>At December 31, 2023</b>	<b>7,865,018</b>	<b>5,673,869</b>	<b>16,718,085</b>	<b>30,256,972</b>

Movements in the Gross Carrying Amounts and Allowance for Expected Credit Losses in 2022:

<b>Parent 2022 Gross Carrying Amounts</b>				
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Gross carrying amount at January 1, 2022</b>	387,892,561	51,885,420	29,622,452	469,400,433
New assets originated or purchased	42,746,388	2,427,558	728,776	45,902,722
Assets derecognized or repaid	(22,627,621)	(6,483,189)	(960,417)	(30,071,227)
Transfers to Stage 1	61,084,190	(16,749,577)	(870,066)	43,464,547
Transfers to Stage 2	(7,755,361)	11,335,873	(4,584,809)	(1,004,297)
Transfers to Stage 3	(3,366,167)	(10,612,341)	13,284,817	(693,691)
<b>At December 31, 2022</b>	<b>457,973,990</b>	<b>31,803,744</b>	<b>37,220,753</b>	<b>526,998,487</b>

<b>Parent 2022 Expected Credit Losses</b>				
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>ECL amount at January 1, 2022</b>	6,294,369	2,203,207	7,937,979	16,435,555
New assets originated or purchased	751,220	112,795	154,125	1,018,140
Assets derecognized or repaid	(480,632)	(209,762)	(506,822)	(1,197,216)
Transfers to Stage 1	(18,826)	(689,782)	(223,808)	(932,416)
Transfers to Stage 2	(225,183)	263,994	(844,843)	(806,032)
Transfers to Stage 3	(131,133)	(535,079)	12,701,743	12,035,531
Staggered Booking of Reserves (Note 2.2.1)	0	0	(1,968,807)	(1,968,807)
<b>At December 31, 2022</b>	<b>6,189,815</b>	<b>1,145,373</b>	<b>17,249,567</b>	<b>24,584,755</b>

5.1.9 Collateral held as security and other credit enhancements

The Parent Bank holds collateral against loans and receivables from customers, the types of which are discussed in Note 5.1.3 (a). Estimates of fair value are based on the latest appraisal value of collaterals.

A summary of the appraised/fair value of collaterals held against loans and receivables is as follows:

	<b>2023</b>	<b>2022</b>
<b>A. Against neither past due nor impaired</b>		
Real estate mortgage	96,404,717	105,739,353
Chattel mortgage	14,695,094	10,541,440
Deposits on hold	3,772,824	3,605,094
IRA/Others	265,289,795	195,138,310
	<b>380,162,430</b>	<b>315,024,197</b>
<b>B. Against past due but not impaired</b>		
Real estate mortgage	68,341	283,555
Deposits on Hold	0	302,202
IRA/Others	62,000	0
	<b>130,341</b>	<b>585,757</b>
<b>C. Against impaired loans</b>		
Real estate mortgage	11,127,286	11,341,175
Chattel mortgage	6,302,298	1,896,423
Deposits on hold	47,140	10,000
IRA/Others	4,174,523	2,885,204
	<b>21,651,247</b>	<b>16,132,802</b>
	<b>401,944,018</b>	<b>331,742,756</b>

The Parent Bank seeks to spread the risk exposure and prevent excessive exposures to individual counterparties, groups of related counterparties, and groups of counterparties with similar characteristics. Prudent limits have been placed on exposures to single customer/customer groups.

An analysis of concentrations of credit risk as of December 31, 2023 and 2022 based on the carrying amount is shown below:

<b>Group 2023</b>					
	<b>Loans and receivables</b>	<b>Loans and advances to banks</b>	<b>Investment securities</b>	<b>Other assets</b>	<b>Total</b>
Financial and insurance activities	36,490,992	139,495,257	277,217,929	0	453,204,178
Electricity, gas and water	129,647,588	0	13,243,877	0	142,891,465
Manufacturing	34,802,334	0	326,569	0	35,128,903
Real estate, renting and business administration	55,879,565	0	3,553,628	0	59,433,193
Wholesale and retail trade	20,867,458	0	2,935,136	0	23,802,594
Transportation and storage	24,978,373	0	10,412,603	0	35,390,976
Information and communication	21,586,075	0	320,754	0	21,906,829
Public administration	79,619,831	0	1,740	0	79,621,571
Education	5,517,058	0	0	0	5,517,058
Human health and social work	24,862,499	0	0	0	24,862,499
Activities of household	7,767,667	0	0	0	7,767,667
Construction	50,339,459	0	0	0	50,339,459
Agriculture, forestry and fishing	19,928,256	0	0	0	19,928,256
Others	4,805,864	0	117,920	3,366,259	8,290,043
	517,093,019	139,495,257	308,130,156	3,366,259	968,084,691
Allowance for impairment	(30,855,078)	0	(366,067)	(243,678)	(31,464,823)
	<b>486,237,941</b>	<b>139,495,257</b>	<b>307,764,089</b>	<b>3,122,581</b>	<b>936,619,868</b>
<b>Group 2022 (As restated)</b>					
	<b>Loans and receivables</b>	<b>Loans and advances to banks</b>	<b>Investment securities</b>	<b>Other assets</b>	<b>Total</b>
Financial and insurance activities	35,006,942	185,350,493	285,722,686	0	506,080,121
Electricity, gas and water	132,517,913	0	14,875,379	0	147,393,292
Manufacturing	36,533,727	0	427,051	0	36,960,778
Real estate, renting and business administration	56,543,172	0	6,112,137	0	62,655,309
Wholesale and retail trade	35,075,615	0	2,940,327	0	38,015,942
Transportation and storage	26,916,522	0	15,077,199	0	41,993,721
Information and communication	28,276,395	0	301,901	0	28,578,296
Public administration	69,087,652	0	1,636	0	69,089,288
Education	6,368,235	0	0	0	6,368,235
Human health and social work	21,098,696	0	0	0	21,098,696
Activities of household	8,461,262	0	0	0	8,461,262
Construction	52,616,177	0	0	0	52,616,177
Agriculture, forestry and fishing	20,393,585	0	0	0	20,393,585
Others	5,656,616	0	86,420	3,260,061	9,003,097
	534,552,509	185,350,493	325,544,736	3,260,061	1,048,707,799
Allowance for impairment	(24,909,804)	0	(197,250)	(248,125)	(25,355,179)
	<b>509,642,705</b>	<b>185,350,493</b>	<b>325,347,486</b>	<b>3,011,936</b>	<b>1,023,352,620</b>

<b>Parent 2023</b>					
	<b>Loans and receivables</b>	<b>Loans and advances to banks</b>	<b>Investment securities</b>	<b>Other assets</b>	<b>Total</b>
Financial and insurance activities	36,490,992	139,056,073	277,061,307	0	452,608,372
Electricity, gas and water	129,647,588	0	13,243,877	0	142,891,465
Manufacturing	34,137,719	0	326,569	0	34,464,288
Real estate, renting and business administration	55,879,565	0	3,553,628	0	59,433,193
Wholesale and retail trade	20,474,084	0	2,935,136	0	23,409,220
Transportation and storage	23,679,489	0	10,412,603	0	34,092,092
Information and communication	21,235,553	0	320,754	0	21,556,307
Public administration	79,506,262	0	1,740	0	79,508,002
Education	5,464,822	0	0	0	5,464,822
Human health and social work	24,862,499	0	0	0	24,862,499
Activities of household	7,767,667	0	0	0	7,767,667
Construction	49,921,449	0	0	0	49,921,449
Agriculture, forestry and fishing	19,923,749	0	0	0	19,923,749
Others	4,615,522	0	117,920	3,268,205	8,001,647
	513,606,960	139,056,073	307,973,534	3,268,205	963,904,772
Allowance for impairment	(30,300,988)	0	(366,067)	(236,170)	(30,903,225)
	<b>483,305,972</b>	<b>139,056,073</b>	<b>307,607,467</b>	<b>3,032,035</b>	<b>933,001,547</b>

<b>Parent 2022 (As restated)</b>					
	<b>Loans and receivables</b>	<b>Loans and advances to banks</b>	<b>Investment securities</b>	<b>Other assets</b>	<b>Total</b>
Financial and insurance activities	35,006,942	184,948,301	285,634,935	0	505,590,178
Electricity, gas and water	132,516,804	0	14,875,379	0	147,392,183
Manufacturing	35,774,077	0	427,051	0	36,201,128
Real estate, renting and business administration	56,543,172	0	6,112,137	0	62,655,309
Wholesale and retail trade	34,695,036	0	2,940,327	0	37,635,363
Transportation and storage	25,658,744	0	15,077,199	0	40,735,943
Information and communication	27,974,150	0	301,901	0	28,276,051
Public administration	68,879,758	0	1,636	0	68,881,394
Education	6,299,488	0	0	0	6,299,488
Human health and social work	21,098,696	0	0	0	21,098,696
Activities of household	8,378,344	0	0	0	8,378,344
Construction	52,182,926	0	0	0	52,182,926
Agriculture, forestry and fishing	20,388,627	0	0	0	20,388,627
Others	5,575,992	0	86,420	3,180,309	8,842,721
	530,972,756	184,948,301	325,456,985	3,180,309	1,044,558,351
Allowance for impairment	(24,646,787)	0	(197,250)	(240,652)	(25,084,689)
	<b>506,325,969</b>	<b>184,948,301</b>	<b>325,259,735</b>	<b>2,939,657</b>	<b>1,019,473,662</b>

The Group's largest industry concentration is the financial and insurance activities sector given the Parent Bank's treasury investing operations, deposits with BSP and securities purchased under agreement to resell.

This includes the Parent Bank's investments in Metro Rail Transit Corporation (MRTC) pursuant to DBP Board Resolution No. 371 dated September 24, 2008, No. 26 dated February 11, 2009, No. 48 dated March 4, 2009, No. 53 dated March 11, 2009, No. 82 dated April 15, 2009, and No. 86 dated April 22, 2009. The purchase by the Parent Bank and Land Bank of the Philippines (LBP) of MRTC investments aimed to give the Government control in the MRTC Board to resolve outstanding issues between then Department of Transportation and Communications (now Department of Transportation) and MRTC. The Government Financial Institutions' entry also came at an opportune time because the sellers were willing to sell their MRTC holdings at a price based on the consensual unwind formula given the effect of the 2008 financial crisis.

The entry of the Parent Bank and LBP paved the way for the dropping of the Washington Arbitration Case, while the Singapore Case was kept outstanding based on mutual consent from both parties.

The Parent Bank's equity investment in MRTC is below the maximum ceiling set by BSP for single entities of 25 per cent of the net worth of the Parent Bank. Likewise, it is also below the maximum ceiling set for aggregate investment for allied/non-allied equity investments of 50 per cent of the net worth of the Parent Bank. BSP approval was sought in compliance to BSP Regulations on investments on non-allied equity investments through BSP Manual of Regulations for Banks (MORB) Sections 375 and 376-A and as required under Republic Act No. 8791 dated May 23, 2000.

Outstanding investments in MRTC bonds have a book value of USD67.25 million booked under Financial Assets at Amortized Cost – Held to Collect under Note 14, while investment in common and preference shares are shown in Note 13 under private equity securities.

The Parent Bank and LBP continue to work closely with the Department of Finance, Department of Transportation, and Office of the Solicitor General on exploring the possibility of a buyout by the Department of Transportation.

The BSP under MB Resolution No. 267 dated February 18, 2015 allowed the Parent Bank and LBP to hold MRTC Equity investments as non-allied undertakings pursuant to Section 376-A of the BSP MORB, subject to the 35 per cent ceiling.

#### 5.1.10 Credit Information Systems

The Parent Bank currently maintains various systems that are used to measure credit risk exposures both on and off-balance sheet. Different units, including lending officers, back-office personnel and middle managers make use of these systems for monitoring, analysis and reporting of exposures particularly limits and concentration. Access to this information is limited to authorized users only.

##### a. Customer Information System (CIS)

The CIS is an integrated customer management system that provides users in the Parent Bank with better client service tools. It captures a broad set of customer and financial information that helps the Parent Bank analyze client profiles.

##### b. Central Liability System (CLS)

The CLS houses the database, which includes information of specific borrowers as well as other data pertaining to client account/s. It provides greater visibility into customers' data and consolidated financial reporting that will enhance operations and increase productivity through easy access to information. It enables monitoring of loan exposures to specific groups, geographical or industry sectors.

#### c. Credit Information Builder (CrIB)

The Online CrIB was developed to capture all information related to individual and corporate borrowers and corresponding credit facilities extended by the Parent Bank. The system was designed to serve as the loan origination system where data stored will be used for the Parent Bank's CLS and Management Information System.

#### d. Integrated Treasury Management System (ITMS)

In monitoring the different credit-related exposures in the Parent Bank's Treasury Group, the Parent Bank uses an ITMS to consolidate financial institutions' credit limits information and to enable the management of DBP's Treasury portfolio in real time. It provides credit managers with real-time control and monitoring of credit exposures, enabling efficient limit utilization across the enterprise with sophisticated credit mitigation techniques. Traders can make limit inquiries and receive limit updates in real time.

### 5.2 Market Risk

Market risk arises from movements in interest rates and foreign exchange rates, as well as their corresponding correlations and implied volatilities. Market Risk Management Department (MRMD) handles risk management for market risk exposures. The ultimate objective of MRMD is to measure and control the Parent Bank's risk-taking activities in the financial markets and ensure limits are established based on the level of risk tolerance defined by the BOD and the ability of the Parent Bank to absorb market shocks. The department is also responsible for monitoring the liquidity and interest rate risk profile of the Parent Bank.

The operations of MRMD are governed by the market risk policies which include the approval process and specific authorities on exposure limits. A system of market risk limits is strictly implemented which are set based on industry-accepted methodologies. Market risks are primarily controlled by restricting trading operations to a list of permissible instruments within authorized limits set by the BOD. Market risks are controlled by ensuring trading activities operate within authorized limits set by the BOD. These limits are monitored on a regular basis. The monitoring of market risk is enabled by an integrated, multi-platform treasury and risk management system that streamlines control and monitoring processes.

The Parent Bank engages in foreign exchange activities to generate incremental trading income from proprietary trading, hedge currency mismatches on its statement of financial position, and to service client requirements. The Parent Bank's foreign exchange exposure is managed conservatively within the Net Open Position limits allowed by the BSP. The Parent Bank's foreign exchange exposures arising from its Official Development Assistance (ODA) funding are mostly covered by the National Government.

#### 5.2.1 The Value-at-Risk

The Value-at-Risk ("VaR") methodology is the primary market risk measure for the Parent Bank's trading activities. The Parent Bank estimates VaR using the parametric

approach at 99 per cent confidence interval. To complement the VaR calculation, stress testing and scenario analysis are performed on both individual portfolios and on the consolidated positions to examine the Parent Bank's vulnerability to plausible extreme losses due to market shocks. Daily VaR is calculated mainly for risk measurement and it is not used in determining market risk capital requirement. The Parent Bank currently adopts the Standardized Approach under the Basel II framework to compute for market risk capital requirement.

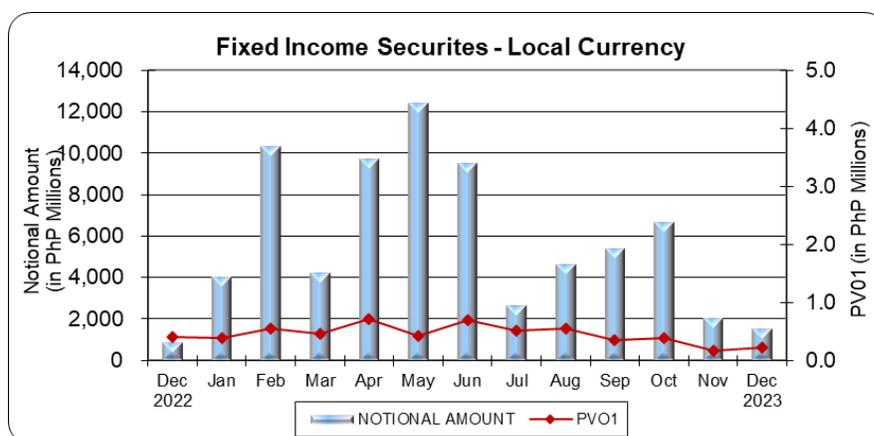
The table below provides a summary of Parent Bank's VaR profile, by risk class for 2023 and 2022:

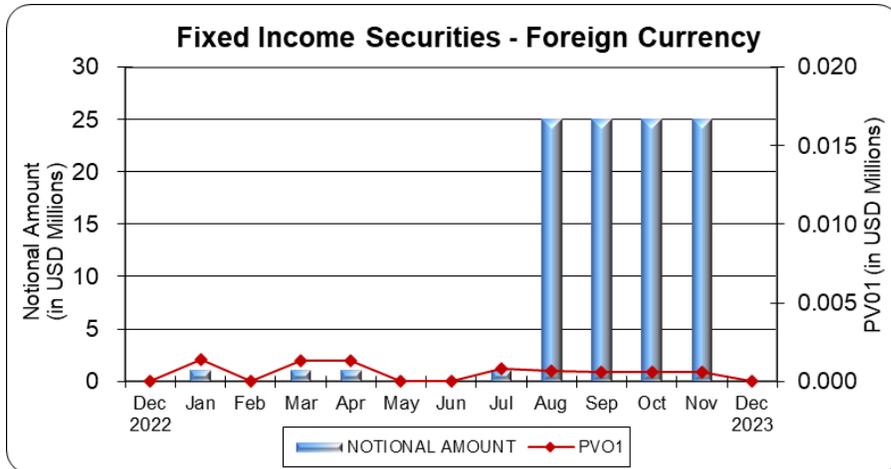
	2023	December 2022 - December 2023			2022
	Year end	Avg	Min	Max	Year end
In PHP Millions					
Fixed Income Trading	16.59	115.53	16.59	260.35	67.04
Equities Trading	4.88	5.90	0.00	9.40	0.00
Foreign Exchange Trading	4.88	8.99	0.34	46.57	3.43

The Parent Bank's VaR for Fixed Income Trading by year-end of 2023 is lower by 75.25 per cent than the previous year-end. The lower VaR recorded is due to a less volatile market in the local currency fixed income portfolio during the year. Moreover, a P4.88 million VaR is noted for the Parent Bank's Foreign Exchange Trading position as of end-2023. Equities Trading, which commenced only in March 2023, likewise ended the year with a VaR amounting to P4.88 million.

## 5.2.2 Sensitivity Analysis

Interest rate sensitive positions in the trading book are measured using a single rate-duration based calculation of interest rate risk. The graph below shows the movement in Present Value (PV01) terms of the Parent Bank's debt securities portfolio from December 2022 to December 2023.





### 5.3 Liquidity Risk

The Parent Bank, as a special purpose domestic bank focused on development lending, remains to have a relatively stable liquidity position. In its development lending, the Parent Bank’s funding sources are largely from core deposits of various government and non-government entities together with ODA from foreign governments and supranational development banks and agencies, which it on-lends to domestic development projects in the countryside.

The Parent Bank has implemented a comprehensive liquidity risk management framework to better manage its liquidity risk. This includes a set of liquidity risk metrics such as Maximum Cumulative Outflow, Liquidity Coverage Ratio, Net Stable Funding Ratio and Other Liquidity Ratios. Liquidity Risk Limits, Large Fund Providers and Early Warning Signals to the Contingency Funding Plan are monitored on a regular basis. Breaches against Board-approved limits, if any, are reported to Treasury Group – Asset and Liability Management Department and other concerned business units for justifications and/or corrective actions for approval of the Senior Management and BOD.

#### 5.3.1 Maximum Cumulative Outflow (MCO)

The liquidity risk tolerance from mismatch of assets and liabilities is reflected and monitored through the MCO model, which computes for varied level of gaps per tenor bucket on a per book and currency basis. As of December 2023, liquidity gap for the first five months posted net positive P12.30 billion.

#### 5.3.2 Liquidity Coverage Ratio (LCR)

In compliance with Basel III standards, the LCR is monitored to determine if there is a sufficient stock of high-quality liquid assets (HQLA) to cover for the next 30-day’s net outflows. This ratio is maintained at more than 100 per cent which is the prescribed level by the BSP. Below are details of the LCR in Single Currency, both in consolidated basis (for the Group) and solo basis (for the Parent Bank), presented in average of the four quarterly observations for the year 2023:

<b>Group</b>		
<b>2023 LCR Disclosure</b>		
<b>(In Single Currency, Absolute Amount)</b>		
	<b>Total Unweighted Value (Average)<sup>1/</sup></b>	<b>Total Weighted Value (Average)<sup>2/</sup></b>
<b>STOCK OF HQLA</b>		
<b>Total Stock of HQLA</b>		<b>330,380,357,725.30</b>
<b>EXPECTED CASH OUTFLOWS</b>		
<b>Deposits, of which:</b>	<b>763,666,511,975.22</b>	<b>284,669,772,654.77</b>
Retail Funding	37,831,823,750.63	3,428,155,860.61
Wholesale Funding, of which:	725,834,688,224.59	281,241,616,794.16
Operational Deposits	306,350,832,221.82	91,905,249,666.54
Non-operational Deposits (all counterparties)	419,483,856,002.77	189,336,367,127.62
<b>Unsecured Wholesale Funding (all counterparties)</b>	<b>497,989,550.61</b>	<b>495,262,687.12</b>
<b>Secured Funding</b>	<b>1,013,620,346.31</b>	<b>317,529,375.00</b>
<b>Derivatives contracts, of which:</b>	<b>6,560,233,795.96</b>	<b>6,560,233,795.96</b>
Outflows Related to Derivatives Exposures (net)	6,560,233,795.96	6,560,233,795.96
Outflows Related to Collateral Requirements	0.00	0.00
<b>Structured Financing Instruments</b>	<b>0.00</b>	<b>0.00</b>
<b>Committed Business Facilities (all counterparties)</b>	<b>67,641,471,537.99</b>	<b>7,861,284,551.91</b>
<b>Other Contractual Obligations within a 30-day period</b>	<b>9,368,005,655.78</b>	<b>9,368,005,655.78</b>
<b>Other Contingent Funding Obligations</b>	<b>3,756,195,985.68</b>	<b>961,866,764.91</b>
<b>TOTAL EXPECTED CASH OUTFLOWS</b>		<b>310,233,955,485.45</b>
<b>EXPECTED CASH INFLOWS</b>		
<b>Secured Lending</b>	<b>906,701.58</b>	<b>0.00</b>
<b>Fully Performing Exposures (all counterparties)</b>	<b>35,319,180,149.92</b>	<b>26,371,552,443.00</b>
<b>Other Cash Inflows</b>	<b>17,358,557,152.68</b>	<b>17,358,557,152.68</b>
<b>TOTAL EXPECTED CASH INFLOWS</b>	<b>52,678,644,004.18</b>	<b>43,730,109,595.68</b>
<b>TOTAL STOCK OF HQLA</b>		<b>330,380,357,725.30</b>
<b>TOTAL EXPECTED NET CASH OUTFLOWS</b>		<b>266,503,845,889.77</b>
<b>LIQUIDITY COVERAGE RATIO (%)</b>		<b>128.61%</b>

<sup>1/</sup> Average of quarterly outstanding balances for the year 2023

<sup>2/</sup> Average of quarterly weighted balances (applied with haircut or inflow/outflow rates) for the year 2023

<b>Parent</b>		
<b>2023 LCR Disclosure</b>		
<b>(In Single Currency, Absolute Amount)</b>		
	<b>Total Unweighted Value (Average)<sup>1/</sup></b>	<b>Total Weighted Value (Average)<sup>2/</sup></b>
<b>STOCK OF HQLA</b>		
<b>Total Stock of HQLA</b>		<b>329,888,946,463.69</b>
<b>EXPECTED CASH OUTFLOWS</b>		
<b>Deposits, of which:</b>	<b>763,207,024,028.72</b>	<b>284,611,139,536.21</b>
Retail Funding	37,371,957,410.22	3,387,478,881.30
Wholesale Funding, of which:	725,835,066,618.50	281,223,660,654.91
Operational Deposits	306,377,024,412.20	91,913,107,323.66
Non-operational Deposits (all counterparties)	419,458,042,206.30	189,310,553,331.25
<b>Unsecured Wholesale Funding (all counterparties)</b>	<b>441,105.51</b>	<b>176,442.20</b>
<b>Secured Funding</b>	<b>1,013,285,544.02</b>	<b>317,529,375.00</b>
<b>Derivatives contracts, of which:</b>	<b>6,560,233,795.96</b>	<b>6,560,233,795.96</b>
Outflows Related to Derivatives Exposures (net)	6,560,233,795.96	6,560,233,795.96
Outflows Related to Collateral Requirements	0.00	0.00
<b>Structured Financing Instruments</b>	<b>0.00</b>	<b>0.00</b>
<b>Committed Business Facilities (all counterparties)</b>	<b>67,641,471,537.99</b>	<b>7,861,284,551.91</b>
<b>Other Contractual Obligations within a 30-day period</b>	<b>9,277,877,562.84</b>	<b>9,277,877,562.84</b>
<b>Other Contingent Funding Obligations</b>	<b>3,756,195,985.68</b>	<b>961,866,764.91</b>
<b>TOTAL EXPECTED CASH OUTFLOWS</b>		<b>309,590,108,029.03</b>

<b>Parent</b>		
<b>2023 LCR Disclosure</b>		
<b>(In Single Currency, Absolute Amount)</b>		
	<b>Total Unweighted Value (Average)<sup>1/</sup></b>	<b>Total Weighted Value (Average)<sup>2/</sup></b>
<b>EXPECTED CASH INFLOWS</b>		
Secured Lending	0.00	0.00
Fully Performing Exposures (all counterparties)	34,913,830,954.15	26,168,877,845.11
Other Cash Inflows	17,191,673,537.31	17,191,673,537.31
<b>TOTAL EXPECTED CASH INFLOWS</b>	<b>52,105,504,491.46</b>	<b>43,360,551,382.42</b>
<b>TOTAL STOCK OF HQLA</b>		<b>329,888,946,463.69</b>
<b>TOTAL EXPECTED NET CASH OUTFLOWS</b>		<b>266,229,556,646.61</b>
<b>LIQUIDITY COVERAGE RATIO (%)</b>		<b>128.57%</b>

<sup>1/</sup> Average of quarterly outstanding balances for the year 2023

<sup>2/</sup> Average of quarterly weighted balances (applied with haircut or inflow/outflow rates) for the year 2023

In addition, below is the actual LCR as of December 31, 2023:

<b>LCR as of December 31, 2023</b>		
<b>(In Single Currency, Absolute Amount)</b>		
	<b>Group</b>	<b>Parent</b>
Total Stock of HQLA	338,208,364,361.34	337,632,998,035.84
Total Net Cash Outflows	273,709,763,169.20	273,692,265,445.63
<b>LCR (HQLA/Net Cash Outflows)</b>	<b>123.56%</b>	<b>123.36%</b>

The Group has maintained favorable levels of LCR since 2018. There have been changes in the statements of financial position components over time but the Group remains prudent in managing liquidity particularly its LCR levels. In fact, internal thresholds are in place to serve as early warning indicator of potential breach in the regulatory level. Both PHP and USD ratios are monitored but day-to-day fluctuations in the Single Currency ratio are brought about mainly by Peso-denominated accounts, thus, currency mismatch can be managed.

