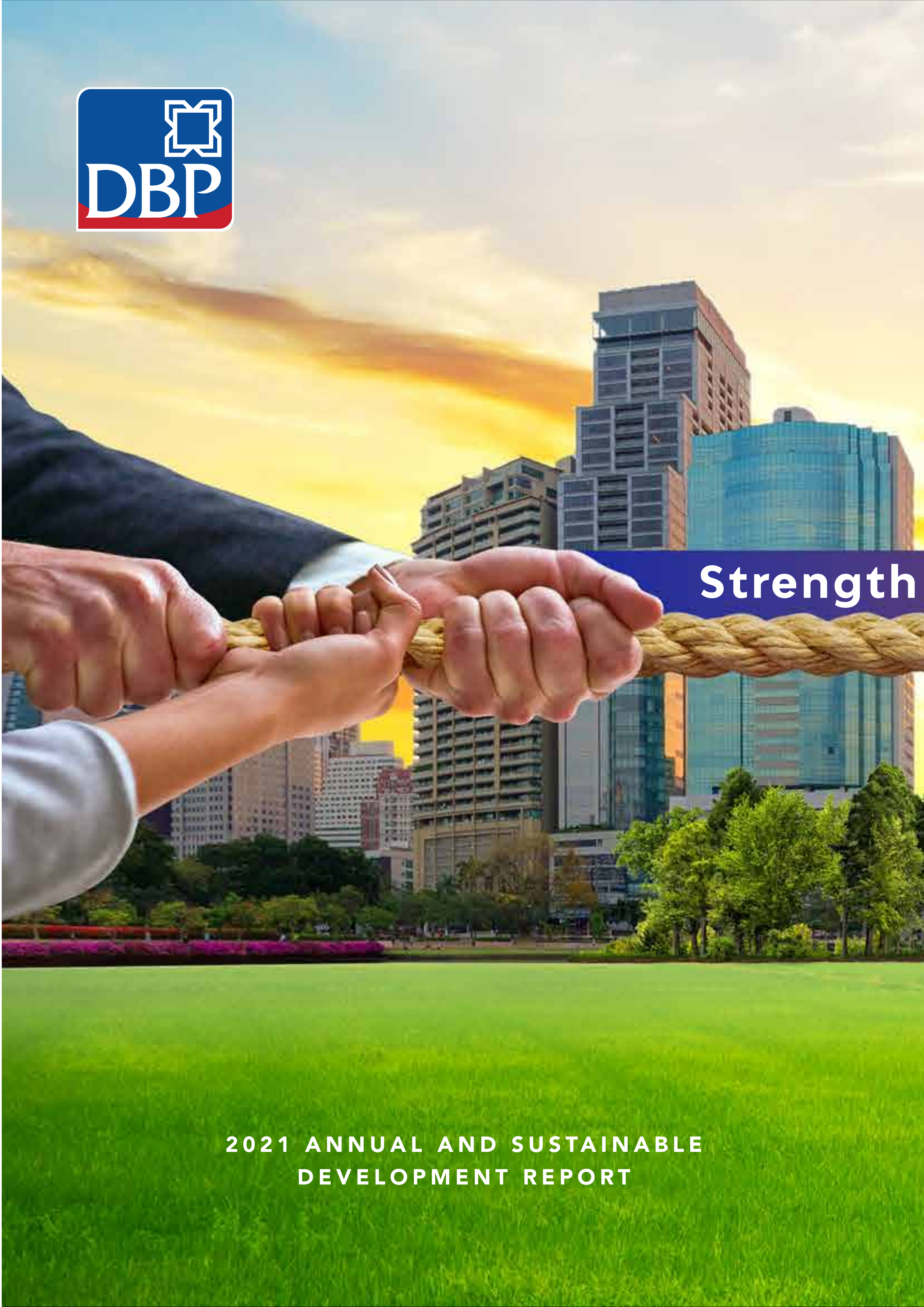


Strength

2021 ANNUAL AND SUSTAINABLE DEVELOPMENT REPORT

60%
Countryside Reach

Php1.16 Trillion
Total Assets

GCF
Accredited Entity

Sustainability Strategy & Transition Plan

Php49.7 Billion
Total Environmental Portfolio

ABOUT THE COVER

Strengthening Organizational Resilience

The Development Bank of the Philippines (DBP) adapts to the rapidly changing economic environment and strengthens its organizational resilience in the face of uncertainty and disruption. As the National Government's close ally in economic recovery, it leads the path to sustainable progress by balancing growth, purposeful lending and responsible deployment of development resources.

The abaca rope in the gatefold cover represents the Bank's strength and resilience in finding solutions to different economic challenges and the global climate crisis. The various highlights and accomplishments are revealed as the cover is unfolded, demonstrating the Bank's strength in weaving initiatives and programs together. These initiatives are part of DBP's continuing corporate governance efforts to help businesses and stakeholders adapt to the changing economic landscape.

DBP Environmental and Social Policy Statements

DBP, in its developmental mission and initiatives, is committed to environmental protection and sustainable development and shall continue to integrate and implement environmental and social considerations into all aspects of its operations and services, asset management, and business decisions.

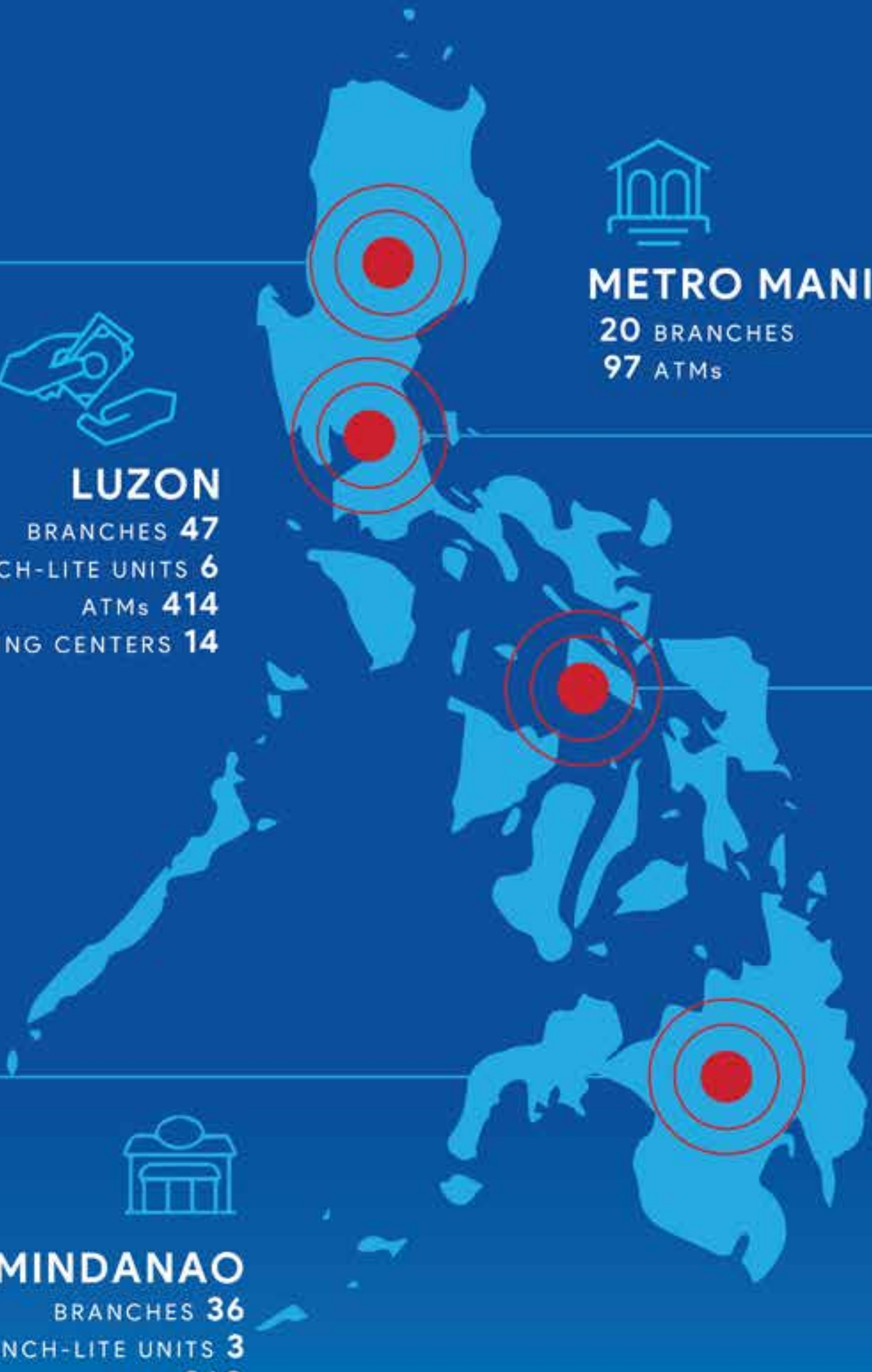
For the environment, DBP commits to:

- Ensure an effective organizational structure and adequate resources to attain the Bank's environmental objectives;
- Encourage other institutions to pursue sustainable and resilient growth by enabling mechanisms for environmental protection and socially responsible business decisions through the Bank's lending and technical assistance programs; and to pursue environmental due diligence inquiry in risk assessment and management;
- Comply with relevant environmental laws, regulations and agreements to which DBP subscribes; set and review environmental objectives and targets along identified significant environmental aspects and;
- Ensure that all employees are made aware of and are actively involved in the implementation of the Bank's Environmental Policy and programs through appropriate training and information.

For society, DBP commits to:

- Make the identification of social impacts and risks a part of the normal process of risk management and assessment through the technical due diligence process of the Bank;
- Comply with local, national and international regulations and conventions applicable to social considerations of its projects, including indigenous peoples, gender and development, child welfare, and occupational/community health and safety issues;
- Take an active role in influencing our clients, business associates, bank officers and staff to integrate social considerations into their project operations; and
- Define performance measures for social impacts and conduct monitoring and evaluation activities to measure performance against goals.

DBP At a Glance



METRO MANILA
20 BRANCHES
97 ATMs

LUZON
BRANCHES 47
BRANCH-LITE UNITS 6
ATMs 414
LENDING CENTERS 14

VISAYAS
28 BRANCHES
3 BRANCH-LITE UNITS
222 ATMs
7 LENDING CENTERS

MINDANAO
BRANCHES 36
BRANCH-LITE UNITS 3
ATMs 260
LENDING CENTERS 11

DEVELOPMENTAL LOAN PORTFOLIO

Php250.9 billion
INFRASTRUCTURE

Php90.7 billion
SOCIAL SERVICES

Php49.7 billion
ENVIRONMENT

Php32.7 billion
MSMEs

SUBSIDIARIES

100%
DBP LEASING CORPORATION
DBP DATA CENTER, INC.
DBP MANAGEMENT CORPORATION

99.93%
AL-AMANAH ISLAMIC INVESTMENT BANK OF THE PHILIPPINES

AFFILIATES

47.94%*
LGU GUARANTEE CORPORATION

*on-going winding up

28.04%
DBP SERVICE CORPORATION

40.00%
DBP INSURANCE BROKERAGE, INC.

17.06%
DBP DAIWA CAPITAL MARKETS PHILIPPINES, INC.

143
BRANCHES AND BRANCH-LITE UNITS

8,449
CUSTOMER TOUCHPOINTS

60%
COUNTRYSIDE REACH

32
LENDING CENTERS

993
ATMs

INSIDE THE REPORT

PURPOSE AND PHILOSOPHY

In the Philippines, development financing institutions play a pivotal role in the quest for sustainable growth and development. At the helm of the country's march towards progress is the Development Bank of the Philippines. As the country's pre-eminent development financial institution, DBP has taken upon itself the strategic task of influencing and accelerating sustainable economic growth through the provision of resources – for the continued well-being of the Filipino people.

DBP, under its charter, is classified as a 100% government-owned development bank and may perform all other functions of a universal bank. Its primary objective is to provide banking services principally to cater to the medium- and long-term needs of agricultural and industrial enterprises with emphasis on small- and medium-scale industries.

The DBP Board of Directors directs the affairs and business of the Bank, manages and preserves its properties, and exercises its corporate powers. It is made up of nine (9) members appointed by the President of the Republic of the Philippines. The Chief Executive Officer of the Bank is also the President who is elected by the Board of Directors. The President is also the Vice Chairman of the Board.

CORPORATE VISION

VISION 2022

By 2022, to be a one-trillion peso bank capable of supporting and spearheading development in half of the Philippine countryside.

VISION 2040

By 2040, DBP will be a world-class infrastructure and development financial institution, and proven catalyst for a progressive and prosperous Philippines.

MISSION

To support infrastructure development, responsible entrepreneurship, efficient social services, and the protection of the environment.

To work for raising the level of competitiveness of the economy for sustainable growth.

To promote and maintain the highest standards of good governance.

CORE VALUES

INTEGRITY (Honesty, Truthfulness, Transparency)

EXCELLENCE (Competence, Dedication to Work, Professionalism)

TEAMWORK (Harmony, Cooperation, Synergy)

SERVICE TO OTHERS (Customer - Oriented)

LOVE FOR THE FILIPINO (Love of country and its people everywhere)

Message from the President of the Philippines

My warmest greetings to the Development Bank of the Philippines (DBP) as it publishes its 2021 Annual Report.

Amidst the COVID-19 pandemic, the DBP has remained a bastion of financial readiness and economic progress as it continues to serve the public. Indeed, its programs and services have significantly improved various sectors in the country by meeting the needs of its stakeholders in a responsive and efficient manner.

May this annual report highlight the resilience of the DBP, which has allowed it to become one of the strongest and most stable financial institutions in the Philippines. Let this material be a source of information on your ongoing projects, loan programs and other services that underscore its role in financing our premier infrastructure and policy bank.

As this administration continues to support your initiatives in advancing excellent banking operations and client relations, may you remain a stronghold of good practices that foster trust, transparency and accountability for all.

I wish you the best in your endeavors.

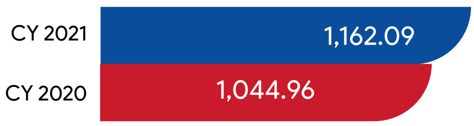
RODRIGO ROA DUTERTE
President
Republic of the Philippines
MANILA
April 2022

Financial Highlights

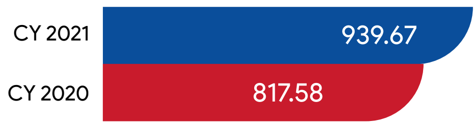
IN THOUSAND PESOS

MINIMUM REQUIRED DATA	Group		Parent	
	Audited 2021	Restated 2020	Audited 2021	Audited 2020
Profitability				
Total Net Interest Income	20,088,769	17,898,121	20,091,311	17,876,709
Total Non-Interest Income	4,175,170	3,312,204	3,961,875	3,037,001
Total Non-Interest Expenses	15,696,995	12,609,612	15,397,900	12,284,734
Pre-provision Profit	8,566,944	8,600,713	8,655,286	8,628,976
Provision For Impairment	4,624,312	4,047,762	4,514,911	4,037,145
Net Income (after tax)	3,561,558	3,494,247	3,740,090	3,542,611
Selected Balance Sheet Data				
Liquid Assets	426,863,465	402,370,943	426,286,583	401,909,064
Gross Loans	530,525,044	466,780,862	527,273,788	463,053,209
Total Assets	1,162,087,409	1,044,959,595	1,160,118,492	1,042,404,956
Deposits	939,666,012	817,576,607	939,337,507	817,562,416
Total Equity	77,134,848	64,110,332	77,678,386	64,454,370
Selected Ratios				
Return on Average Equity	5.04%	5.66%	5.26%	5.70%
Return on Average Assets	0.32%	0.39%	0.34%	0.39%
Net Interest Margin	2.03%	2.24%	2.04%	2.25%
CET 1 Capital Ratio	12.25%	11.71%	12.16%	11.62%
Tier 1 Capital Ratio	12.25%	11.71%	12.16%	11.62%
Capital Adequacy Ratio	13.53%	13.29%	13.44%	13.12%
Pre Common Share Data				
Net Income per Share (Basic)	11.13	17.92	11.69	18.17

TOTAL ASSETS
Php billion

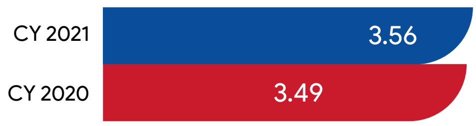


DEPOSITS
Php billion



GROSS LOANS
Php billion

NET INCOME (After Tax)
Php billion



Report to Our Stakeholders

DBP is poised for the future with a robust pipeline of development interventions and a strengthened organizational resilience.