Daily LCR level is driven mainly by changes in the Parent Bank's stock of HQLA and net outflows. MRMD regularly monitors the Group's compliance with the internal and regulatory thresholds while the Treasury Group ensures said compliance by maintaining sufficient stock of HQLA and managing short-term inflows and outflows. The said stock of HQLA is composed of cash and placements with the BSP, including excess reserves, to cover immediate liquidity needs. Large portion of the stock also includes investments with the National Government to cover for potential outflows from large fund providers and other funding obligations arising from FX Swaps, loan commitments, and trade-related transactions. On the other hand, the Parent Bank's net outflows remain driven by its main source of funding, government deposits.

### 5.3.3 Net Stable Funding Ratio (NSFR)

<b>NSFR as of December 31, 2023</b>		
<b>(In Single Currency, Absolute Amount)</b>		
	<b>Group</b>	<b>Parent</b>
Available Stable Funding (ASF)	541,470,077,662.22	541,110,030,885.09
Required Stable Funding (RSF)	512,864,475,540.11	511,346,137,968.07
<b>NSFR (ASF/RSF)</b>	<b>105.58%</b>	<b>105.82%</b>

Complementing the LCR as Basel III ratio is the NSFR which addresses the long-term resilience of banks against liquidity risk. It calculates the ratio of Available Stable Funding (ASF) which profiles liabilities and other funding sources as against Required Stable Funding (RSF) which rundowns assets. This ratio is likewise maintained within the BSP-prescribed level of 100 per cent.

#### 5.3.4 Other Liquidity Ratios

	DBP Ratios <sup>1/</sup>	Industry Ratio <sup>2/</sup>
Stable Funding vs. Non-Liquid Assets	12%	11%
Liquid Assets vs. Volatile Funding	21%	29%
Liquid & Less Liquid Assets vs. Volatile Funding	28%	30%
Key Liquidity Provider Sourced Funding vs. Total Liabilities	6%	3%
Liquid Assets Ratio	17%	23%

<sup>1/</sup> DBP ratios as of December 31, 2023

<sup>2/</sup> Top 10 universal banks in terms of assets excluding DBP as of September 30, 2023

The Parent Bank's liquidity ratios reflect its ability to secure and preserve long-term funding and conservative approach in maintaining a significant level of liquid assets. Liquid assets are redeployed to loans and investments to take advantage of increasing interest rates mindful of other risks. The Parent Bank has also continued to strengthen its ties with government agencies and corporations to generate deposits, making it less dependent on inter-bank borrowings. In most cases, the Parent Bank has been a net lender to the interbank market.

#### 5.3.5 Liquidity Risk Limits

The Parent Bank currently monitors a set of liquidity risk limits for prudent liquidity risk management and in compliance with BSP Circular 981. These limits reflect the liquidity risk tolerance of the BOD and Senior Management. These include limits or thresholds for the MCO, LCR, NSFR, Large Fund Provider and Funding Concentration, and other liquidity risk exposures.

#### 5.3.6 Early Warning Signals

The Parent Bank monitors the Early Warning Signals to the Contingency Funding Plan (CFP) to detect and mitigate liquidity risks either due to external or internal factors. As such, the Parent Bank's CFP contains a well-constructed senior level action plan with clear delegation of actions and responsibilities. The CFP mainly highlights the resources or facilities that can be considered by the Parent Bank and decision points necessary to guide management systematically address a liquidity crisis event.

#### 5.4 Foreign Currency Risk

The Parent Bank maintains its foreign currency exposure by implementing internal limits and strict adherence to existing regulations. Proprietary trading is fairly moderate with exposures restricted to major currencies and limits are set based on historical performance and risk tolerance defined by the BOD. Management of foreign currency risk is also part of market risk management handled by MRMD.

BSP caps the Parent Bank's consolidated net open foreign exchange (FX) position (either overbought or oversold) at 25 per cent of its Qualifying Capital or USD150 million,

whichever is lower. The consolidated net open FX position is the higher of the absolute value of the sum of the net long positions (“positive” or “overbought”) or the sum of the net short positions (“negative” or “oversold”) in individual currencies.

The Group’s consolidated net open FX position as of December 31, 2023 reported a net short position of USD12.52 million or 0.88 per cent of its Qualifying Capital. Also, the Group is required to fully cover foreign currency liabilities with foreign currency assets held in the FCDU books.

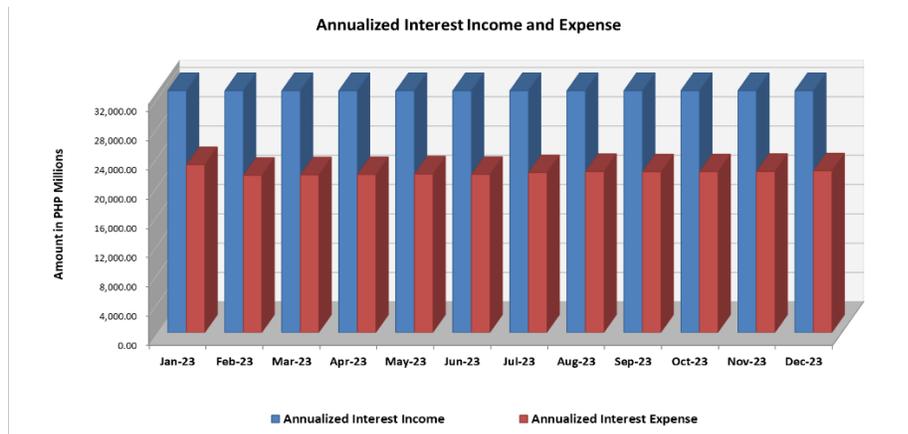
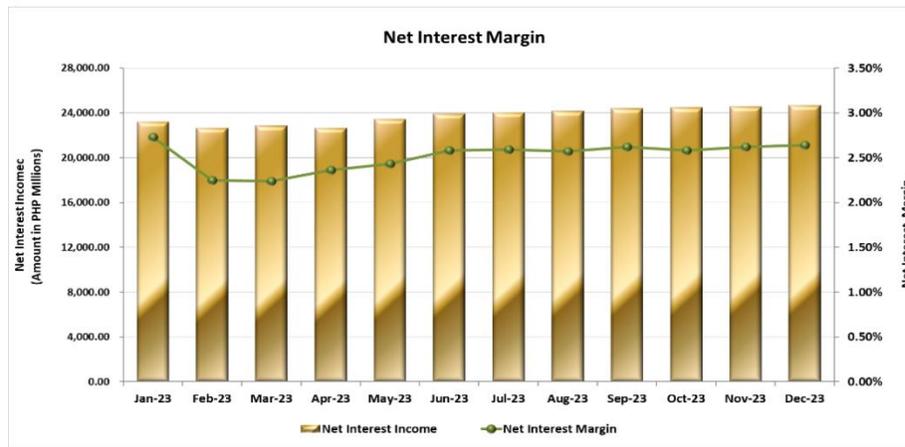
The table summarizes the Parent Bank’s exposure to foreign exchange risk as of December 31, 2023. Included in the table are the Parent Bank’s assets and liabilities at carrying amounts, categorized by currency:

	<b>Foreign Currency</b>	<b>Regular Foreign</b>	<b>Total</b>
<b>Assets</b>			
Due from other banks	5,579,452	3,587,947	9,167,399
Interbank loans receivable	6,921,250	3,322,200	10,243,450
Financial assets at fair value through profit and loss (FVTPL)	0	1,110,474	1,110,474
Financial assets at fair value through other comprehensive income (FVOCI)	16,110,951	6,810,282	22,921,233
Financial assets at amortized cost	54,454,240	17,313,363	71,767,603
Loans and advances (net)	14,103,759	69,526	14,173,285
Other resources	1,212,642	5,451,413	6,664,055
<b>Total Assets</b>	<b>98,382,294</b>	<b>37,665,205</b>	<b>136,047,499</b>
<b>Liabilities</b>			
Deposit liabilities	64,642,977	0	64,642,977
Bills payable	14,838,266	10,088,051	24,926,317
Bonds payable, net	16,559,476	0	16,559,476
Accrued taxes, interest and other expenses	738,387	168,051	906,438
Other liabilities	2,524,419	18,321,456	20,845,875
<b>Total Liabilities</b>	<b>99,303,525</b>	<b>28,577,558</b>	<b>127,881,083</b>
<b>Net Exposure</b>	<b>(921,231)</b>	<b>9,087,647</b>	<b>8,166,416</b>
<b>Total contingent accounts</b>			<b>(277,189)</b>
<b>Consolidated net open FX position (in USD millions)</b>			<b>(12,520)</b>

## 5.5 Interest Rate Risk in the Banking Book

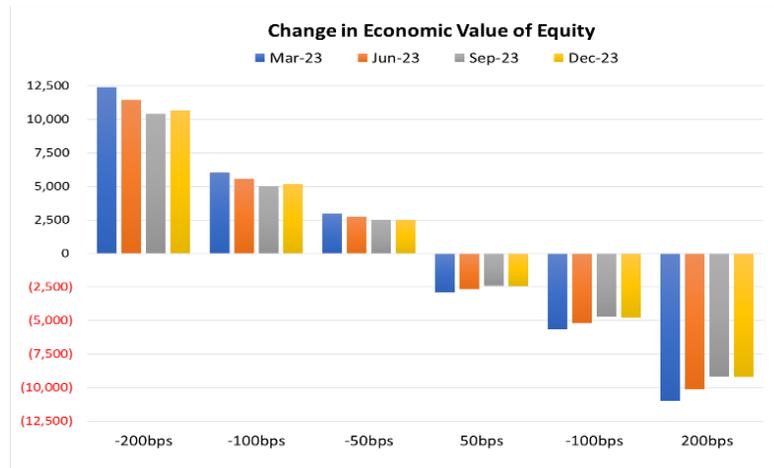
The Parent Bank currently adopts both the Earnings-at-Risk (EaR) and Economic Value of Equity (EVE) methodology in measuring interest rate risk exposure in the banking book (IRRBB). Extensive analysis, which includes scenario simulations on the Parent Bank’s Interest Rate Gap (IRG) and EaR and its corresponding effects to Net Interest Income (NII) and Net Interest Margin (NIM) are done on a regular basis. Depending on the Parent Bank’s forecast or view on short-term and long-term interest rate movements, both domestic and foreign, appropriate responses are made to mitigate the vulnerability of the Parent Bank to adverse interest rate shifts and changes in the shape of the yield curve. These tools for interest rate risk management are implemented by MRMD.

The following graphs show the monthly movement of the Parent Bank's EaR vis-à-vis limits in 2023 for both the RBU and FCDU books.



The Parent Bank also manages IRRBB through the EVE methodology. This approach focuses on the economic value of accounts sensitive to interest rate change covering short-, medium-, and long-term vulnerabilities. Applying various interest rate shocks from the computed EVE, the Change in EVE is then determined, translated to potential long-term impact in the economic value of the Parent Bank's capital.

Provided below are the potential impact in the economic value of the Parent Bank's capital with respect to interest rate-sensitive accounts employing basis points shift in interest rates.



## 5.6 Operational Risk Management (ORM)

The Parent Bank defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The Parent Bank manages operational risk by identifying, assessing, monitoring, controlling and mitigating the risk, rectifying operational risk events, and implementing additional procedures required to comply with regulatory requirements. All units are responsible for managing operational risk by implementing clear and defined processes, delineation of responsibilities, and business continuity plan, among others.

Operational Risk Management Department (ORMD) is primarily responsible for the establishment and implementation of a reliable and proactive operational risk management programs, policies and processes consistent with regulatory requirements, industry best practices and globally accepted frameworks. The department provides ROC with quantitative and qualitative analyses on the Parent Bank's operational risk-taking activities. Also, the department assists the ROC in defining the Parent Bank's level of operational risk-tolerance and formulation of operational risk parameters with the objective of effectively managing operational risk and efficient utilization of capital. Lastly, part of the department's task is to institutionalize a culture of operational risk awareness.

ORMD is composed of Business Continuity Management Unit (BCMU) and Operational Risk Monitoring Unit (ORMU). BCMU improves and strengthens the Parent Bank's business continuity management system and ORMU improves and strengthens the Parent Bank's operational risk management system.

### 5.6.1 Operational Risk Assessment

The Parent Bank conducts regular Risk Assessment exercise, which serves to identify risk areas and vulnerabilities. Assessment of risks is conducted by the members of the Operational Risk Working Group, integrated in the annual Internal Capital Adequacy

Assessment Process (ICAAP) activities. This serves to identify risks relating to people, processes, systems and structures.

#### 5.6.2 Business Continuity Management (BCM)

Recognizing the Parent Bank's vulnerability to losses resulting from operational disruptions due to internal factors such as power outage, system downtime and external factors such as natural disasters, terrorist attacks, cyber-attacks and pandemic illness, among others, the Parent Bank continually exerts efforts to improve its business continuity management including disaster preparedness.

The Parent Bank regularly reviews and enhances its BCM Program Manual to adopt industry best-practices and ensure that the Parent Bank's core business operations continue to function in the event of business disruption or disaster. Regular testing is scheduled and performed to ensure the ability of all Parent Bank units to recover their business operations.

Complementing the detailed contingency measures, the Parent Bank's recovery facilities are regularly assessed and maintained with a view towards the Parent Bank's recovery requirements, including application systems, equipment and supplies.

#### 5.6.3 Business Impact Analysis (BIA)

The Parent Bank adopts and implements the BIA process which aims to enable the business units to identify business functions that have the most impact in the Bank and to determine the effect or impact of an interruption of services resulting from business disruption/disaster on each business unit and on the organization as a whole. The output of the BIA serves as a major input to come up with the business functions prioritization for BCM.

#### 5.6.4 Risk and Control Self-Assessment (RCSA)

The Parent Bank adopts and implements the RCSA which aims to identify, assess, control and mitigate operational risk and to champion effective reporting of operational risk and emerging issues. RCSA forms an integral element of the overall operational risk framework, as it provides an excellent opportunity for a firm to integrate and coordinate its risk identification and risk management efforts and generally to improve the understanding, control and oversight of its operational risks. RCSA provides a systematic means of identifying control gaps that threaten the achievement of defined business or process objectives and monitoring what management is actually doing to close these gaps. In addition, the RCSA activities promote risk awareness and ownership.

#### 5.6.5 Operational Risk Information System (ORIS)

The ORIS is a risk management tool being utilized by Parent Bank that automates various risk assessment processes, namely, the BIA, the RCSA and the Information Security Risk Assessment (ISRA). It aims to provide relevant information to assist the business units and the top management in its risk-based decision making.

#### 5.6.6 Enhanced Operational Loss Monitoring Module (eOLMM) System

The eOLMM is a web-based information system which facilitates the Parent Bank's operational loss data collection, analysis and resolution. The eOLMM system is primarily designed to establish a databank on operational losses of each business unit of the Parent Bank.

#### 5.6.7 Operational Loss Incident Reporting

The Parent Bank implements the policy on Integrated Incident Management Framework, to establish a standard procedure in incident management through synergized identification, assessment, response, mitigation and monitoring of operational risk incidents. The policy provides for clear shared responsibilities, chain of command and communications between top management and business units in the management of risks brought about operational incidents. It likewise establishes appropriate guidelines which allow risks to be addressed by generating metrics, prioritizing and developing responses.

#### 5.6.8 Operational Risk Awareness

The Parent Bank integrates the Operational Risk Awareness through the issuance of infographics on Business Continuity Management, operational risk-related trainings, and close coordination with business units regarding their operational risk concerns.

#### 5.6.9 Operational Risk Coordinators

To ensure continuity in the implementation of the various regulatory requirements in incident reporting, operational loss monitoring, business continuity management, and ORM, the Parent Bank identifies and designates an Operational Risk Coordinator from each business unit. The roles and responsibilities of the coordinator cover Business Continuity Management and Operational Risk Monitoring.

Operational risk issues are likewise identified in the course of audit engagements, business process reviews and analysis of operational loss reports and data. Identification of risks in new product lines and businesses is likewise performed with the review of product manuals and new product proposals.

#### 5.6.10 Operational Risk and Capital Efficiency

The current methodology of the Parent Bank in computing for the Operational Risk Weighted Asset (ORWA) is the BIA. Under the BIA, ORWA is obtained by multiplying 15 per cent of the previous positive three-year average gross income to a specified factor.

### 5.7 Information Security Risk Management

The management of information security (IS), information technology (IT) and cyber-related risks forms part of the Parent Bank's overall enterprise risk management initiative, adhering to the risk management lifecycle process established and implemented. The standard processes identified in the Parent Bank's enterprise risk management on risk criteria identification, risk assessment evaluation and rating are the baseline processes adopted for information security risk management.

### 5.7.1 Information Security Governance

The Board and Senior Management of the Parent Bank exercise oversight on IS and IT risks, providing strategic direction and plans for the effective implementation of a robust information security strategy. By establishing tone at the top, direction is cascaded to all business units to operationalize controls to ensure continued protection of the various information assets of the Parent Bank.

The IS Risk Management (ISRM) Framework enshrines the Parent Bank's organizational collaboration to strengthen its management of risks to information assets, by protection of its confidentiality, integrity, and availability, and of risks from the use of technology amid the evolving complexity of the threat landscape and dynamic changes in information technology-related regulations and the business climate. The ISRM Framework is complemented with the IS Policy, Cybersecurity Policy, and other allied policies that tackle management of control domains on information security and technology.

To continuously guide the Parent Bank in enhancing its governance mechanisms defined in the ISRM Framework, the IS Strategy is crafted and maintained to serve as a roadmap for the entire organization in improving its capabilities and state in managing IS/IT risks. The Strategy, in turn, is supported and is set in motion by the IS Program, that provides detailed guidance and processes in operationalizing the assessment and monitoring of IS/IT risks, to be able to achieve the desired state of information security.

### 5.7.2 Information Security Risk Management at the Business Unit Level

As the respective owners of business processes and as part of first line of defense against risks, business units of the Parent Bank manage information security and technology risks at the operational level through compliance to mandated security controls while achieving their corresponding business goals. Moreover, each business unit head concurrently serves as the Associate Information Security Officer of the same business unit, who, by virtue of their function, ensures that IS/IT risks and/or operational losses against their business processes and assets are periodically assessed and that controls and mechanisms that reduce such risks are in place, maintained, and reviewed on a regular basis.

### 5.7.3 Information Security Risk Assessment and Oversight

Forming part of the second line of defense, the Information Security Risk Management Department (ISRMD) oversees and advocates on control implementation on the overall management of IS, IT, and cyber-related risks, supporting the enterprise-wide risk management endeavors of the Parent Bank. The department ensures that policies and standards in managing IS/IT risks are adequate and timely, capturing the Parent Bank's risk appetite and addressing substantial threats that may obstruct attainment of business objectives.

The ISRMD serves as business units' partner and internal resource persons in guiding and facilitating business line managers and personnel in adopting risk management in their respective processes. ISRMD also provides a constructive revalidation or challenge on business units' assessment of risks and retention of controls, as part of its oversight function.

Various risk assessment and monitoring activities are performed all throughout the fiscal year to measure various domains or sub-areas of IS and IT risks. This includes conduct of the annual enterprise-wide IS Risk Assessment, whereby consolidated assessments of business units identify security gaps and mitigating measures (the latter being documented through an IS Risk Mitigation Plan), permitting Management to make well-informed decisions on security-related initiatives and mitigations. Lastly, ISRMD also oversees and is part of the process for detecting, analyzing, and responding to any information security incidents.

## 5.8 Capital Management

### 5.8.1 Approach to Capital Management

Decisions and strategies undertaken by the Parent Bank are geared towards achieving capital adequacy and efficiency. Under the ICAAP, the Parent Bank has instituted an enterprise-wide process that will ensure that all inherent risks in the loan and investment portfolio are properly identified, and risk-taking activities are consistent with the risk appetite set by the BOD and Senior Management. Furthermore, various tools and methodologies, both quantitative and qualitative, are conducted on a regular basis to measure and assess risks, set up a comprehensive limit structure, and determine sufficiency of existing capital levels in absorbing market shocks.

In lending, accounts undergo thorough risk assessment to identify and reflect the actual risk profile of the counterparty. From the results of the risk assessment, Senior Management determines the Parent Bank's strategies for these transactions, such as stipulating stricter operating guidelines that will further secure its position and/or requiring compensating businesses that will enhance returns from these transactions. Furthermore, while the Parent Bank's lending is geared towards public sector project financing for sustainable development, it also extends credit facilities to private companies, financial institutions, and micro, small and medium enterprises (MSMEs). Risk profiles of these clients range from low to high risk. As such, the Parent Bank aims for an optimal use of capital through a diversified portfolio of risk exposures. Meanwhile, through instituted risk management processes, various simulations and regular stress testing are conducted on proposed major business and investment considerations to determine impact on the Parent Bank's capital, monitor its varying degrees of vulnerability, and approximate the effect of such to the Parent Bank's financial condition.

### 5.8.2 Capital Adequacy Framework

The Parent Bank adheres to the capital standards outlined in the Basel II Capital Adequacy Framework. The Basel II Framework was implemented in the Philippine Banking System under the guidance of the BSP in July 2007. The framework aims to promote safety and soundness in the financial system and maintain at least the current overall level of capital in the system; to enhance competitive equality; and to constitute a more comprehensive approach in addressing risks. The Parent Bank has adopted the Standardized Approach for market and credit risk capital charging while the calculation of the operational risk capital charge is based on the Basic Indicator Approach.

### 5.8.3 Basel II to Basel III

As an offshoot of the 1988 Capital Accord or Basel I and building on the “International Convergence of Capital Measurement and Capital Standards” document called Basel II, the Basel Committee on Banking Supervision created Basel III in the aftermath of the Global Financial Crisis to strengthen regulation, supervision, and risk management of the banking sector. The new Basel rules are structured around several regulatory objectives to promote capital resilience, among others, of the banking sector. It contains a new regulatory capital framework aimed at improving the quality of capital and increasing the level of capital held by universal and commercial banks (U/KBs).

Full implementation of Basel III began in January 2014 as contained in the BSP Circular No. 781, s. 2013 or the Implementing Guidelines on Basel III Capital Requirements approved by the Monetary Board on December 14, 2012.

### 5.8.4 Enterprise Risk Management and Internal Capital Adequacy Assessment Process

Using a risk-based approach in managing the institution, the Parent Bank continues to strengthen its Enterprise Risk Management (ERM) framework, integrating the concepts of strategic planning, operations management and internal controls. The four integral components of the ERM framework — Measurement, Infrastructure, Strategy, and Organization — are regularly assessed and reviewed.

As part of the ERM framework and as mandated by the BSP, the Parent Bank has fully implemented the Pillar II framework under the Basel III Capital Accord. The Parent Bank has institutionalized the ICAAP, aimed at assessing the institution’s overall capital adequacy in relation to its risk profile and defining a strategy to maintain sufficient capital levels.

### 5.8.5 Capital Management

Effective January 1, 2014, the Parent Bank and its subsidiaries continuously complies with BSP Circular No. 781 s.2013, which provides the implementing guidelines on the revised risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for U/KBs, as well as their subsidiary banks and quasi-banks, in accordance with the Basel III standards. Said Circular sets out the minimum requirements for Common Equity Tier 1 (CET1) Ratio of six per cent and for Tier 1 Ratio of 7.50 per cent. It also introduced a Capital Conservation Buffer (CCB) of at least 2.50 per cent comprised of CET1 Capital. The existing requirement for Total Capital Adequacy Ratio (CAR) remains unchanged at 10 per cent. The Circular requires that banks maintain these ratios at all times. With the issuance of BSP Circular No. 1024, s. 2018, banks must comply with both the CCB and Countercyclical Capital Buffer (CCyB), which are applied in addition to the minimum CET1 requirement. Upon issuance of said circular, the CCyB is set at zero per cent, subject to upward adjustment to a rate determined by the Monetary Board when systemic conditions warrant such but not to exceed 2.50 per cent.

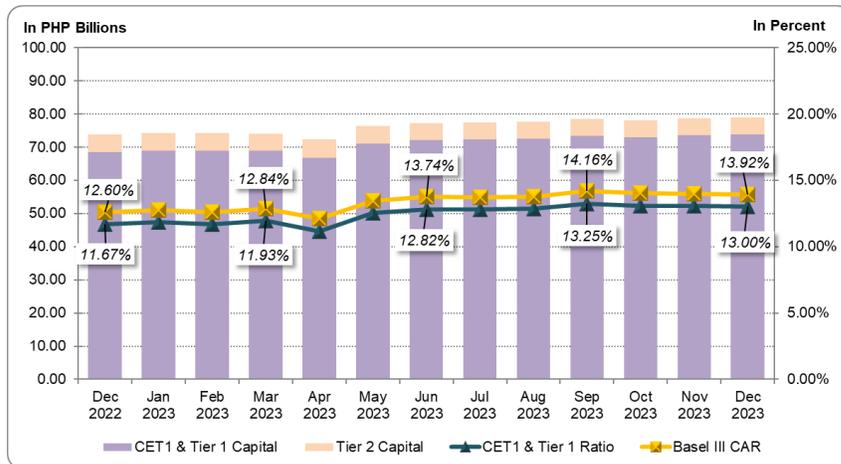
In addition to the Minimum Capital Requirements, the Parent Bank and its subsidiaries comply with BSP Circular No. 881, s. 2015 or the Implementing Guidelines on the Basel III Leverage Ratio Framework. Said circular provides the implementing guidelines on the

Leverage Ratio Framework in accordance with the Basel III standards. Similar with BSP Circular No. 781, the guidelines shall apply to U/KBs and their subsidiary banks and quasi-banks. It also sets out a Leverage Ratio (LR) requirement of not less than five per cent computed on both solo and consolidated bases.

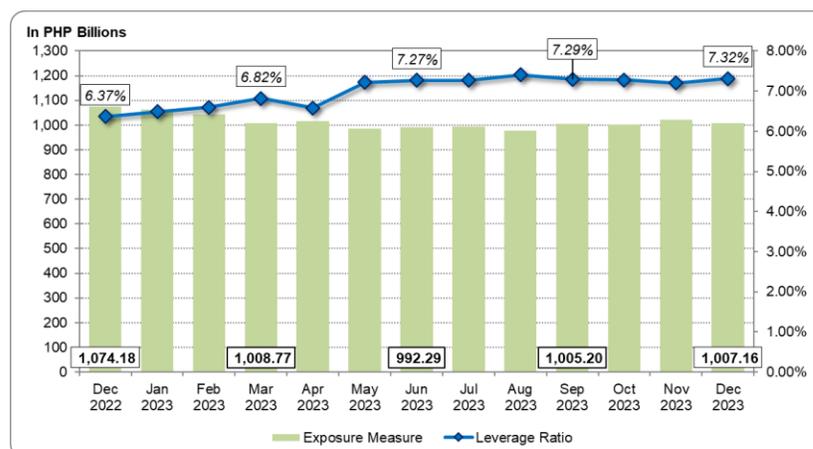
Qualifying Capital (QC), Risk-Weighted Assets (RWA), and Exposure Measure (EM) are all computed based on BSP regulations.

The Parent Bank maintains a sufficient capital base to support its risk-taking and fund-raising activities resulting in a CAR of 13.92 per cent and a LR of 7.32 per cent as of December 2023. These above-minimum ratios reflect the Parent Bank’s ability to absorb significant market shocks, its low vulnerability to external disruptions, and its sufficient capital buffer to support business growth and expansion. It is also in the Parent Bank’s interest to consistently maintain a healthy capital position whilst the fulfillment of its development mandate, more so in conditions where banks, in general, tend to be risk averse.