> Against the backdrop of an uncertain economic environment, DBP continued to perform its mission with zeal, promoting economic growth and sustainability by assisting distressed companies in their recovery, and ended the year as the 6th largest bank in the country.

DBP proudly presents its 2021 Annual and Sustainable Development Report with the theme, *Strengthening Organizational Resilience.* This report is a testament of the Bank's commitment as the country's partner in rehabilitation and recovery, and in sustainable development.

Hinged on the UN principles of sustainability performance, DBP pursues a proactive approach in engaging its stakeholders to provide materiality-based programs, market-driven products and services, and innovative financial assistance to target sectors.

Against the backdrop of an uncertain economic environment, DBP continued to perform its mission with zeal, promoting economic growth and sustainability by assisting distressed companies in their recovery, and ended the year as the 6th largest bank in the country. Despite the lockdowns brought about by the COVID-19 pandemic, DBP still managed to increase its reach, opening 3 new branches and branch lite units, and increasing its touchpoints to 8,449 nationwide.

We have always endeavored to integrate environmental, social, and economic considerations as part of our key operational and business goals. The Bank's development loans to its key sectors, namely infrastructure and logistics, social services, entrepreneurship, and environmental sustainability grew by 10% to Php343 billion. Most noteworthy among these programs was the Rehabilitation Support Program on Severe Events (DBP RESPONSE) which encouraged private businesses and public institutions to resume operations and boost the government's national recovery program in the face of the COVID-19 pandemic.

We are delighted that DBP has joined the select roster of 113 Accredited Entities (AE) of the Green Climate Fund (GCF) which supports climate mitigation and adaptation initiatives in developing countries. Through the GCF, the Bank's sustainability journey will come full circle through its expanded capability to leverage its investments towards an increased sustainability portfolio as aligned with the Bangko Sentral ng Pilipinas' Sustainability Finance Framework.

To help develop the capital markets, DBP also kicked off its fund-raising activities in 2021 with a USD300 million 10-year off-shore bond offering, with an order book of USD500 million, or 3.6 times oversubscribed, signifying the market's continued confidence in the strength and stability of the DBP.

While geopolitical tensions continue and macro-economic policy pathways remain uncertain, DBP remains mindful and poised for the future with a robust pipeline of development interventions and a strengthened organizational resilience, that will allow it to withstand challenges along a difficult road to recovery.

Guided by our vision, DBP seeks to advance sustainable development in the Asia-Pacific region through its business operations and financial services towards sustainable economic, environmental, and social development for the benefit of the Filipinos.

We thank our customers, regulators, service providers, partner agencies, and other stakeholders for the continued trust and support in us. With our strengthened resilience, we will continue to Build Possibilities as we serve the Filipino people.

Alberto G. Romulo
CHAIRMAN

Emmanuel G. Herbosa
PRESIDENT

2021 in Review

Php1.275 Billion Granted to Boost Health Care

DBP signed two term loan agreements amounting to Php1.275 billion with Allied Care Experts (ACE) Medical Group for the enhancement of its two healthcare facilities in Northeast and Central Luzon.

Of the total amount Php655 million will be used to partially finance the construction of a 101-bed, five-story Level 2 hospital building and the acquisition of various medical equipment and facilities for ACE Medical Center – Tuguegarao.

The remaining Php620 million will be spent for the construction of a 103-bed, seven-story Level 2 hospital building for San Jose del Monte – Muzon Medical Center in Bulacan.

DBP Bankrolls Solar-Powered Irrigation Systems in Lanao del Sur

DBP granted a Php115 million term loan for the installation of six solar-powered irrigation systems (SPIS) in Taraka, Lanao del Sur.

The SPIS is expected to boost the efforts to irrigate 1,200 hectares of agricultural lands, as well as provide potable water to 26 barangays in Taraka, a fourth-class municipality with an estimated population of over 27,000 residents.

USD300 Million
BOND OFFERING

DBP Boosts Fund Raising Activities with USD300 Million Bond Offering

DBP kicked off its 2021 fund raising activities with a successful USD300 million, 10-year offshore bond offering. The bonds had a coupon rate of 2.375% per annum and was priced at USD99.594 to yield 2.421%.

The issuance is the Bank's second US dollar offering in the foreign bond markets since March 2011. The bonds will mature by March 11, 2031 and have been rated "BBB" by Fitch Ratings due to high probability of support from the national government.

DBP Unveils Credit Facility to Boost Pork Production

DBP, working closely with the Department of Agriculture (DA) and other key stakeholders in the hog industry, rolled out a special credit facility for hog raisers, dubbed the DBP Swine Repopulation, Rehabilitation and Recovery Credit Program (Swine R3 Credit Program) which was designed to fund the construction of bio-secured swine farms and the purchase of needed farm equipment.

The program offers a maximum loanable amount of up to 100% of the total project cost for local government units, and up to 70% for private entities, with payment terms of up to 10 years, including a maximum grace period of two years.

DBP Partners with DA to Boost Cash Aid Disbursement

DBP signed a memorandum of agreement with the Department of Agriculture (DA) to facilitate the disbursement of financial assistance to the agriculture sector. The Bank will provide disbursement channels to implement DA's initiatives on direct cash or loan interest rate subsidy and other forms of assistance to qualified agri-fishery enterprises, agriculture cooperatives, farmers, fisherfolk and other agricultural workers.

Beneficiaries of the various DA programs may receive their funding assistance via direct credit to their DBP accounts and/or other banks' accounts/Electronic Money Issuers (EMI) and other Bangko Sentral ng Pilipinas-Supervised Financial Institutions through electronic fund transfer channels such as PhilPASS, and DBP accredited payout outlets.

DBP Inks Php10 Billion Loan Deal with Manila LGU

DBP and the Manila City Government signed a Php10 billion, 15-year term loan agreement to fund various public infrastructure projects under the city's Development Plan.

Under the agreement, the loan will be used for the construction of three 10-story buildings for the Rosauro Almario Elementary School in District 1, Dr. Albert Elementary School in District 4, and Manila Science High School in District 5. It will also bankroll three in-city vertical housing buildings to be located along San Sebastian, San Lazaro, and Pedro Gil Streets.

DBP Signs Multi-Billion Credit Deal with Local Ship Building Firm

DBP granted a Php4.17 billion term loan to Megaship Builders, Inc. (MBI) to upgrade and expand its shipbuilding and ship repair complex in Albuera, Leyte. The loan proceeds will be used to partially finance the construction of the shipyard's second and third slipways, office building, and other support facilities.

The project will help address the lack of viable shipyards and accommodate the growing number of vessels in the country.

UN Climate Fund Body Taps DBP for Climate Mitigation, Adaptation Financing

DBP became the second Philippine institution and one of 10 foreign institutions to be approved as Accredited Entities (AE) of the Green Climate Fund (GCF), an international fund created by the United Nations Framework Convention on Climate Change (UNFCCC) to support climate mitigation and adaptation initiatives in developing countries.

The GCF was created in 2010 by the UNFCCC, along with 194 governments, to provide financing and technical support to developing countries to shift to low-emission and climate resilient development while helping vulnerable societies adapt to the inevitable impacts of climate change.

Under the mechanism, the GCF may be tapped by AEs and delivery partners, which work directly with developing countries for project design and implementation. GCF provides financial support through a combination of grants, concessional debt, guarantees or equity instruments to leverage blended finance and crowd-in private investment for climate action in developing countries.

Distinctions

DBP President Emmanuel G. Herbosa Hailed as Outstanding CEO by ADFIAP

DBP President and Chief Executive Officer Emmanuel G. Herbosa was named Outstanding CEO by the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) Development Awards.

The "Outstanding CEO Award" is given to a practicing CEO whose policy decisions and singular leadership, vision, and achievement have made a wide-ranging impact on his institution as well as in the development banking sector and on the country as a whole.

"It is an honor to be in the league of corporate leaders and exemplars in the industry. This award, however, is about DBP's solid advocacies and the mission we have to accomplish," Herbosa said in his acceptance speech.

DBP's challenge, he said, is to strike a balance in assisting the government to revitalize micro-, small-, and medium-sized enterprises and other sectors while pouring in the necessary resources for environmental and sustainable projects.

He added that DBP would continue pushing its digital banking capabilities to expand its customer touchpoints while delivering innovative financial services to key customer segments.

"On behalf of the DBP community, we thank our valued clients and assure our development partners that the Bank will remain a partner in positioning businesses and the country on a sustainable growth trajectory," Herbosa said.

DBP Bags International Awards

DBP bagged two ADFIAP awards for its development projects on human capital development and financial inclusion at the Association of Development Financing Institutions in Asia and the Pacific Development Awards (ADFIAP).

The Bank's programs to strengthen organizational capability was adjudged as Outstanding Development Project Award in Human Capital Development while the Expanded Rice Credit Assistance Program under the Rice Competitiveness Enhancement Fund (ERCA-RCEF) was awarded Plaque of Merit for Advancing Financial Inclusion.

DBP's human capital development initiatives, which are heavily anchored on proactive learning and purposive career development innovations, are part of the Bank's integrated approach to enable its employees to meet the challenges posed by the pandemic.

These initiatives include an enhanced job rotation program to promote multiskilling, leadership development interventions to ensure business continuity, and an e-learning management system to promote bank wide competency-building and sustained learning and development.

The DBP ERCA-RCEF program, on the other hand, is one of the components of the Rice Tariffication Law of 2019 which provides credit support to rice farmers and their cooperatives to enhance productivity and improve their incomes amidst the liberalization of the Philippine rice trade policy.

Under the ERCA-RCEF, a total of Php1 billion is allotted annually to be equally divided between DBP and Land Bank of the Philippines for a period of six years, which would be made available to rice farmers and cooperatives in the form of a credit facility with nominal interest and minimum collateral requirements.

Towards a Sustainable Future

Weaving a resilient future through sustainability

Message from the Chief Sustainability Officer

Today, the commitment to strengthen initiatives for sustainability goes hand-in-hand with the drive to lead key industries towards an environmentally conscious future.

Sustainability runs in the veins of DBP. The inclusion of non-financial contributions has been an integral part of the Bank's operations long before it became a popular organizing principle for meeting human development goals.

As early as 1991, at a time when the term "sustainability" was yet being acknowledged, DBP already had an environmental management framework embedded in its operations. As early as 1997, DBP had in place an environmental policy statement that defines operational and service functions in the light of environmental care. This was followed, the following year, by the release of the first corporate environmental report which studied the environmental impact of the Bank's financial projects.

DBP continues to be a trailblazer even in sustainable development. Our initiatives were already in place even before the Sustainable Finance Framework of the Bangko Sentral ng Pilipinas (BSP) was formalized. The circular mandated banks to fully transition to green and sustainable finance within three years highlighting the importance of incentivizing loans for borrowers that adhere to environmental principles.

Today, the commitment to strengthen initiatives for sustainability goes hand-in-hand with the drive to lead key industries towards an environmentally conscious future. DBP leads the way in providing resources for public infrastructures like hospitals, schools, public markets, and the like.

Advancing environmental programs are also at the forefront of initiatives with FUSED (Financing Utilities for Sustainable Energy Development) which caters to all renewable energy projects. The institution has been proudly supporting solar, wind, hydroelectric and biomass energy projects. One biomass structure is in Isabela which was financed in the late 90's by a cooperative formed by rice millers.

It is always heartwarming to note that lending initiative encourages unity among sectors. DBP goes beyond financial considerations. Aside from ushering the resources needed for a worthy project, DBP brings hope and new opportunities to the entire community. And with every year of trustworthy service, the mission to improve lives is strengthened, together with environmental care, infrastructure development, entrepreneurship, and social service.

PAUL D. LAZARO
SENIOR VICE PRESIDENT

Sustainability Transition Plan

Financial institutions are not spared from environmental and social risks that could disrupt financial stability. As with other banks, DBP faces various environmental and social (E&S) risks that could affect its financial stability and its sustainable and resilient growth agenda.

To manage the risks, the Bangko Sentral ng Pilipinas (BSP) issued Circular No. 1085 in March 2020, which approved the sustainable finance policy framework, enumerating the specific requirements on the integration of sustainability principles in banking operations. In response, DBP developed a three-year Sustainability Strategy and Transition Plan, which is anchored on the existing sustainability policies, programs, and practices. More than compliance it provided the platform and structure to demonstrate DBP's role in sustainable development.

The transition plan guides the process of achieving a positive impact by seizing new business opportunities in the current sustainable economy while managing social and environmental risks. It also signifies the importance of sustainability governance in the agenda which drives the organization to strengthen the management systems and processes, and the regular training on sustainability strategies and tools.

As we embark on this journey, we will continue to refine our stakeholder engagement approach to gain more insights on critical issues affecting our operations. We will also focus on developing innovative solutions and instilling operational changes to address emerging challenges and opportunities.

Sustainability Journey:
Our Commitment to Sustainable Development

Sustainable Development is fundamental to DBP's operations.

For the past 74 years, DBP has been a catalyst for the upliftment of various sectors and industries, and the improvement of the quality of lives of Filipinos. Sustainable initiatives are deeply ingrained in our service commitment, prioritizing the elimination of environmental impacts and working towards strengthening our social responsibility. These highlight the milestones of our meaningful journey.

1989
WB Industrial Restructuring Project

1990
SIDA Environmental Management Project (Industries)

1992
Policy Subscribing to the EIS System & Requiring ECC Submission to DBP Financed Project

1996
JBIC Environmental Infrastructure Credit Program

1997
Adopted Environmental Policy Statement

1998
KfW-Industrial Pollution Control Loan Project

First Publication of Corporate Environmental Report (CER)

1999
Environmental Due Diligence (EDD) & Environmental Performance Monitoring (EPM) Manuals

2002
ISO 14001 Certification

2003
KfW-Credit Line for Solid Waste Management Project

2004
Established DBP Forest Program

2008
Sustainable Development Report

2009
JICA Environmental Development Project

Established Development Financing Programs Including Green Financing Program

2016
Social Safeguards Policy

2019-2020
M&E Policy
Gender Policy
Sustainability Bonds
UNEP FI PRB
Sustainability Strategy & Transition Plan

2021
Green Climate Fund

MATERIALITY ASSESSMENT

A comprehensive materiality analysis was conducted to determine the economic, environmental and social topics discussed in this report. GCSS Inc., a third-party independent consultant, assisted in ensuring impartiality in evaluating the material topics.

Issues concerning business, governance and social development were studied and analyzed in light of the Bank's sustainability challenges and opportunities. The results of the materiality assessment served as material topics and significant data that guided the sustainability approach.

Risk Management, Products and Services, and Economic Governance proved to be the most critical topics, having the most impact on the Bank's business and stakeholders. Information security and data privacy also ranked high, followed by Anti-Financial Crime, and Safety and Security. Digital Transformation and Compliance with Government Regulations were also considered top-tier topics.

The results of the materiality analysis are as follows:

Pillars	Material Topics	SDG
DEVELOPMENT IMPACT Supporting National Goals and Progress GRI 201, 203, 401, 404, 413, 416	ESG-related Products and Services Environmental Impact Initiatives to Mitigate Climate Change	4, 8, 9, 12
FINANCE Developing Sharper Financial Strategies GRI 201	Financial Performance	8
CONSTITUENCY Supporting Inclusive Growth Initiatives GRI 203, 415, 416, 418	Information Security and Data Privacy Customer Satisfaction and Experience Innovation and Digitalization/ Digital Transformation Products and Services Accessibility Financial Inclusion and Capacity Building CSR - Socio-Economic Development of the Communities CSR - Education	8, 9, 11

Pillars	Material Topics	SDG
INTERNAL PROCESS Improving Internal Processes and the Delivery of Services GRI 204, 205, 301, 302, 306, 308, 403, 410, 413, 418	Anti-Financial Crime Safety and Security Compliance with Government Regulations Business Continuity and Disaster Management Health and Wellness Operational Excellence, Cost Efficiency Protection of Human Rights Protecting Natural Resources Integration of ESG (risk) Factors into Policies & Procedures Hazardous Waste Management Energy Management Recycling, Waste Management, and Waste Reduction Materials Management Supporting Local Procurement	3, 6, 7, 8, 9, 10, 11, 12, 13, 16
ORGANIZATION Empowering Our Teams GRI 202, 401, 402, 404, 405, 406	Employee Remuneration Ethical Operations and Good Governance Employee Commitment and Engagement Recruitment/ Talent Management Intellectual Capital Diversity and Equal Opportunities	4, 5, 8, 10

STAKEHOLDER ENGAGEMENT APPROACH AND PLAN

GRI 102-42 - 44

DBP conducted several meetings and discussions with its various internal and external stakeholders which resulted in a meaningful understanding of the diverse perspectives and concerns of its constituents. The Internal stakeholders involved senior officers, junior officers, and rank and file employees; while the external stakeholders were the Bank's clients, corporate social responsibility partners and suppliers.

GCSS Inc. led the online discussions on sustainability, focusing on its application on the Bank's plans and programs. Internal and external stakeholder groups were asked to score DBP's sustainability initiatives according to organizational and operational importance.

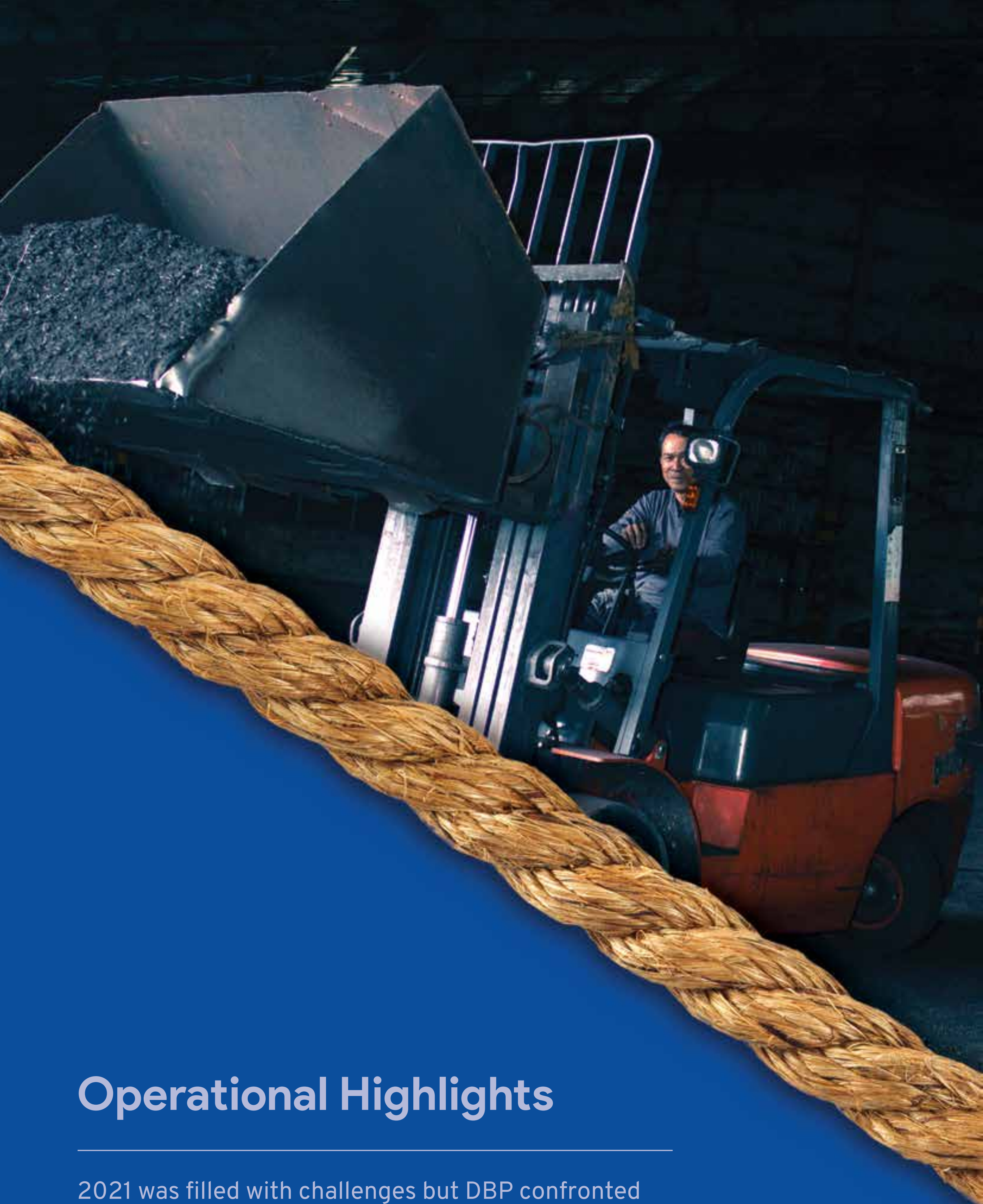
The results revealed a high interest in sustainable development, thus presenting an opportunity to improve DBP's sustainability thrusts and performance.

The online discussions showed the various perspectives and at the same time, provided a platform for increasing awareness among its constituents. The results of these meetings and discussions were what led and inspired the organization to improve and refine its sustainability strategy.

Stakeholder Group	Engagement Type	Key Concerns / Expectations	DBP's Response
Internal (continuous engagement)			
Employees	Townhall meetings, governance circles, employee climate survey, grievance mechanism, notices, mails and newsletters, training	• Transparency and accountability • Employee communication, training and education • Compensation and benefits • Employee hiring, retention and Turnover • Personnel development and growth • Work environment	• Enhanced governance system, grievance machinery • Employee training • Employee programs that foster camaraderie • Healthcare program • Medical Unit • OSH Committee • Employee Relations Department • Reinstituted ADCO • Strong Union representation
Senior Management	Notices, mails and newsletters, training	• Risk Identification and Management • Business Continuity and Disaster Management • Financial Performance	• Management system and tools • Employee support to management • Succession Plan
External (continuous engagement)			
Government Regulators/ Agencies	Discussions with regulatory bodies/agencies	• Compliance with Policies, Laws, Regulations • Payment of Taxes • Reportorial Requirements • Anti-Corruption Practices • Transparency and Accountability	• Continued Compliance and Engagement
National Government	As a GFI, abiding by the policies, laws and strategic directions set by it	• Dividends • Policy compliance • Economy Building and Recovery	• Dividend relief until 2022 as part of capital preservation strategy • Regular review of policy alignment • Development Financing Program
Clients – Depositors, Borrowers, Investors, General Public	Customer satisfaction survey, financial literacy forum, roadshows, client calls	• Security Practices • Customer privacy, data privacy, and information security • Customer health and safety • Accessibility of banking services • Service quality • Soundness of investments • Financial advisory	• Training and equipment for security • Expansion plans for increasing market presence and availability of DBP services • Customer satisfaction surveys • Accelerating digital infrastructure development • IMS Certification • Disaster Preparedness under EMS • Citizen's Charter & EODB Law Compliance • Branch Expansion, ATM deployment • Consumer Finance Framework • Partnership with fintech companies to advance financial inclusion • Service Availability

Stakeholder Group	Engagement Type	Key Concerns / Expectations	DBP's Response
External (continuous engagement)			
Local Government Units	Discussions with local government units	• Compliance with laws/ regulations • Anti-corruption practices • transparency and accountability • Customer Satisfaction • Development financing • Access to financial services in low-populated or low-income areas. • Competitive terms for loans and other products/services, at par with competitors	• Availability and accessibility of developmental loan products • Cash & investment services • Development partnerships in the implementation of government programs and projects, • Partnership/advocacy/good governance initiatives
Banks and other financial institutions	MOA, contract negotiations, Discussions	• Mutually beneficial partnership Business generation	• Mutually beneficial partnership • Agent Banking Agreements
International organizations	MOA, membership	• Abide by agreements and contracts • Common core values and advocacies • Sustainable development	• Advocacy campaigns • Statement of support • Information sharing
Funders	MOA, contract negotiations, Discussions	• Repayment • Impact monitoring • Project sustainability	• Development lending • Program monitoring and management
Media	MOA, membership, discussions	• News-worthy information • Freedom of Information	• Press briefings, news conferences, news releases, advertising, column feeds, networking, interviews
External (need-based engagement)			
Professional and non-profit organizations	MOA, contract negotiations	• Mutually beneficial partnership • Accreditation	• Mutually beneficial partnership • Accreditation Evaluation
Suppliers	MOA, contract negotiations	• DBP Suppliers' labor and human rights practices • Security Practices • Business generation	• Streamlined purchasing process compliance to RA 9184
CSR Beneficiaries	Discussions with CSR partners and beneficiaries	• Transparency and Accountability • Information and Communication • Interactions with investees business partners on environmental and social risks and opportunities • Environmental impacts of DBP products and services (including recycling and reclamation) • Customer privacy, data privacy, and information security	• Responsive CSR programs • Timely delivery of CSR commitments


SUSTAINABILITY
POLICIES
PROGRAMS
PRACTICES
DBP
2021-2023
SUSTAINABILITY STRATEGY
AND TRANSITION PLAN



Operational Highlights

2021 was filled with challenges but DBP confronted these head on. The Bank's resiliency shone bright, accomplished through the sustained efficient operations of its various bank units.

2021 OPERATIONAL HIGHLIGHTS

Resiliency Through Partnerships to Jumpstart Recovery

DEVELOPMENT LENDING

DBP's developmental lending programs have contributed to the realization of not just the Philippine Development Plan (PDP) but also of the United Nations' Sustainable Development Goals (SDGs) as shown by the following developmental impacts as of year-end December 2021:

Philippine Development Plan 2017-2022

Accelerating Infrastructure Development

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 7 AFFORDABLE AND CLEAN ENERGY | 11 SUSTAINABLE CITIES AND COMMUNITIES

Infrastructure and Logistics

Connecting Rural Urban Intermodal Systems Efficiently (CRUISE)

The data below show the number of facilities financed by DBP based on the type of projects:

55 Logistics Infrastructure and Services

142 Road Transport Infrastructure and Services

32 Tourism Infrastructure and Services

48 Water Transport Infrastructure and Services

1 Air Transport Infrastructure and Services

4 Project-related Information and Communication Technologies

2 Project-Related Climate Change Adaptation/ Risk Mitigation Projects

	2020	2021
A. WATER TRANSPORT INFRASTRUCTURE AND SERVICE		
Total number of vessels*	**56** vessels	**59** vessels
Total combined capacity (GT)	**475,642.42**	**476,899.42**
B. ROAD TRANSPORT INFRASTRUCTURE AND SERVICE		
Total units and passenger capacity of PUJs**, commuter vans and trucks	**61** units (220 passengers)	**61** units (235 passengers)
Number of transport terminal bays	**73** bays	**112** bays
Number and length of farm-to-market roads	**11** FMRs (221.78 kms)	**24** FMRs (243.94 kms)
Number and length of barangay roads	**7** barangay roads (2.54 kms)	**7** barangay roads (50.24 kms)
Number and length of municipal roads	**4** municipal roads (15.68 kms)	**6** municipal roads (22.93 kms)
Number and length of provincial roads	**5** provincial roads (110.77 kms)	**5** provincial roads (110.77 kms)
Number and length of bridges	**1** bridge (144 LM)	**1** bridge (144 LM)
Number and length of toll roads	**1** toll road (8.50 kms)	**1** toll road (8.50 kms)
C. LOGISTICS INFRASTRUCTURE AND SERVICE		
Number of public market projects	**37** public markets with 1,923 stalls	**41** public markets with 2,892 stalls
Number and capacity of cold storage facilities	**6** cold storage with 300,000 MT	**6** cold storage with 300,000 MT
Number of slaughterhouses	One (1) slaughterhouse	One (1) slaughterhouse

	2020	2021
D. TOURISM INFRASTRUCTURE AND SERVICE		
Number and capacity of hotels projects	**16** hotels with 289 rooms	**16** hotels with 304 rooms
Number and capacity of resorts	**5** resort projects with 203 rooms	**5** resort projects with 203 rooms
Number of restaurants	**6** restaurants	**6** restaurants
Number of pension houses/homestay	**4** pension houses/ homestay	**4** pension houses/ homestay
E. PROJECT-RELATED INFORMATION AND COMMUNICATION TECHNOLOGIES REQUIREMENTS		
Number of information technologies (IT) projects	**4** information technologies (IT) projects	**4** information technologies (IT) projects

Program Assistance to Support Alternative Driving Approaches (PASADA)

Under the DBP PASADA Program, the total approved number of modernized PUV units is 3,180 or about 79% of the total units with PAs/CPCs nationwide.

The following are the achievements of the DBP PASADA Program as of December 31, 2021.

	2020	2021
Vehicles replaced	**2,835** vehicles	**3,180** vehicles
Transport cooperatives assisted	**69** cooperatives	**78** cooperatives
Transport corporations assisted	**9** corporations	**9** corporations
Existing routes improved	**95** routes	**108** routes
Development/new routes assisted	**36** routes	**37** routes
Type of units financed		
Electric vehicles	**131** vehicles	**131** vehicles
Euro 4 (and higher) - compliant vehicles	**2,704** vehicles	**3,049** vehicles

Infrastructure Contractors Support (ICONS) Program

As of December 31, 2021, the DBP ICONS Program has contributed Php106.84 billion or 1.2% of the national government's target through loans extended to contractors. Compared to the government's total spending of Php4.5 trillion as of 2021 (CNN Philippines, December 23, 2021), the program's contribution was at 2.4%.

The results of DBP ICONS Program's development targets as defined in the Program Results Framework are as follows:

	2020	2021
Loan releases	Php**65.9** billion releases	Php**106.84** billion (exceeded the target)
Contractors	Assisted **414** PCAB-licensed contractors or 2.76% coverage	Assisted **484** PCAB-licensed-contractors, which is 3.23% coverage of the 15,000 accredited contractors of PCAB.
Total loan portfolio	Php**23.2** billion	Php**21.63** billion

The following are the achievements of the DBP ICONS Program as of December 31, 2021, based on the performance indicators:

	2020	2021
Government contracts financed	**937** contracts with equivalent contract amount of Php35.7 billion	**2,631** contracts with equivalent contract amount of Php109.44 billion
Privately-owned contracts financed	**211** contracts with equivalent contract amount of Php7.46 billion	**312** privately-owned contracts with total contract amount of Php11.11 billion.

DBP-Mindanao Development Assistance (DBP-MinDA)

As of December 31, 2021, DBP MinDA Program has already contributed Php115 million to the investment target for the Water Supply System Sector.

	2020	2021
Total loan release for LGU projects	Php**15.21** million	Php**65.593 million**
Number of water supply projects financed	**1**	**1**
Number of irrigation projects financed	**1**	**1**

Financing Utilities for Sustainable Energy Development (FUSED)

As of December 31, 2021, the FUSED Program has already contributed Php57.909 billion in investment to the energy sector.

	2020	2021
Total loan release of Php58 billion for projects up to 2030	Php**38.836** billion	Php**41.796** billion
Number of projects financed	**78** projects	**81** projects
Increase in installed capacity (MW)	**1,232.10** MW	**1,978.00** MW
Increase in substation capacity (kVA)	**95.0** kVA	**95.0** kVA
Increase in length of distribution lines (km)	**73.02** km	**73.02** km

Per DOE's data as of April 28, 2021, the total installed capacity in the Philippines is 26,250 MW. Currently, DBP was able to contribute 7.53% of the said total installed capacity across different power plant technologies.