The Parent Bank’s CAR from December 2022 to December 2023 is illustrated as follows:



The Parent Bank's Leverage Ratio from December 2022 to December 2023 is illustrated as follows:



Under Basel III, the CET1 Capital of the Parent Bank is composed of paid-up capital, retained earnings, current year profit, other comprehensive income (consisting of net unrealized gains or losses on FVOCI securities and cumulative foreign currency translation) and non-controlling interest less required deductions such as unsecured credit accommodations to directors, officers, stockholders and related interests (DOSRI), deferred income tax, other intangible assets, defined benefit pension fund assets, goodwill, and equity investments.

CET1 Capital is calculated as follows:

<b>COMMON EQUITY TIER 1 (CET1) CAPITAL</b> <i>(In PHP Millions)</i>	<b>Group</b>	<b>Parent</b>
Gross CET 1 Capital		
Paid-up common stock	32,000	32,000
Retained earnings	47,715	48,028
Undivided profits	5,638	5,679
Net unrealized gains / (losses) on FVOCI securities	(1,549)	(1,561)
Cumulative foreign currency translation	203	203
Minority interest in subsidiary banks which are less than wholly owned	0	0
<b>Gross CET1 Capital</b>	<b>84,007</b>	<b>84,349</b>
Regulatory adjustments to CET1 Capital increase / (decrease)		
Total outstanding unsecured credit accommodations, both direct and indirect, to directors, officers, stockholders and their related interests (DOSRI)	(46)	(46)
Deferred tax assets	(9,026)	(8,959)
Other intangible assets	(190)	(188)
Investments in equity of unconsolidated subsidiary banks and quasi-banks, and other financial allied undertakings (excluding subsidiary securities dealers/brokers and insurance companies), after deducting related goodwill, if any	0	(887)
Investments in equity of unconsolidated subsidiary securities dealers/brokers and insurance companies after deducting related goodwill, if any	0	0
Significant minority investments (10%-50% of voting stock) in banks and quasi-banks, and other financial allied undertakings after deducting related goodwill, if any (for both solo and consolidated bases)	(83)	(83)
Minority investments (below 10% of voting stock) in subsidiary banks and quasi-banks, and other financial allied undertakings (excluding subsidiary	(251)	(251)

<b>COMMON EQUITY TIER 1 (CET1) CAPITAL</b> <i>(In PHP Millions)</i>	<b>Group</b>	<b>Parent</b>
securities dealers/brokers and insurance companies), after deducting related goodwill, if any (for both solo and consolidated bases) Other equity investments in non-financial allied undertakings and non-allied undertakings	(256)	(256)
<b>Total Regulatory adjustments to CET1 Capital</b>	<b>(9,852)</b>	<b>(10,670)</b>
<b>TOTAL CET1 CAPITAL</b>	<b>74,155</b>	<b>73,679</b>
CET 1 Capital Requirements (6.00% of RWA)		
Credit Risk	31,146	30,994
Market Risk	143	143
Operational Risk	2,869	2,858
<b>CAPITAL CONSERVATION BUFFER (2.50% of RWA)</b>	<b>14,232</b>	<b>14,164</b>
<b>COUNTERCYCLICAL CAPITAL BUFFER (0.00% of RWA)</b>	<b>0</b>	<b>0</b>
<b>TOTAL CET 1 CAPITAL REQUIREMENT</b>	<b>48,390</b>	<b>48,159</b>
<b>SURPLUS/(SHORTFALL) CET1 CAPITAL</b> <b>(Total CET1 Capital less Total CET1 Capital Requirement)</b>	<b>25,765</b>	<b>25,520</b>

Under Executive Order No. 81, s. 1986, as revised by Republic Act (RA) No. 8523 series of 1998, DBP's authorized share capital is P35 billion divided into 350 million common shares with a par value of P100 per share, of which 320 million shares are fully paid-up and subscribed by the Government as of December 2023. This qualifies as CET1 Capital pursuant to BSP Circular No. 781. Common shares represent the most subordinated claim in liquidation and are entitled to an unlimited and variable claim on the residual assets after all senior claims have been repaid in liquidation. Common stock takes the first and proportionately greatest share of any losses as they occur. Principal of the common shares is perpetual and is never repaid outside of liquidation, with no expectation the instrument will be bought back, redeemed or cancelled nor do the statutory or contractual terms provide any feature which might give rise to such an expectation. Distributions are paid out of distributable items (retained earnings included). The level of distributions is not in any way tied or linked to the amount paid in at issuance and is not subject to a contractual cap, but not beyond the level of distributable items. Distributions are obligatory pursuant to the provisions of RA No. 7656, with the Parent Bank mandated to remit at least 50 per cent of their annual net earnings (plus provisions less write-offs and other deductions/additions stated in the National Internal Revenue Code of 1997, as amended), as cash, stock, or property dividends to the Government. RA No. 7656 provides a flexibility clause, whereby in the interest of national economy and general welfare, the percentage of annual net earnings that shall be declared may be adjusted by the President of the Philippines upon the recommendation of the Secretary of Finance. Any adjustment in the percentage of annual net earnings that shall be declared by the Parent Bank as dividends to the National Government may take into account, among other financial and fiscal considerations, the need for revenues by the National Government, the level of the Parent Bank's liquidity and implementation of critical capital projects and statutory obligations.

Under the Basel III regulatory capital regime, the Parent Bank has no instrument issued that is eligible as Additional Tier 1 (AT1) Capital, hence, Total Tier 1 Capital consists solely of and is equivalent to the level of CET1 Capital. Total Tier 1 Capital is calculated as follows:

<b>TOTAL TIER 1 CAPITAL</b> <i>(In PHP Millions)</i>	<b>Group</b>	<b>Parent</b>
Gross Tier 1 Capital		
Gross CET1 Capital	84,007	84,349
Instruments issued by the bank that are eligible as Additional Tier 1 (AT1) capital	0	0
<b>Gross Tier 1 Capital</b>	<b>84,007</b>	<b>84,349</b>
Regulatory adjustments to Tier 1 Capital increase / (decrease)		
Total Regulatory adjustments to CET1 Capital	(9,852)	(10,670)
Regulatory adjustments to AT1 Capital	0	0
Total Regulatory adjustments to Tier 1 Capital	<b>(9,852)</b>	<b>(10,670)</b>
<b>TOTAL TIER 1 CAPITAL</b>	<b>74,155</b>	<b>73,679</b>
Tier 1 Capital Requirements (7.50% of RWA)		
Credit Risk	38,932	38,742
Market Risk	179	179
Operational Risk	3,586	3,572
<b>TOTAL TIER 1 CAPITAL REQUIREMENT</b>	<b>42,697</b>	<b>42,493</b>

The other component of regulatory capital is Tier 2 (supplementary) Capital, which includes unsecured subordinated debt and general loan loss provision.

Tier 2 Capital is calculated as follows:

<b>TIER 2 CAPITAL</b> <i>(In PHP Millions)</i>	<b>Group</b>	<b>Parent</b>
Gross Tier 2 Capital		
Instruments issued by the Bank that are eligible as Tier 2 capital	0	0
General loan loss provision, limited to a maximum of 1.00% of credit risk-weighted assets, and any amount in excess thereof shall be deducted from the credit risk-weighted assets in computing the denominator of the risk-based capital ratio	5,220	5,190
<b>Gross Tier 2 Capital</b>	<b>5,220</b>	<b>5,190</b>
Regulatory adjustments to Tier 2 Capital increase / (decrease)	0	0
Total Regulatory adjustments to Tier 2 Capital	<b>0</b>	<b>0</b>
<b>TOTAL TIER 2 CAPITAL</b>	<b>5,220</b>	<b>5,190</b>

The Parent Bank used to have unsecured subordinated notes eligible as Tier 2 Capital worth P10 billion. Said issuance matured in November 2023, hence, the remaining Tier 2 Capital is composed of general loan loss provisions equivalent of up to one per cent of Credit RWA. Total RWA is derived from the sum of Credit RWA, Market RWA, and Operational RWA. It is calculated as follows:

<b>RISK-WEIGHTED ASSETS</b> <i>In PHP Millions</i>	<b>2023</b>		<b>2022</b>	
	<b>Group</b>	<b>Parent</b>	<b>Group</b>	<b>Parent</b>
Credit Risk-Weighted Assets	519,098	516,561	542,734	540,173
Market Risk-Weighted Assets	2,385	2,385	3,119	3,119
Operational Risk-Weighted Assets	47,812	47,633	42,875	42,654
<b>TOTAL RISK-WEIGHTED ASSETS</b>	<b>569,295</b>	<b>566,579</b>	<b>588,728</b>	<b>585,946</b>

Under Basel III, the exposure measure of the Parent Bank consists of On-Balance Sheet Exposures, Derivative Exposures, Securities Financing Transactions (SFT) Exposures, and Off-Balance Sheet Items.

Exposure measure is calculated as follows:

<b>EXPOSURE MEASURE</b> <i>In PHP Millions</i>	<b>Group</b>	<b>Parent</b>
On-Balance Sheet Exposures		
On-Balance Sheet Items	951,263	948,782
(Asset amounts deducted in determining Basel III Tier 1 Capital)	(9,852)	(10,670)
<b>Total On-Balance Sheet Exposures (excluding Derivatives and SFTs)</b>	<b>941,411</b>	<b>938,112</b>
Derivative Exposures		
Replacement Cost associated with all derivatives transactions	0	0
Add-on amounts for potential future exposure associated with all derivative transactions	0	0
Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework (Deductions of receivables assets for cash variation margin provided in derivatives transactions) (Exempted CCP leg of client-cleared trade exposures)	0	0
Adjusted effective notional amount of written credit derivatives (Adjusted effective offsets and add-on deductions for written credit derivatives)	0	0
<b>Total Derivative Exposures</b>	<b>0</b>	<b>0</b>
SFT Exposures		
Gross SFT assets (with no recognition of netting) (Netted amounts of cash payables and cash receivables of gross SFT assets)	42,599	42,499
CCR Exposures for SFT Assets	0	0
Agent Transaction Exposures	0	0
<b>Total SFT Exposures</b>	<b>42,599</b>	<b>42,499</b>
Off-Balance Sheet Exposures		
Off-Balance Sheet Exposure at Gross Notional Amount (Adjustments for conversion to Credit Equivalent Amounts)	88,106	88,100
	(61,558)	(61,552)
<b>Total Off-Balance Sheet Exposures</b>	<b>26,548</b>	<b>26,548</b>
<b>TOTAL EXPOSURE MEASURE</b>	<b>1,010,558</b>	<b>1,007,159</b>

The following tables provide summary comparisons of the total accounting assets amounts and leverage ratio exposures and of the total balance sheet assets and on-balance sheet exposures:

<b>ACCOUNTING ASSETS VS LEVERAGE RATIO EXPOSURES</b> <i>In PHP Millions</i>	<b>Group</b>	<b>Parent</b>
Total Consolidated Assets as per published financial statements	985,693	983,650
Adjustment for Investments in Banking, Financial, Insurance or	0	0

<b>ACCOUNTING ASSETS VS LEVERAGE RATIO EXPOSURES</b>	<b>Group</b>	<b>Parent</b>
<i>In PHP Millions</i>		
Commercial Entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation		
Adjustment for Fiduciary Assets recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	0	0
Adjustments for Derivative Financial Instruments	0	0
Adjustments for Securities Financial Transactions (i.e. Repos and similar secured lending)	0	0
Adjustments for Off-Balance Sheet Items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	26,548	26,548
Other adjustments	(1,683)	(3,039)
<b>LEVERAGE RATIO EXPOSURE</b>	<b>1,010,558</b>	<b>1,007,159</b>

<b>BALANCE SHEET ASSETS VS ON-BALANCE SHEET EXPOSURES</b>	<b>Group</b>	<b>Parent</b>
<i>In PHP Millions</i>		
Total Assets (per Published Financial Statements)	985,693	983,650
Add: General Loan Loss Provision	8,169	7,631
Less: Derivatives Exposure (Replacement Cost)	0	0
Less: Loans and Receivables arising from RRP	(42,599)	(42,499)
<b>On-Balance Sheet Items</b>	<b>951,263</b>	<b>948,782</b>
Regulatory Adjustments	(9,852)	(10,670)
<b>ON-BALANCE SHEET EXPOSURES</b>	<b>941,411</b>	<b>938,112</b>

#### 5.8.6 Risk Limit Structure

The Parent Bank's risk limit structures on loans, investments, and trading activities are based on its risk appetite translated as Senior Management's perspective of the tolerable reduction in its capital adequacy. Risk factors and corresponding capital requirements are taken into consideration in evaluating new products and investment structures.

#### 5.9 Stress Testing

Stress Testing is a key component of the risk management process which allows the institution to be able to identify its vulnerabilities to exceptional but plausible events or scenarios. Stress tests have served the purpose of providing the BOD and Senior Management with potential adverse outcomes that may impact the Parent Bank's performance and attainment of certain business objectives given a variety of risks to which it is exposed to. As such, the Parent Bank may position itself to address and mitigate these risks and provide the necessary capital cushion to ensure higher loss absorptive capacity given possible large shocks and have the ability to endure deteriorating economic conditions.

The Parent Bank's Stress Testing Framework is composed of (i) Integrated Stress Testing (IST) and (ii) Reverse Stress Testing (RST).

The IST aims to provide a comprehensive enterprise-wide assessment of Parent Bank's vulnerabilities in quantitative terms under various scenarios. Identification and assessment of stress scenarios and their impact involve both qualitative judgement and

empirical analysis of past crisis events. Further, the IST assists the Parent Bank in the following efforts:

- Manage concentration risk, both systemic and bank-specific;
- Define parameters for limit-setting;
- Determine the ideal level of capital for each business undertaking or risk exposure that is sufficient to absorb market shocks on every conceptualized stress scenario;
- Identify threat to the Bank's liquidity position in a timely manner; and
- Determine relationship of stress events with specific risk factors based on observable data within an appropriately defined time frame.

The RST aims to provide an analysis of scenarios that render the business model unviable. While both IST and RST involve scenarios and scenario-related impacts, they differ in two key aspects:

- **Direction:** In IST, banks start with defining a scenario and then assess its impact on their business, typically, in terms of earnings, capital and liquidity. RST starts with defining the outcome followed by reverse-engineering scenarios that, should they unfold, lead to the specified result.
- **Severity:** RST goes further into highly improbable scenarios compared to other risk measures since RST scenarios are particularly designed to be so severe that they “break the bank”.

## 6. Maturity analysis of assets and liabilities

The tables below show the assets and liabilities analyzed according to when they are expected to be recovered or settled:

	Group 2023					
	Up to 3 months	Over 3 – 6 months	Over 6 months – 1 year	Over 1 – 5 years	Over 5 years	Total
<b>Assets</b>						
Cash and other cash items	5,999,317	0	0	0	0	5,999,317
Due from BSP	76,109,867	0	0	0	0	76,109,867
Due from other banks	10,021,869	57,591	151,936	0	0	10,231,396
Loans – net	75,288,035	72,607,969	16,771,724	161,284,586	213,439,621	539,391,935
Investment securities	17,485,850	25,755,733	29,561,064	146,664,939	88,296,503	307,764,089
Other assets	5,958,532	67,142	496	171,485	41,419,163	47,616,818
<b>Total assets</b>	<b>190,863,470</b>	<b>98,488,435</b>	<b>46,485,220</b>	<b>308,121,010</b>	<b>343,155,287</b>	<b>987,113,422</b>
<b>Liabilities</b>						
Deposits	583,047,809	158,444,999	33,823,424	30,337	0	775,346,569
Borrowings	1,914,380	9,899,194	26,384,547	4,701,475	45,928,757	88,828,353
Other liabilities	18,670,274	6,025,384	4,881,704	6,716,331	1,535,119	37,828,812
<b>Total liabilities</b>	<b>603,632,463</b>	<b>174,369,577</b>	<b>65,089,675</b>	<b>11,448,143</b>	<b>47,463,876</b>	<b>902,003,734</b>
<b>Asset-liability gap</b>	<b>(412,768,993)</b>	<b>(75,881,142)</b>	<b>(18,604,455)</b>	<b>296,672,867</b>	<b>295,691,411</b>	<b>85,109,688</b>

<b>Group 2022</b>						
<b>As restated</b>						
	<b>Up to 3 months</b>	<b>Over 3 – 6 months</b>	<b>Over 6 months – 1 year</b>	<b>Over 1 – 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Assets</b>						
Cash and other cash items	6,412,239	0	0	0	0	6,412,239
Due from BSP	125,147,543	0	0	0	0	125,147,543
Due from other banks	9,467,409	156,907	0	0	0	9,624,316
Loans – net	82,039,118	91,532,860	9,715,483	163,494,640	213,439,238	560,221,339
Investment securities	33,953,523	10,438,184	11,840,921	185,721,448	83,393,410	325,347,486
Other assets	218,687	69,044	208	111,971	19,620,929	20,020,839
<b>Total assets</b>	<b>257,238,519</b>	<b>102,196,995</b>	<b>21,556,612</b>	<b>349,328,059</b>	<b>316,453,577</b>	<b>1,046,773,762</b>
<b>Liabilities</b>						
Deposits	620,256,612	155,257,446	50,094,285	19,107	0	825,627,450
Borrowings	623,914	21,115,759	13,132,757	14,412,451	50,555,154	99,840,035
Other liabilities	10,740,143	6,031,431	19,577,590	5,547,000	1,193,064	43,089,228
<b>Total liabilities</b>	<b>631,620,669</b>	<b>182,404,636</b>	<b>82,804,632</b>	<b>19,978,558</b>	<b>51,748,218</b>	<b>968,556,713</b>
<b>Asset-liability gap</b>	<b>(374,382,150)</b>	<b>(80,207,641)</b>	<b>(61,248,020)</b>	<b>329,349,501</b>	<b>264,705,359</b>	<b>78,217,049</b>
<b>Parent 2023</b>						
	<b>Up to 3 months</b>	<b>Over 3 – 6 months</b>	<b>Over 6 months – 1 year</b>	<b>Over 1 – 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Assets</b>						
Cash and other cash items	5,980,293	0	0	0	0	5,980,293
Due from BSP	75,774,099	0	0	0	0	75,774,099
Due from other banks	10,075,932	0	151,936	0	0	10,227,868
Loans – net	74,435,852	72,503,304	16,569,682	159,536,897	213,314,343	536,360,078
Investment securities	17,397,178	25,755,733	29,561,064	146,611,215	88,282,277	307,607,467
Other assets	6,643,171	65,106	80	5,640	41,360,239	48,074,236
<b>Total assets</b>	<b>190,306,525</b>	<b>98,324,143</b>	<b>46,282,762</b>	<b>306,153,752</b>	<b>342,956,859</b>	<b>984,024,041</b>
<b>Liabilities</b>						
Deposits	582,637,968	158,392,525	33,823,424	30,337	0	774,884,254
Borrowings	1,513,907	9,724,194	26,334,547	4,407,725	45,928,757	87,909,130
Other liabilities	18,138,734	6,024,843	4,874,712	5,986,664	1,484,496	36,509,449
<b>Total liabilities</b>	<b>602,290,609</b>	<b>174,141,562</b>	<b>65,032,683</b>	<b>10,424,726</b>	<b>47,413,253</b>	<b>899,302,833</b>
<b>Asset-liability gap</b>	<b>(411,984,084)</b>	<b>(75,817,419)</b>	<b>(18,749,921)</b>	<b>295,729,026</b>	<b>295,543,606</b>	<b>84,721,208</b>
<b>Parent 2022</b>						
<b>As restated</b>						
	<b>Up to 3 months</b>	<b>Over 3 – 6 months</b>	<b>Over 6 months – 1 year</b>	<b>Over 1 – 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Assets</b>						
Cash and other cash items	6,397,601	0	0	0	0	6,397,601
Due from BSP	124,853,077	0	0	0	0	124,853,077
Due from other banks	9,522,686	100,917	0	0	0	9,623,603
Loans – net	80,572,545	91,377,005	9,372,908	162,050,731	213,424,402	556,797,591
Investment securities	33,943,369	10,438,184	11,840,921	185,698,704	83,338,557	325,259,735
Other assets	1,777,199	67,051	200	1,275	19,566,825	21,412,550
<b>Total assets</b>	<b>257,066,477</b>	<b>101,983,157</b>	<b>21,214,029</b>	<b>347,750,710</b>	<b>316,329,784</b>	<b>1,044,344,157</b>

Parent 2022 As restated						
	Up to 3 months	Over 3 – 6 months	Over 6 months – 1 year	Over 1 – 5 years	Over 5 years	Total
<b>Liabilities</b>						
Deposits	619,839,723	155,203,759	50,094,285	19,107	0	825,156,874
Borrowings	0	20,907,953	13,043,824	14,172,338	50,555,155	98,679,270
Other liabilities	10,252,645	6,026,087	19,531,452	4,921,949	1,150,191	41,882,324
<b>Total liabilities</b>	<b>630,092,368</b>	<b>182,137,799</b>	<b>82,669,561</b>	<b>19,113,394</b>	<b>51,705,346</b>	<b>965,718,468</b>
<b>Asset-liability gap</b>	<b>(373,025,891)</b>	<b>(80,154,642)</b>	<b>(61,455,532)</b>	<b>328,637,316</b>	<b>264,624,438</b>	<b>78,625,689</b>

## 7. Cash and cash equivalents

This account consists of:

	Group		Parent	
	2023	2022 As restated	2023	2022 As restated
Cash and other cash items	5,999,317	6,412,239	5,980,293	6,397,601
Due from Bangko Sentral ng Pilipinas* (Note 8)	76,107,671	125,134,822	75,771,993	124,840,505
Due from other banks* (Note 9)	10,229,460	9,623,400	10,225,932	9,622,687
Interbank loans receivable* (Note 10)	10,243,450	22,899,150	10,243,450	22,899,150
Securities purchased under agreement to resell *(Note 11)	42,894,832	27,654,618	42,794,980	27,547,715
	<b>145,474,730</b>	<b>191,724,229</b>	<b>145,016,648</b>	<b>191,307,658</b>

\*Exclusive of accrued interest receivable as follows:

	Group		Parent	
	2023	2022 As restated	2023	2022
Due from Bangko Sentral ng Pilipinas (Note 8)	2,196	12,721	2,106	12,572
Due from other banks (Note 9)	1,936	916	1,936	916
Interbank loans receivable (Note 10)	3,522	17,083	3,522	17,083
Securities purchased under agreement to resell (Note 11)	12,190	7,783	12,154	7,673
	<b>19,844</b>	<b>38,503</b>	<b>19,718</b>	<b>38,244</b>

Cash and other cash items include cash on hand and checks and other cash items.

Cash on hand refers to the total amount of cash in the bank's vault in the form of notes and coins under the custody of the cashier/cash custodian or treasurer, including notes in the possession of tellers and those kept in automated teller machines (ATM) and the like. This also includes cash under the custody of Service Provider as this remains the accountability of the Parent Bank.

Checks and other cash items refers to the total amount of checks and other cash items received after the selected clearing cut-off time until the close of the regular banking hours.

Due from other banks includes short-term investments/placements of subsidiaries in the Parent Bank's Trust Services with maturity of three months or less from the date of acquisition.

The undrawn borrowing facilities of the Parent Bank that may be available for future operating activities and to settle capital commitments as of December 31, 2023 amounted to P6.49 billion.

Interbank Loans Receivable (IBLR) represents the Group's placements with the BSP and various counterparty banks with maturities of three months or less from the date of acquisition.

The outstanding balance of Securities Purchased Under Agreement to Resell under the Regular Banking Unit represents the Group's overnight placements with the BSP and various counterparty banks where the underlying securities cannot be sold or re-pledged.

## 8. Due from Bangko Sentral ng Pilipinas

This account represents the Group's demand and time deposits in local and foreign currencies maintained with BSP to meet reserve requirements and to serve as clearing account for interbank claims consistent with BSP guidelines. DBP, as a government financial institution, maintains BSP as its major depository.

	Group		Parent	
	2023	2022 As restated	2023	2022
Demand deposit	67,940,671	75,392,822	67,874,993	75,313,505
Overnight deposit	8,167,000	41,742,000	7,897,000	41,527,000
Term deposit	0	8,000,000	0	8,000,000
	76,107,671	125,134,822	75,771,993	124,840,505
Accrued interest receivable	2,196	12,721	2,106	12,572
	<b>76,109,867</b>	<b>125,147,543</b>	<b>75,774,099</b>	<b>124,853,077</b>

## 9. Due from Other Banks

This account consists of the Group's balances of funds on deposit with the following banks:

	Group		Parent	
	2023	2022 As restated	2023	2022 As restated
Deposit with foreign banks	5,924,748	6,608,431	5,924,748	6,608,431
Deposit with local banks	4,304,712	3,014,969	4,301,184	3,014,256
	10,229,460	9,623,400	10,225,932	9,622,687
Accrued interest receivable	1,936	916	1,936	916
	<b>10,231,396</b>	<b>9,624,316</b>	<b>10,227,868</b>	<b>9,623,603</b>

As of December 31, 2023, the Parent Bank maintained 25 nostro accounts, 19 in RBU books and six in FCDU books. Nostro accounts are used to settle transactions in currencies other than the Parent Bank's local currency for the purpose of clearing and settling payments.

#### 10. Interbank loans receivable

This account consists of loans and placements granted to the following banks:

	Group		Parent	
	2023	2022	2023	2022
Domestic	0	4,500,000	0	4,500,000
Foreign	10,243,450	18,399,150	10,243,450	18,399,150
	10,243,450	22,899,150	10,243,450	22,899,150
Accrued interest receivable	3,522	17,083	3,522	17,083
	<b>10,246,972</b>	<b>22,916,233</b>	<b>10,246,972</b>	<b>22,916,233</b>

Interbank loans receivable of the Group carry interest rates at December 31 as follows:

	2023	2022
Domestic	0.0000%	5.5000%
Foreign	5.1800% to 5.7000%	3.2000% to 4.4100%

#### 11. Securities purchased under agreement to resell (SPUAR)

This account consists of transactions with:

	Group		Parent	
	2023	2022 As restated	2023	2022
BSP	42,598,834	26,191,324	42,498,982	26,084,421
Other banks	295,998	1,463,294	295,998	1,463,294
	42,894,832	27,654,618	42,794,980	27,547,715
Accrued interest receivable	12,190	7,783	12,154	7,673
	<b>42,907,022</b>	<b>27,662,401</b>	<b>42,807,134</b>	<b>27,555,388</b>

The SPUAR of the Group carry interest rates at December 31 as follows:

	2023	2022
BSP	6.3880%	5.5000%
Other banks	5.3900%	4.3000% to 6.5000%

## 12. Financial assets at fair value through profit or loss (FVTPL)

This account consists of:

	Group		Parent	
	2023	2022 As restated	2023	2022 As restated
Debt securities purchased				
Government	1,436,316	789,440	1,436,316	789,440
Private	1,110,474	2,002,829	1,110,474	2,002,829
	2,546,790	2,792,269	2,546,790	2,792,269
Equity securities purchased				
Private	113,545	0	113,545	0
	2,660,335	2,792,269	2,660,335	2,792,269
Accrued interest receivable	3,691	17,555	3,691	17,555
	<b>2,664,026</b>	<b>2,809,824</b>	<b>2,664,026</b>	<b>2,809,824</b>

The movement of this account is summarized as follows:

	Group	Parent
At December 31, 2022, as restated	2,809,824	2,809,824
Additions	382,089,065	382,089,065
Disposals	(375,116,373)	(375,116,373)
Fair value adjustments	(7,139,269)	(7,139,269)
Exchange differences	34,642	34,642
Net change in accrued interest receivable	(13,863)	(13,863)
<b>At December 31, 2023</b>	<b>2,664,026</b>	<b>2,664,026</b>

The FVTPL of the Group carry interest rates at December 31 as follows:

	2023	2022
Peso denominated	2.6250% to 6.2500%	3.3750% to 8.1250%
Foreign currency denominated	0.0000%	4.3750%

## 13. Financial assets at fair value through other comprehensive income (FVOCI)

This account consists of:

	Group		Parent	
	2023	2022 As restated	2023	2022 As restated
Debt securities:				
Government				
Treasury notes	8,352,586	5,625,885	8,352,586	5,625,885
Retail treasury bonds	10,412,668	9,281,134	10,412,668	9,281,134
Treasury bonds – ROP	4,803,965	5,115,768	4,803,965	5,115,768
Treasury bonds – US	9,781,171	9,193,455	9,781,171	9,193,455
Other Gov't Guaranteed Securities	3,960,291	4,181,756	3,960,291	4,181,756
	37,310,681	33,397,998	37,310,681	33,397,998

	Group		Parent	
	2023	2022 As restated	2023	2022 As restated
Private – Quoted	3,822,131	3,681,080	3,822,131	3,681,080
	<b>41,132,812</b>	<b>37,079,078</b>	<b>41,132,812</b>	<b>37,079,078</b>
Equity securities:				
Government	180,576	224,311	180,576	224,311
Private – Quoted	175,755	166,783	140,597	111,959
Private – Unquoted	359,139	1,981,766	359,111	1,981,737
	715,470	2,372,860	680,284	2,318,007
Accrued interest receivable	359,228	311,127	359,228	311,127
	<b>42,207,510</b>	<b>39,763,065</b>	<b>42,172,324</b>	<b>39,708,212</b>

The movement in financial assets at FVOCI is summarized as follows:

	Group	Parent
At December 31, 2022, as restated	39,763,065	39,708,212
Additions	14,446,986	14,446,986
Disposals	(6,555,021)	(6,555,021)
Fair value adjustments	(5,623,657)	(5,603,990)
Translation adjustments	(8,791)	(8,791)
Exchange differences	136,827	136,827
Net change in accrued interest receivable	48,101	48,101
<b>At December 31, 2023</b>	<b>42,207,510</b>	<b>42,172,324</b>

The financial assets at FVOCI of the Group carry interest rates at December 31 as follows:

	2023	2022
Peso denominated	2.3750% to 13.7500%	2.3750% to 13.7500%
Foreign currency denominated	0.5000% to 10.6250%	0.5000% to 10.6250%

The Group's financial assets at FVOCI are carried at inclusive/net of accumulated unrealized loss of P1,484 million and P1,652 million as of December 31, 2023 and 2022, respectively.

In CY 2022, the COA recommended the change in the booking procedure of recognizing the ERPs of MRTC unsecuritized shares, from recording entirely as Dividend Income to recording a portion of ERPs as return of investment. Hence, the Parent Bank booked the reversal of FVOCI amounting to P2,886 million and P2,328 million in CYs 2022 and 2021, respectively. The ERP accrued as return of investment, but not yet received was booked Accounts Receivable – MRTC. Accordingly, the corresponding Accumulated Market Gain/(Loss) was also reversed amounting to P3,307 million and P2,440 million in CYs 2022 and 2021, respectively.

As of December 31, 2023, the net fair value of unquoted MRTC securities is P289.05 million, net of accumulated market losses of P631.07 million.

As of December 31, 2023, the outstanding number of PAL Holdings, Inc. shares remain at P4.473 million at P0.45 par value per share with fair value of P22.677 million or P5.07 per share.

### 13.1 Fair value measurement of Proprietary Golf Shares

The FVOCI equity securities were inclusive of proprietary shares held by the Bank in eight Golf and Country Club companies which were reclassified from Miscellaneous Assets-Other Investments to FVOCI in CY 2022. As at December 31, 2023, the net fair value of FVOCI Golf Shares is P117.920 million net of accumulated market gain of P72.255 million.

A proprietary club share entitles the shareholder to a residual interest in the net assets upon liquidation which justifies that such instrument is an equity instrument.

The following are the breakdown of proprietary golf shares as of December 31, 2023:

	Amount	Accumulated Market Gains/(Losses)	Fair Value
Baguio Country Club Corp	1,400	4,600	6,000
Canlubang Golf & Country Club (Two shares)	7,000	3,000	10,000
The Manila Southwoods Golf & Country Club, Inc. (Class A)	3,100	900	4,000
The Manila Southwoods Golf & Country Club, Inc. (Class B)	744	4,256	5,000
Mount Malarayat Golf and Country Club, Inc. (Class C)	2,401	(901)	1,500
Pueblo de Oro Golf & Country Club (Two shares)	800	500	1,300
Iloilo Golf & Country Club, Inc. (Two shares)	220	(100)	120
Sta Elena Golf Club, Inc. (Class A)	5,000	10,000	15,000
Wack Wack Golf and Country Club, Inc.	25,000	50,000	75,000
<b>Total</b>	<b>45,665</b>	<b>72,255</b>	<b>117,920</b>

### 13.2 Fair value measurement of investment in non-marketable equity securities

The Group has designated its equity investments as investment in non-marketable equity securities (INMES) as FVOCI on the basis that these are not held for trading and are held only for strategic purposes.

The following are the breakdown of INMES accounts as of December 31, 2023:

	Amount	Accumulated Market Gains/(Losses)	Fair Value	Dividends
Government				
Small Business Guarantee Fund Corporation	200,000	(21,163)	178,837	0
Philippine International Trading Corporation	1,000	740	1,740	0
Private				
Philippine Dealings System Holding Corporation	19,278	2,496	21,774	10,795

	Amount	Accumulated Market Gains/(Losses)	Fair Value	Dividends
Philippine Clearing House	7,200	20,751	27,951	0
BancNet Incorporated	16,073	12,199	28,272	0
La Union Development Bank	900	573	1,473	0
Lipa City Development Bank	2,038	2,098	4,136	0
Luzon Development Bank	55	12	67	0
Marawi Resort Hotel Inc.	550	0	550	0
	<b>247,094</b>	<b>17,706</b>	<b>264,800</b>	<b>10,795</b>

The fair value of the nine INMES accounts of the Group is P264.800 million, net of accumulated market gain of P17.706 million.

#### 14. Financial assets at amortized cost (held to collect)

This account consists of debt securities at amortized cost:

	Group		Parent	
	2023	2022 As restated	2023	2022
Domestic				
Government				
Treasury bills and notes	108,711,583	99,884,075	108,590,382	99,856,341
BSP bills	13,660,058	33,049,653	13,660,058	33,049,653
Retail treasury bonds	49,490,126	52,875,258	49,490,126	52,875,258
Treasury Bonds- ROP	17,145,830	19,537,091	17,145,830	19,537,091
ROP-GPN	316,835	319,457	316,835	319,457
PSALM	1,001,746	6,139,115	1,001,746	6,139,115
Land Bank bonds	11,295	14,350	11,295	14,350
Private	32,198,569	35,232,641	32,198,569	35,232,641
	<b>222,536,042</b>	<b>247,051,640</b>	<b>222,414,841</b>	<b>247,023,906</b>
Foreign	38,255,806	33,583,224	38,255,806	33,583,224
	260,791,848	280,634,864	260,670,647	280,607,130
Accrued interest receivable	2,466,772	2,336,983	2,466,537	2,331,819
Allowance for impairment losses (Note 21)	(366,067)	(197,250)	(366,067)	(197,250)
	<b>262,892,553</b>	<b>282,774,597</b>	<b>262,771,117</b>	<b>282,741,699</b>

Government securities amounting to P500 million are deposited with BSP as security for trust duties (see Note 43).

The movement of this account is summarized as follows:

	Group	Parent
At December 31, 2022, as restated	282,774,597	282,741,699
Additions	358,285,902	358,192,434
Disposals	(231,672,500)	(231,672,500)
(Amortization)/accretion of premium/discount	(147,028,385)	(147,028,385)
Exchange differences	571,967	571,967
Net change in accrued interest receivable	129,789	134,719
Net change in allowance for credit losses	(168,817)	(168,817)
<b>At December 31, 2023</b>	<b>262,892,553</b>	<b>262,771,117</b>

The Group's financial assets at amortized cost carry interest rates at December 31 as follows:

	2023	2022
Peso denominated	2.3750% to 13.7500%	2.3750% to 13.7500%
Foreign currency denominated	0.2500% to 10.6250%	0.1250% to 10.6250%

#### 15. Financial assets at amortized cost (Loans and receivables)

This account consists of:

	Group		Parent	
	2023	2022 As restated	2023	2022
Loans and discounts	512,322,253	530,267,169	509,192,604	526,998,487
Accounts receivable (AR) – advances on loans	55,192	78,519	55,192	78,519
Sales contract receivables (SCR)	360,423	314,058	9,901	12,377
	512,737,868	530,659,746	509,257,697	527,089,383
Accrued interest receivable	4,355,314	3,892,926	4,349,427	3,883,536
	517,093,182	534,552,672	513,607,124	530,972,919
Discount (SCR)	(163)	(163)	(163)	(163)
Allowance for impairment and credit losses (Note 21)	(30,855,078)	(24,909,804)	(30,300,989)	(24,646,787)
	<b>486,237,941</b>	<b>509,642,705</b>	<b>483,305,972</b>	<b>506,325,969</b>

The Parent Bank's total loans classified as to type of interest rate as of December 31, 2023 and 2022 are P315,357 million and P286,372 million (variable interest rates) and P193,836 million and P240,626 million (fixed interest rates), respectively. Majority of Loans and other receivables bear annual interest rates of zero per cent to 10 percent per annum both in 2023 and 2022 in the Parent Bank's financial statements.

The movement in amortized cost – loans and receivables is summarized as follows:

	Group As restated	Parent
At December 31, 2022	509,642,705	506,325,969
Releases	880,844,324	880,643,886
Collections	(899,803,189)	(899,125,080)
Adjustments	1,013,950	675,311
Net change in Sales Contract Receivable	46,365	(2,476)
Net change in Advances on Loans & Investments	(23,327)	(23,327)
Net change in Accrued Interest Receivable	462,387	465,891
Net change in Allowance for Credit Losses	(5,945,274)	(5,654,202)
<b>At December 31, 2023</b>	<b>486,237,941</b>	<b>483,305,972</b>

### 15.1 Finance Lease Receivable (Subsidiary only)

The Group's Loans and Discounts include finance lease receivable. The details of the Group's finance lease receivable as of December 31, 2023 are as follows:

Total future minimum lease payments	943,204
Unearned finance income	(105,731)
<b>Present value of future minimum lease payments</b>	<b>837,473</b>

Maturity of future minimum lease payments as of December 31, 2023 follows:

	Not later than one year	Later than one year but not later than five years	Later than five years	Total
Finance lease receivable	481,402	446,943	14,859	943,204
Unearned finance income	(50,867)	(53,556)	(1,308)	(105,731)
<b>Total</b>	<b>430,535</b>	<b>393,387</b>	<b>13,551</b>	<b>837,473</b>

### 15.2 Non-performing loans

Non-performing loans included in the total loan portfolio of the Group and the Parent Bank as of December 31, 2023 and 2022 are presented below as net of specific allowance for impairment in compliance with BSP Circular No. 772:

	Group		Parent	
	2023	2022	2023	2022
Non-Performing Loans (NPL) 1/				
Gross NPL	41,526,379	29,423,586	40,299,373	28,276,890
Less: Allowance for impairment loss	(20,428,574)	(12,910,168)	(19,958,784)	(12,717,932)
<b>Net NPL</b>	<b>21,097,805</b>	<b>16,513,418</b>	<b>20,340,589</b>	<b>15,558,958</b>
NPL Rates				
<b>Gross NPL</b>	<b>7.37%</b>	<b>5.08%</b>	<b>7.19%</b>	<b>4.91%</b>
<b>Net NPL</b>	<b>3.74%</b>	<b>2.85%</b>	<b>3.63%</b>	<b>2.70%</b>

1/ The above NPL is net of capitalized interest and other charges (CIOC).

### 15.3 Wholesale lending portfolio

The wholesale lending portfolio the Parent Bank represents three per cent and two per cent of its total loan portfolio as of December 31, 2023 and 2022, respectively. These loans pertain to the conduit lending granted to various accredited financial institutions as funding for MSME enterprises, salary-based consumption, Agri-Agra and developmental projects. The risks associated to the loans are mostly secured by Surety Agreement and Deed of Assignment of sub-borrowers' PNs and underlying collaterals.

### 15.4 Loans as to industry/economic sector

	Group	Parent
Electricity, Gas and Water	25.07%	25.24%
Wholesale & Retail Trade	4.04%	3.99%
Construction	9.73%	9.72%

	Group	Parent
Real Estate Activities	10.81%	10.88%
Public Administration	15.40%	15.48%
Financial and Insurance Activities	7.06%	7.10%
Information and Communication	4.17%	4.14%
Manufacturing	6.73%	6.65%
Transportation and Storage	4.83%	4.61%
Human Health and Social Work	4.81%	4.84%
Agriculture, Forestry and Fishing	3.85%	3.88%
Activities of Household as Employers	1.50%	1.51%
Education	1.07%	1.06%
Others	0.93%	0.90%
	<b>100.00%</b>	<b>100.00%</b>

No single industry partakes a significant credit exposure amounting to at least 30 per cent of the total loan portfolio.

#### 15.5 BSP Circular 1074 - Loans as to security

The Parent Bank's classification of loans as to security exclusive of AR – advances on loans, SCR and AIR is as follows:

Collateral Type	2023		2022	
<b>Secured Loans:</b>				
Secured by Specified Rights	7,330,663		73,703,567	
Real Estate	70,314,421		66,041,639	
Machinery & Equipment	15,745,005		10,213,820	
Deposit/Deposit Substitutes	5,640,000		5,660,079	
Inventories	27,730		55,711	
Banks or Non-Bank Fin. Inst.	29,593,354		23,858,350	
Guarantee/Stand-by				
Government Bonds	50,843,700		5,327,559	
Unclassified Collateral	2,855,269		2,213,942	
Total Secured Loans	182,350,142	36%	187,074,667	35%
<b>Unsecured Loans:</b>				
Deposit/Deposit Substitutes	36,000		0	
Unclassified Collateral	326,806,462		339,923,820	
Total Unsecured Loans	326,842,462	64%	339,923,820	65%
<b>Total Gross Loan Portfolio</b>	<b>509,192,604</b>	<b>100%</b>	<b>526,998,487</b>	<b>100%</b>

#### 15.6 BSP Circular 1074 - Loans as to status per product line

The Parent Bank's classification of 2023 gross loan portfolio, before capitalized interest and other charges, as to general product line is presented below:

Retail	Performing	Non-Performing	Total
Loans to GOCC	80,717,114	881	80,717,995
Loans to Individuals	7,126,408	593,132	7,719,540
Loans to LGU/NG	79,135,812	0	79,135,812
Loans to Private Corporation	247,567,897	30,715,455	278,283,352

<b>Retail</b>	<b>Performing</b>	<b>Non-Performing</b>	<b>Total</b>
Agrarian Reform & Other Agri Loans	16,435,240	2,032,830	18,468,070
Interbank Loans Receivable	8,000,000	0	8,000,000
Microfinance Loans	741,950	409,125	1,151,075
SME Loans – Medium Scale Enterprise	11,296,944	5,876,061	17,173,005
SME Loans – Small Scale Enterprise	2,822,893	2,022,999	4,845,892
<b>Total</b>	<b>453,844,258</b>	<b>41,650,483</b>	<b>495,494,741</b>

<b>Wholesale</b>			
Interbank Term Loan Receivable	6,784,121	0	6,784,121
Loans to Private Corporation	6,911,492	2,250	6,913,742
<b>Total</b>	<b>13,695,613</b>	<b>2,250</b>	<b>13,697,863</b>
<b>Total Gross Loan Portfolio</b>	<b>467,539,871</b>	<b>41,652,733</b>	<b>509,192,604</b>

## 16. Bank premises, furniture, fixtures and equipment

This account represents the book value of the following assets:

	<b>Group</b>		<b>Parent</b>	
	<b>2023</b>	<b>2022 As restated</b>	<b>2023</b>	<b>2022 As restated</b>
Land	728,749	728,749	728,749	728,749
Construction in progress	110,554	190,363	110,554	190,363
Buildings	688,464	628,931	686,897	627,296
Leasehold improvements	146,654	154,932	145,283	152,957
Computer equipment	297,684	341,615	295,726	338,786
Office equipment, furniture and fixtures	271,064	258,801	267,378	254,659
Transportation equipment	151,034	185,280	150,327	184,350
<b>Total</b>	<b>2,394,203</b>	<b>2,488,671</b>	<b>2,384,914</b>	<b>2,477,160</b>

The appraised value of the Parent Bank's Bank premises, furniture, fixtures and equipment amounted to P14.72 billion in 2023.

Details as follows:

	<b>Group</b>							<b>Total</b>
	<b>Land</b>	<b>Construction in Progress</b>	<b>Building</b>	<b>Leasehold Improvements</b>	<b>Computer Equipment</b>	<b>Office Equipment, Furniture and Fixtures</b>	<b>Transportation Equipment</b>	
At January 1, 2023								
Cost	728,749	190,363	1,480,563	553,723	1,328,167	916,303	518,570	5,716,438
Accumulated depreciation	0	0	(845,278)	(398,791)	(986,552)	(657,502)	(333,290)	(3,221,413)
Allowance for probable losses - impairment	0	0	(6,354)	0	0	0	0	(6,354)
<b>Net book value</b>	<b>728,749</b>	<b>190,363</b>	<b>628,931</b>	<b>154,932</b>	<b>341,615</b>	<b>258,801</b>	<b>185,280</b>	<b>2,488,671</b>
<b>CY 2023 transactions</b>								
Additions	0	53,594	12,723	19,327	53,290	74,073	0	213,007
Disposals	0	0	0	0	(3,971)	(5,987)	(17,304)	(27,262)
Depreciation /Amortization	0	0	(31,287)	(38,718)	(99,062)	(63,652)	(34,195)	(266,914)
Adjustments - cost	0	(133,403)	68,881	12,090	(34,369)	(12,032)	(15,882)	(114,715)
Adjustments – accumulated depreciation	0	0	9,216	(977)	40,181	19,861	33,135	101,416
	<b>0</b>	<b>(79,809)</b>	<b>59,533</b>	<b>(8,278)</b>	<b>(43,931)</b>	<b>12,263</b>	<b>(34,246)</b>	<b>(94,468)</b>

Group								
	Land	Construction in Progress	Building	Leasehold Improvements	Computer Equipment	Office Equipment, Furniture and Fixtures	Transportation Equipment	Total
<b>Total</b>	<b>728,749</b>	<b>110,554</b>	<b>688,464</b>	<b>146,654</b>	<b>297,684</b>	<b>271,064</b>	<b>151,034</b>	<b>2,394,203</b>
At December 31, 2023								
Cost	728,749	110,554	1,562,167	585,140	1,343,117	972,357	485,384	5,787,468
Accumulated depreciation/ amortization	0	0	(867,349)	(438,486)	(1,045,433)	(701,293)	(334,350)	(3,386,911)
Allowance for probable losses - impairment	0	0	(6,354)	0	0	0	0	(6,354)
<b>Net book amount</b>	<b>728,749</b>	<b>110,554</b>	<b>686,464</b>	<b>146,654</b>	<b>297,684</b>	<b>271,064</b>	<b>151,034</b>	<b>2,394,203</b>
Parent								
	Land	Construction in Progress	Building	Leasehold Improvements	Computer Equipment	Office Equipment, Furniture and Fixtures	Transportation Equipment	Total
At January 1, 2023								
Cost	728,749	190,363	1,478,463	535,398	1,321,701	897,578	514,149	5,666,401
Accumulated depreciation	0	0	(844,813)	(382,441)	(982,915)	(642,919)	(329,799)	(3,182,887)
Allowance for probable losses - impairment	0	0	(6,354)	0	0	0	0	(6,354)
<b>Net book value</b>	<b>728,749</b>	<b>190,363</b>	<b>627,296</b>	<b>152,957</b>	<b>338,786</b>	<b>254,659</b>	<b>184,350</b>	<b>2,477,160</b>
<b>CY 2023 transactions</b>								
Additions	0	53,594	12,723	19,272	53,290	73,055	0	211,934
Disposals	0	0	0	0	(3,971)	(5,765)	(17,304)	(27,040)
Depreciation /Amortization	0	0	(31,219)	(38,059)	(98,202)	(62,257)	(34,008)	(263,745)
Adjustments - cost	0	(133,403)	68,881	12,090	(34,248)	(12,032)	(15,882)	(114,594)
Adjustments – accumulated depreciation	0	0	9,216	(977)	40,071	19,718	33,171	101,199
	<b>0</b>	<b>(79,809)</b>	<b>59,601</b>	<b>(7,674)</b>	<b>(43,060)</b>	<b>12,719</b>	<b>(34,023)</b>	<b>(92,246)</b>
<b>Total</b>	<b>728,749</b>	<b>110,554</b>	<b>686,897</b>	<b>145,283</b>	<b>295,726</b>	<b>267,378</b>	<b>150,327</b>	<b>2,384,914</b>
At December 31, 2023								
Cost	728,749	110,554	1,560,067	566,760	1,336,772	952,836	480,963	5,736,701
Accumulated depreciation/ amortization	0	0	(866,816)	(421,477)	(1,041,046)	(685,458)	(330,636)	(3,345,433)
Allowance for probable losses - impairment	0	0	(6,354)	0	0	0	0	(6,354)
<b>Net book amount</b>	<b>728,749</b>	<b>110,554</b>	<b>686,897</b>	<b>145,283</b>	<b>295,726</b>	<b>267,378</b>	<b>150,327</b>	<b>2,384,914</b>

The allowance for impairment recognized by the Parent Bank was from the previous reclassification of ROPA to Bank Premises, Furniture, Fixture and Equipment account and is in accordance to the conditions prescribed by BSP Circular No. 701 series of 2010.

## 17. Right-of-use assets

This account represents the book value of the following right-of-use assets:

	Group		Parent	
	2023	2022 As restated	2023	2022 As restated
Buildings	416,286	334,609	405,923	315,509
Transportation equipment	226,939	136,952	226,939	136,952
<b>Total</b>	<b>643,225</b>	<b>471,561</b>	<b>632,862</b>	<b>452,461</b>

The succeeding tables present the breakdown of the Right-of-Use asset account as of December 31, 2023:

	<b>Group</b>		
	<b>Buildings</b>	<b>Transportation Equipment</b>	<b>Total</b>
At January 1, 2023			
Cost	621,747	514,084	1,135,831
Accumulated Depreciation	(287,138)	(377,132)	(664,270)
Net Book Amount	334,609	136,952	471,561
Additions	135,136	231,740	366,876
Adjustments – Cost	41,563	38,440	80,003
Contract Expiration	(95,977)	(196,887)	(292,864)
Depreciation/Amortization	(128,705)	(176,596)	(305,301)
Adjustments – Depreciation	129,660	193,290	322,950
	81,677	89,987	171,664
<b>At December 31, 2023</b>	<b>416,286</b>	<b>226,939</b>	<b>643,225</b>

	<b>Parent</b>		
	<b>Buildings</b>	<b>Transportation Equipment</b>	<b>Total</b>
At January 1, 2023			
Cost	583,181	514,084	1,097,265
Accumulated Depreciation	(267,672)	(377,132)	(644,804)
Net Book Amount	315,509	136,952	452,461
Additions	134,410	231,740	366,150
Adjustment – Cost	43,854	38,440	82,294
Disposals/Contract Expiration	(95,977)	(196,887)	(292,864)
Depreciation/Amortization	(119,303)	(176,596)	(295,899)
Adjustment – Depreciation	127,430	193,290	320,720
	90,414	89,987	180,401
<b>At December 31, 2023</b>	<b>405,923</b>	<b>226,939</b>	<b>632,862</b>

The table below shows the summary of the Group's leasing activities by type of the right-of-use asset recognized in the statement of financial position:

<b>Right-of-Use Asset</b>	<b>No. of Right-of-Used Leased (Per Contract)</b>	<b>Range of Remaining Terms (Years)</b>	<b>Average of Remaining Terms (Years)</b>
Buildings	98	3 to 15	7
Transportation Equipment	10	2 to 4	3

## 18. Investment property

The movement is summarized as follows:

	Group		Parent	
	2023	2022 As restated	2023	2022
Beginning Balance				
Cost	1,867,584	1,431,369	1,833,281	1,431,369
Accumulated Depreciation	(173,741)	(145,208)	(173,741)	(145,208)
Allowance for Impairment	(109,294)	(108,577)	(109,294)	(108,577)
<b>Net book amount</b>	<b>1,584,549</b>	<b>1,177,584</b>	<b>1,550,246</b>	<b>1,177,584</b>
Acquisition	328,216	434,184	314,552	399,881
Disposal				
Cost	(214,971)	(11,049)	(214,971)	(11,049)
Accumulated Depreciation	5,786	3,084	5,786	3,084
Allowance for Impairment	7,006	395	7,006	395
Reclassification				
Cost	(22,267)	(67,883)	(22,267)	(67,883)
Accumulated Depreciation	5,727	26,892	5,727	26,892
Allowance for Impairment	57	5,149	57	5,149
Adjustments – Cost	42,515	80,963	42,515	80,963
Reversal/Set-up				
Accumulated Depreciation	(53,444)	(58,509)	(53,444)	(58,509)
Allowance for Impairment	(31,169)	(6,261)	(31,169)	(6,261)
<b>Total</b>	<b>1,652,005</b>	<b>1,584,549</b>	<b>1,604,038</b>	<b>1,550,246</b>
Ending Balance				
Cost	2,001,077	1,867,584	1,953,110	1,833,281
Accumulated Depreciation	(215,671)	(173,741)	(215,671)	(173,741)
Allowance for Impairment	(133,401)	(109,294)	(133,401)	(109,294)
<b>Net book amount</b>	<b>1,652,005</b>	<b>1,584,549</b>	<b>1,604,038</b>	<b>1,550,246</b>

Fair value of the account is estimated at P3.76 billion for the Parent Bank in 2023.

## 19. Equity investment in subsidiaries

This account consists of:

	Parent	
	2023	2022
Investments in subsidiaries		
Acquisition cost:		
Al-Amanah Islamic Investment Bank of the Philippines	1,267,000	1,190,000
DBP Leasing Corporation	1,132,000	1,132,000
DBP Management Corporation	37,500	37,500
DBP Data Center, Inc.	1,530	1,530
	2,438,030	2,361,030
Allowance for impairment (Note 21)	(1,488,099)	(550,177)
	<b>949,931</b>	<b>1,810,853</b>

In 2023, an additional set-up of P937.922 million Allowance for Impairment, which is equivalent to its outstanding value, was booked for Al-Amanah Islamic Investment Bank of the Philippines.