	2020	2021
Increase in electricity generated/ exported to the grid (MWh)	**3,931,650.66** MWh	**12,657,809.06** MWh
Avoided systems loss (MWh)	**53,298,136.97** MWh	**7,560,000.00** MWh
Number of additional service connections	**942,469** connections	**368,499** connections
Carbon dioxide emission avoided (tons)	**168,417.39** tons	**242,441.28** tons
Total carbon dioxide generated by financed conventional power projects (tons)**	**2,116,854.44** tons	**5,964,709.62** tons
Weighted Average of carbon dioxide generated by financed conventional power projects (tons) (DBP's participation in syndicated loans)**	**740,462.89** tons	**865,919.65** tons
Volume of fossil fuel avoided (barrels)	**698,556.16** barrels	**50,703.40** barrels
Bills paid on time (Php)	Php**9.707** billion	Php**6.393** billion

* Data from submissions of thirty-eight (38) program accounts as of December 2021
** Emission Factor: Luzon/Visayas: 0.4541; Mindanao 0.6008

DBP's Electric Cooperative Loan Take-Out Assistance from PSALM (DELTA-P)

The results of the DELTA-P Program's development targets as defined in the Program Results Framework are as follows:

	2020	2021
Loan releases	Php**1.74** billion	Php**1.74** billion
Number of Electric Cooperatives financed	**4** cooperatives	**4** cooperatives
Savings as a result of Operational Efficiency	Php**37.57** million	Php**30.21** million

Environment and Climate Change

Green Financing Program (GFP)

6 CLEAN WATER AND SANITATION

7 AFFORDABLE AND CLEAN ENERGY

11 SUSTAINABLE CITIES AND COMMUNITIES

13 CLIMATE ACTION

Philippine Development Plan 2017-2022

Ensuring Ecological Integrity, Clean and Healthy Environment

Air Pollution Prevention and Control

Below is the achievement of the 8 accounts under PASADA Program (Electric vehicles):

	2020	2021
Number of electric vehicles financed	**92** vehicles	**131** vehicles

Water Pollution Prevention and Control

The following are the achievements of the 79 accounts under WATER Program, based on the identified performance indicators:

	2020	2021
Increase in Water Supply Capacity (m^3/day)	**102,863,189.01** m^3/day	**104,365,187.91** m^3/day
Length of Pipeline installed (km)	**2,069.59** km	**11,831.94** km

The following are the achievements of the 4 accounts under the LINIS Program, based on the identified performance indicators:

	2020	2021
SEWERAGE TREATMENT PROJECTS		
Additional Capacity (m^3/day)	**8,000.00** m^3/day	**8,000.00** m^3/day
Length of sewer lines constructed / installed / rehabilitated (km)	**30.00** km	**30.00** km
Household / Establishment served	**41** households / establishments	**85** households / establishments
Volume of sewage collected and treated (m^3/year)	**102,170.64** m^3/year	**190,109.90** m^3/year
Volume of treated effluent discharged and/or re-used (m^3/year)	**91,953.58** m^3/year	**171,818.01** m^3/year
Estimated BOD treated (kg)	**30,651.19** kg	**51,545.40** kg
Volume of solids produced (m^3/year)	**1,021.71** m^3/year	**190.91** m^3/year
SEPTAGE TREATMENT PROJECTS		
Additional Capacity (m^3/day)	**1,000.00** m^3/day	**1,000.00** m^3/day
Household / Establishment served	**93** households / establishments	**500** households / establishments
Septic tank desludged	**832** septic tanks	**4,428** septic tanks
Volume of bio-solids processed and produced as fertilizer or conditioner (m^3/year)	**268.20** m^3/year	**118.79** m^3/year
Volume of septage collected and treated (m^3/year)	**2,682.00** m^3/year	**13,198.40** m^3/year
Volume of treated effluent discharged and/or re-used (m^3/year)	**2,413.80** m^3/year	**11,878.56** m^3/year

	2020	2021
STAND-ALONE		
Treatment Facilities installed	72 treatment facilities	72 treatment facilities
Additional Capacity (m^3/day)	-	5,270.50 m^3/day
Households/Establishments served	72 households / establishments	72 households / establishments
Volume of treated effluent discharged and/or re-used (m^3/year)	239,532.00 m^3/year	2,040,984.00 m^3/year
Estimated BOD treated (kg/year)	71,859.70 kg/year	612,295.06 kg/year
Volume of solids produced (m^3/year)	239.53 m^3/year	2,040.98 m^3/year

Solid and Hazardous Waste Management

Below are the potential impacts of the 15 accounts under Solid Waste Management (SWM):

	2020	2021
Number of Sanitary Landfill Financed	-	2 landfill
Capacity of Sanitary Landfill (tons/year)	-	150 tons/year
Volume of waste disposed in the Sanitary Landfill Facility (tons/day)	-	135,070.336 tons/day
NUMBER OF EQUIPMENT FINANCED (NO.)		
Dump truck / Garbage truck	8 trucks	12 trucks
Garbage Compactor	2 compactors	8 compactors
Garbage Granulator	-	1 granulator
Backhoe / Hydraulic Excavator	1 backhoe/hydraulic excavator	3 backhoe/hydraulic excavators
Crawler / Bulldozer	-	4 crawlers/bulldozers
Motor Grader	-	1 motor grader
Drum Roller	-	1 drum roller
Wheel Loader	-	1 wheel loader
PERMANENT JOB GENERATED		
Male	-	60 males
Female	-	1 female
PWD	-	-
TEMPORARY JOB GENERATED		
Male	-	31 males
Female	-	3 females
PWD	-	-

* Note that out of the 15 accounts under the Solid Waste Management, ten (10) accounts are not yet operational (under documentation/under-releasing status)

Resource Conservation, Resource Efficiency and Cleaner Production (RC,RE&CP)

The following are the achievements of the DBP E2SAVE Financing Program as of December 31, 2021, based on the identified key performance indicators for energy efficiency and renewable energy projects:

	2020	2021
RENEWABLE ENERGY PROJECTS		
Solar PV Capacity installed (kW)	13,599.24 kW	21,297.77 kW
Estimated electricity generated (kWh)	16,752,557.62 kWh	26,236,184.26 kWh
Estimated GHG emission avoided (tons of CO_2 equivalent)	7,473.08 tons	11,913.85 tons
ENERGY SAVINGS (TONS OF OIL EQUIVALENT OR TOE)		
Residential (TOE)	-	7.74 TOE
Commercial (TOE)	-	2,248.16 TOE
Number of solar powered irrigation system financed	3 irrigation systems	3 irrigation systems

	2020	2021
Number of solar powered streetlights financed	**304** streetlights	**304** streetlights
Electricity saved from the streetlight project (kWh)	**663** kWh	**663** kWh
PERMANENT JOBS GENERATED		
Male	-	**54** males
Female	-	**56** females
PWD	-	**7** PWDs
TEMPORARY JOBS GENERATED		
Male	-	**37** males
Female	-	**9** females
PWD	-	**4** PWDs

* Note that electricity generated, GHG emission avoided, and energy savings were calculated using the total solar rooftop pv system capacity of the five ⑤ accounts under E2SAVE.
** Emission factor - Luzon and Visayas: 0.4541 and Mindanao: 0.6008

ENERGY EFFICIENCY PROJECTS		
Number of LED streetlights financed	**851** streetlights	**851** streetlights
Savings in electricity consumption	-	Php**8.17** million
Electricity saved from the energy efficiency project (kWh)	-	**806,588.00** kWh

* Note that the above data came from one ① account under E2SAVE

Below are the potential impacts of the 2 accounts under Green Building Project:

Capacity of the Solar Rooftop System (kW)	**500** kW	**500** kW

Other Environmental Projects / Green Projects / Initiatives

Below are the potential impacts of the 21 accounts under FUSED Program (Renewable Energy Projects):

	2020	2021
Installed Capacity (MW)	**326.25** MW	**326.25** MW
Electricity generated (kWh)	**370,164,908** kWh	**503,777,733.76** kWh
Carbon dioxide emissions avoided (tons of CO_2)	**169,417** tons	**242,441.28** tons
Volume of fossil fuel avoided (barrels)	**698,556.16** barrels	**950,703.40** barrels
FOREX Savings (USD)	USD**34,040,641.52**	USD**69,277,757.05**

Lending Initiative for Sanitation (LINIS) Program

	2020	2021
FOR SEPTAGE TREATMENT PROJECTS		
Number of households / establishments served	**93** households / establishments	**500** households / establishments
Number of septic tanks desludged	**832** septic tanks	**4,428** septic tanks
Volume of septage collected and treated (m^3/year)	**2,682.00** m^3/year	**13,198.40** m^3/year
Volume of treated effluent discharged and/or re-used (m^3/year)	**2,413.80** m^3/year	**11,878.56** m^3/year
Volume of bio-solids processed and produced as fertilizer or conditioner (m^3/year)	**268.20** m^3/year	**118.79** m^3/year
FOR SEWAGE TREATMENT PROJECTS		
Number of households / establishments served or connected	**41** households / establishments	**85** households / establishments

	2020	2021
Volume of sewage collected and treated (m^3/year)	**102,170.64** m^3/year	**190,109.90** m^3/year
Volume of treated effluent discharged and/or re-used (m^3/year)	**91,953.58** m^3/year	**171,818.01** m^3/year
Estimated BOD treated (kg/year)	**30,651.19** kg/year	**51,545.40** kg/year
Volume of solids produced (m^3/year)	**1,021.71** m^3/year	**190.91**
FOR STAND-ALONE WASTEWATER TREATMENT PROJECTS		
Number of households / establishments served or connected	**72** households / establishments	**72** households / establishments
Volume of treated effluent discharged and/or re-used (m^3/year)	**239,532.00** m^3/year	**2,040,984.00** m^3/year
Estimated BOD treated (kg/year)	**71,859.70** kg/year	**612,295.06** kg/year
Volume of solids produced (m^3/year)	**239.53** m^3/year	**2,040.98** m^3/year
Number of Water Districts financed	**2** water districts	**2** water districts
Number of private companies financed	**2** companies	**2** companies
At least Php10 billion or Php833 million per annum release up to year 2030	Php**252.95**	Php**252.95**

The following are the achievements of the DBP LINIS Program as of December 31, 2021 based on the performance indicators:

	2020	2021
SEWERAGE TREATMENT PROJECTS		
Additional Capacity (m^3/day)	**8,000.00** m^3/day	**8,000.00** m^3/day
Length of Sewer Lines constructed / installed / rehabilitated (km)	**30.00** km	**30.00** km
SEPTAGE TREATMENT PROJECTS		
Additional Capacity (m^3/day)	**1,000.00** m^3/day	**1,000.00** m^3/day
STAND ALONE TREATMENT PROJECTS		
Treatment Facilities installed	**72** treatment facilities	**72** treatment facilities
Additional Capacity (m^3/day)		**5,270.50** m^3/day
BASIC SANITATION TREATMENT PROJECTS		
Cumulative Interest Income	-	Php**5,143,335.32**

Energy Efficiency Savings (E2SAVE) Financing Program

	2020	2021
RENEWABLE ENERGY PROJECTS		
Solar PV Capacity installed (kW)	**13,599.24** kW	**21,297.77** kW
Estimated electricity generated (kWh)	**16,752,557.62** kWh	**26,236,184.26** kWh
Estimated GHG emission avoided (tons of CO_2 equivalent)	**7,473.08** tons	**11,913.85** tons
ENERGY SAVINGS (TONS OF OIL EQUIVALENT OR TOE)		
Residential (TOE)	-	**7.74** TOE
Commercial (TOE)	-	**2,248.16** TOE
Number of solar powered irrigation system financed	**3** irrigations	**3** irrigations
Number of solar powered streetlights financed	**304** streetlights	**304** streetlights

	2020	2021
Number of solar powered streetlights financed	**851** streetlights	**851** streetlights
Electricity saved from the streetlight project (kWh)	**663** kWh	**663** kWh
PERMANENT JOBS GENERATED		
Male	-	**54** males
Female	-	**56** females
PWD	-	**7** PWDs
TEMPORARY JOBS GENERATED		
Male	-	**37** males
Female	-	**9** females
PWD	-	**4** PWDs

**Note that electricity generated, GHG emission avoided, and energy savings were calculated using the total solar rooftop pv system capacity of the five (5) accounts under E2SAVE.

ENERGY EFFICIENCY PROJECTS		
Savings in electricity consumption	-	Php**8.17** million
Electricity saved from the energy efficiency project (kWh)	-	**806,588.00** kWh

**Note that the above data came from one (1) account under E2SAVE.

Social Services and Community Development

Assistance for Economic and Social Development (ASENSO) for Local Government Units

Building Safe, Resilient, and Sustainable Communities
Human Capital Development
Towards Greater Agility

	2020		2021	
ASENSO (INC. ISF)	NO.	LOAN AMOUNT	NO.	LOAN AMOUNT
Barangay	1	**16.00**	7	**181.20**
Municipality	10	**1,314.17**	127	**15,305.29**
City	0	**0.00**	32	**32,825.73**
Province	0	**0.00**	12	**10,230.66**
TOTAL	**11**	**1,330.17**	**178**	**58,542.88**
PROJECT TYPE	NO.	AMOUNT	NO.	AMOUNT
HEU	5	551.20	176	4,125.40
Multiplex/Multipurpose Bldg.	4	200.00	52	1,837.20
Road / Bridge Construction / Improvement	-	0.00	126	5,492.27
Other Developmental Projects	5	578.97	349	47,088.01
TOTAL	**14**	**1,330.17**	**703**	**58,542.88**

Education Sector Support for Knowledge, Wisdom and Empowerment through Lending Assistance (ESKWELA)

To attain the Bank's strategic thrust of contributing to the improvement of lives of Filipinos across the nation by making available the highest possible standards of quality education and support the United Nations' Sustainable Development Goal 4 which is to ensure inclusive and equitable quality education and promote lifelong learning opportunities for all. To increase funding opportunities in the education sector.

	2020	2021
Number of schools financed	**159** schools	**162** schools
Loan releases	Php**8.78** billion	Php**9.40** billion

Building Affordable Homes Accessible for Every Filipino (BAHAY) Program

To contribute in the attainment of the Accelerating Infrastructure Development goal under the Philippine Development Plan as well as the United Nations' Sustainable Development Goal (SDG) No. 11 which is to make cities and human settlements inclusive, safe, resilient and sustainable through financing. To provide credit assistance to Local Government Units (LGUs), private developers, builders and other shelter sector participants through short-term and long-term financing.

	2020	2021
Number of housing units	**23,980**	**24,123**
Loan releases	Php**7.16** billion	Php**9.71** billion

Rehabilitation Support Program on Severe Events (RESPONSE)

The results of the RESPONSE Program's development targets as defined in the Program Results Framework are as follows:

CALAMITY	DATE	NUMBER OF BORROWERS	LOAN AMOUNT
COVID-19 Pandemic	8-Mar-20	**726** borrowers - Moratorium; 32 – New Loans; **125** - Restructuring	Php**4.81** billion (New/ Additional loans only)
Typhoon Rolly	1-Nov-20	None (Most are subsumed under COVID-19)	
Typhoon Ulysses	11-Nov-20		
Typhoon Odette[1]	16-Dec-21	Ongoing application as of Jan. 2022	

[1] Per Circular No. 3 dated January 15, 2021, Lending Units are required to submit on a monthly basis for as long as there are availees under the DBP RESPONSE, to submit monthly report of how many borrowers availed of the various options under the program. PDMI already requested reports from lending groups situated in areas that were affected by the recent typhoon Odette. Data collected will be included in the following program review report.

- Most of the availees of the program are those affected by the COVID-19 pandemic. For those affected by typhoon Odette, no recorded availees yet as of end of 2021.
- The Php4.81 billion loans extended to clients affected by COVID-19 pandemic represents only 1% of the Php408.88 billion total cost of damage from year 2010 to 2019.

	2020		2021	
RESPONSE OPTIONS	NUMBER OF ACCOUNTS	LOAN AMOUNT	NUMBER OF ACCOUNTS	LOAN AMOUNT
Moratorium - Deferred Amount	**726**	**21,041.10**	**726**	**21,041.10**
New Loans:	**26**		**32**	
Loan Amount		**6,129.50**		**4,814.00**
Loan Releases		**701.41**		**1,620.82**
Restructuring (Amount)	**23**	**3,896.03**	**125**	**10,218.33**

[1] Per Circular No. 3 dated January 15, 2021, Lending Units are required to submit on a monthly basis for as long as there are availees under the DBP RESPONSE, to submit monthly report of how many borrowers availed of the various options under the program. PDMI already requested reports from lending groups situated in areas that were affected by the recent typhoon Odette. Data collected will be included in the following program review report.

Strategic Healthcare Investments for Enhanced Lending and Development (SHIELD)

Bed Capacity Financed

Total actual number of hospital beds financed reached 46% based on program target of at least 5,000 hospital beds.

YEAR	NUMBER OF HOSPITAL BEDS FINANCED	% TARGET
2020	**1,757**	**35.14%**
2021	**2,278**	**45.56%**

Contribution to Nationwide Existing Bed Capacity as of 2021

The total actual 2,278 hospital beds financed represents 2.15% out of the 105,803 authorized bed capacity (ABC) as of 2021; 2.09% of the Projected Bed Need (PBN) of 109,035; and, 70.48% of the Unmet Bed need (UBN) of 3,232.

	2020		2021	
Actual Beds Financed	**1,757**		**2,278**	
Authorized Bed Capacity (ABC)	**104,188**	**1.69%**	**105,803**	**2.15%**
Projected Bed Need (PBN)	**100,981**	**1.74%**	**109,035**	**2.09%**
Unmet Bed Need (UBN)	**3,207**	**54.79%**	**3,232**	**70.48%**
Philippine Population	**100,981,437**		**109,035,343**	

Patients Served [1]

	2020	2021
In-Patients Served	**123,302**	**69,637**
Out-Patients Served (New & Re-visit)	**161,486**	**180,019**
In-facilities Delivery	**1,670**	**2,501**
Total	**286,458**	**252,157**

[1]Data is based on accounts with healthcare facility construction projects only.