## 20. Equity investment in associates and joint venture

This account consists of investments in share of stocks as follows:

	Group		Parent	
	2023	2022 As restated	2023	2022 As restated
Associates:				
DBP Service Corporation (28.04% owned)	107,358	95,292	856	856
	107,358	95,292	856	856
Joint Venture:				
DBP Insurance Brokerage, Inc. (40% owned)	12,407	17,070	4,000	4,000
DBP Daiwa Securities (17.06% owned)	95,668	118,714	45,675	45,675
	108,075	135,784	49,675	49,675
	<b>215,433</b>	<b>231,076</b>	<b>50,531</b>	<b>50,531</b>

The investment of the Parent Bank's subsidiary, DBP Management Corporation (DBPMC), in DBP Daiwa Securities is accounted under the cost method in the Group's financial statements.

The following tables present financial information of associates and joint venture as of and for the years ended:

2023				
	Statement of Financial Position		Statement of Profit/Loss	
	Total Assets	Total Liabilities	Gross Income	Net Income/ (Loss)
DBP Daiwa Securities	329,798	20,771	140,793	(71,597)
DBP Service Corporation	1,715,724	1,273,914	3,800,407	58,700
DBP Insurance Brokerage, Inc.	156,702	112,334	55,943	13,702
2022 As restated				
	Statement of Financial Position		Statement of Profit/Loss	
	Total Assets	Total Liabilities	Gross Income	Net Income/ (Loss)
DBP Daiwa Securities	935,259	432,186	175,122	(15,093)
DBP Service Corporation	1,618,263	1,192,124	3,797,276	52,581
DBP Insurance Brokerage, Inc.	157,456	99,291	87,175	36,311

On September 20, 2023, the DBP Board approved the Proposed Dissolution and Liquidation Plan of DBP Daiwa Securities and the authority of DBP President Michael O. de Jesus to represent DBP and DBPMC.

## 21. Allowance for impairment and credit losses

Changes in the allowance for impairment and credit losses are as follows:

	Group		Parent	
	2023	2022 As restated	2023	2022 As restated
<b>Beginning balance</b>	25,552,433	17,981,856	25,804,662	18,228,317
Provision for/reversal of impairment and credit losses	6,237,523	7,815,931	6,882,593	7,803,850
Charges against reserves:				
Write-off	(33,098)	(82,263)	(33,099)	(82,262)
Sale of acquired assets	(223)	(4,495)	(223)	(4,495)
Revaluation	(1,908)	20,268	(1,908)	20,268
Other transactions	(61,040)	(178,864)	(61,040)	(161,016)
<b>Ending balance</b>	<b>31,693,687</b>	<b>25,552,433</b>	<b>32,590,985</b>	<b>25,804,662</b>

The provision for impairment and credit losses as of December 31, 2023 was exclusive of the P3.56 million set-up of Expected Credit Losses (ECL) for Contingent Accounts and P180.22 million provision for lawsuit booked under Miscellaneous Liabilities – Others.

Details per account follow:

	Group		Parent	
	2023	2022 As restated	2023	2022 As restated
<b>Financial assets at amortized cost (Held to collect)</b>				
Beginning balance	197,250	319,656	197,250	319,656
Provisions	0	28,760	0	28,760
Revaluation	(1,518)	12,610	(1,518)	12,610
Other Transactions	170,335	(163,776)	170,335	(163,776)
Ending balance (Note 14)	366,067	197,250	366,067	197,250
<b>Financial assets at amortized cost (Loans and receivable)</b>				
Beginning balance	24,909,804	17,238,466	24,646,787	16,968,422
Provision for/reversal of impairment and credit losses	6,206,091	7,718,429	5,914,427	7,707,372
Charges against reserves:				
Write-off	(24,944)	(81,081)	(24,944)	(81,080)
Revaluation	(390)	7,657	(390)	7,657
Other transactions	(235,483)	26,333	(234,891)	44,416
Ending balance (Note 15)	30,855,078	24,909,804	30,300,989	24,646,787
<b>Equity investments in subsidiary</b>				
Beginning balance	0	0	550,177	528,869
Provision for/reversal of impairment and credit losses	0	0	937,922	0
Other Transactions	0	0	0	21,308
Ending balance (Note 19)	0	0	1,488,099	550,177
<b>Equity investments in associates and joint venture</b>				
Beginning balance	0	9,414	0	9,414
Provision for/reversal of impairment	0	0	0	0

	Group		Parent	
	2023	2022 As restated	2023	2022 As restated
and credit losses				
Other transactions	0	(9,414)	0	(9,414)
Ending balance (Note 20)	0	0	0	0
<b>Non-current assets held for sale</b>				
Beginning balance	48,392	50,800	48,392	50,800
Provision for/reversal of impairment and credit losses	21,224	2,667	21,225	2,667
Charges against reserves:				
Write-off	(11)	0	(11)	0
Sale of Acquired Assets	0	(3,833)	0	(3,833)
Other transactions	(14,807)	(1,242)	(14,807)	(1,242)
Ending balance	54,798	48,392	54,799	48,392
<b>Investment property</b>				
Beginning balance	109,294	108,577	109,294	108,577
Provision for/reversal of impairment and credit losses	8,494	63,673	8,494	63,673
Charges against reserves:				
Write-off	(5,012)	0	(5,012)	0
Sale of Acquired Assets	0	(662)	0	(662)
Other transactions	20,625	(62,294)	20,625	(62,294)
Ending balance (Note 18)	133,401	109,294	133,401	109,294
<b>Bank premises, furniture, fixtures and equipment</b>				
Beginning balance	6,354	6,354	6,354	6,354
Ending balance (Note 16)	6,354	6,354	6,354	6,354
<b>Intangible Assets</b>				
Beginning balance	4,000	0	4,000	0
Other transactions	0	4,000	0	4,000
Ending balance (Note 23)	4,000	4,000	4,000	4,000
<b>Other assets</b>				
Beginning balance	277,339	248,589	242,408	236,225
Provision for/reversal of impairment and credit losses	1,714	2,402	525	1,378
Charges against reserves:				
Write-off	(3,131)	(1,182)	(3,132)	(1,182)
Sale of acquired assets	(223)	0	(223)	0
Revaluation	0	1	0	1
Other transactions	(1,710)	27,529	(2,302)	5,986
Ending balance (Note 24)	273,989	277,339	237,276	242,408
<b>Total Allowance</b>	<b>31,693,687</b>	<b>25,552,433</b>	<b>32,590,985</b>	<b>25,804,662</b>

## 22. Deferred tax assets

Components of the deferred tax assets are as follows:

	Group		Parent	
	2023	2022 As restated	2023	2022 As restated
Deferred tax assets on:				
Allowance for impairment	8,102,513	5,503,155	7,965,972	5,450,882
Gratuity pay	25,657	25,657	25,657	25,657
Provision for lawsuit	87,474	42,475	87,474	42,475
Trading loss/(gain) revaluation	(6,315)	2,436	(6,315)	2,436
Unrealized foreign exchange loss/(gain) - net	(570,049)	(213,040)	(570,049)	(213,040)
<b>Net deferred tax assets</b>	<b>7,639,280</b>	<b>5,360,683</b>	<b>7,502,739</b>	<b>5,308,410</b>

## 23. Intangible assets

It represents the book value of the following intangible assets:

	Group		Parent	
	2023	2022	2023	2022
Software	67,934	113,448	66,008	111,461
BSP License	122,000	125,200	122,000	125,200
Non-Proprietary shares	500	500	500	500
<b>Total</b>	<b>190,434</b>	<b>239,148</b>	<b>188,508</b>	<b>237,161</b>

Details are as follows:

	Group			
	Software	BSP License	Non-Proprietary Shares	Total
At January 1, 2023				
Cost	998,075	160,000	4,500	1,162,575
Accumulated Amortization	(884,627)	(34,800)	0	(919,427)
Allowance for Impairment	0	0	(4,000)	(4,000)
<b>Net Book Amount</b>	<b>113,448</b>	<b>125,200</b>	<b>500</b>	<b>239,148</b>
Additions/Disposal	(60)	0	0	(60)
Amortization	(45,454)	(3,200)	0	(48,654)
Adjustment: Cost	(304,437)	0	0	(304,437)
Adjustments: Amortization	304,437	0	0	304,437
	(45,514)	(3,200)	0	(48,714)
<b>Total</b>	<b>67,934</b>	<b>122,000</b>	<b>500</b>	<b>190,434</b>
At December 31, 2023				
Cost	693,579	160,000	4,500	858,079
Accumulated amortization	(625,645)	(38,000)	0	(663,645)
Allowance for impairment	0	0	(4,000)	(4,000)
<b>Net Book Amount</b>	<b>67,934</b>	<b>122,000</b>	<b>500</b>	<b>190,434</b>

<b>Parent</b>				
	<b>Software</b>	<b>BSP License</b>	<b>Non-Proprietary Shares</b>	<b>Total</b>
At January 1, 2023				
Cost	991,144	160,000	4,500	1,155,644
Accumulated Amortization	(879,683)	(34,800)	0	(914,483)
Allowance for Impairment	0	0	(4,000)	(4,000)
<b>Net Book Amount</b>	<b>111,461</b>	<b>125,200</b>	<b>500</b>	<b>237,161</b>
Additions/Disposal	(710)	0	0	(710)
Amortization	(44,743)	(3,200)	0	(47,943)
Adjustment: Cost	(304,437)	0	0	(304,437)
Adjustments: Amortization	304,437	0	0	304,437
	(45,453)	(3,200)	0	(48,653)
<b>Total</b>	<b>66,008</b>	<b>122,000</b>	<b>500</b>	<b>188,508</b>
At December 31, 2023				
Cost	685,997	160,000	4,500	850,497
Accumulated amortization	(619,989)	(38,000)	0	(657,989)
Allowance for impairment	0	0	(4,000)	(4,000)
<b>Net Book Amount</b>	<b>66,008</b>	<b>122,000</b>	<b>500</b>	<b>188,508</b>

The Non-Proprietary Shares represent shares held by the Bank in three Golf & Country Club companies which were reclassified from Miscellaneous Assets – Other Investments to Intangible Assets in CY 2022.

A non-proprietary club share, though an equity instrument in its legal form, is not an equity instrument in the context of PAS 32. Furthermore, it does not entitle the holder to a contractual right to receive cash or another financial asset from the issuing corporation. The holder of the share, in substance, only paid for the privilege to enjoy the club facilities and services but not for ownership of the club. Hence, the holder must account for the share as an intangible asset under PAS 38.

In CY 2023, the Parent Bank's adjustment on software cost and accumulated amortization pertains to the derecognition of fully amortized intangible assets which are already not in use and has been replaced with an upgraded/newer version. As of December 31, 2023, The Parent Bank has 54 fully amortized intangible assets (software) which are still in use.

#### **24. Other assets**

This account consists of:

	<b>Group</b>		<b>Parent</b>	
	<b>2023</b>	<b>2022 As restated</b>	<b>2023</b>	<b>2022 As restated</b>
Other Investments – Maharlika Investment Fund	25,000,000	0	25,000,000	0
Creditable Withholding Taxes/Expanded Withholding Taxes/Gross Receipts Tax	4,170,607	3,442,228	4,170,607	3,442,228
Accounts receivable	3,120,449	2,857,619	3,023,733	2,781,123

	Group		Parent	
	2023	2022 As restated	2023	2022 As restated
Prepaid expenses	346,726	1,122,185	345,410	1,118,928
Dividends and interest receivable	768,967	581,427	768,967	581,427
Employee benefits	356,875	338,959	356,875	338,959
ROPA	326,517	259,025	299,255	219,128
Inter-office float items	2,750	(28,381)	2,203	(27,529)
Miscellaneous assets	927,626	1,207,475	883,019	1,163,097
	35,020,517	9,780,537	34,850,069	9,617,361
Accumulated depreciation	(69,465)	(76,303)	(57,255)	(67,480)
Allowance for impairment (Note 21)	(273,989)	(277,339)	(237,276)	(242,408)
	<b>34,677,063</b>	<b>9,426,895</b>	<b>34,555,538</b>	<b>9,307,473</b>

#### 24.1 Maharlika Investment Fund (MIF)

The Republic Act No. 11954, known as the “Maharlika Investment Fund Act of 2023”, which was signed into law last July 18, 2023, established the Philippine first sovereign wealth fund intended to stimulate the country’s economic growth and social development.

Under the law, the National Government, the Development Bank of the Philippines (DBP), and Landbank of the Philippines are mandated to provide the initial capital of the Maharlika Investment Corporation. DBP’s share of P25 billion in the initial capital in the Corporation equivalent to 250 million common shares, was remitted to the Bureau of Treasury last September 2023 and booked under Miscellaneous Assets – Others (Maharlika Investment Fund).

#### 24.2 Metro Rail Transit Corporation (MRTC) – Equity Rental Payments (ERPs)

In CY 2009, the National Government desired to take control of the MRT 3, hence, LBP and DBP were directed to acquire the economic interest in MRTC by way of buy out of the shares of Belsky Limited, a company organized in the British Virgin Islands and the registered owner of some of the MRT III Bonds, preference shares and unsecuritized shares of MRTC. Of the acquired unsecuritized shares, DBP holds indirectly 11.117 per cent interest of the equity of MRTC. From the documentation of the buy-out, the monthly rental fees being paid by Department of Transportation to MRTC was called as Equity Rental Payments (ERPs).

In CY 2022, the COA recommended the change in the booking procedure of recognizing the ERPs from recording entirely as Dividend Income to recording a portion of ERPs as return of investment. The affected accounts are as follows:

- Dividends Receivable – MRTC

This represents a portion of monthly ERP as dividend income earned but not yet received. Dividend Receivable from FVOCI equity securities as of December 31, 2023 and 2022 amounted to P768.65 million and P581.11 million, respectively.

- Accounts Receivable – MRTC

This represents a portion of monthly ERP accrued as return of investment, but not yet received. Accounts Receivable from FVOCI equity securities as of December 31, 2023 and 2022 amounted to P1,809.08 million and P1,084.81 million, respectively.

The Parent Bank's MRTC Portfolio as of December 31 consists of: (In millions)

	2023		2022 As restated	
	USD	PHP	USD	PHP
Bonds - HTC	72.03	3,988.18	133.77	7,458.13
Shares – FVTPL/FVOCI				
Securitized	20.05	1,110.47	19.59	1,092.20
Unsecuritized	16.62	920.13	29.83	1,663.38
	36.67	2,030.60	49.42	2,755.58
	<b>108.70</b>	<b>6,018.78</b>	<b>183.19</b>	<b>10,213.71</b>

- Bonds – MRTC

As of December 31, 2023, the Parent Bank's total outstanding investment in MRTC bonds amounted to USD72.03 million or P3,988.18 million with face value of USD632.86 million, as reflected in custodian bank, Clearstream (Cedel) and the total amounts received for the monthly payment of Tranche 3 Notes amounted to USD560.83 million equivalent to P31,053.16 million.

## 25. Deposit liabilities

This account consists of:

	Group		Parent	
	2023	2022	2023	2022
Demand	279,035,691	266,728,717	278,889,312	266,575,182
Savings	372,408,993	374,299,438	372,088,058	373,980,174
Time	123,901,885	184,599,295	123,906,884	184,601,518
	<b>775,346,569</b>	<b>825,627,450</b>	<b>774,884,254</b>	<b>825,156,874</b>

The total liquidity and statutory reserves as reported to BSP of the Parent Bank as of December 31, 2023 and 2022 are as follows:

	Parent			
	2023		2022	
	Rate	Amount	Rate	Amount
A. Statutory/Legal Reserves on:				
Available Reserves		67,701,073		86,473,676
Required Reserves				
Deposit Liabilities	9.5%	67,061,897	12%	86,018,952
Bonds Payable	3%	476,250	3%	360,000
		67,538,147		86,378,952
<b>Excess/(Deficiency)</b>		<b>162,926</b>		<b>94,724</b>

	Parent			
	2023		2022	
	Rate	Amount	Rate	Amount
B. MSME Loans used as Alternative Compliance		0		11,160,170

The rates of required reserves against deposit and deposit substitute liabilities in local currency of banks were reduced to 9.5 per cent from 12 per cent effective reserve week June 30, 2023 per BSP Circular No. 1175 s. 2023.

Per BSP Circular No. 1155 s. 2022, the use of micro, small, and medium enterprises (MSME) loans as allowable alternative compliance with the reserve requirement for banks expired on June 30, 2023.

## 26. Bills payable

The Group and Parent Bank's bills payable consists of the following:

	Group		Parent	
	2023	2022 As restated	2023	2022 As restated
Official Development Assistance (ODA)	30,276,018	35,661,650	30,276,018	35,661,650
Non-ODA	26,175,849	35,585,125	25,256,626	34,424,360
	<b>56,451,867</b>	<b>71,246,775</b>	<b>55,532,644</b>	<b>70,086,010</b>

As to remaining maturity:

	Group		Parent	
	2023	2022 As restated	2023	2022 As restated
Domestic:				
Within 1 year	631,963	936,855	6,491	11,952
Beyond 1 year	617,569	751,746	323,818	515,884
	1,249,532	1,688,601	330,309	527,836
Foreign:				
- with FX risk cover				
Within 1 year	674,927	43,301	674,927	43,301
Beyond 1 year	29,601,091	35,618,349	29,601,091	35,618,349
	30,276,018	35,661,650	30,276,018	35,661,650
- without FX risk cover				
Within 1 year	24,926,317	33,896,524	24,926,317	33,896,524
	<b>55,202,335</b>	<b>69,558,174</b>	<b>55,202,335</b>	<b>69,558,174</b>
	<b>56,451,867</b>	<b>71,246,775</b>	<b>55,532,644</b>	<b>70,086,010</b>

As to original term:

	Group		Parent	
	2023	2022 As restated	2023	2022 As restated
Domestic:				
1 Year or Less	484,610	703,177	0	0
More than 1 Year to 5 Years	434,613	463,737	0	6,149
More than 5 Years	330,309	521,687	330,309	521,687
	1,249,532	1,688,601	330,309	527,836
Foreign:				
-with FX risk cover				
More than 5 Years	30,276,018	35,661,650	30,276,018	35,661,650
-without FX risk cover				
1 Year or Less	22,479,810	33,896,524	22,479,810	33,896,524
More than 5 Years	2,446,507	0	2,446,507	0
	24,926,317	33,896,524	24,926,317	33,896,524
	<b>55,202,335</b>	<b>69,558,174</b>	<b>55,202,335</b>	<b>69,558,174</b>
	<b>56,451,867</b>	<b>71,246,775</b>	<b>55,532,644</b>	<b>70,086,010</b>

The 2023 year-end balances of foreign borrowings were revalued using the month-end PDS rate in accordance with the PAS 21. The total amount of Bills Payable resulting from Repurchase Agreement amounted to P26.94 billion with collateral securities under the Fair Value through Other Comprehensive Income and Other Held to Collect which amounted to P9.37 billion and P17.57 billion, respectively.

The foreign currency denominated Bills Payable amounting to P30.28 billion and P35.66 in 2023 and 2022, respectively, were all subject to FX risk cover and guaranteed by the National Government. The foreign exchange revaluation gains for CY 2023 and 2022 amounted to P2,206 million and P1,065 million, respectively. The AR-NG FX Differential as of December 31, 2023 and 2022, totaled P399.90 million and P760.15 million, respectively.

Other information about bills payable as of December 31, 2023, are as follows:

	Bills Payable	
	Wholesale	Retail
a. Maturities		
Maximum		
Domestic		12 years
Foreign	40 years	40 years
Average		
Domestic		8.54 years
Foreign	30.42 years	36.18 years
b. Average rate (interest rate to funders)		
Domestic	0.00%	2.42%
Foreign	2.91%	1.01%
c. Balance		
Maximum month-end balance	1,306,205	34,440,973
Average monthly balance	1,074,315	31,187,763

## 27. Bonds payable

The Group and Parent Bank's bonds payable consists of the following:

	Group		Parent	
	2023	2022 As restated	2023	2022 As restated
Senior Notes	16,559,476	16,668,268	16,559,476	16,668,268
ASEAN Sustainability Bonds	15,817,010	11,924,992	15,817,010	11,924,992
	<b>32,376,486</b>	<b>28,593,260</b>	<b>32,376,486</b>	<b>28,593,260</b>

The statutory/legal reserves on bonds payable amounts to P476.25 million as of December 31, 2023 (see Note 25).

### 27.1 Senior Notes

On 11 March 2021, the Parent Bank issued USD 300.00 million notes (the "Notes") with an annual coupon rate of 2.375 per cent due on March 11, 2031 as approved by the Monetary Board of the Bangko Sentral ng Pilipinas. The Notes are direct, unconditional, unsubordinated and unsecured obligations of the Parent Bank and are ranked pari passu among themselves and at least pari passu with all other present and future unsecured and unsubordinated obligations of the Parent Bank, save for such as may be preferred by mandatory provisions of applicable law. Interest is payable semi - annual every March 11 and September 11. The Parent Bank may, at its option, redeem the Notes in whole, but not in part, at their principal amount together with accrued but unpaid interest, in the event of certain tax changes. Further, upon the occurrence of a Change in Control of the Parent Bank (as defined in the Terms and Conditions of the Notes), each noteholder shall have the right, at its option, to require DBP to repurchase all (but not only some) of its notes at a redemption price equal to 101 per cent of their principal amount plus accrued and unpaid interest, if any, to the date of repurchase.

### 27.2 ASEAN Sustainability Bonds and other issuances under the DBP Peso Bond Programme

The Parent Bank issued its fixed rate series 4 bonds on July 27, 2023 (the "Series 4 Bonds") via private placement in the amount of P3.875 billion with a coupon rate of 6.4126 per cent per annum payable quarterly, with a one and half tenor to mature on January 27, 2025. This completed the issuance of the Parent Bank's original P55.0 billion bond program that was approved by the Monetary Board in 2019.

On April 13, 2022, the Parent Bank issued P12.0 billion fixed-rate series 3 bonds (the "Series 3 Bonds") via private placement with coupon rate of 4.05 per cent per annum payable quarterly. The Bond has a two and a half year tenor to mature on November 4, 2024.

On December 11, 2020, the Parent Bank issued P21.0 billion fixed-rate series 2 bonds (the "Series 2 Bonds") offered to retail investors with coupon rate of 2.5 per cent per annum payable quarterly. The Bond has a two-year tenor and matured on December 11, 2022.

All bond issuances under of the Parent Bank's constitute, unconditional, unsecured, and unsubordinated obligations of the Parent Bank. Subsequently, it will at all times rank pari

passu and without any preference among themselves and at least equally with all other direct, unconditional, unsecured and unsubordinated Peso-denominated obligations of the Parent Bank other than obligations mandatorily preferred by law.

The Parent Bank may, at its option, redeem the bonds in whole, but not in part, (having given not more than 60 nor less than 15 days' prior written notice to the Trustee) at par or 100 per cent face value plus accrued interest, in the event of certain tax changes.

## **28. Due to Bangko Sentral ng Pilipinas (BSP)/Other banks**

This refers to the estimated liability for the Parent Bank's share in the cost of maintaining the appropriate supervision and examination department of the BSP monthly set-up against current operations. Also included are items/transactions which cannot be appropriately classified under any of the foregoing "Due to BSP" accounts. There is no outstanding balance as of year-end 2023 and 2022.

## **29. Manager's checks and demand drafts outstanding**

This refers to the total amount of checks drawn by the Group upon itself payable to the payees named in the check.

## **30. Accrued taxes, interests and expenses**

These refer to the following estimated liabilities:

	<b>Group</b>		<b>Parent</b>	
	<b>2023</b>	<b>2022 As restated</b>	<b>2023</b>	<b>2022 As restated</b>
Interest	4,421,086	1,865,777	4,420,845	1,865,557
Income Tax	57,862	0	4,773	0
Other Taxes/Licenses	516,512	494,589	512,206	490,320
Salaries and Other				
Administrative Expense	5,959,889	5,688,117	5,609,350	5,397,594
	<b>10,955,349</b>	<b>8,048,483</b>	<b>10,547,174</b>	<b>7,753,471</b>

## **31. Unsecured subordinated debt**

The capital note issuance is in line with DBP's objective of strengthening its capital base as it supports its various developmental lending activities.

The Parent Bank successfully raised a total of P10 billion from the sale of Basel III Compliant Unsecured Subordinated Debt eligible as Tier 2 Capital on November 20, 2013. The capital note has a 10-year tenor with a call option on the fifth year and was priced at a coupon rate of 4.875 per cent per annum, payable quarterly. The note was redeemed on November 20, 2023.

## 32. Deferred credits and other liabilities

This account consists of:

	Group		Parent	
	2023	2022 As restated	2023	2022 As restated
Cash letters of credit	18,334,909	17,224,912	18,334,909	17,224,912
Accounts payable	3,527,845	3,138,678	3,496,306	3,109,580
Unearned income/deferred credits	2,092,969	2,410,360	1,798,844	2,228,151
Finance lease liability	652,833	481,468	642,071	461,596
Withholding taxes payable	283,859	259,818	280,776	249,752
Miscellaneous liability – Lawsuits	349,898	169,898	349,898	169,898
Due to Treasury of the Philippines	135,799	88,424	133,439	86,403
Other miscellaneous liabilities	1,301,712	1,046,062	733,571	380,948
	<b>26,679,824</b>	<b>24,819,620</b>	<b>25,769,814</b>	<b>23,911,240</b>

### 32.1 Cash letters of credit

This refers to import letters of credit (LC) issued by the Parent Bank, at the request of the applicant (importer client) in favor of the beneficiary. The 100 per cent of the LC amount is paid by the importer client in foreign currency or in Philippine Peso to the Parent Bank based on LC opening/issuance date based on the foreign exchange (FX) rate purchased from the Parent Bank during LC opening/ issuance and fixed/locked in until negotiation.

The fixed exchange rate to be used at the time of LC opening/issuance is negotiated and agreed by both the respective Lending Center/Branch Head and the FX Trading Department's duly authorized trader/officer and is evidenced by the duly approved Cash LC Transaction Slip.

From December 31, 2022, the total amount of P17.22 billion increased to P18.33 billion as of December 31, 2023. The bulk pertains to LC issued by the Parent Bank for the account of various local government units and government agencies.

### 32.2 Details on Finance Lease Liability Account

The maturity details of the Parent Bank's Finance Lease Liability as of December 31, 2023 and its corresponding future interest expense follow:

	Parent			Total
	Not later than one year	Later than one year but not later than five years	Later than five years	
Lease Payments	40,989	406,330	194,752	642,071
Interest Expense	309	37,213	55,989	93,511
<b>Total</b>	<b>41,298</b>	<b>443,543</b>	<b>250,741</b>	<b>735,582</b>

### 32.3 Miscellaneous liability – lawsuits

The Parent Bank recognized provisions for lawsuits with court decisions that are final and executory and those with probability that the Parent Bank will be finally held liable for the claim of the plaintiff within one or two years from reporting date.

### 32.4 Other miscellaneous liabilities

Other miscellaneous liabilities include mainly special funds, GSIS/Medicare/Employee Compensation Premium/Pag-IBIG and stale manager's checks/demand drafts.

## 33. Capital Stock

Capital stock consists of the following:

	Parent	
	2023	2022
Common shares, P100 par value Authorized, 350,000,000 shares Issued, paid and outstanding, Number of shares	320,000,000	320,000,000
<b>Amount (In thousand pesos)</b>	<b>32,000,000</b>	<b>32,000,000</b>

## 34. Retained earnings reserves

This account consists of:

	Group		Parent	
	2023	2022	2023	2022
Reserve for trust business	140,289	139,173	140,289	139,173
Reserve for contingencies	35,199	35,199	35,199	35,199
Other surplus reserves				
Loans – Japan Exim Special Facility Fund – Japan Training & Technical Assistance	4,938	4,938	4,938	4,938
Expense – Japan Exim Special Facility Appropriated General Reserves Fund for the proposed increase in capitalization - DBPMC	66,026	66,026	66,026	66,026
	46	46	46	46
	20,000	20,000	0	0
	91,010	91,010	71,010	71,010
	<b>266,498</b>	<b>265,382</b>	<b>246,498</b>	<b>245,382</b>

In accordance with BSP regulations, reserve for trust business represents accumulated appropriation of surplus computed based on 10 per cent of the yearly net income realized by the Parent Bank from its trust operations.

Reserve for contingencies includes P35.2 million set aside for possible losses on defalcation by and other unlawful acts of the Parent Bank's personnel or third parties.

### 34.1 Other surplus reserves

The Loans – Japan Eximbank Special Facility (JESF) fund is used for relending to private enterprises utilizing proceeds for the EXIM-Asean Japan Development Fund and trade and industry associations for eligible projects. The Expense – JESF refers to the administrative fee of ¾ per cent that is used to pay for all the expenses related to the implementation of the project.

Japan Training & Technical Assistance is used to fund for the training and technical assistance component under the Overseas Economic Cooperation Fund. The appropriated general reserves fund is set aside by the Parent Bank's subsidiary, DBPMC, for winding up of the business operation. In June 2022, the Parent Bank resolved to resume active operations of DBPMC. With this development, the appropriation may be reverted back to the unappropriated retained earnings, subject to the approval of the DBPMC Board.

### 35. Accumulated other comprehensive income/(loss)

This account consists of:

	Group		Parent	
	2023	2022 As restated	2023	2022 As restated
Net unrealized gain/(loss) on securities at FVOCI	(1,486,978)	(1,637,630)	(1,503,180)	(1,673,497)
Cumulative Foreign Currency Translation	203,287	212,078	203,287	212,078
Remeasurement of Net Defined Benefit Liability/(Asset)	1,750	2,124	0	0
	<b>(1,281,941)</b>	<b>(1,423,428)</b>	<b>(1,299,893)</b>	<b>(1,461,419)</b>

The movement of this account is summarized as follows:

	Group	Parent
Net unrealized gain/(loss) on securities at FVOCI as at December 31, 2022, as restated	(1,637,630)	(1,673,497)
Net change in fair value of debt instrument at FVOCI	1,064,784	1,064,784
Net change in fair value of equity instrument at FVOCI	(914,132)	(894,467)
Net change in fair value during the year	150,652	170,317
<b>Net unrealized gain/(loss) on securities at FVOCI as at December 31, 2023</b>	<b>(1,486,978)</b>	<b>(1,503,180)</b>
Cumulative foreign currency translation		
At December 31, 2022	212,078	212,078
Translation adjustments	(8,791)	(8,791)
At December 31, 2023	203,287	203,287

Remeasurement of Net Defined Benefit Liability/(Asset)		
At December 31, 2022	2,124	0
Remeasurements	(374)	0
At December 31, 2023	1,750	0
	<b>(1,281,941)</b>	<b>(1,299,893)</b>

### 36. Service charges, fees and commission income

The following table presents the service charges, fees and commission income details per reporting segment of the Parent Bank in compliance with PFRS 15 Revenue from Contracts with Customers:

	2023			
	Reportable Segments		Total Non-Reportable Segments	Bankwide Financial Statements
	Treasury and Corporate Finance	Development Lending		
<b>Fees and Commission Income</b>				
Fees income earned from services that are provided over time:				
Payment Services	0	99	0	99
Various Service Charges	0	1,306,311	0	1,306,311
	0	1,306,410	0	1,306,410
Fees income earned from services that are provided at a point in time:				
Underwriting	17,535	0	0	17,535
Brokerage	25,190	0	0	25,190
Various Service Charges	13,288	227,656	14,834	255,778
	56,013	227,656	14,834	298,503
<b>Total revenue from contracts with customers</b>	<b>56,013</b>	<b>1,534,066</b>	<b>14,834</b>	<b>1,604,913</b>
	2022			
	Reportable Segments		Total Non-Reportable Segments	Bankwide Financial Statements
	Treasury and Corporate Finance	Development Lending		
<b>Fees and Commission Income</b>				
Fees income earned from services that are provided over time:				
Payment Services	0	155	0	155
Various Service Charges	0	1,083,442	0	1,083,442
	0	1,083,597	0	1,083,597
Fees income earned from services that are provided at a point in time:				
Underwriting	50,113	0	0	50,113
Brokerage	8,563	0	0	8,563
Various Service Charges	1,045	237,773	15,533	254,351
	59,721	237,773	15,533	313,027
<b>Total revenue from contracts with customers</b>	<b>59,721</b>	<b>1,321,370</b>	<b>15,533</b>	<b>1,396,624</b>

The various service charges account is comprised of transaction fees, commitment fees, service fees, front-end fees, letters of credit fees, telegraphic transfer fees, and income on pass-on GRT.

### 37. Miscellaneous income

This account consists of:

	Group		Parent	
	2023	2022 As restated	2023	2022 As restated
Gain from sale/derecognition of non-financial assets	839,260	313,862	839,238	312,490
Additional interest and penalty charges (AIPC)	215,575	226,391	215,575	226,391
Rental/lease income	133,528	104,863	41,614	40,528
Income - Trust	87,800	24,321	87,800	24,321
Recovery on charged-off assets	32,080	41,115	31,214	36,928
Share in net income - equity investment	26,672	18,844	0	0
Miscellaneous income	271,256	59,593	40,693	50,425
	<b>1,606,171</b>	<b>788,989</b>	<b>1,256,134</b>	<b>691,083</b>

### 38. Other operating expenses

This account consists of:

	Group		Parent	
	2023	2022 As restated	2023	2022 As restated
Insurance	1,663,279	1,656,682	1,658,602	1,652,203
Depreciation and amortization	681,848	633,044	665,179	613,937
Fees and commission/Supervision	505,936	467,831	505,635	467,596
Security, clerical, messengerial and janitorial	399,674	393,949	387,451	381,777
Utilities	366,834	332,124	360,089	325,150
Information technology	353,313	341,728	372,017	361,838
Management and other professional fees	89,251	110,424	87,581	108,527
Repairs and maintenance	86,364	142,328	85,261	141,505
Fuel and lubricants/Traveling	79,378	77,545	74,674	74,473
Stationery and supplies used	62,562	101,973	60,708	99,725
Interest Expense - Finance Lease Payment Payable	30,013	17,398	29,759	16,703
Representation and entertainment	12,479	10,995	10,021	9,461
Miscellaneous expense	391,513	410,432	389,187	402,982
	<b>4,722,444</b>	<b>4,696,453</b>	<b>4,686,164</b>	<b>4,655,877</b>

### 39. Income and other taxes

Under Philippine tax laws, the Group is subject to percentage and other taxes (presented as Taxes and Licenses in the statements of profit or loss) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax or GRT and documentary stamp taxes.

Income taxes include corporate income tax and final taxes paid at the rate of 20 per cent which is a final withholding tax on gross interest income from government securities and other deposit substitutes. These income taxes, as well as the deferred tax benefits and provisions are presented as Provision for income tax in the statements of profit or loss.

On March 26, 2021, President Rodrigo R. Duterte signed the Republic Act No. 11534, otherwise known as the “Corporate Recovery and Tax Incentives for Enterprises Act” or CREATE Act, which seeks to reform income tax and rationalize fiscal incentives. The relevant provisions in the said Act include: a) Reduced Regular Corporate Income Tax (RCIT) rate of 25 per cent starting July 1, 2020; and b) Minimum Corporate Income Tax (MCIT) rate shall be one per cent, instead of two per cent for the period beginning July 1, 2020 until June 30, 2023. Due to the reduction in RCIT rate, the interest arbitrage shall likewise be reduced to 20 per cent of interest income subject to final tax. Under National Internal Revenue Code, final income tax of 20 per cent is imposed on certain passive income of the bank such as interest or yield from bank deposits or deposit substitutes. Effective July 1, 2023, the MCIT rate reverted to its previous rate of two per cent based on the gross income of the corporation.

The Group has applied the necessary amendments relevant to the provisions contained in the Act.

Provision for income tax consists of:

	Group		Parent	
	2023	2022 As restated	2023	2022 As restated
Current				
Final Taxes	2,434,853	1,970,933	2,434,425	1,970,695
RCIT – FCDU	14,368	26,487	14,368	26,487
RCIT – RBU	407,433	62,234	347,552	61,645
MCIT - RBU	0	66,869	0	66,869
	2,856,654	2,126,523	2,796,345	2,125,696
Deferred Tax Benefit	(2,278,723)	(1,325,750)	(2,194,329)	(1,326,588)
	<b>577,931</b>	<b>800,773</b>	<b>602,016</b>	<b>799,108</b>

In 2023, the Parent Bank (RBU Books) was subjected to RCIT totaling P525 million for all quarters. The balance of NOLCO from 2020 and 2021 was utilized and applied to the Bank’s taxable income for 2022. Meanwhile, the excess MCIT from 2020 until 2022 was used as tax credit in the filing of the amended Income Tax Return (ITR) for 2023. The total amount reflected as excess credit was based on the computed MCIT of the amended ITR.

The details of the Parent Bank's NOLCO and MCIT (RBU Books) are as follows:

Inception Year	Amount	Used	Balance	Expiry Year
NOLCO				
2020	87,673	87,673	0	2025
2021	3,066,434	3,066,434	0	2026
	<b>3,154,107</b>	<b>3,154,107</b>	<b>0</b>	

Inception Year	Amount	Used	Balance	Expiry Year
Excess MCIT				
2020	63,670	63,670	0	2023
2021	21,139	21,139	0	2024
2022	77,966	77,966	0	2025
	<b>162,775</b>	<b>162,775</b>	<b>0</b>	

A reconciliation between the provision for corporate income tax at statutory tax rate and the actual provision for corporate income tax as of December 31 of the Parent Bank is as follows:

	2023		2022 As restated	
	Amount	Rate (%)	Amount	Rate (%)
Statutory income tax	1,634,002	25.00	1,201,520	25.00
Effect of items not subject to statutory tax rate:				
Income subjected to lower tax rates	(2,430,604)	(37.19)	(1,970,464)	(41.00)
Tax-exempt income	(973,988)	(14.90)	(878,247)	(18.27)
Non-deductible expenses	2,291,696	35.06	2,586,065	53.81
Others	80,910	1.24	(139,766)	(2.91)
<b>Tax expense</b>	<b>602,016</b>	<b>9.21</b>	<b>799,108</b>	<b>16.63</b>

#### 40. Related party transactions

In the normal course of business, the Parent Bank transacts with related parties consisting of its subsidiaries and associates. Likewise, the Parent Bank has transactions with the National Government or the Republic of the Philippines, the Parent Bank's stockholder, and other government instrumentalities on an arm's length basis.

The Parent Bank has a Related Party Transaction (RPT) Committee that vets and endorses all material related party transactions, including those involving directors, officers, stockholders and their related interests (DOSRI). The Committee shall be composed of at least three members of the Board of Directors, two of whom shall be independent directors, including the chairperson. The Committee shall at all times be entirely composed of independent directors and non-executive directors, with independent directors comprising the majority of the members. In case a member has conflict of interest in a particular RPT, he should refrain from evaluating that particular transaction. The Chief Risk Officer, Chief Legal Counsel, Chief Compliance Officer and the Corporate Secretary or their authorized representatives shall sit as resource persons in the RPT Committee.

#### 40.1 DOSRI

In the ordinary course of business, the Parent Bank has loans, deposits and other transactions with its DOSRI.

Under existing policies of the Parent Bank, these loans are made substantially on the same terms as loans granted to other individuals and businesses of comparable risks.

BSP regulations limit the amount of the loans granted by a Parent Bank to a single borrower to 25 per cent of the unimpaired capital for retail and 35 per cent for wholesale. The amount of individual loans to DOSRI, of which at least 70 per cent must be secured, should not exceed the amount of the unencumbered deposits and book value of their paid in capital in the Parent Bank. In the aggregate, loans to DOSRI should not exceed the total capital funds or 15 per cent of the total loan portfolio of the Parent Bank, whichever is lower.

The following additional information relates to the DOSRI loans of the Parent Bank:

	<b>2023</b>	<b>2022</b>
Total DOSRI loans	75,405,269	91,573,175
Unsecured DOSRI loans	45,948	57,133
Total RPT Loans	161,658,466	102,630,481
Total RPT Loans (inclusive of DOSRI)	560,501,766	194,203,656
Per cent of DOSRI Loans to Loan Portfolio	13.45%	15.89%
Per cent of Unsecured DOSRI Loans to Total DOSRI Loans	0.06%	0.06%
Per cent of RPT loans to total loan portfolio	15.39%	17.81%
Per cent of DOSRI and RPT loans to total loan portfolio	28.84%	33.69%
Per cent of Past Due DOSRI Loans to Total DOSRI Loans	0.00%	0.00%
Per cent of non-performing DOSRI Loans to Total DOSRI Loans	0.00%	0.00%

#### 40.2 Key Management Remuneration

The remuneration of directors and members of key management are estimated as follows: (In millions)

	<b>Group</b>		<b>Parent</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
a) Short-term employee benefits	118.10	156.11	99.17	135.07
b) Post-employment benefits	55.88	68.62	50.53	63.96
	<b>173.98</b>	<b>224.73</b>	<b>149.70</b>	<b>199.03</b>

The Director's fees of members of directors are as follows: (In millions)

	<b>Group</b>		<b>Parent</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
a) Per Diem/honorarium	20.71	22.15	17.40	18.97

### 40.3 Material Related Party Transactions

RPTs falling within the materiality threshold, set at the level where omission or misstatement of the transaction could pose a significant risk to the Parent Bank and could influence the economic decisions of the Parent Bank's Board of Directors.

<b>Transaction Type</b>	<b>Old Threshold</b>	<b>New Threshold</b>
For Credit Related Transactions	Above P2 billion	Above P300 million
For Non-Credit Related Transactions	Above P30 million	Above P30 million
For Investment Management, Trust and Fiduciary Activities	Above P2 billion	Above P300 million

Presented below are the Material Related Party Transactions reported by the Parent Bank to the BSP on a quarterly basis for calendar year 2023:

<b>Quarter</b>	<b>Type</b>	<b>Related Counterparty</b>	<b>Relationship Between the Parties</b>	<b>Type of Transaction</b>	<b>Amount/Contract Price</b>	
<b>1Q</b>	<b>DOSRI</b>	National Food Authority (NFA)	Agency of the National Government (ANG)	Revolving Promissory Line Note	P5,562 million	
		Department of National Defense/ Armed Forces of the Philippines	ANG	Self-Funded Import Negotiation Cash LC	P312 million	
				Self-Funded Import Amendment Cash LC	P5,646 million	
	<b>OTHERS</b>	Al-Amanah Islamic Investment Bank of the Philippines (AAIBP)	Subsidiary of DBP	Additional equity infusion		P65 million
		DBP Service Corporation (DBPSC)	Two of the DBP Board of Directors are current members of the Board of DBPSC. Associate Company, 20% ownership of DBPSC by DBP	Extension contract of the General Support and Allied Services to the DBPSC (Non-credit related)		P45 million
<b>2Q</b>	<b>DOSRI</b>	National Food Authority (NFA)	ANG	Revolving Promissory Line Note	P3,265 million	
		Department of National Defense/ Armed Forces of the Philippines	ANG	Self-Funded Import Negotiation Cash LC	P677 million	
				Self-Funded Import Opening Cash	P376 million	

Quarter	Type	Related Counterparty	Relationship Between the Parties	Type of Transaction	Amount/Contract Price
		Power Sector Assets and Liabilities Management Corporation (PSALM)	Government-Owned and Controlled Corporation (GOCC)	Term Loan	P6,070 million
	<b>OTHERS</b>	Power Sector Assets and Liabilities Management Corporation (PSALM)	GOCC	New Participation in ROP-Guaranteed Syndicated Loan Facility	P14,500 million
				Renewal of PSR Line - Securities Trading	P39 million
				Renewal of PSR Line - Foreign Exchange and Derivatives Line	USD6.5 million
		Government Service Insurance System (GSIS)	GOCC/ Government Financial Institution (GFI)	Renewal of Pre-Settlement Risk (PSR) Line - Securities Trading	P387.5 million
		Home Development Mutual Fund (HDMF)	GOCC / GFI	Renewal of PSR Line - Securities Trading	P387.5 million
		Philippine Health Insurance Corporation (PhilHealth)	GOCC / GFI	Renewal of PSR Line - Securities Trading	P387.5 million
		Social Security System (SSS)	GOCC / GFI	Renewal of PSR Line - Securities Trading	P387.5 million
		Philippine Deposit Insurance Corporation (PDIC)	GOCC / GFI	Renewal of PSR Line - Securities Trading	P387.5 million
<b>3Q</b>	<b>DOSRI</b>	National Food Authority (NFA)	ANG	Revolving Promissory Note Line	P3,265 million
		Department of National Defense/ Armed Forces of the Philippines	ANG	Self-Funded Cash Import Amendment	P470 million
		Power Sector Assets and Liabilities Management Corporation (PSALM)	GOCC	Term Loan	P1,686 million
	<b>OTHERS</b>	National Government	Stockholder	Miscellaneous Asset - Deposit for	P25,000 million

Quarter	Type	Related Counterparty	Relationship Between the Parties	Type of Transaction	Amount/Contract Price
				future subscription	
<b>4Q</b>	<b>DOSRI</b>	National Food Authority (NFA)	ANG	Revolving Promissory Note line	P1,500 million
		Power Sector Assets and Liabilities Management Corporation (PSALM)	GOCC	Term Loan	P2,698 million
		Philippine Air force	ANG	Self-Funded Cash Import Opening	P307 million
		Department of National Defense/ AFP	ANG	Self-Funded Cash Import Amendment	P14,810 million
				Self-Funded Cash Import Negotiation	P2,669 million
	<b>OTHERS</b>	DBP Service Corporation (DBPSC)	Two of the DBP Board of Directors are current members of the Board of DBPSC. Associate Company, 20% ownership of DBPSC by DBP	Procurement of Service Provider for One Lot of Bank-wide General Support and Allied Services for DBP (Non-credit related)	P422 million

#### 40.4 Subsidiaries and Affiliates

Presented below are the Related Party Transactions of Subsidiaries and Affiliates reported by the Parent Bank for calendar year 2023:

Parent Bank/QB and Subsidiary/Affiliate	Related Counterparty	Type of Transaction	Amount/Contract Price
<b>DEVELOPMENT BANK OF THE PHILIPPINES</b>			
a. Subsidiaries and Affiliates	AAIIBP	Additional equity infusion	P77 million
	DBP Service Corporation (DBPSC)	Extension contract of the General Support and Allied Services to the DBPSC (Non-credit related)	P45 million
		Procurement of Service Provider for One Lot of Bank-wide General Support and Allied Services for DBP (Non-credit related)	P422 million
b. Others	Bancnet, Inc. DBP Provident Fund	Transaction fees Auction GS Secondary Market	P13 million P40 million P20 million
<b>LIPA BANK</b>			
a. Subsidiaries and Affiliates	Nassau Holdings, Inc.	Lease	P0.74 million
	Vimland Realty Development Corporation	Credit Transaction	P10 million

Parent Bank/QB and Subsidiary/Affiliate	Related Counterparty	Type of Transaction	Amount/Contract Price
<b>DBP DAIWA CAPITAL MARKETS PHILIPPINES, INC. Capital</b>			
a. Subsidiaries and Affiliates	Development Bank of the Philippines (DBP)	Equities Buy/Sell	P36 million
		Buy/Sell	P70 million
		Cash Dividend	P20 million
	DBP Management Corporation	Cash Dividend	P7.5 million
<b>PHILIPPINE INTERNATIONAL TRADING CORPORATION</b>			
b. DOSRI	National Development Company	Lease Contract	P17 million

#### 41. Operating Segments

Operating segments are reported in accordance with the internal reporting provided to the President and Chief Executive Officer. All operating segments meet the definition of a reportable segment under PFRS 8 – Operating Segments.

The Parent Bank has determined and grouped the operating segments based on the nature of the services provided as follows:

- Treasury and Corporate Finance

Treasury and Corporate Finance Segment is engaged in proactive management of the Parent Bank’s investment portfolio, trading of securities, and pricing of peso and FCDU deposit products. It also provides transaction and financial advisory services, project finance, loan syndications and securities issuance management and underwriting.

- Development Lending (comprised of):
  - Head Office
  - Provincial Lending

Development Lending segment provides banking services addressing the short, medium and long-term needs of agricultural and industrial enterprises, particularly in the countryside and preferably for small and medium enterprises. This segment consists of the entire lending (corporate, consumer, MSMEs, agri-agra), trade finance (letters of credit, guarantees and loan commitments) and cash management services (ATMs and POS terminals, e-Gov services) available to top corporations and institutional clients down to middle market clients, retail enterprises and individuals. The subdivision refers to business activities and services by the head office and provincial lending.

Each operating segment has two or more segment managers who are directly accountable for the performance of the segments and coordinates with the President and Chief Executive Officer its financial performance and condition.

Gross Segment Revenues are mainly derived from net interest income after provision for impairment, plus other income. On the other hand, Direct Operating Expenses are computed based on total compensation and fringe benefits and other operating expenses directly related in the generation of revenue for each segment.

Segment Assets and Liabilities mainly consist of resources and obligations directly used in the segment's operations and are measured in a manner consistent with that shown in the statement of financial position after allocation of resources.

The segment assets, liabilities and results of operations of the reportable segments as of December 31, 2023 and 2022 are as follows:

As of December 31, 2023	Reportable Segments		Total Reportable Segments	Total Non-Reportable Segments	Bankwide Financial Statements
	Treasury and Corporate Finance	Development Lending			
Interest Income	16,079,928	30,643,416	46,723,344	(33)	46,723,311
Interest Expense	(2,739,262)	(20,553,560)	(23,292,822)	(48,529)	(23,341,351)
Net Interest Income	13,340,666	10,089,856	23,430,522	(48,562)	23,381,960
Provision for Impairment	0	(224,601)	(224,601)	(6,841,779)	(7,066,380)
Net Interest Income After Provision for Impairment	13,340,666	9,865,255	23,205,921	(6,890,341)	16,315,580
Other Income	3,329,744	2,601,500	5,931,244	313,125	6,244,369
Gross Segment Revenue	16,670,410	12,466,755	29,137,165	(6,577,216)	22,559,949
Compensation and Fringe Benefits	(137,893)	(2,967,372)	(3,105,265)	(3,334,969)	(6,440,234)
Depreciation and Amortization	(167)	(221,555)	(221,722)	(443,457)	(665,179)
Other Operating Expenses	(1,006,096)	(6,795,345)	(7,801,441)	(1,117,086)	(8,918,527)
Total Direct Operating Expenses	(1,144,156)	(9,984,272)	(11,128,428)	(4,895,512)	(16,023,940)
Operating Profit Before Tax	15,526,254	2,482,483	18,008,737	(11,472,728)	6,536,009
Provision for Income Tax	(2,434,178)	(37)	(2,434,215)	1,832,199	(602,016)
<b>Segment Net Profit for the Year</b>	<b>13,092,076</b>	<b>2,482,446</b>	<b>15,574,522</b>	<b>(9,640,529)</b>	<b>5,933,993</b>
<b>Segment Assets</b>	<b>361,880,542</b>	<b>580,435,876</b>	<b>942,316,418</b>	<b>41,707,623</b>	<b>984,024,041</b>
<b>Segment Liabilities</b>	<b>74,576,120</b>	<b>801,433,455</b>	<b>876,009,575</b>	<b>23,293,258</b>	<b>899,302,833</b>
<b>Equity</b>					<b>84,721,208</b>

As of December 31, 2022 (As restated)	Reportable Segments		Total Reportable Segments	Total Non-Reportable Segments	Bankwide Financial Statements
	Treasury and Corporate Finance	Development Lending			
Interest Income	13,630,888	23,255,979	36,886,867	72,841	36,959,708
Interest Expense	(2,758,899)	(9,901,223)	(12,660,122)	(26,557)	(12,686,679)
Net Interest Income	10,871,989	13,354,756	24,226,745	46,284	24,273,029
Provision for Impairment	0	(70,041)	(70,041)	(7,733,809)	(7,803,850)
Net Interest Income After Provision for Impairment	10,871,989	13,284,715	24,156,704	(7,687,525)	16,469,179
Other Income	2,003,287	1,571,258	3,574,545	473,871	4,048,416
Gross Segment Revenue	12,875,276	14,855,973	27,731,249	(7,213,654)	20,517,595
Compensation and Fringe Benefits	(131,904)	(2,676,682)	(2,808,586)	(3,215,806)	(6,024,392)
Depreciation and Amortization	(146)	(187,396)	(187,542)	(426,395)	(613,937)
Other Operating Expenses	(1,228,482)	(6,734,495)	(7,962,977)	(1,110,208)	(9,073,185)
Total Direct Operating Expenses	(1,360,532)	(9,598,573)	(10,959,105)	(4,752,409)	(15,711,514)
Operating Profit Before Tax	11,514,744	5,257,400	16,772,144	(11,966,063)	4,806,081
Provision for Income Tax	(1,970,389)	(28)	(1,970,417)	1,171,309	(799,108)
<b>Segment Net Profit for the Year</b>	<b>9,544,355</b>	<b>5,257,372</b>	<b>14,801,727</b>	<b>(10,794,754)</b>	<b>4,006,973</b>
<b>Segment Assets</b>	<b>371,699,277</b>	<b>654,831,936</b>	<b>1,026,531,213</b>	<b>17,812,944</b>	<b>1,044,344,157</b>
<b>Segment Liabilities</b>	<b>89,980,430</b>	<b>852,379,042</b>	<b>942,359,472</b>	<b>23,358,996</b>	<b>965,718,468</b>
<b>Equity</b>					<b>78,625,689</b>

## 42. Commitments and contingent liabilities

In the normal course of the Parent Bank's operations, there are various lawsuits filed against the Parent Bank, outstanding commitments and contingent liabilities, such as guarantees, commitments to extend credit, forward exchange contracts, interest rate

swaps and similar arrangements which are not reflected in the accompanying financial statements. No material losses are anticipated as a result of these transactions.

The Parent Bank's aggregate contingent liabilities are as follows:

	<b>2023</b>	<b>2022</b>
Loan Commitments	34,905,717	45,761,918
Credit Lines Available	30,717,648	41,988,736
Letters of Credit	21,609,079	20,666,749
Spot exchange bought/sold	783,803	0
Inward bills for collection	37,693	207,286
Outward bills for collection	277	0
Outstanding guarantees issued	0	8,362
Others	45,711	17,959
	<b>88,099,928</b>	<b>108,651,010</b>

The Others item includes late deposits/payments received, deficiency claims receivable, written off accounts, and items held for safekeeping/collaterals.