Agriculture and MSMEs

Expanding Economic Opportunities in Industry and Services through Trabaho and Negosyo

Expanding Economic Opportunities in Agriculture, Forestry, and Fisheries

PDP TARGETS	PROGRAMS
PDP 8: Expanding Economic Opportunities in Agriculture, Forestry, and Fisheries	Broiler Contract Growing Program (BCGP) **Php63.34 million** poultry heads produced **268** poultry buildings constructued **147** permanent and temporary jobs generated
PDP 8: Expanding Economic Opportunities in Agriculture, Forestry, and Fisheries	Agroforestry Plantation Program (APP) Formerly known as Tree Plantation Financing Program (TPFP) **545 hectares** plantation covered
PDP 8: Expanding Economic Opportunities in Agriculture, Forestry, and Fisheries	Expanded Rice Credit Assistance under the Rice Competitiveness Enhancement Fund (ERCA-RCEF) **16** individual borrowers financed **18** cooperative borrowers financed **21,916** farmer beneficiaries

PDP 8: Expanding Economic Opportunities in Agriculture, Forestry, and Fisheries	DA-ACPC-DBP BuyANIhan Credit Program **2,603** farmer beneficiaries
PDP Alignment: Chapter 9 – Expanding Economic Opportunities in Industry and Services through Trabaho and Negosyo	DBP-Credit Surety Fund (DBP-CSF) Credit Facility **23** cooperatives provided with financing **169** permanent employment **36** contractual employment

NEW LENDING PROGRAMS

Sustainable Waste-management for Enhanced Environmental Protection (SWEEP)

The SWEEP Program aims to support the strict implementation of Republic Act No. 9003 or the Ecological Solid Waste Management Act of 2000 and Republic Act No. 6969 or the Toxic Substances and Hazardous and Nuclear Waste Act of 1990. The objective of the program is to contribute to the development of solid and hazardous waste management facilities and waste-to-energy projects by providing credit assistance to public and private companies in order to help protect the environment and address climate change.

Solar Merchant Power Plant (SMPP) Financing

The SMPP Financing Program (2021; End Date - 2030) is designed to support the attainment of the government's target of 35% renewable energy (RE) in the country's energy mix by 2030 per Philippine Energy Plan (2018-2030). It is expected to contribute to the government's goal of increasing solar photovoltaic capacity in the country from 2.16 GW in 2020 to 15.9 GW by 2030.

Building Affordable Homes Accessible to Every Filipino (BAHAY)

The BAHAY Program is a credit facility for the housing sector covering the end-to-end process of housing development from land acquisition to site development and shelter construction. It aims to contribute to the National Government's target of making cities and human settlements inclusive, safe, resilient, and sustainable through financing. This will help address the gaps in mass housing by providing credit assistance through short-term and long-term financing.

Swine Repopulation, Rehabilitation and Recovery (Swine R3) Credit

The Swine R3 Credit Program is a credit window to support the national government's efforts in the recovery and repopulation of the local swine industry through financing of bio-secured farm projects.

Rural Agro-enterprise Partnership for Inclusive Development and Growth (RAPID Growth)

The RAPID Growth Credit Facility is a credit assistance program created to support the RAPID Growth Project of the National Government. The RAPID Growth Project was conceptualized by the Department of Trade and Industry (DTI) and funded by the International Fund for Agricultural Development (IFAD). One of the key features of the RAPID Growth Project is the Conditional Matching Grants. Grant fund support will be provided to qualified proponents to enhance their overall competitiveness level and for the development of the specific agricultural value chain. It also aims to provide the necessary development intervention to help improve agricultural production, productivity, and quality.

BRANCH BANKING SECTOR

Powering into the Next Normal

14.8% Deposit growth

8,000 Full scholars

12 Branch-lite Units

906,635 Eligible farmers, fisherfolk and indigenous people.

700 Financial inclusion deposit accounts

993 ATM Units

Php7.8 billion Assistance cash subsidy, fertilizer and food

8,449 Total customer touchpoint

131 Branches

The Branch Banking Sector's (BBS) deposit growth of 14.8% to Php939 billion in 2021 powered DBP further beyond the 1-trillion peso asset level which it achieved in 2020. Current and Savings Accounts (CASA) increased by 8.73% while term placements posted a stronger growth of 17.9%. Private deposits increased by a robust 46.1% to Php383.4 billion, reducing the Bank's reliance on government deposits and resulting in a government-private deposit mix of 59:41.

Through BBS' partnerships with other government agencies, it cemented DBP's role as a major intermediary in the distribution of subsidies, aid, loans, and other finances that were badly needed by Filipinos during the time of crisis.

BBS successfully implemented these vital distributions including the Department of Agriculture's Rice Farmers' Financial Assistance of Php7.8 billion cash subsidy, fertilizer, and food support to 906,635 eligible farmers, fisherfolk and indigenous people. SSS partnered with the Bank for the distribution of Php235.7 billion of their members' benefits, loans, and monthly pensions to all their retirees. Some local government units also tapped the branches for the local distribution of aid and subsidies to their constituents. One of them was the City Government of Imus, Cavite, that tapped DBP for the financial aid to its constituents through the PESONet facility or cash pick up through DBP's outlet partners.

The same channels were utilized by the Philippine Deposit Insurance Corporation (PDIC) and Philippine Crop Insurance Corporation (PCIC) to disburse insurance claims as well as the Overseas Welfare Administration (OWWA) to disburse rebate claims.

DBP also partnered with the Home Development Mutual Fund (HDMF) in implementing the Checkless Disbursement Facility that currently covers more than 300 HDMF-accredited developers who maintain accounts with DBP. For 2021, the Bank disbursed a total of Php52.18 billion and a grand total of Php150 billion since the inception of the facility in 2018, covering 59,345 transactions or checkless payments. The facility paved the way by covering more than 160,000 transactions or checkless payments for HDMF to migrate from releasing checks to their developers into directly sending the payment to the developer's designated DBP accounts.

In support of financial inclusion facilitated for barangays and multi-purpose cooperatives, the Bank opened nearly 700 financial inclusion deposit accounts from members of participating transport cooperative. This is in support of the Bank's PASADA program, the goal of which is to provide the availability and equality of opportunities to access financial services.

The foreign inward remittance business improved in 2021 due to the reopening of businesses in various OFW-host countries like the Middle East and Southeast Asia. This, in turn, led to the resumption of the hiring of OFWs. The transaction count and US dollar volume improved 48% and 18% respectively despite the termination of some inactive tie-ups due to competitive fees and foreign exchange rates, and consistent service delivery.

In December 2021, four DBP branches in Northern Mindanao were severely affected by Typhoon Odette. Several employees lost their homes while those of others were badly damaged. They also had to make do without basic utilities, food, water, and fuel supplies for weeks.

Despite mobility restrictions, BBS still managed to expand its reach by opening two branches – one in Oroquieta, Misamis Occidental and the other in Buenavista, Guimaras, and one branch lite unit (BLU) in The Bunker, Balanga, Bataan. As of end December 2021, DBP had a total of 131 Branches and 12 BLUs.

BBS also deployed 110 ATMs in 2021, growing the Bank's ATM network to a total of 993 units, extending financial convenience and lower transaction costs to the following previously unbanked and underserved areas:

- **LGU Kalilangan, Bukidnon.** Caters to the municipality's constituents especially indigenous people beneficiaries and 1,400 Department of Education teachers who pay hefty charges when transacting from POS units offered by other financial institutions, as well as eliminate transportation cost just to transact in ATMs in nearby municipalities.
- **LGU Quinapondan, Eastern Samar.** Citizens rely on financial institutions such as pawnshops which charge higher rates per transaction for their financial needs.
- **LGU Taraka, Lanao del Sur.** The installation of two ATMs in this town ended the age-old absence of banking facilities among the 39 towns in the province.
- **Ticao Island, Masbate.** The installation of two ATMs in the underbanked municipalities of San Jacinto and San Fernando is a first by a universal bank and is part of the Bank's thrust to promote financial inclusion.

Total customer touchpoint count as of end 2021 is 8,449 and this includes branches, BLUs, Financial Center, ATMs, Internet Payment Gateway, Online Channels via Fintech providers and Point of Sale terminals and DBP[2]

8 DECENT WORK AND ECONOMIC GROWTH

Philippine Development Plan 2017-2022

Expanding Economic Opportunities in Industry and Services through Trabaho and Negosyo

Number of Branches/ Branch-lites in underserved areas

2021	
New Branch	**6**
	Bangui, Ilocos Norte Buenavista, Guimaras Dolores, Eastern Samar Sta. Cruz, Davao del Sur Taytay, Palawan Tubod, Lanao del Norte
Branch-lite Unit	**3**
	Alegria, Cebu Banga, South Cotabato Cabugao, Ilocos Sur
ATM deployment in remote areas	**75**
No. of ATM units deployed in Piggybacking Partners	**83**
No. of piggybacking partnership	**28**

(classification for remote area is any of the following: required ferry/boat service to be accessed, 1 hr or more travel time to reach ATM unit, or no other ATM within 10 KM radius.)

DBP Opens Branch Extension Office in The Bunker, Bataan

DBP opened its branch-lite unit (BLU) in The Bunker, Capitol Compound in Balanga City, Bataan in support of the Provincial Government of Bataan's goal for a one-stop location for fast and efficient government services and promote ease of doing business.

The DBP BLU in The Bunker is its second location in the province in addition to a full branch in Balanga City.

DBP Opens Branches in Guimaras Island, Oroquieta City

DBP opened its first branch in Buenavista, Guimaras to further increase the Bank's customer touchpoints in remote yet high-growth potential areas of the country and a step towards establishing more institutional collaborations with both public and private institutions in this part of the Visayas.

The Bank also opened a branch in Oroquieta City, Misamis Occidental Province, its second branch in the province, to provide a broad range of investment products and services as well as other banking services to the residents of the city and neighboring municipalities.

DBP installs ATMs in More Unserved and Underserved Areas

DBP continues its mission to reach more Filipinos in rural communities by expanding touchpoints for formal financial services.

For years, the 39 towns in the province of Lanao del Sur had no banking facilities. This ended last year with the installation of two ATMs in Taraka town. In Ticao Island, Masbate, DBP became the first universal bank to install two ATMs in the municipality of San Jacinto and San Fernando.

Prior to the installation of a DBP ATM, the residents of the town of Quinapondan, Eastern Samar had to rely on financial institutions like pawnshops which charged higher rates per transaction for their financial needs.

Another previously unserved and underserved area that had ATMs installed was the local government unit of Kalilangan, Bukidnon. The ATM will be a great help to the municipality's constituents who have to pay hefty charges when transacting with from POS (point of service) units offered by financial units.

Number of ATMs by location

	2021
Metro Manila	97
Northern Luzon	136
Central Luzon	98
Southern Luzon	91
Bicol	89
Total Luzon	511
Northern Mindanao	135
Southern MIndanao	79
Western Mindanao	46
Total Mindanao	260
Central & Eastern Visayas	154
Western Visayas	68
Total Visayas	222

DBP Deploys ATMs in Unbanked Municipalities of Eastern Samar

DBP installed the first and only Automated Teller Machine in Quinapondan municipal hall, a fifth-class municipality in Eastern Samar, to bring its services closer and more accessible to clients.

The Bank also deployed the first and only ATMs in the municipalities of Balangiga, General Macarthur and Balangkayan in the province.

Expanding Economic Opportunities in Industry and Services through Trabaho and Negosyo

Multi-channel approach to fund disbursement of various NGA and LGU payments (including social amelioration, cash subsidies (ayuda) during COVID-19 lockdown, and other purposes)

	2021
Number of partners	6
Number of transactions/ number of recipients	36,635,764
Php value of payments	243,758,010,759

Expanding Economic Opportunities in Industry and Services through Trabaho and Negosyo

Partnership with foreign money transfer operators and banks with digital platforms to enable cheap, real-time, and secure fund transfer services to the Philippines

	2021
Number of tie-ups	18
Number of source countries covered	16
Remittance volume (Number of transactions)	188,866
Remittance volume (USD amount)	211,293,895

Number of Customers by location

2021	Luzon	Visayas	Mindanao	TOTAL
Total CMTBD Products	1,951	614	1,1426	3,991
EGOV	1,127	419	785	2,331
DBP2	506	94	547	1,147
POS/Cash@POS	278	97	88	463
IPG	40	4	6	50
Consumer Finance Dept – Salary Loans	24,576	13,488	12,613	50,677

Number of Customers by account type

	2021
Current and Savings	1,156,807
Term Deposit	13,024
TOTAL	1,169,831

Banking on Education

When former Cagayan de Oro Mayor Oscar Moreno decided to start a scholarship program during his last term, he had to find a way to disburse the allowance to some 8,000 full scholars. The LGU gives a monthly allowance of Php3,500 to students from the University of Science and Technology of Southern Philippines while scholars from private schools, which include Xavier-Ateneo de Cagayan, Lords College, Capitol University, STI, Liceo de Cagayan and Southern Philippines College among others, received Php1,000 to Php1,500.

The LGU decided to solicit DBP's help in the processing of the application forms. The Bank agreed and this helped hastened the process. The LGU partnered with the Center for Education Measurement (CEM) to conduct the standardized objective examination. Priority was given to students from the marginalized sector, urban poor communities, indigenous people, and families affected by calamities.

It is worth noting that this is not just a scholarship program. Aside from helping build the dreams of the students, it helps their families and their communities as well.

"Thank you that you did not leave us, and for pushing us to carry with our partnership. We are grateful for that. We wish you the best and more clients to come and more milestones to achieve in the coming years. Congratulations!"

RICHEL PETALCURIN
Supervising Administrative Officer
Head, CDO City Scholarships Office

TREASURY & CORPORATE FINANCE

In 2021, the Treasury and Corporate Finance Sector (TCFS) took charge of the Bank's issuance of Fixed Rate Bonds. TCFS also took the lead in supporting the government's fundraising activities.

TCFS's significant accomplishments for 2021 include:

1. Successful issuance of USD300 million bonds in March 2021

The Sector facilitated DBP's return to the international debt capital market by successfully pricing and issuing its USD300 million 10-year Senior Unsecured Fixed Rate Notes (the "Issue"), marking the Bank's second U.S. dollar offering in the bond markets after its first issuance back in March 2011. The strong reception of global investors indicated continued confidence in DBP and the Philippine market. The final orderbook stood at over USD500 million across various global investors. The Issue, which has a coupon rate of 2.375%, extended DBP's liability profile and helped shore-up the stable funding of the Bank. The issuance also helped in achieving DBP's Php1.0 trillion asset goal.

2. Support to various government fund-raising activities

DBP was mandated as one of the Joint Lead Issue Managers and Selling Agents in three successful bond issuances of the government through the Bureau of the Treasury ("BTr"). It started with the Silver Tranche of Retail Treasury Bonds ("RTB 25") issued last March 2021 where the government raised a total of Php463.3 billion-worth of three-year RTBs, with Php411.8 billion coming from new money subscriptions and Php51.5 billion via a bond exchange option. For this issuance, DBP partnered with BTr on the use of its Online Ordering Facility that enabled clients to invest in RTB 25 during the public offer period without having to physically go to a bank branch.

Following the success of RTB 25, the BTr also launched its maiden onshore Retail Dollar Bonds ("RDBs"), which are fixed-rate US Dollar-denominated debt securities. In partnership with BTr and a consortium of Issue Managers, DBP conducted a series of virtual financial literacy sessions, both onshore and offshore to further promote financial inclusion to all Filipinos by educating them with available opportunities to grow their investment portfolio. With the issuance of the five-year and 10-year RDBs last October 2021 amounting to USD1.113 billion and USD479 million, respectively, investors were not only given the prospect to invest in low-risk debt instruments that offer higher yields, but were also provided the opportunity to support the government's nation-building projects. Out of the USD1.593 billion raised for the first issuance of the Retail Dollar Bonds, DBP was able to contribute at least 14% of the aggregate issue size amounting to USD226.365 million, which is more than the BTr's expected equal share amongst the 10 Issue Managers.

Lastly, for the December 2021 issuance of the 26th Tranche of Retail Treasury Bonds ("RTB 26") which carried the tagline of "Pamana ang Panatag na Bukas," proceeds were used to help sustain the government's response to the challenges brought about by the ongoing pandemic as well as to support projects contributing to the country's economic recovery and resiliency. In contrast to the other issuances during the pandemic, BTr conducted its first hybrid briefing (combination of face-to-face and virtual) in partnership with a consortium of Issue Managers in Baguio City, subject to strict adherence to health protocols. In collaboration with the DBP Branch Banking Group Northern Luzon, potential investors were invited to the Investor's Briefing to promote the RTBs and were given the chance to raise their queries directly to the Treasurer of the Philippines. For RTB 26, the government raised Php360.0 billion with Php330.5 billion coming from new money subscriptions, and Php29.5 billion was raised via the bond exchange option. From the total amount raised, DBP was able to contribute a total of Php21.6 billion.

3. Operational Efficiency

Operational efficiency is always a goal for any department within an organization and TCFS is no exception. The sector was able to achieve this through FXTD's automation of their daily and weekly reports and streamlined processes. This allowed traders to focus more on trading and market reading. As such, the department managed to have the highest realization rate on income generated versus target in the sector at 116.5%.

4. Awards Achieved

- **Market Maker for the 5th straight year**
  DBP was recognized as Government Security Eligible Dealer (GSED)-Market Maker by the Bureau of Treasury.

- **Top 5 Fixed Income Dealing Participant**
  The Fixed Income trading team was recognized in the 2021 Philippine Dealing and Exchange Corporation's Annual Awards as one of the Top 5 Fixed Income Dealing Participant for 2021.

CORPORATE AFFAIRS DEPARTMENT

In 2021, the Corporate Affairs Department (CAD) implemented programs to deepen the culture of quality and sustainability in DBP to motivate towards a more competent, responsive and values-driven organization.

CAD intensified its corporate communications program to help inspire and engage employees through accurate and timely information dissemination. "Kwento Mo, Kwento Ko," a major internal communication initiative that communicates inspiring stories of members of the DBP Family, received the Silver Anvil Award under the Public Relations Tools - Internal Publication Category during the 57th Anvil Awards of the Public Relations Society of the Philippines. The initiative emerged as one of the 99 winners out of a total of 540 entries.

The department also implemented various employee-related activities to celebrate the 121st anniversary of the Civil Service Commission such as MusiKawani Song Re-Making Contest and TiktoKawani Vlog Making Contest. CAD also spearheaded activities to drum up interest and awareness among the employees on the Bank's 75th anniversary celebration which will be celebrated in 2022.

Continuing its efforts to strengthen DBP's positioning as a world-class development financing institution, CAD facilitated the preparation and issuance of media releases resulting in a total of 898 free exposures in trimedia and online channels in 2021. DBP's Facebook page also significantly increased its social media engagement in 2021 as it regularly updated the public on daily DBP branch operations, service advisories and news on DBP's latest developmental initiatives.

CAD also continued its assistance to program beneficiaries of the Bank's corporate social responsibility programs – the DBP Resources for Inclusive and Sustainable Education (RISE) amounting to Php44.37 million and the DBP Forest Program amounting to Php2.61 million.

PROCUREMENT AND FACILITIES MANAGEMENT GROUP

Amidst the challenges of the ongoing pandemic, the Procurement and Facilities Management Group (PFMG) continued to focus on being DBP's agent of transformational initiatives, thereby ensuring the safety of its employees and the business continuity of the organization.

Since the outbreak of COVID-19, PFMG provided shuttle services for employees who performed critical functions and were required to report for work under the skeletal workforce arrangement at the Head Office. The Bank mobilized DBP-owned vehicles and engaged a third-party transportation service company with 11 routes and 100 pick-up points. The Bank also installed 558 units of portable air purifiers with UV sterilizer at the Head Office and off-site offices.

To provide a safe workspace for employees and clients, the group conducted a series of bio-misting/germ-proofing activities at the DBP Head Office Building and Annex Building, installed UVC Lamp/Filament at the Air Handling Unit of the Head Office Centralized Aircon System, thermal scanners, acrylic counter shields at frontliners' workstations, plastic shield barriers for DBP service vehicle, foot/tire bath, 29 automatic sanitizer dispenser units, and employees' sleeping quarters. High contact surfaces, such as door handles, counter tops, tables, doorknobs, keyboards, switches and ATMs among others were regularly sanitized and disinfected.

It was business as usual for PFMG as it completed 5 construction and renovation projects: Roces (Quezon Avenue) Branch; Legazpi Lending Center; Lucena Branch; Lucena Lending Center and Abulug Branch and 9 ongoing projects: Oroquieta Branch; Balanga Branch; Balanga Bunker Branch Lite Unit; Cauayan Branch; Limketkai Branch; San Fernando Branch; Subic Branch; Jose Panganiban Branch Lite Unit; and Valenzuela Branch.

The group also instituted changes in the procurement process to enhance efficiency. These changes include the (i) creation of a checklist of required documents and procedures for every mode of procurement; (ii) creation of the Quality Assurance

Checklist form to be accomplished and submitted by business units and technical working groups; and (iii) adoption of the online submission of bids and the conduct of online bidding activities under the new normal. The savings generated from the alternative modes of procurement via Purchase Order was Php13.24 million while savings from the approved contract as against actual contract value was Php55.52 million.

PFMG managed all Bank facilities/premises by ensuring that all necessary repairs and maintenance were accomplished, all DBP office spaces for lease were maintained, monitored and rental collection was updated. Rental collection amounted to Php42.46 million as of December 31, 2021.

Additional revenues were also generated from the disposal of bank-owned property in Pagbilao, Quezon amounting to Php789,499.00 and from the disposal of unserviceable EFFs amounting to Php300,000.00.

STRATEGIC PLANNING GROUP

The Strategic Planning Group (SPG) stepped up in its role of providing support to key business units, management and Board committees through the improved delivery of information and analysis to aid in decision making.

The Quality Management Department (QMD) facilitated the institutionalization of internal and external stakeholder sessions on materiality assessment for sustainability reporting as a strategic enabler for value creation. The results provided insights on sustainability topics relevant to the Bank's various stakeholders and guidance in risk analysis, improvement in business processes and product/service innovation aligned with the Bank's thrust toward agility and desire to delight customers.

The Knowledge Management Department (KMD) generated timely economic and industry reports, market studies, and position papers on legislative priorities that offered valuable insights and inputs to various internal and external stakeholders. The output of KMD and Stakeholder Engagements provided vital inputs in the Bank's journey towards alignment with the Bangko Sentral ng Pilipinas's Sustainable Finance Framework and formulation of CY 2022 strategies and performance commitments.

The Bank's strategic management system was further strengthened through the Corporate Planning Department's (CPD's) implementation of the Institutional Service-level Validation System (iSERV) under the Bank's Civil Service Commission-approved performance management system. Coupled with the improved functionality of the CPD Portal, this streamlined the planning process, assured better alignment of business plans with enterprise objectives and established better monitoring and performance evaluation processes.

SPG takes the lead in the production of Annual Reports and Sustainability Reports for the Bank and provides valuable management support in the weekly meetings of the Management Committee; monthly meetings of the Development Advocacy Committee; and periodic review of strategy formulation and execution by the Performance Management Team/Board.

SPG also manages the Congenerics Affairs Unit (CAU) which oversees the condition and operations of DBP subsidiaries and affiliates, including the submission of periodic performance reports to the Governance Committee. Further, CAU facilitated the Php150 million additional equity infusion to the DBP AAIBB-initiated non-deal roadshow for the anticipated sale of its unissued Series "C" to potential investors.

INTERNAL AUDIT GROUP

The Internal Audit Group (IAG) successfully completed its internal audit activities in accordance with the approved 2021 Risk-Based Audit Plan. During the year, approved changes in the audit plan were implemented in consideration of identified risks and/or business requirements/developments and the practicality of performing the planned activities.

In 2021, IAG delivered its on-going assurance services without disrupting critical operational areas at the time of crisis by conducting remote audits to continuously evaluate internal controls. Under the remote audit, all approved audit procedures were performed through digital means except for the procedures that required physical contact with the auditees, and audit ratings were provided in all completed audit engagements in 2021. Audit issues and recommendations were continuously issued to align with the Bank's objective of maintaining a second internal control system. Moreover, IAG conducted periodic monitoring of outstanding and unresolved issues to ensure timely resolution, risk mitigation and significant improvements in the Bank's operational processes and control environment.

IAG's QA Team performed QA review of 24 audit engagements (inclusive of five peer reviews) with 100% rated as "Generally Conforms" (GC) which indicates that audit engagements were generally conducted in accordance with the standards and internal policies and procedures of IAG. Likewise, peer review was implemented in 2021 to complement the conduct of QA review and enhancement of skills and proficiency of the internal auditors.

One of the most notable achievements of IAG include an "acceptable" rating in the Bangko Sentral ng Pilipinas examination with majority of the recommendations and findings complied with. IAG's entry to the Association of Government Internal Audit Search for "Best Practices and Innovation in Internal Audit Group's Audit Management System" was chosen was one of the winners.

IAG Head SVP Ryan R. Gabinete was appointed to the Professional Development Committee of the Institute of Internal Auditors – Philippines, Inc. (IIAP) effective January 1, 2021. IAG officers and personnel were also invited as resource persons in various fora.

INFORMATION AND COMMUNICATIONS TECHNOLOGY

DBP successfully upgraded the front and back-end applications of the Deposit System as well as upgrade its back-end servers in 2021. The upgrade addressed hardware obsolence issues, improved the systems capability of handling more customers, and the end-of-day processing.

The Bank's IT Projects, namely, the High Availability Proxy Server, Guava Equities Module, Phases 2 and 3 of the Electronic Requisition, Procurement, Inventory Control Accounting System (eRPICAS), Swift Enablement for PhilPASS Plus, and the IT Service Management Tool were all successfully deployed.

The High Availability Proxy Server reduced internet access service interruptions by ensuring that a secondary proxy server was in place. The Guava Equities Module is attached to the Bank's Integrated Treasury Management System to support the revival of equities trading activities of the Bank. This module was made for front-, back-, and middle-office users for trade capture, processing and monitoring of equity transactions.

eRPICAS is an end-to-end procurement system which covers transactions from requisition, procurement, inventory control up to accounting and booking. The implementation of eRPICAS Phase 2 brought the system down to the branches for use in their local procurement processes. The eRPICAS Phase 3, however is a module made to replace the old standalone Check Generator System which was used for check ordering. The improved Check Ordering and Monitoring module is now integrated with the eRPICAS.

The Swift Enablement for PhilPASS is an enhancement in the SWIFT System. This was pursued as part of compliance to ISO 20022, a rich, structured and global standard for financial information in payments, initiated by the Bangko Sentral ng Pilipinas.

Lastly, the IT Service Management (ITSM) Tool provides an end-to-end automation and improved the ticketing, processing and monitoring of IT-related concerns and service requests and aligns with the IT infrastructure Library (ITIL), a framework of best practices for delivering IT Services.

The Bank also firmed up its security posture and as part of continuous efforts to improve cyber preparedness and resilience through the Secure Remote Login and Monitoring Solution and the Managed Detection and Response plus Remediation (MDR+R) Engagement.

In addition to the projects and technical requests implemented by ICTMG were the iCDS roll-out to remaining 128 branches (after implementation in two pilot branches in 2020) and the Data Encoders Mastery Program (DEMP) Training Roll-out to 130 Branches, 32 Lending Centers, and nine Head Office units.

The group also enabled secure Alternative Work by providing laptops and VPN access to entitled personnel to ensure continuous delivery of banking services.

TRUST BANKING GROUP

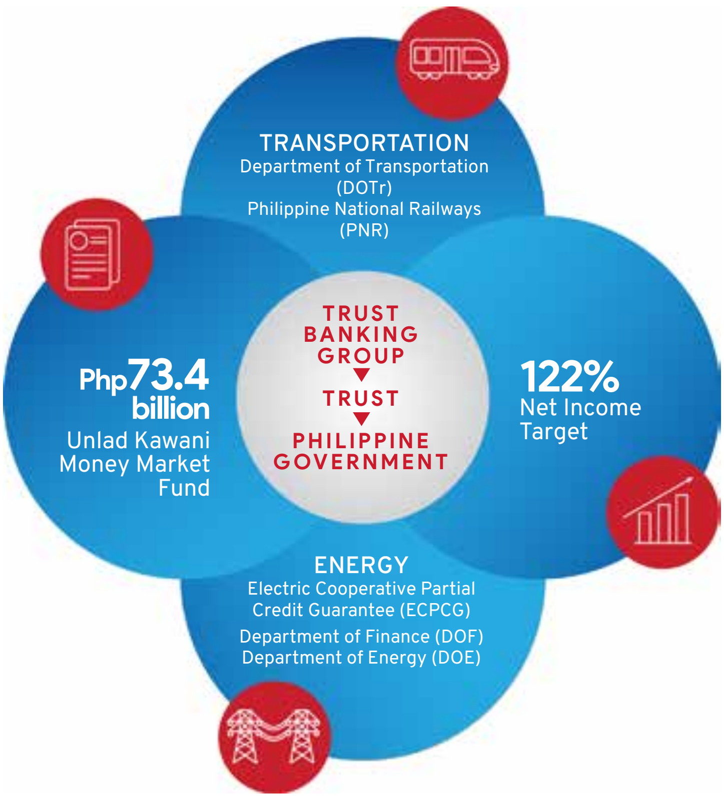
As DBP's fiduciary arm, the Trust Banking Group (TBG) offers trust services aligned with DBP's strategic thrusts in support of the National Government's directives.

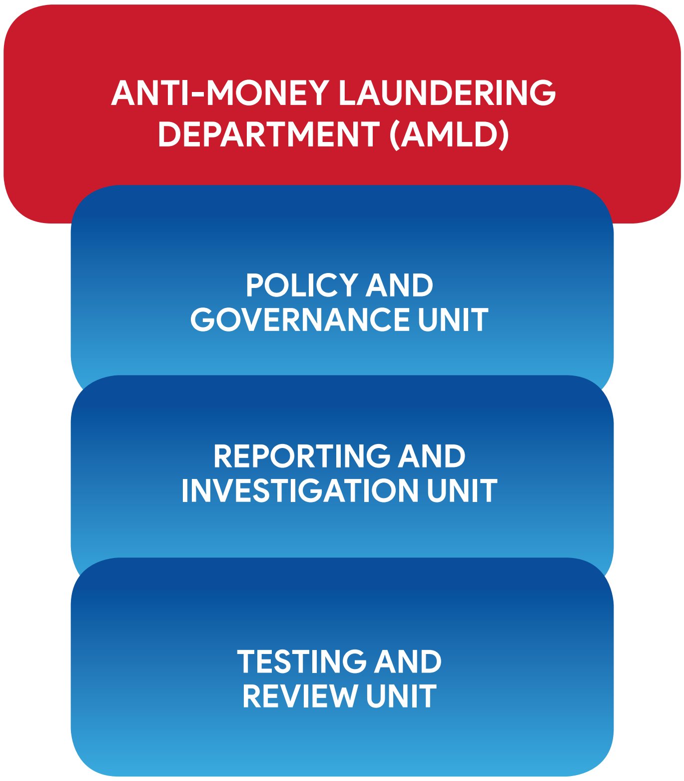
In 2021, TBG continued to advance towards DBP's vision of being a world-class infrastructure and development financial institution through its engagement as an escrow agent to the Department of Transportation (DOTr) and the Philippine National Railways (PNR)'s railway extension projects. Aligned with the sustainability goal for industry, innovation and infrastructure and with Php9.3 billion in escrow funds, this major initiative aims to provide the general public with an affordable, reliable and safe public transport system, and accelerate economic growth along the projects' influence areas.

Meanwhile, TBG's involvement in sustainable energy finance was further concretized through its appointment as escrow agent to the Electric Cooperative Partial Credit Guarantee (ECPCG) Program amounting to USD18.1 million. Established by the Department of Finance and Department of Energy, the program guarantees access by electric cooperatives and small independent power producers to commercial loans to finance power distribution in remote areas of the country.

TBG was appointed public trustee for five bond issuances with total volume of Php73.4 billion maintaining its presence in the sphere of capital markets development. Its flagship UITF product, the Unlad Kawani Money Market Fund, outperformed benchmark returns by 55%.

TBG ended the year with net income of Php42.24 million which exceeded 2020's net income by 36%.





COMPLIANCE MANAGEMENT GROUP

It was a busy 2021 for the Compliance Management Group as the Anti-Money Laundering Department undertook numerous tasks to ensure DBP's overall compliance with the Anti-Money Laundering Act and other related laws and regulations by ensuring that the Bank's Money Laundering and Terrorism Financing Prevention Program is kept continually relevant and up-to-date.