In 2023, the Bank provided P3.56 million provision for losses on contingent accounts booked under Miscellaneous Liability - Others.

#### **43. Trust funds**

The Parent Bank is authorized under its charter to perform trust and fiduciary activities thru the Trust Banking Group. Trust Funds are managed, accounted and reported individually in accordance with regulatory policies and agreements with Trustors. Trust assets as of December 31, 2023 reached P47.64 billion which is 35 per cent higher from the P35.17 billion portfolio reported same period last year. These are off-books transactions and therefore not included in the Parent Bank's financial statements.

Fee-based income for the year ended December 31, 2023 reached P88.02 million, while operating expenses and gross receipts tax aggregated P77.08 million. Trust operations for the year resulted in a net income of P10.94 million, which is included in the Parent Bank's financial statements.

Government securities with fair value of P500 million as of December 31, 2023 were deposited with the BSP in compliance with the Basic Security Deposit requirements of the General Banking Law.

#### **44. Foreign currency deposit unit**

The Parent Bank has been authorized by BSP to operate an Expanded Foreign Currency Deposit Unit (EFCDU) since August 1995.

Income derived under the expanded foreign currency deposit system is exempted from all taxes. Covered under this are foreign currency transactions with non-residents, offshore banking units in the Philippines, local commercial banks including branches of

foreign banks that may be authorized by the BSP to transact business with foreign currency deposit units and other depository banks under the expanded foreign currency deposit system.

Interest income from foreign currency loans granted to residents is subject to a final tax of 10 per cent, pursuant to Republic Act No. 9294 (approved by President Gloria M. Arroyo on April 28, 2004).

#### 45. Other information

The following are the key financial indicators:

	Group		Parent	
	2023	2022 As restated	2023	2022 As restated
Return on Average Equity	8.27%	5.04%	7.27%	5.08%
Return on Average Asset	0.66%	0.36%	0.59%	0.36%
Net Interest Margin	2.61%	2.45%	2.62%	2.46%
CET 1 Ratio	13.03%	11.68%	13.00%	11.67%
Tier 1 Ratio	13.03%	11.68%	13.00%	11.67%
Capital Adequacy Ratio	13.94%	12.61%	13.92%	12.60%

#### 46. Reconciliation of Operating Cash Flow with reported net income/(loss)

	Group		Parent	
	2023	2022 As restated	2023	2022 As restated
Reported Operating Income	7,333,111	4,737,409	6,536,009	4,806,081
Operating cash flows from changes in asset and liability balances	(30,422,495)	(176,095,284)	(30,555,901)	(176,251,917)
Add/(deduct) non-cash items:				
Depreciation	332,118	360,703	321,411	342,894
Amortization	48,654	67,284	47,943	66,551
Provision for impairment losses	6,241,087	7,815,931	6,886,156	7,803,850
Provision for lawsuits	180,224	0	180,224	0
Provision for pensions and other post-retirement benefits	400,000	0	400,000	0
(Gain)/Loss from HFT FVTPL to Market	(25,259)	9,744	(25,259)	9,744
FX (Gain)/Loss on revaluation	(2,242,362)	(1,415,406)	(2,242,362)	(1,415,407)
Other income/expenses	3,733,416	2,062,714	3,665,224	2,036,624
	8,667,878	8,900,970	9,233,337	8,844,256
Income taxes paid	(3,559,606)	(2,255,939)	(3,500,477)	(2,253,930)
<b>Net Cash used in operating activities</b>	<b>(17,981,112)</b>	<b>(164,712,844)</b>	<b>(18,287,032)</b>	<b>(164,855,510)</b>

#### 47. Supplementary information required by BIR Revenue Regulation (RR) No. 15-2010 and Revenue Memorandum Circular (RMC) No. 17-2011

On December 28, 2010, Revenue Regulation (RR) No. 15-2010 became effective and amended certain provisions of RR No. 21-2002 prescribing the manner of compliance with any documentary and/or procedural requirements in connection with the preparation

and submission of financial statements and income tax returns. Section 2 of RR No. 21-2002 was further amended to include in the notes to financial statements information on taxes, duties and license fees paid or accrued during the year in addition to what is mandated by PFRS.

On April 4, 2011, the Bureau of Internal Revenue (BIR) issued Revenue Memorandum Circular (RMC) No. 17-2011 which proposes the use of basic standard format in complying with the requirements of the RR No. 15-2010 on the additional notes to financial statements relative to taxpayer's tax compliance.

Below is the additional information required by RR No. 15-2010 and RMC No. 17-2011 that is relevant to the Parent Bank. This information is presented for purposes of filing with the BIR and is not a required part of the basic financial statements as of December 31, 2023.

#### 47.1 Parent Bank as Non-VAT Registered Corporation

Being a non-VAT registered corporation engaged in the business of specialized government banking, the Parent Bank paid the amount of P1.75 billion as percentage tax pursuant to RA No. 9238 law/regulations and based on the amount reflected in the Sales/Gross Income Received account of P44.93 billion.

#### 47.2 Documentary Stamp Taxes (DST)

Summary transactions for documentary stamp tax purchased/utilized:

	<b>Tax Base</b>	<b>Tax Due</b>
DST on Loan Instruments	13,180,031	73,335
DST on Deposits and Other Cash Transactions	4,734,963,681	2,699,475
Other Transactions subject thereto and other adjustments	189,991	4,531
<b>Total</b>	<b>4,748,333,703</b>	<b>2,777,341</b>

#### 47.3 Withholding Taxes

Withholding taxes paid/accrued:

	<b>Paid</b>	<b>Accrued</b>	<b>Total</b>
Tax on compensation and benefits	481,471	57,497	538,968
Creditable withholding taxes	125,516	22,641	148,157
Final withholding taxes	2,004,772	200,632	2,205,404
<b>Total</b>	<b>2,611,759</b>	<b>280,770</b>	<b>2,892,529</b>

#### 47.4 All Other Local and National Taxes

Local and national taxes paid/accrued:

	<b>Paid</b>	<b>Accrued</b>	<b>Total</b>
Gross receipts tax:			
National	1,314,828	511,972	1,826,800
Local	80,180	0	80,180

	<b>Paid</b>	<b>Accrued</b>	<b>Total</b>
Sub-total	1,395,008	511,972	1,906,980
Real property tax	13,460	0	13,460
Municipal tax	7,498	0	7,498
Others	231,958	4,773	236,731
<b>Total</b>	<b>1,647,924</b>	<b>516,745</b>	<b>2,164,669</b>

#### 47.5 Deficiency Tax Assessments

The Parent Bank has received a final assessment notice from the Bureau of Internal Revenue covering the taxable year 2019 amounting to P220 million, inclusive of penalties for deficiency income, VAT, percentage and withholding taxes which has been agreed upon and settled last October 16, 2023.

#### 47.6 Revenue and Expenses per Income Tax Return

In relation to the required supplementary information under RR No. 15-2010, the BIR issued on April 12, 2022 the RMC No. 44-2022, which prescribes the guidelines in the filing of Annual Income Tax Returns (AITRs) and informs Electronic Filing and Payment System (eFPS) users that BIR Form 1702-RT January 2018 is now available. The Parent Bank has started to use the updated electronic form in filing of its 2022 Income Tax Return.

Specifically, companies are required to disclose certain tax information in their respective notes to financial statements. For the taxable year December 31, 2023, the Parent Bank reported the following revenues and expenses for income tax purposes:

<b>Revenues</b>		
Services/operations		14,219,986
Non-operating and taxable other income:		
Gain/(loss) from sale/derecognition of non-financial assets		839,237
Recovery from charged-off assets		31,214
		<u>870,451</u>
<b>Total revenues</b>		<b>15,090,437</b>
<b>Expenses</b>		
Cost of services:		
Compensation and fringe benefits		5,074,679
Others		3,431,147
		<u>8,505,826</u>
Itemized deductions:		
Compensation & fringe benefits		1,935,241
Taxes & licenses		1,298,222
Depreciation/amortization		160,388
Securities, messengerial & janitorial services		110,803
Communication, light & water		148,014
Management and other professional fees		35,241
Fees and commission		76,249
Bad debts		33,321
Actual lawsuits		224
Rentals		144,518
Repairs & maintenance		34,162
Travelling/fuel lubricants		26,695

Stationery and Supplies	23,196
Others	517,030
<b>Total itemized deduction</b>	<b>4,543,304</b>
<b>Total expenses</b>	<b>13,049,130</b>
<b>Net taxable income</b>	<b>2,041,307</b>

#### 48. Prior period adjustments

The Parent Bank has identified significant prior period adjustments that require re-presentation of certain balances in the statements of financial position, statements of comprehensive income, and statements of changes in equity of CY 2021 and CY 2022. Accordingly, these significant prior period errors have been corrected in the financial statements in accordance with PAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors).

The impact of these changes has required the restatement of the following financial line items as at December 31, 2022:

<b>Account Title</b>	<b>As Previously Reported</b>	<b>Restatement</b>	<b>As Restated</b>
Due from other banks	9,628,374	(4,771)	9,623,603
Financial assets at fair value through profit or loss	2,887,150	(77,326)	2,809,824
Financial assets at fair value through other comprehensive income (FVOCI) - Equity Securities	39,705,012	3,200	39,708,212
Equity investments in joint ventures (net)	38,484	12,047	50,531
Bank premises, furniture, fixtures and equipment (net)	2,516,526	(39,366)	2,477,160
Right of Use Assets (net)	455,603	(3,142)	452,461
Deferred tax assets	7,194,794	(1,886,384)	5,308,410
Other assets	9,228,748	78,725	9,307,473
Bills payable	70,084,565	1,444	70,086,009
Bonds payable	28,668,268	(75,008)	28,593,260
Accrued taxes, interests and expenses	8,107,348	(353,877)	7,753,471
Deferred credits and other liabilities	23,678,221	233,020	23,911,241
Retained earnings	49,566,778	(1,725,052)	47,841,726
Accumulated other comprehensive income/(loss)	(1,463,875)	2,456	(1,461,419)
Interest income on financial assets - debt and equity securities	11,562,170	(4,772)	11,557,398
Interest expense on other borrowings	2,289,670	25,249	2,314,919
Profits from investments and securities trading	(112,841)	(77,326)	(190,167)
Foreign exchange profit/(loss)	1,853,610	(1,458)	1,852,152
Miscellaneous income	551,691	139,392	691,083
Compensation and fringe benefits	6,289,698	(265,306)	6,024,392
Taxes and licenses	4,988,128	(90,000)	4,898,128
Other operating expenses	4,663,113	(7,236)	4,655,877
Provision for income tax	519,025	280,083	799,108

Changes on the balance of Retained Earnings as at January 1, 2022 are as follows:

Balance as at January 1, 2022	45,675,283
Restatements/Adjustments:	
Recalculation of deferred tax assets	(1,328,594)
Adjustments on deferred income tax	(339,156)
Documentary stamp tax on interbank loans receivable FTY 2020 to 2021	(233,020)
Reversal of bank premises, furniture, fixtures & equipment to	(5,522)

semi-expendable items	
Reversal of depreciation expense	(9,613)
Reversal of litigation expense	736
Reversal of accrual of NHCPF	293
Depreciation expense on the rebranding/renovation of bank premises	(24,231)
Reversal of accrual of director's fees	5,946
Reversal of accrual of merit increase	82,347
Adjustment on depreciation of ROPA	669
Reversal of impairment losses - investment in joint venture (DAIWA/DIBI)	12,047
	<u>(1,838,098)</u>
<b>Balance as at January 1, 2022 - Restated</b>	<b><u>43,837,185</u></b>

#### **49. Events after the reporting date**

##### **49.1 Request for Dividend Relief**

On April 17, 2024, the Parent Bank requested for dividend relief covering CY 2023 Net Earnings from the National Government through the Department of Finance (DOF). The grant of the dividend relief will afford the Bank the necessary cushion to withstand capital and liquidity disruption as it further accelerates its lending interventions in support of priority projects in the Administration's eight-point economic agenda.

Currently, such request is under evaluation by DOF.

## OBSERVATIONS AND RECOMMENDATIONS

### A. FINANCIAL ISSUES

1. A provision of P400 million was recognized for the Separation and Early Retirement Program (SERP) benefits of DBP personnel, without the approval from the Governance Commission for GOCCs (GCG), hence, the Bank's present obligation was not established as at December 31, 2023, contrary to the 2018 Conceptual Framework for Financial Reporting (Conceptual Framework) and Philippine Accounting Standards (PAS) 37, resulting in the overstatement of the balances of Deferred Credits and Other Liabilities and Compensation and Fringe Benefits Expenses accounts by P400 million as at December 31, 2023.

1.1 The 2018 Conceptual Framework states:

#### ***Definition of a liability***

***4.26 A liability is a present obligation of the entity to transfer an economic resource as a result of past events.***

*4.27 For a liability to exist, three criteria must all be satisfied:*

- (a) the entity has an obligation;***
- (b) the obligation is to transfer an economic resource; and***
- (c) the obligation is a present obligation that exists as a result of past events.***

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#### ***Recognition Criteria***

***5.6 Only items that meet the definition of an asset, a liability or equity are recognised in the statement of financial position. Similarly, only items that meet the definition of income or expenses are recognised in the statement(s) of financial performance.***

(Emphasis supplied)

1.2 Also, paragraph 14 of the PAS 37 on Provisions, Contingent Liabilities and Contingent Assets, requires:

*A provision shall be recognised when:*

- (a) an entity has a present obligation (legal or constructive) as a result of a past event;*
- (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and*
- (c) a reliable estimate can be made of the amount of the obligation.*

*If these conditions are not met, no provision shall be recognised.*

1.3 The Administrative Accounting Department (AdAD), under the Comptrollership Group of DBP, is responsible for setting up accruals or provisions. This process ensures that expenses are recorded in the correct accounting period and establishes obligations for goods or services received but not yet paid, including estimated liabilities. The AdAD carries out this task upon receiving memorandum and pertinent supporting documents from the concerned business units. The Financial Planning and Tax Management Department provides documents to the AdAD for the monthly accrual of expenses, while the Human Resources Management Group (HRMG) handles other accruals and provisions related to payroll, and other relevant areas. In addition, reversals are initiated by the concerned business units and subsequently recorded by AdAD pursuant to DBP Desk Manual-IV.400.

1.4 As at December 31, 2023, the Parent Bank's Statement of Financial Position disclosed a total balance of Deferred Credits and Other Liabilities amounting to P25.770 billion. This includes Miscellaneous Liabilities of P929.637 million, of which P400 million represents provision for SERP benefits of eligible officers and employees of the Bank. It is the Bank's representation that they have assessed that there is a high probability of an outflow of economic benefits related to this provision.

1.5 According to the HRMG, the GCG approved the Bank's Reorganization/Restructuring Plan through Memorandum Order No. 2022-03 dated June 20, 2022. This approval stipulates, among others, that "*The Governing Board, through the President, shall be accountable for the payment of separation benefits to the retirees/separates pursuant to existing laws*". The GCG confirmed that the Bank can offer a separation/early retirement incentive program within a five-year period based on the Compensation and Position Classification System (CPCS) guidelines and rates. This approval served as the basis for budget appropriation and the recognition of liabilities under Miscellaneous Liabilities for calendar year 2023.

1.6 However, as of this writing, the Bank has not yet received authorization from GCG to implement the SERP. We consider this authorization crucial as it represents an event that would establish DBP's present obligations as at year-end, pursuant to paragraphs 4.26, 4.27 and 5.6 of the 2018 Conceptual Framework and paragraph 14 of PAS 37.

1.7 The recognition of a provision amounting to P400 million for the SERP benefits of DBP personnel without the required approval from the GCG resulted in the overstatement of the balances of Deferred Credits and Other Liabilities and Compensation and Fringe Benefits Expenses accounts by P400 million as at December 31, 2023.

**1.8 We recommended that Management adjust the provision of P400 million for SERP benefits of DBP personnel since there is no present obligation of the Bank existing as at reporting date, for the faithful representation of the balances of the Deferred Credits and Other Liabilities and Compensation and Fringe Benefits Expenses accounts in the financial statements as at December 31, 2023.**

1.9 Management explained that the implementation of SERP is highly probable, justifying the recognition of the SERP incentive as obligation. The Bank has complied with the additional requirements of GCG in their letter dated April 15, 2024 and has been assured that upon submission of the revised guidelines incorporating the GCG's

recommendations, the GCG will immediately review and approve on the SERP implementation.

1.10 The accounting standards explicitly provide that when the conditions for recognition are not met, no provision shall be recognized. Without any satisfactory basis for recognizing the liability such as the approval from GCG as the obligating event, the obligation is considered contingent and there is no basis for its recognition in the books. Hence, the audit team maintained its recommendation.

**2. Collections from borrowers and payables to suppliers and other creditors totaling P25.841 million as at December 31, 2023, recognized under Accounts Payable (AP), have remained not applied to proper accounts, refunded to payees nor resolved from over 30 days to 10 years, contrary to the DBP Revised Manual of Operating Procedures (MOP), DBP Circular No. 01 (OS-CG-01), the 2018 Conceptual Framework and PAS 1, resulting in the misstatements of the balances of AP, Loans Receivable and other affected accounts by undetermined amount as at December 31, 2023.**

2.1 The 2018 Conceptual Framework defines a liability as follows:

*4.26 A liability is a present obligation of the entity to transfer an economic resource as a result of past events.*

*4.27 For a liability to exist, three criteria must all be satisfied:*

- a. The entity has an obligation;*
- b. The obligation is to transfer an economic resource; and*
- c. The obligation is a present obligation that exists as a result of past events.*

2.2 Paragraph 15 of PAS 1 states:

*Financial Statement shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transaction, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expense set out in the Framework. X x x*

2.3 On the other hand, the relevant provisions of the guidelines on handling unclaimed AP accounts under the DBP Circular No. 01 (OS-CG-01) dated January 7, 2020, state:

*“B.2.4 The responsible Bank Units shall send notices to the creditors through registered mail with return card to the office address of the creditors, if known, or the last known address. The Responsible Office shall safekeep the copies of the letters sent and the original copy of the return card of such notices for future litigation purposes.*

*The notices shall be sent following the interval shown below:*

<i>1<sup>st</sup> Notice</i>	<i>If unclaimed, 30 days after the transaction date</i>
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2 <sup>nd</sup> Notice	If unclaimed, 15 days after sending the 1st notice
3 <sup>rd</sup> Notice	If unclaimed, 15 days after sending the 2nd notice

B.2.5 Sending of notices shall be properly recorded and monitored by the responsible Bank Units for reference. The reason for non-payment/remittance shall be indicated.

B.2.6 Unclaimed AP account shall be recognized as “Miscellaneous Income”, if it meets all of the following conditions:

- a. The account remained unclaimed for more than one (1) year but less than ten (10) years.
- b. Three (3) notices have been sent to the creditor through registered mail with return card to the office address of the creditor, if known, or the last known address.

Exceptions to the above are AP accounts which by nature will be settled beyond one (1) year (i.e., retention fee for contractors to be completed beyond one (1) year). Accounts booked as “Miscellaneous Income” shall be subject to 7% Gross Receipts Tax (GRT).”

2.4 Section A.200.2 of the Bank’s Revised MOP states:

*Accounts Payable is a temporary account which shall be given prompt attention for reconciliation and for application to the proper accounts preferably within the month but not later than thirty (30) days from transaction date.*

2.5 The balance of Deferred Credits and Other Liabilities amounting to P25.770 billion, as at December 31, 2023 includes AP of P3.722 billion pertaining to National Capital Region and Regional Branches. Analysis of the AP account revealed that a total outstanding amount of P25.841 million in the following DBP Regional Branches remained either not applied to proper accounts, not returned to payees or unresolved from over 30 days to ten years:

Region	Branch	31 days to One Year	Ages		Total
			Over One Year to Three Years	Over Three to 10 Years	
I	La Union	144,341.48	1,579,746.41	222,438.80	1,946,526.69
II	Aparri	0	44,716.74	0	44,716.74
II	Ilagan LC	774,030.00	449,337.79	45,819.03	1,269,186.82
II	Ilagan	200,557.09	389,000.00	0	589,557.09
II	Santiago	330,000.00	0	0	330,000.00
II	Solano	111,842.61	164,425.77	0	276,268.38
II	Tuguegarao	211,155.18	351,130.47	0	562,285.65
IV-A	Lucena	74,870.23	35,929.50	80,830.14	191,629.87
V	Virac	151,910.00	0	0	151,910.00
VI	Iloilo	27,000.00	0	438,824.50	465,824.50
VII	Ubay	0	217,738.80	0	217,738.80
VIII	Tacloban	30,263.80	1,507,095.33	3,092,792.20	4,630,151.33
IX	Jolo	0	0	8,404,639.70	8,404,639.70

Region	Branch	Ages			Total
		31 days to One Year	Over One Year to Three Years	Over Three to 10 Years	
XI	Tagum	4,349.92	447,831.58	8,685.83	460,867.33
XII	Kidapawan	650,869.10	110,064.55	0	760,933.65
XII	Polomolok	0	6,860.91	0	6,860.91
XII	Tacurong	0	0	71,294.48	71,294.48
XII	Marbel	63,914.28	68,787.37	17.10	132,718.75
XII	Mangagoy	2,098,637.24	24,168.79	78,000.00	2,200,806.03
XII	Siargao	92,129.77	2,921,367.84	0	3,013,497.61
XIII	San Francisco	1,020.00	5,610.00	0	6,630.00
XIII	Trento	107,024.04	0	0	107,024.04
<b>Total</b>		<b>5,073,914.74</b>	<b>8,323,811.85</b>	<b>12,443,341.78</b>	<b>25,841,068.37</b>

2.6 Verification of records disclosed that the above long outstanding payables pertain to the following:

Particulars	Amount
Collections for Application to Loan	12,129,455.46
Payables to suppliers or contractors or other parties	13,711,612.91
<b>Total</b>	<b>25,841,068.37</b>

a. Collections for Application to Loan (CFATL)

These payables are collections from borrowers on regular and salary loans amounting to P4,633,729.08 and P7,495,726.38, respectively, in 16 Regional Branches. Details are as follows:

a.1 AP Others – CFATL - Regular Loan

Region	Branch	Ages			Total
		31 days to One Year	Over One Year to Three Years	Over Three to 10 Years	
II	Iligan LC	774,030.00	449,337.79	45,819.03	1,269,186.82
VI	Iloilo	0	0	438,824.50	438,824.50
XI	Tagum	4,349.92	0	0	4,349.92
XIII	Siargao	0	2,921,367.84	0	2,921,367.84
<b>Total</b>		<b>778,379.92</b>	<b>3,370,705.63</b>	<b>484,643.53</b>	<b>4,633,729.08</b>

The amount of P1,707,981.32 was not applied because the collections are insufficient to cover the total obligations of the borrowers. On December 29, 2023, a letter was sent to Remedial Management Department (RMD) seeking advice on whether the Regional Branches should transfer these collections to RMD for booking to settle the long outstanding AP. A follow-up was made on February 12, 2024.

The amount of P2,921,367.84 pertains to collection from insurance of a borrower. The Regional Branch committed to coordinate the settlement of the remaining AP balance. Also, the excess payments amounting to

P4,379.92 received in two Regional Branches have not been refunded pending instructions from Lending Centers.

a.2 AP Others – CFATL – Salary Loan

These payables pertain to collections in the following Regional Branches:

Region	Branch	Ages			Total
		31 days to One Year	Over One year to Three Years	Over Three to 10 Years	
I	La Union	80,159.52	1,473,582.78	21,146.21	1,574,888.51
II	Aparri	0	44,716.74	0	44,716.74
II	Ilagan	200,557.09	389,000.00	0	589,557.09
II	Santiago	330,000.00	0	0	330,000.00
II	Solano	111,842.61	164,425.77	0	276,268.38
II	Tuguegarao	211,155.18	351,130.47	0	562,285.65
IV-A	Lucena	74,870.23	0	0	74,870.23
V	Virac	151,910.00	0	0	151,910.00
VI	Iloilo	27,000.00	0	0	27,000.00
VIII	Tacloban	0	261,905.92	3,087,792.20	3,349,698.12
XII	Marbel	63,914.28	6,500.00	0	70,414.28
XIII	Trento	107,024.04	0	0	107,024.04
XIII	Mangagoy	142,794.78	24,168.79	78,000.00	244,963.57
XIII	Siargao	92,129.77	0	0	92,129.77
<b>Total</b>		<b>1,593,357.50</b>	<b>2,715,430.47</b>	<b>3,186,938.41</b>	<b>7,495,726.38</b>

The amount of P4,246,187.43 are excess collections in seven Regional Branches, which were not refunded on time due to inactive deposit accounts of identified borrowers of the Bank. The Regional Branches are coordinating with these payees/borrowers and their respective agencies. In addition, limitations in the Loan Management System at some Regional Branches have contributed to the delay in applying these excess collections. Manual posting of payments is being performed by the Regional Branches, a process that requires considerable time due to the high volume of transactions involved.

The amount of P1,654,919.48 represents collections for loans with pending request for condonation of interests and other charges in six Regional Branches. The approval for the requests is still being processed by the Regional Branches concerned.

Further, the amount of P1,407,839.24 is still subject for verification and reconciliation. Upon completion of this process, the AP will be refunded and credited to the respective accounts. For identified accounts, excess payments will be credited and applied by April 30, 2024.

The remaining payables of P186,780.23 represent collections in three Regional Branches that cannot be applied to or posted to the corresponding receivable account due to insufficient funds to cover the total borrowers' obligations. Additional payments are required to update the loan account. Management explained that collections can only be posted once the entire amount due is received. The borrowers were informed that insufficient payments will not be posted, hence, there will

be no decrease of the loan principal. They have been advised to settle the full outstanding balance.

b. AP to Suppliers/ Contractors and other Parties

The details of the payables to suppliers/contractors and other parties are as follows:

<b>Branch</b>	<b>Amount</b>	<b>Ages</b>
La Union	371,638.18	31 days to over three years
Lucena	116,759.64	91 days to over three years
Tacloban	1,280,453.21	31 days to over three years
Jolo	8,404,639.70	Over three years
Kidapawan	760,933.65	91 days to 365 days
Polomolok	6,860.91	Over two years
Tacurong	71,294.48	Over nine years
Marbel	62,304.47	More than one year to over three years
Mangagoy	1,955,842.46	31 days to 365 days
San Francisco	6,630.00	91 days to over two years
Ubay	217,738.80	More than one year to over three years
Tagum	456,517.41	More than one year to over three years
<b>Total</b>	<b>13,711,612.91</b>	

The amount of P8,296,381.65 represents outstanding payables in two Regional Branches that remained unsettled due to ongoing court cases. Specifically, the P7,856,324.60 pertains to collection of a shortage.

The total payables of P1,393,835.10 in four Regional Branches pertain to stale checks issued for payments to suppliers, unclaimed dividends and refunds to borrowers for excess loan payments. The three Regional Branches failed to send formal notifications to clients. These Regional Branches have committed to send confirmation letters to the identified suppliers to verify the validity of the claims or unpaid obligations. If no valid claims are confirmed, the Regional Branches will proceed with closing these payables.

The payables totaling P4,003,556.16 in eight Regional Branches are currently undergoing verification and reconciliation. These consist of instances of duplicate entries on AP bookings, bidder's bond, insurance payments, repayments for two properties encumbered to DBP and deposits from clients. The Regional Branches are taking appropriate actions to ensure resolution of the payables.