To make the department more efficient, AMLD is subdivided into three (3) units namely: Policy & Governance Unit, which is in charge of aligning applicable AML regulations with the Bank's AML program; Reporting & Investigation Unit, which is responsible for the management of the Bank's electronic AML and lastly the Testing & Review Unit, which conducts AML compliance risk testing engagements.

All AML related reports are assessed by the Audit and Compliance Committee (ACC), a Board-level committee supervising the adequacy of the Bank's internal controls and ensuring the effectiveness of the Bank's implementation of its AML program.

Among the highlights of the department for the year are the implementation of sets of monitoring mechanisms focused on the timeliness, correctness and completeness of regulatory reports as submitted to the Anti-Money Laundering Council ALMC, Facilitated amendments to the Money Laundering and Terrorism Financing Prevention Program (MTPP) through AML Circular No. 03, Series of 2021, and the completion 50 AML Compliance Risk Testing Engagements.

LEGAL SERVICES GROUP

The Legal Services Group (LSG) safeguards the legal, financial, organizational and reputational interest of the Bank, its officers and employees, through competent and comprehensive legal service, duly observing good corporate governance principles of transparency and accountability, economic efficiency and practicality, and with faithful adherence to sound principles of law and ethics.

The LSG has efficiently provided its documentation services to the various Bank units by adhering to its committed turn-around-time (TAT). To promote the Bank's strategic thrusts, LSG initiated the streamlining of procurement documentation by including the Office of the Government Corporate Counsel (OGCC)-approved procurement contract template in the required documentation. This would be incorporated in the Terms of Reference / Scope of Services / Technical Specifications. That way, a bidder/ prospective winner is already informed of the contractual stipulations required by the Bank in its procurement contracts.

The advantages of adopting this are: i) it would shorten the time spent in contract negotiation since the OGCC-approved templates have already laid down the non-negotiable terms in the Bank's procurement contracts, giving the bidder the opportunity to go over them at an early stage; ii) it will reduce the TAT in the preparation of the procurement contract; iii) it will hasten the implementation of the procurement contract; and iv) it ensures compliance with the law since the procurement contract templates have already been reviewed and approved by the OGCC.

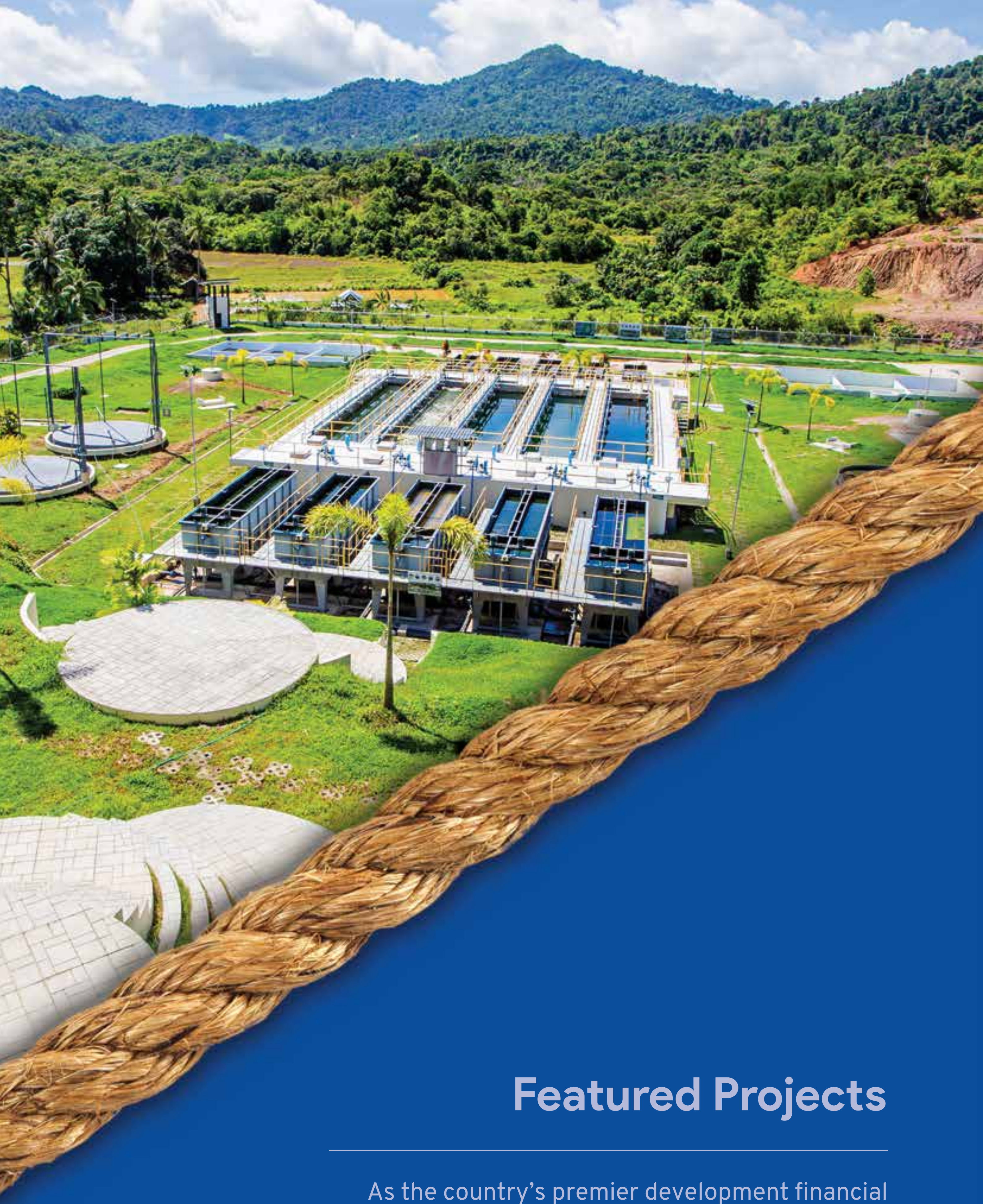
LSG was able to secure a favorable decision from the Court of Appeals in Cagayan de Oro where it denied the Motion for Reconsideration filed by the opposing parties and finding DBP not liable to pay damages in the staggering amount of Php2.9 billion.

Additionally, LSG was able to secure a favorable Supreme Court decision on the computation of redemption price of a foreclosed property which entitles the Bank to a redemption price of at least Php130 million with interest until the actual date of redemption of the foreclosed property.

Likewise, LSG successfully foreclosed 37 properties for 17 accounts, purchased for the total bid amount of Php18,869,921.32, for the partial settlement of the total obligation of Php389,739,590.20.

The LSG also resolved administrative disciplinary cases ranging from grave to light offenses within its set TAT. It has likewise constantly and in a timely manner complied with its regulatory submission of reports to the Civil Service Commission and the Office for Alternative Dispute Resolution.

To further ease the dockets of administrative cases pending with the Group, LSG is looking into the formulation of a policy on the applicability and incorporation of Alternative Dispute Resolution programs and mechanisms as a tool in the settlement of administrative cases that are purely personal in nature or human-resource-related incidents (under the Grievance Machinery), pursuant to the 2017 Rules on Administrative Cases in the Civil Service, in relation to the Bank's Circular No. 8 series of 2020.



Featured Projects

As the country's premier development financial institution, DBP channels its resources to viable small and medium-scale industries with the goal of supporting accelerated sustainable economic growth.

EL NIDO SEWAGE
& SOLID WASTE TREATMENT PLANT

Thinking Two Steps Ahead

2,400 cubic meters
CAPACITY PER DAY

The El Nido Sewage and Solid Waste Treatment Plant is the country's first and only environmental and sustainable sewage and solid waste treatment facility.

There is a growing trend for government tasks to be taken on using private capital. Governments are retreating from numerous economic, social, and community spheres but remain technically accountable. Privatization of the water and wastewater sector usually implies that wastewater treatment is no longer paid by the taxpayer but by the interested party under various contracts. In practice, project financing and public-private partnership (PPP) instruments drive water treatment plant projects, notably the building, modernization, or extension of large municipal wastewater treatment facilities.

The Local Government Unit of El Nido does not have the capacity to purchase high-end equipment for the water system and the sewage treatment plant, so the El Nido LGU decided to turn to the Development Bank of the Philippines for financial support, particularly in purchasing equipment and in financing the municipality's infrastructure projects. As part of its Environmental Development Program, the Bank issued a Php245 million loan for the development of the sewage and wastewater treatment system in collaboration with the Department of Budget and Management and the El Nido LGU, The El Nido Sewage and Solid Waste Treatment Plant is the country's first and only environmental and sustainable sewage and solid waste treatment facility. This project is significant for the people of El Nido because the plant's primary purpose is to address the escalating pollution problem in the municipality caused by the expansion of economic activities.

Since the first-class municipality of El Nido is a top tourism destination, having clean and sustainable water is a must. The El Nido Sewage and Solid Waste Treatment Plant is planned and constructed to offer complete wastewater and solid waste treatment for the municipality's 18 barangays. It is a waste-to-energy treatment plant with a design capacity of 2,400 cubic meter per day of sewage, equivalent to 90% of current structures in El Nido's barangays. In addition, it is also designed to process 20 MT of biodegradable solid waste, equivalent to 100% of the municipality's biowaste output, and biogas power generation of 240 kilowatts representing 20% of the municipality's total power requirement.

The project, launched in September 2021, is expected to resolve the water pollution and solid waste problems of the entire municipality by utilizing sustainable biogas and solar energy. Furthermore, the initiative was designed not just to conserve the environment but also to generate long-term revenue for the LGU. Indeed, water and sewage treatment projects can benefit from the Bank's financing options in more ways than one. Public-private partnerships allow projects such as the El Nido Sewage and Solid Waste Treatment Plant to be implemented with limited public funds, increasing investments in environmental initiatives and speeding their execution.

BAYANIHAN MILLENIUM MULTI-PURPOSE COOPERATIVE

Cash and Crops Make the Best Blend

Cooperatives cultivate and disseminate knowledge of business practices since they are governed by and for the people who utilize them. They provide a risk-free method of saving and borrowing since they are locally owned and operated and only make responsible loans. On a larger scale, local farming cooperatives, for instance, can pool their resources to better compete in the international marketplace. This is what Bayanihan Millenium Multi-Purpose Cooperative (BMMPC) did, and it worked for them.

BMMPC was founded in 1998 by indigenous peoples from Bukidnon. The cooperative began with 25 members made up of farmers and guards. Each member provided capital shares to buy land for a community farm where they started growing sugarcane, coffee, and corn. In 2005, the cooperative began providing crop production loans (primarily for coffee) to its member farmers. As membership grew, so did their capital. The cooperative now has 528 members from different villages and neighboring towns. Nestlé Philippines, their major produce buyer, introduced them to the DBP as the company saw that BMMPC needed fresh capital to expand. The cooperative borrowed from DBP in 2021.

Due to DBP's low-interest rate and the increased cash infusion available to them, growers were encouraged to produce more coffee to meet the industry's rising demand. They were able to purchase more coffee beans and acquire more consumers and merchants in the process. Nestlé agreed to buy 70% of their coffee products (Robusta), leaving 30% (Arabica) for local retailers. In addition to trading in green coffee beans and operating a community farm for its members' use, BMMPC also offers a consumer store, transportation services, coffee processing, and post-harvest facilities. BMMPC hopes DBP will provide them with long-term financing so they can expand their farms to 500 hectares in the next three years.

BALIWAG WATER DISTRICT

Keeping One's Head Above Water

There is a growing awareness of the need for the government to invest in rehabilitating deteriorating public utility infrastructure. Innovative infrastructure bank programs that combine low-interest funding and project delivery support can address such an important issue. This is where strong partnerships between Government Owned and Controlled Corporations (GOCC) and state-owned banks become vital through loan programs dedicated to maintaining and improving infrastructure.

One such successful partnership is between the Baliwag Water District (BWD) and the DBP. As part of its mission to supply safe, sufficient, and drinkable water to the community of Baliwag, BWD, a GOCC, continues to meet the rising water demand of the community it serves. To date, it serves all 27 barangays in Baliwag, Bulacan.

Moving forward, BWD developed various programs to meet and address the needs of a growing community. It partnered with DBP to acquire a loan amounting to Php146 million for three projects: transmission line installation, pumping facilities construction, and source development project; water tanker acquisition; and STP upgrade. Also in the works are the projects DBP financed and BWD launched in July 2022: The Ground Reservoir (Bolted Tank) at Brgy. San Roque and the upgraded Septage Treatment Plant (STP) in compliance with Department of Environment and Natural Resources (DENR) Administrative Order 2016-08 General Effluent Standards. The water district's STP, established in 2013, was the first of its kind in the Philippines. It continues to be the standard by which other water districts are measured.

The partnership between BWD and DBP has boosted the quality of life for the people of Baliwag, Bulacan. As utility infrastructures improve, there is an increase in investment opportunities that will generate employment, residents have better sources of income, and the LGU is able to provide better services to the community.

ACE MEDICAL CENTER PALAWAN

A Clean Bill of Financial Health

Healthcare affects not only how physicians and hospitals care for patients but also how they use banks. Hospitals have a unique business strategy. Healthcare providers require financial partners that comprehend their business strategy and offer customized solutions. These include goods and services to assist patients in paying medical bills and other solutions that boost a hospital's cash flow, develop new income sources, and support initiatives that could otherwise consume cash.

As a nationwide system of hospitals, ACE Medical Center provides excellent care to its patients. The first ACE Hospital, ACE Medical Center Valenzuela, opened in 2014. Allied Care Experts (ACE) Medical Center – Palawan Inc. (ACEMCPL) opened a 120-bed Level II hospital in 2022 to meet the growing healthcare demands of Puerto Princesa City. One of its major initiatives is to offer convenience and quality service as a one-stop shop with cutting-edge laboratory and imaging facilities and medical, surgical, and auxiliary services.

ACE Medical Center Palawan received pre-approved loan notice from the Development Bank of the Philippines (DBP), amounting to Php700 million. In July 2021, DBP approved a Php550 million 12-year Term Loan 1 and a Php150 million 7-year Term Loan 2 for machinery and equipment. Because of project expenditures and cost apportionment adjustments, Term Loan 1 climbed to Php625 million, and Term Loan 2 reduced to Php75 million, but the total loan approval remained at Php700 million. In December 2021, the Php625 million Term Loan 1 ended. On February 15, 2022, the hospital's Property Appraisal and Credit Investigation Department verified that the hospital was 100% complete.

Indeed, capital projects may progress and contribute quickly with the correct funding arrangement. In this case, DBP has come up with the best financial support.

PUERTO PRINCESA CITY WATER DISTRICT

Repeat Business Pays Off

The DBP had a lot of business with Puerto Princesa City Water District (PPCWD) for many years. PPCWD was a big borrower and depositor. With the help of the Water for Every Resident (WATER) Program of DBP, PPCWD was able to improve, repair, and expand its water sources. This is because the WATER Program helps water suppliers get safe, cheap water by giving them financing and credit. In 2010, PPCWD was first given a Php361.99 million 15-year loan for expansion and renovation. In 2018, DBP provided a Php471 million 15-year loan under its WATER Program for the Montible/Lapu-Lapu River Water Supply Improvement Project. In 2020, another Php120 million term loan for 15 years was granted for the Lapu-Lapu WSIP-Phase II project, the construction of ground reservoirs, and upgrading of the 5MLD to 18MLD Water Treatment Plant.

To fulfill the predicted increase in water demand for Puerto Princesa up to 2025, PPCWD undertook the Lapu-Lapu Source Development Project (WSIP-II – Phase 2) in 2020. The 23,000-hectare Montible River catchment region can provide the city's water needs in the years to come. The water treatment technologies in Montible River, which are part of WSIP-II Phase 1, will also be used for the Lapu-Lapu River source when the raw water exceeds the quick sand filter's capacity, notably during floods. The Lapu-Lapu River source transmission pipeline will be built from the Impounding Dam to Montible.

Along with source development initiatives, PPCWD wants to create new storage facilities with DBP-sourced funding. The district must be selective about where to develop storage facilities if it wishes to store and utilize its limited water source well. The Engineering Services Department has suggested building a 1,094 cubic meter concrete ground reservoir at the Manaeg lot on Manaeg Road in Barangay San Pedro. Through this proposed reservoir, the nearby areas with low or no water pressure, especially during the dry season or drought, will be able to get water through boosting, while the seaside location will get water through gravity. The Engineering Services Department of PPCWD also planned to construct a 1,092 cubic meter concrete ground reservoir at San Jose Pump Station to manage and use the limited but good-yielding groundw ater source in Barangay San Jose. Based on how much water it has produced in the past, this groundwater source is one of the best pumping stations in the district. It is also an excellent site to serve all of Barangay San Jose, with more than two subdivisions close to the proposed reservoir site.