The amount of P17,840.00 are collections for checkbook requisitions in two Regional Branches. The late reclassification was due to delayed advice sent by the DBP HO.

2.7 It was also noted that there are payables totaling P167,061.40 with debit or abnormal balances in DBP Borongan Branch due to excess application of loan payments. Moreover, the amount P143,631.92 was inadvertently debited to AP account instead of being credited to the same AP account, hence the abnormal balance. The other two

payables with debit balances are undergoing verification and reconciliation. Management informed that these APs require verification and adjustments.

2.8 The same audit observation was noted during the CY 2022 audit in some regional branches, however, the recommended corrective actions were not implemented.

2.9 The long outstanding APs totaling P25.841 million, which remained not applied to the proper accounts, refunded to payees nor resolved from over 30 days to 10 years resulted in the misstatements of the balances of the AP, Loans Receivable and other affected accounts by undetermined amount as at reporting date. Likewise, the payables with abnormal balances were deducted from AP account, resulting in the understatement of the balance of the account as at reporting date.

**2.10 We recommended and Management agreed that the Branches/Units/Departments concerned:**

- a. Facilitate the reconciliation and verification of accounts for application to borrowers' accounts, refund to payees and settlement of other unresolved payables, including payables with abnormal balances as at reporting date;**
- b. Coordinate with the DBP Head Office for the proper disposition of the accounts affected by system limitations;**
- c. Prepare the necessary adjustments to correct the balances of the AP, Loans Receivable and other affected accounts in the financial statements as at December 31, 2023; and**
- d. Adhere to paragraphs B.2.4, B.2.5 and B.2.6 of DBP Circular No. 01 on the sending of formal notices to creditors, monitoring of replies and reclassification of unclaimed AP to Miscellaneous Income.**

## **B. NON-FINANCIAL ISSUES**

**3. Receivables totaling P9.327 million have remained outstanding from over one year to 22 years in DBP Regional Branches due to the non-implementation of appropriate legal remedies or actions to recover these receivables, contrary to the DBP MOP and COA Circular No. 2023-008 dated August 17, 2023, thereby depriving the Bank of additional funds that could be used for its operations.**

3.1 DBP MOP-A.300.1 Item Nos. 2, 5 and 6 provide:

***2 Generally, the Bank shall recover or be reimbursed for AR transactions within the short period of time. AR is a temporary account and shall be zeroed out through collection.***

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**5 It is the responsibility of the Account Officers to ensure that borrower's accounts are up-to-date including those pertaining to insurance, realty taxes and appraisal fees.** Accordingly, Account Officers shall undertake strict account monitoring system in coordination with Transaction Processing (TP) and DBP Insurance Brokerage Inc. (DIBI) to avoid any Bank's advances thereon.

**6 Account officers shall pursue collection of AR including services and default charges thereon to recover Bank's investment.**

(Emphasis supplied)

3.2 COA Circular No. 2023-008 dated August 17, 2023 provides, among others, the following:

5.7 *Dormant Receivable Accounts – accounts which balances remained inactive or non-moving in the books of accounts for ten (10) years or more and where settlement/collectability could no longer be ascertained.*

6.2 *All government entities shall determine the existence of dormant accounts in their books.*

6.4 *The entity shall determine whether the dormant accounts identified are covered by specific laws, rules and regulations prescribing guidelines for the proper disposition and/or procedures to address the issue on dormancy.*

6.5 *If the dormancy of an account cannot be addressed through item 6.4 above, then the entity shall apply the procedures prescribed in this Circular.*

8.1 *Dormant accounts covered by this Circular shall be derecognized from the books of accounts only upon the grant of specific authority by COA.*

8.2 *Within one (1) year from the effectivity of the Circular, the Head of Accounting Unit through the HoA shall file with/through the ATL and/or RSA/SA, depending on the jurisdictional amount, a request for the approval of COA to write-off/derecognize from the books the dormant accounts pursuant to the provisions of this Circular. X x x*

10.2 *The Head of Accounting Unit shall:*

*Ensure that current transactions and those below ten years are properly documented and appropriately acted upon immediately to avoid being dormant. If the AO fails to settle his/her accountabilities despite demand, the action could either be salary deduction or filing of appropriate cases.*

3.3 The balance of Other Assets in the Bank's financial statements as at December 31, 2023 amounted to P34.556 billion. This includes Accounts Receivable (AR) – Others of P135.052 million pertaining to National Capital Region and Regional Branches, of which the amount of P9.327 million in 13 DBP Branches are outstanding from over one year to 22 years. Details are presented below:

<b>Branch</b>	<b>Amount</b>	<b>Ages</b>
Baguio	183,743.57	More than 6 years
Dagupan	112,505.66	More than 6 years
La Union	370,493.83	More than 5 years
Vigan	355,369.80	More than 4 years
Iligan	199,415.76	More than 10 years
Calapan	2,881,579.73	More than one year to over five years
Tagbilaran	1,751,233.26	More than one year to over 22 years
Borongan	884,179.58	More than one year to over 10 years
Catarman	499,060.34	More than one year to over eight years
Catbalogan	18,122.64	More than nine years
Tacloban	1,156,701.53	More than one year to over 10 years
Malaybalay	764,673.06	More than one year to over 12 years
General Santos	149,947.24	More than five years to over 10 years
<b>Total</b>	<b>9,327,026.00</b>	

3.4 Verification of the above-mentioned receivables revealed the following:

- a. The receivables amounting to P4,113,685.44 in 11 Regional branches, outstanding from over one year to over 10 years pertain to various items including gross receipt tax on loans, small claim fees, unfunded inward check amounts and insurance claims for salary loans of deceased borrowers from private insurance companies. These receivables also include balances of salary loans of deceased borrowers with pending insurance claims from insurance providers or from DBP Insurance Brokerage, Inc., the insurance broker of DBP, responsible for collecting the balances from private insurance companies. Among these, four Branches with receivables totaling P856,491.93 have already recommended write-off, while three branches with accounts totaling P2,063,446.24 are yet to submit their recommendations for write-off to the Consumer Finance Department.
- b. The receivables totaling P3,480,147.70 in four Regional Branches, outstanding for over one year to over 22 years are with various issues, including the unpaid accrued interest of DBP loan receivables, reimbursement for unauthorized online purchase, bounced checks for the payment of outstanding loan balance, unfunded inward checks, unscanned checks, refunds related to Sales Contract Receivable accounts, foregone interests of the Bureau of Treasury, duplicate salary entries in payroll accounts, COA disallowances, lost clearing checks, over-remittance of US pension funds, claims from Government Service Insurance System (GSIS) related to hold-up/robbery incidents, penalties of foreclosed properties, and rejected payment transactions mistakenly credited to accounts.
- c. The receivables totaling P1,733,192.86 in three Regional Branches, outstanding from over one year to over 10 years, refer to claims from borrowers for insurance premiums payments on properties used as collateral

for loans advanced by the DBP Lending Centers, and Documentary Stamp Tax on acquired assets purchased by the buyers.

3.5 The same audit observation was noted in nine out of the 13 Regional Branches in the CY 2022 audit, however, the recommended remedial measures were not fully implemented.

3.6 Management informed that they are pursuing the collection and write-off of long outstanding ARs. They also committed to resolve all long outstanding receivables contained in the CY 2022 and CY 2023 audit reports by writing off within CY 2024.

3.7 The appropriate legal remedies or actions to recover the receivables totaling P9.327 million which have remained outstanding from over one year to 22 years in DBP Regional Branches were not undertaken contrary to DBP MOP-A.300, thereby depriving the Bank of additional funds that could be used for its operations. This is also not consistent with COA Circular No. 2023-008 dated August 17, 2023, requiring the Head of Accounting Unit to ensure that current transactions and those below ten years are properly documented and appropriately acted upon immediately to avoid being dormant.

**3.8 We recommended and Management agreed to require the DBP Regional Branches concerned to:**

**a. Exhaust all available remedies and implement appropriate actions to collect the long outstanding accounts receivable of the Bank; and**

**b. Evaluate and identify dormant receivable accounts aged 10 years or more, where efforts to collect proved futile despite exhausting all possible means, and consider filing a request for authority to write off pursuant to COA Circular No. 2023-008 or relevant DBP policies.**

**4. Dormancy fees and service charges were imposed on dormant deposit accounts with balances not falling below the minimum monthly average daily balance (ADB) requirement in six DBP Branches, contrary to Section 263.b and Appendix 117 of the Bangko Sentral ng Pilipinas (BSP) Manual of Regulations for Banks (MORB).**

4.1 Section 263.b of the BSP MORB states:

*b. Dormancy Fee. Banks may only impose dormancy fee on a dormant deposit account five (5) years after the last activity therein, provided that:*

*(1) The balance falls below the minimum monthly ADB, if any;*

*(2) The monthly dormancy fee shall not exceed thirty pesos (P30.00); and*

*(3) The bank complied with the two (2) notice requirement under Item numbers "7.b.(2) and 7.b.(4), Appendix 117, prior to the charging of dormancy fee.*

4.2 Appendix 117 of the BSP MORB provides:

*7. Internal control procedures for dormant accounts*

*X x x*

*b. Internal control measures*

*(1) X x x*

*(2) When an account is about to become dormant, the depositor shall be notified of its potential dormancy at least sixty (60) days prior to the commencement of the dormancy period.*

*The notification shall contain the following information:*

*(a) The effect of dormancy to transfer the account from active to dormant status, and advice on how to reactivate the account; and*

*(b) Reminder that the dormant account will be included in the list of unclaimed balances to be submitted to the Treasurer of the Philippines (Treasurer) for escheat in accordance with the Unclaimed Balances Act, if said account has no activity for ten (10) years.*

*(3) X x x*

*(4) When an account is about to be subject to dormancy fee, the depositor shall be notified at least sixty (60) days prior to such imposition.*

4.3 Review of selected dormant accounts as at December 31, 2023 disclosed that dormancy fees and service charges were collected on 233 payroll accounts in six DBP Branches, summarized as follows:

<b>Branch</b>	<b>Number of selected accounts</b>	<b>Total Dormancy Fee and Service Charges</b>
Antique	56	3,882.00
Iloilo	60	2,853.92
Jaro	56	3,821.95
Kalibo	15	1,822.94
Pototan	14	1,158.00
Roxas	32	3,429.57
<b>Total</b>	<b>233</b>	<b>16,968.38</b>

4.4 The selected payroll accounts had been dormant for five years since their last transaction date and maintained a minimum balance of P100.00. Despite compliance with the minimum daily balance required by the Bank, these were charged a monthly dormancy fee of P30.00, contrary to Section 263.b of the BSP MORB. Due to the charges made, some accounts subsequently fell below the required minimum monthly ADB, hence service fees were applied reducing the balances of the accounts to zero.

4.5 Further, 35 sampled dormant accounts in DBP Kalibo and Roxas Branches were charged a one-time dormancy fee of P30.00, imposed five years after last transaction date. It was likewise noted in these branches that no letters or notices were sent to the depositors at least 60 days prior to the imposition of the dormancy fee, contrary to Appendix 117 of the BSP MORB. This issue was previously noted in CY 2022 audit and the Regional Branches responded that the Bank's system still does not generate such letters or notices.

4.6 The concerned branches explained that the policy on imposition of dormancy fee/and penalty charges is system-based. They informed that memorandum to the Branch Banking Support Department was sent requesting assistance to address the audit observation since the Regional Branches do not manually intervene in the imposition of dormancy fees.

4.7 The imposition of dormancy fees and service charges on dormant deposit accounts with balances not falling below the minimum monthly ADB requirement is not aligned with Section 263.b and Appendix 117 of the BSP MORB.

4.8 Management committed to review the charging of dormancy fee and service charges on accounts falling below the maintaining balance. They will check the policy on the payroll accounts to determine if these are converted to regular accounts, requiring an ADB of P500.00, which warrants the imposition of dormancy fee and service charges.

**4.9 We recommended and Management agreed to revisit the Bank's policy regarding the imposition of dormancy fees and service charges on dormant deposit accounts ensuring alignment with the BSP MORB.**

## **Gender and Development (GAD)**

**5. The Gender Mainstreaming Evaluation Framework (GMEF) and Harmonized Gender and Development Guidelines (HGDG) tools were not utilized by the Bank in performing gender analysis. Also, the Bank has not allocated at least five per cent of the Corporate Operating Budget (COB) for CY 2023 to GAD activities contrary to PCW Memorandum Circular (MC) No. 2022-03 dated August 31, 2022, hence GAD Plans and Budget (GPB) for FY 2023 was not endorsed by the Philippine Commission on Women (PCW).**

5.1 Relevant paragraphs of the PCW MC No. 2022-03 dated August 31, 2022 on the Preparation and Online Submission of Fiscal Year (FY) 2023 Gender and Development (GAD) Plans and Budgets state:

*1.2.1. Identification of Gender Issues and GAD Mandates and corresponding GAD Programs, Activities, and Projects (PAPs)*

*1.2.1.1. The gender issues/GAD mandates and corresponding GAD programs, activities and projects (PAPs) to be included in the GPB should be within the context of the agency's mandates in conjunction with international treaties/commitments, national laws and plans on women and gender equality.*

1.2.1.2. Agencies shall prioritize addressing the gender issues outlined in the Gender Equality and Women Empowerment (GEWE) Plan 2019-2025, and in their annual GPB and GAD Agenda. Agencies shall refer to the GEWE Plan Results Matrices (which could be downloaded here) for the GAD issues and corresponding GAD results, indicators, targets, and strategies to be integrated in their annual GPB.

1.2.1.3. The identification of gender issues and GAD PAPs to be addressed in the plan shall be guided by the results of gender analysis and gender audit, especially the results of the Gender Mainstreaming Evaluation Framework (GMEF) assessment.

#### 1.2.2. GAD Budget Costing and Attribution

1.2.2.1. As provided under Section 36(a) of the MCW, the GAD budget, which is the cost of implementing GAD programs, activities and projects (PAPs), shall be at least five percent (5%) of the agency's total budget appropriations. As such, GPBs that do not meet the minimum 5% requirement shall not be endorsed by PCW. Agencies are strongly advised to use the tool for budget attribution (see Section 1.2.2.2 of this Circular) to ensure compliance to the MCW.

#### 1.2.2.2. Budget Attribution Using the Harmonized Gender and Development Guidelines (HGDG)

1.2.2.2.1. Aside from implementing direct GAD PAPs to address organization- or client-focused gender issues or GAD mandates, agencies may attribute a portion or the whole budget of the agency's major program/s<sup>6</sup> or project/s<sup>7</sup> to the GAD budget using the HGDG tool. Assessing major program/project using the HGDG tool enables the agency to identify strengths and areas for improvement to gradually increase the gender-responsiveness of the program/project. Major programs/projects subjected to the HGDG assessment shall be reflected under the GPB section on "Attributed Programs."

5.2 As a Government Financial Institution, the Bank expressed its commitment to gender equality and integration and implementation of GAD considerations in all aspects of its operations as stated in its DBP Gender and Development Policy Statement issued through DBP Circular No. 18 dated May 9, 2019. However, review of Bank's adherence to its commitment and compliance with PCW circulars for calendar year 2023 revealed the same audit observations as those noted in calendar year 2022, which are as follows:

#### **GMEF and the HGDG tools not utilized in conducting gender analysis**

5.3 The GMEF is a tool to measure the extent of gender mainstreaming efforts in organizations. It also aims to assist the GAD Focal Point System (GFPS) members in measuring gains and successes, as well as pinpoint areas for improvement in integrating gender perspective within their respective organizations. On the other hand, the HGDG

was developed to provide a common instrument for integrating gender perspectives in development programs and projects among government agencies, donor organizations, and other stakeholders. The HGDG jointly prepared by National Economic and Development Authority (NEDA), PCW, and Office Development Assistance Gender and Development Network for Project Development, Implementation, Monitoring, and Evaluation, were issued in May 2016 with the following objectives:

*The harmonized GAD guidelines seek to promote the twin goals of gender equality and women’s empowerment. Specifically, these aim to:*

1. *provide NEDA, ODA donors, Philippine government agencies, and development practitioners with a common set of analytical concepts and tools for integrating gender concerns into development programs and projects; and*
2. *help achieve gender equality, and empower women through, projects and programs.*

5.4 The GFPS of the Bank, handled by the Employee Relations Department (ERD) of the HRMG submitted the GPB for FY 2023 on November 20, 2023 to the Audit Team. The ERD disclosed that they did not utilize the GMEF and HGDG for conducting gender analysis, contrary to the requirements of PCW MC No. 2022-03 dated August 31, 2022. As reported in the CY 2022 AAR, the GFPS did not utilize the HGDG tool due to lack of proper training and there is no identified department of the Bank or person amongst the GFPS who spearheads the utilization of the HGDG tool.

**Non-allocation of at least five per cent of the approved COB to the GAD Budget for FY 2023**

5.5 Information on the Bank’s GPB for FY 2023, which was submitted for audit, include:

<b>Total Budget of the Bank</b>		P218,555,997,000.00	
<b>Total GAD Budget</b>		P63,569,280.00	
<b>Percentage of GAD Budget</b>		0.03%	
<b>Areas</b>	<b>No. of Gender Issues identified</b>	<b>Budget</b>	<b>Percentage from Total GAD Budget</b>
A. Client-Focused	4	151,080.00	0.24%
B. Organization-Focused	17	63,418,200.00	99.76%
C. GAD-Attributed Programs or Project	0	0	0%
<b>Total</b>		<b>63,569,280.00</b>	<b>100.00%</b>

5.6 As presented in the table above, the Bank has allocated a budget for GAD activities amounting to only 0.03 per cent of its COB for CY 2023, which falls below the five per cent requirement under PCW MC No. 2022-03. It was also noted that the budget of the Bank’s major programs and projects was not attributed to the GAD Budget. This is not consistent with the PCW MC requiring agencies to attribute a portion or the whole budget of the agency’s major programs or projects to the GAD budget using the HGDG tool.

5.7 The gender analysis conducted not using the gender analysis tools, the non-attribution of the budget of major projects and programs of the Bank to the GAD Budget,

and the GAD budget below five per cent of the CY 2023 COB are not consistent with existing PCW regulations on GAD. Due to the GAD Budget for FY 2023, below the required five per cent of the CY 2023 approved COB, the GPB for FY 2023 of the Bank was not endorsed by the PCW.

**5.8 We recommended and Management agreed to:**

- a. Fully utilize the GMEF, HGDG, and other gender analysis tools to conduct thorough gender analysis and identify gender issues of the Bank and the corresponding GAD programs, activities and projects; and**
- b. Attribute the budget of the major programs and activities of the Bank to the GAD Budget using the HGDG tool and comply with the allocation of at least five per cent of the COB for GAD Budget.**

5.9 The ERD informed that, with the assistance of a member of PCW-National GAD Resource Pool, the Bank utilized the GMEF to assess its responsiveness to gender equality and GAD mainstreaming. The duly accomplished GMEF was submitted to PCW on April 30, 2024, for validation of the Means of Verification column. Furthermore, the GPB for FY 2024, which allocated 7.11 per cent of the COB was resubmitted to PCW on April 3, 2024, for further review. The HGDG tools were likewise utilized during the preparation of the GPB.

5.10 By the end of 2024, the GFPS shall formulate the Bank's revised GAD Agenda incorporating the results of gender analysis based on the gender issues gathered from the GMEF's four entry points and the gender issues identified during the preparation of the CY 2024 GPB. Additionally, the Employee Engagement Unit, ERD of the HRMG committed to continuously mainstream GAD in DBP with the issuance of its revised GAD Policy Statement under Circular 5 dated April 19, 2024, and the Reconstitution of the GAD Technical Working Group on February 28, 2024.

### **Compliance with Tax Laws**

**6.** DBP complied with tax laws and regulations, particularly, on the requirements of Revenue Memorandum Circular No. 17-2011 and Revenue Regulation No. 15-2010. Information on taxes and licenses paid or accrued during the taxable year 2023 is disclosed in Part I of this Annual Audit Report, under Notes 39 and 47 to the Financial Statements for CY 2023.

### **Compliance with GSIS, Pag-IBIG and PHIC Contributions and Remittances**

**7.** In CY 2023, DBP complied with the applicable provisions of the Implementing Rules and Regulations of Republic Act (RA) No. 8291, RA No. 9679 and RA No. 10606 on the collection and remittance of premiums and contributions to GSIS, Pag-IBIG and PhilHealth, respectively.

## **STATUS OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES**

**8.** As at December 31, 2023, total disallowances and charges amounted to P1.011 billion and P1.289 billion, respectively, status of which is presented in Annex A. There were no audit suspensions at the end of the year.

**STATUS OF IMPLEMENTATION OF PRIOR YEARS'  
AUDIT RECOMMENDATIONS**

Out of the 25 audit recommendations embodied in the prior years' Annual Audit Reports, 16 were implemented, and nine were not implemented and are reiterated in Part II of this report.

## Annex A

### Development Bank of the Philippines Status of Disallowance and Charges As of December 31, 2023

<b>Disallowances</b>			
ND No.	Subject	Amount	Status
a. ND 2013-03 OP/CGF/GAR	Payment of PBB to Bank Officers not in accordance with GCG MC No. 2012-11 (Re-Issued) and IATF No. 2012-02 and 05.	868,438.66	Unsettled - With COA Decision No. 2022-111 dated January 24, 2022, AFFIRMING the ND.
b. ND 2013-04 HRM- ERIP/GAR	Payment of ERIP IV Incentive for CY 2012 without the approval from the Secretary of Finance and Office of the President under Section 34 of EO No. 81, series of 1986, as amended by RA 8523 and Section 3 of MO No. 20 dated June 15, 2011.	120,915,627.55	Unsettled - With Temporary Restraining Order issued by the Supreme Court of the Philippines.
c. ND 2013-05 HRM- ERIP/GAR	Payment of ERIP IV Incentive for CY 2011 without the approval from the Secretary of Finance and Office of the President under Section 34 of EO No. 81, series of 1986, as amended by RA 8523 and Section 3 of MO No. 20 dated June 15, 2011.	96,540,158.32	Unsettled - With Temporary Restraining Order issued by the Supreme Court of the Philippines.
d. ND 2013-06 HRM- ERIP/GAR	Payment of ERIP IV Incentive for CY 2010 without the approval from the Secretary of Finance and Office of the President under Section 34 of EO No. 81, series of 1986, as amended by RA 8523 and Section 3 of MO No. 20 dated June 15, 2011.	140,961,922.06	Unsettled - With Temporary Restraining Order issued by the Supreme Court of the Philippines.
e. ND 2013-07 HRM- Budget/GAR	Payment of Performance Based Bonus for CY 2012 to DBP Officers and Employees computed not in accordance with the DBP PBI scheme as affirmed by GCG and GCG Memorandum Circular No. 2012-11 (Re-issued) resulting to excessive payments.	36,800,901.97	Unsettled - With Cluster Decision No. CGS-2015-03, for automatic review of CP.
f. ND 2013-09 HRM- Budget/GAR	Various DBP expenses for personal services not approved for budget allocation by DBM due to over provisions from the authorized limits and absence of approval from the OP.	179,230,322.85	Unsettled - With Cluster Decision No. CGS-2015-03, for automatic review of CP.
g. ND 2013-10 BOD/HRM/GA R	Payment of Performance Based Incentive for CY 2012 to DBP Board of Directors not covered by the approved budget by the DBM or a supplemental budget.	10,536,000.00	Unsettled - With Cluster Decision No. CGS-2015-03, for automatic review of CP.
h. ND 2014-004- DSU-2012	Hiring of consultants for the Chairman and the BOD instead of providing support staff contrary to Section 31, Part VI of GCG	11,024,390.41	Unsettled - With Appeal Memorandum dated December 22, 2014.

**Disallowances**

<b>ND No.</b>	<b>Subject</b>	<b>Amount</b>	<b>Status</b>
	Memorandum 2012-07		
i. ND 2014-05-DSMD-CDU	Hiring of consultants not highly technical as required in RA No. 9184 and considered unnecessary per COA Circular No. 2012-003	19,264,147.02	Unsettled - With Appeal Memorandum dated December 22, 2014.
j. ND 2014-06 GAR (2013)	Availment of Motor Vehicle Lease Purchase Plan by BODs not in accordance with Section 8 of Executive Order No. 24 and Section 23 of RA No. 10149.	4,451,000.00	Unsettled - With Appeal Memorandum dated November 17, 2014.
k. ND No. 2014-07 GAR (2013)	Payment of Anniversary Bonus for CY2013 not a milestone year, in violation of AO No. 263 and National Budget Circular No. 452	8,589,000.00	Unsettled - With Appeal Memorandum dated December 11, 2014 and Manifestation and Motion to Suspend Proceedings was filed on August 24, 2020 and another Manifestation and Motion to Lift ND was filed December 9, 2021.
l. ND No. 2014-08 GAR (2013)	Transfer of funds from DBP to DBP Provident Fund Individual Housing Program without OP approval.	74,924,000.00	Unsettled - With Cluster Decision No. CGS No. 2015-16 and COA Decision No. 2020-041 dated January 10, 2020. Motion and Manifestation to lift ND was filed on December 9, 2021.
m. ND No. 2014-09 GAR (2013)	Grant of Loyalty Cash Award who have not reached the required minimum of 10 years in government service in violation of CSC MC No. 42, series of 1992.	2,190,000.00	Unsettled - With Cluster Decision No. CGS No. 2016-11 dated May 27, 2016. Manifestation and Motion to Lift ND was filed on December 9, 2021.
n. ND No. 2014-011	Payment of Performance-Based Bonus for CY 2014	298,440,566.58	Unsettled - With CGS-1 Decision No. 2016-46 dated December 29, 2016.
o. ND NO. 2019-03 (18) HO-01	Loyalty Award higher than prescribed amounts in CSC MC No. 6, s. 2002	6,160,000.00	Unsettled – With CGS Cluster 1 Decision No. 2020-11 dated September 30, 2020. Manifestation and Motion to Lift ND was filed dated December 9, 2021.
p. Supplemental ND No. 2020-01 (HO-01) (2014-08 GAR 2013)	Transfer of funds from DBP to DBP Provident Fund Individual Housing Program without OP approval.  The Supplemental ND was issued pursuant to COA Decision No. 2020-041 dated January 10, 2020 to	n/a	Unsettled – With Appeal from former DBP BODs dated November 27, 2020 and Appeal from DBP dated December 21, 2020. Manifestation

<b>Disallowances</b>			
<b>ND No.</b>	<b>Subject</b>	<b>Amount</b>	<b>Status</b>
	include former DBP Board of Directors (BODs) as responsible persons		and Motion to Lift ND was filed dated December 9, 2021.
<b>Total</b>		<b>P1,010,896,475.42</b>	

<b>Charges</b>			
<b>NC No.</b>	<b>Subject</b>	<b>Amount</b>	<b>Status</b>
a. NC No. 2 (Tro)	Sale of 50M PMC shares of DBP to DVRI depriving DBP of opportunity gain	412,500,000.00	Unsettled - With CGS-1 Decision No. 2016-26 dated September 20, 2016.
b. NC No. 2014-01 (Tro)	Trading losses from government securities	876,711,506.28	Unsettled - With Appeal Memorandum on various dates September 14, 2015, November 2, 4, 9, 2015 and December 14, 2015.
<b>Total</b>		<b>P1,289,211,506.28</b>	