After evaluating the operating and weather circumstances that affect the turbidity and normal status of the Campo Uno and Irawan rivers, the Engineering Services Department advised upgrading the 5MLD to 18MLD Water Treatment Plant under the Design and Build program.

The partnership between DBP and PPCWD continued through the years and yielded many returns. A common goal, defined responsibilities, and an equitable distribution of potential benefits are all essential components of a successful arrangement.

PYRAMID CONSOLIDATED BUILDERS AND GENERAL MERCHANDISE

Building Ways Forward

The "Build, Build, Build" Program of the Duterte Administration—including the Public-Private Partnership Program—was the impetus behind the development of the DBP ICONS Program. It was designed to assist the National Government's efforts to advance the expansion of the country's physical infrastructure. As the Philippines' Infrastructure Bank, DBP offers direct financing to construction contractors as a supplementary means of funding all infrastructure initiatives. This is done to further the country's economic growth.

Since 2016, DBP granted Pyramid Consolidated Builders and General Merchandise an initial loan of Php15 million. To date, the company's account with the DBP has an approved Php300 million ICONS credit proposal for financing its different infrastructure projects: four projects in Surigao del Norte; 20 projects in Bukidnon; ten in Northern Mindanao; and other ongoing projects in Zamboanga. Since 1992, Pyramid Consolidated has been actively engaged in the building and construction industry. The company has 650 employees and employs engineers with more than five years' experience to boost its technical expertise. It also practices energy management and sustainable development through conserving fuel and using alternative energy sources. For instance, their equipment uses a GPS tracker to see its destination and fuel use for monitoring and usage efficiency. They also use solar lighting to conserve electricity.

Pyramid Consolidated Builders has an excellent local reputation. It includes 1-Outstanding and 7-Very Satisfactory CPES-rated projects. Pyramid Consolidated Builders has Php1.87 billion in DPWH projects. More than 90% of their construction projects are in partnership with the government. Since the company specializes in government projects, it is a wise step to partner with a government-owned bank such as DBP.

LEYTE PROVINCIAL GOVERNMENT COMPLEX

Harnessing the Power of Resilience

Natural and human-made calamities might be overwhelming for unprepared communities. However, groups of individuals banding together might alter organizational dynamics in a complicated setting of change to support resilience. In the aftermath of major disasters, such as Typhoon Yolanda in 2013 and a massive earthquake in 2019, the people of Leyte, represented by their Local Government, survived and started to rebuild from their immense loss of lives and property. DBP offered a willing and able hand to them, thus, strengthening the LGU's ability to adapt to the changes brought by disasters and calamities.

One of the major rebuilding is the new Leyte Provincial Government Complex in Palo, Leyte which will serve as the permanent office of the provincial government formerly located in Tacloban City. Leyte faces the Pacific Ocean and is in the Philippine Fault Zone, making it disaster-prone. Since 2013, the provincial government has developed ways to mitigate typhoons, flooding, rain-induced landslides and earthquakes.

The construction of the massive edifice in a 14-hectare complex was made possible through the DBP loan of Php856 million. Its architecture and cultural importance stand out. This 5-storey, 3,600 sq. m. structure provides a permanent and secure location for the many offices of the provincial government as well as other modern facilities and amenities, such as a multi-purpose hall, a mini-theater, a public announcement system and a helipad.

The provincial government also tapped Leyte's natural resources to provide electricity for the complex: the whole province depends on geothermal energy. The geothermal plant in Leyte is the biggest geothermal plant in the country. It can provide the same amount of megawatts at any time. In addition, the LGU installed solar lighting to power the complex's streetlights.

This partnership is yet another example of how an infrastructure bank like DBP can contribute to the country's economic development and, at the same time help communities become more resilient through the years.

SCIENCE PARK OF THE PHILIPPINES

The Seamless Science of Partnerships

Science Park of the Philippines (SPPI), a subsidiary of the ICCP Group, has constructed industrial parks with cutting-edge infrastructure to ensure seamless operations for their locators. SPPI's expertise is in its ability to build first-rate industrial parks for light to medium manufacturing businesses. Its commitment to best global practices has made its industrial parks the go-to location for the country's technology companies and manufacturers.

SPPI developed and manages six industrial parks on a combined area of more than 800 hectares, all proclaimed as Economic Zone and registered with the Philippine Economic Zone Authority (PEZA). Four of its projects are called Light Industry and Science Park (LISP), which are located in the provinces of Laguna and Batangas, while the two other projects are named Hermosa Ecozone Industrial Park and Cebu Light Industrial Park which are respectively situated in Hermosa, Bataan and Mactan, Cebu.

To help with current and future industrial park development projects and basic operational planning, SPPI secured a Php500 million Syndicated Term Loan in 2021 with DBP as the key lender. The loan is earmarked to partially finance existing development projects, specifically to support Light Industry & Science Park IV (LISP IV). LISP IV, a 220-hectare industrial park in Malvar, Batangas, has sold 97 hectares, or 79% of the total saleable area to 37 locators as of Q2 2022. Monde Nissin, Perstima Philippines, Ohtsuka Poly-tech, ACS Manufacturing, Uni-President, and Goldilocks are the primary locators.

The proceeds from the loan would be used to finance ongoing and future initiatives and capital expenditures. Some examples of these would include land development, roads, sewer and drainage utilities construction, water utilities upgrade, and the setup of a centralized wastewater treatment system. The successful conclusion of this arrangement provides a pathway for SPPI to develop more industrial parks, increasing the potential for both economic growth and the creation of new jobs.

The involvement of DBP indicates the financial institution's capacity to effectively build strategic partnerships to aid industrial real estate development and increase the country's competitiveness in the global market.

PISCES INTERNATIONAL PLACEMENT CORPORATION

Making A Difference

Pisces acquired its first loan from DBP in 2006. Since then, these respected institutions have become partners in contributing to the country's economic progress. Pisces' current approved credit line has amounted to Php20 million. Compared to other employment firms, Pisces' financial position seems lower due to the company's relatively modest size. However, its contributions to the labor force are significant because it supports creating jobs from international labor markets for Filipinos with minimal working experience. In turn, OFW remittances increase foreign currency inflow. The National Government gains revenue from taxes, licenses, and other permits.

In 2020, Pisces suffered a setback due to the pandemic. Its deployment decreased, and it received delayed payments from its overseas partners. However, Pisces was able to stabilize its operations. It has planned to allocate a substantial budget from the DBP credit line for building its main office and reopening its Davao and Cebu offices.

TAFT HYDRO ENERGY CORPORATION

Power for Posterity

Promoting the service of public utilities accessible to all members of a community is a vital aspect of the public service ideology, particularly the "access to affordable, reliable, sustainable, and modern energy for all" as one of the Sustainable Development Goals set by the United Nations. However, social initiatives have not always reached the poorest. Traditional emphasis has been on enhancing the service's cost for existing customers, while those in most need lack access. Social policy should prioritize user access.

Eastern Samar has consistently ranked among the top ten poorest provinces in the country. Agriculture and aquaculture are the major sources of income. Still, there is no reliable electricity, so no major industries come in despite the region's many tourist attractions and the presence of the world-famous Philippine Eagle. However, the situation has changed since the Taft Hydro Energy Corporation (THEC) introduced its 16-megawatt hydro project to power the province. With the introduction of electricity will undoubtedly be an economic multiplier. Industries can come in, creating employment and contributing to the province's economic progress. Samar Island is the gateway to the Visayas grid and the Taft site is strategically located at the boundary of Eastern and Western Samar. The power line continues on from Luzon to other provinces such as Leyte, Cebu, and Bohol.

DBP granted a Php1 billion 12-Year Term Loan to THEC in 2021. The 16-megawatt hydropower project is at Tubig River, Taft, Eastern Samar. The hydro plant harnesses the Taft-Tubig River's water flow to generate electricity. The 350-square-kilometer catchment region has 97% forest, and it is near the Pacific Ocean Coast. Its climate is mainly wet year-round, with almost no dry season and heavy rains from November to April. It is a perfect location to build a hydro-energy plant since it would use the river runoff to generate electricity and foster rural growth.

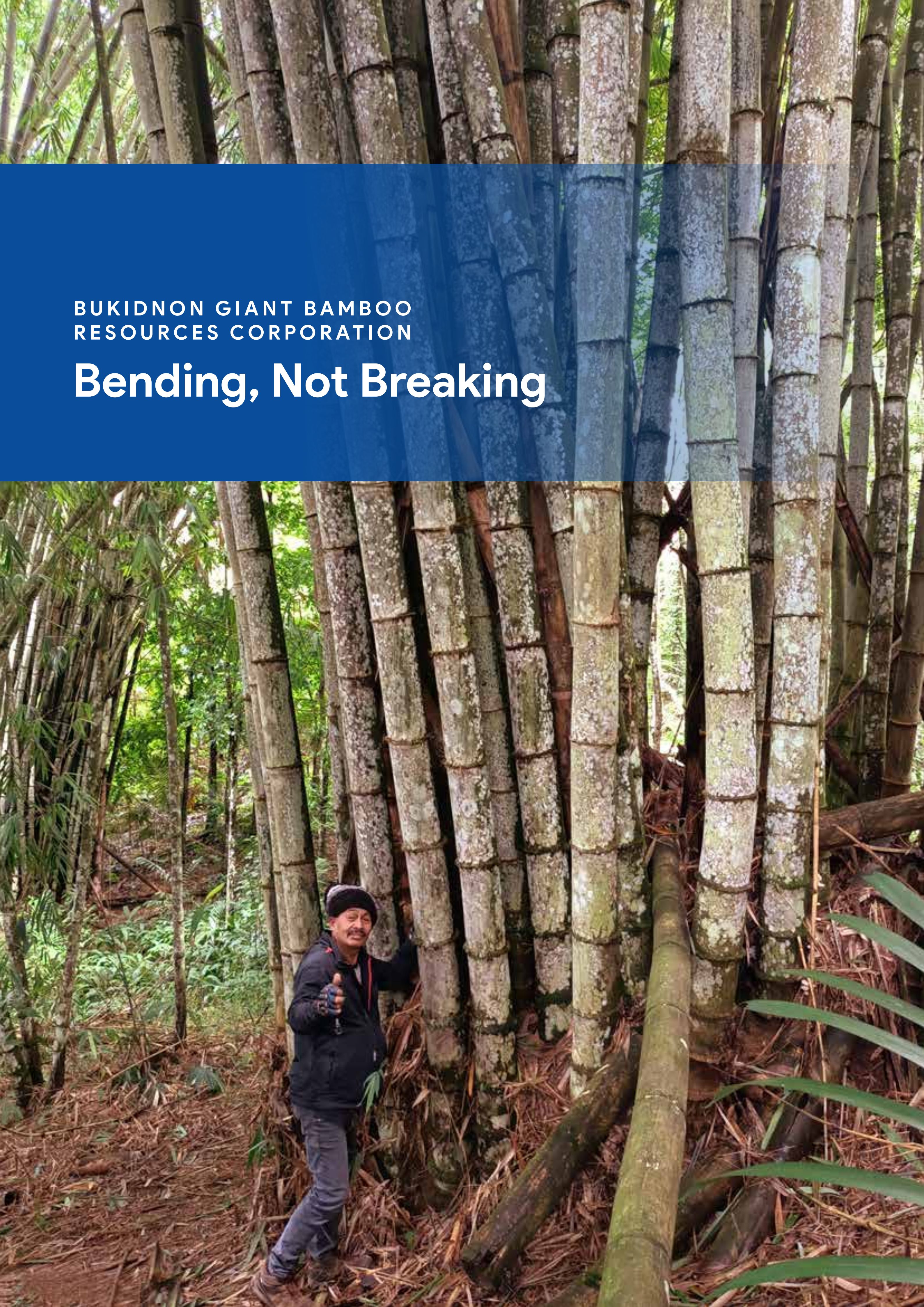
The 16-megawatt power plant will boost the province's infrastructure, livelihood, and business growth. Eastern Samar's fisheries particularly the abundant tuna would become significant contributors to the province's overall economy. Other economic multipliers include cold storage processing factories and tourism.

THEC made a life-changing socioeconomic impact on the people of Barangay San Rafael, where the plant is located. Years before the plant's construction, the residents would resort to environmentally destructive practices like illegal logging and charcoal production to make ends meet. But since start of plant construction, over 700 residents have been gainfully engaged in the hydro project, almost ceasing practices that are harmful to the environment. THEC also helps in the conservation efforts of the Samar Island Natural Park.

The Taft Hydroelectric Project is one of the fastest hydroelectric projects ever built in the Philippines, despite the challenges of the pandemic. This is another example of a successful synergy between DBP and its private partner to deliver excellent service to the Filipino people and contribute to the country's economic growth.

BUKIDNON GIANT BAMBOO
RESOURCES CORPORATION

Bending, Not Breaking



The bamboo industry highlights the power of investing in nature-based solutions. The strategies include rewarding investment drivers, standardizing bamboo agroforestry, and preparing for natural resource value chain governance. While the local bamboo industry achieved significant development in recent years, more investments, regulations, and regulatory government backing are required to fulfill its full potential. It is only one of many business opportunities that must be scaled up to meet the increasing global demand.

With this scenario, the DBP provides financing options for the local bamboo industry that farmers and manufacturers can use. It has pledged Php1.2 billion to assist in helping to fund the Mindanao bamboo industry development program. This program is designed to protect watersheds and provide a means of subsistence for farmers and communities located in remote areas. One of the Mindanao-based companies that has taken advantage of this financial support is the Bukidnon Giant Bamboo Resources Corporation (BGB).

The company's primary focus is on the acquisition of bamboo poles from local farmers and the subsequent transformation of those poles into slats of varying widths and thicknesses in line with the purchase orders placed by the company's local and foreign customers. As a byproduct of the process, BGB's facility can also produce charcoal, which would increase the amount of revenue brought in by the project.

BGB chose to establish a core business of bamboo stations, which they presented to DBP. These stations would be used to expand bamboo plantations to rehabilitate watershed regions to create a sustainable environment and resilient populations. The company has three projects involving 1,600 hectares of giant bamboo in the indigenous people areas in Bukidnon, who are also the target beneficiaries of these projects. BGB believes sustainability is understanding how to manage the risks and opportunities related to environmental, social, and governance issues. Thus, as a company, it focuses on ESG values when accomplishing its projects.

The partnership between DBP and BGB began in 2018 when the company received technical assistance from the Bank to prepare a solid business case to scale up the industrialization of the bamboo value chain. Then in 2019, BGB was granted an initial funding of Php3 million to support its experimental bamboo post-harvest treatment and processing facility. Using a portion of the funds, BGB put a deposit on new equipment. It also plans to plant 30,000 hectares and construct ten facilities in the succeeding years.

The potential sequestration of the 30,000 hectares bamboo expansion is around 30 million MT of CO_2 equivalent (a hectare of bamboo can capture more than 1,000MT of CO_2e) and eligible to register 15 million MT of carbon credits worth more than USD150 million as demand from various Net Zero Initiatives is increasing. The potential to create value from the sale of carbon credits is a mechanism to enable investment in green initiatives to mitigate the effects of Climate Change as well as create prosperity among the stakeholders especially rural and disadvantaged communities. Additionally, this project will produce 200,000 opportunities for women. The impact of these initiatives has started, but the road map to success will take a decade of careful planning and hard work.

EARTH AND SHORE LEISURE COMMUNITIES CORPORATION (ESLCC)

Land and Sea of Dreams

Financial institutions allocate a sizable portion of their capital into construction & development projects. Especially in the Philippines, there is potential for new land development investments due to constant demand for housing, the growing tourism industry, and a great deal of space to develop land properties here.

With that, the DBP is keeping up with the times by shifting its attention to supporting more business development projects that would help the economy recuperate from the devastating effects of the pandemic these past years. DBP partnered with Earth and Shore Leisure Communities Corporation (ESLCC), a real estate developer specializing in designing, building & managing prime residential areas, commercial hubs, tourism establishments, leisure & recreational facilities, mixed-use properties, and light industrial parks.

DBP's partnership with the Company goes way back, when ESLCC was then a construction business working on government projects.

In 2008, DBP was the Company's first client when it ventured in the development of its flagship project: the 500-hectare Camaya Coast in Mariveles, Bataan. Years later, ESLCC's subsidiary company Earth and Shore Tourism Landholdings Corp. (ESTLC) applied for & received a Php245 million Term Loan from DBP to partially finance the development of Aqua Fun Hotel and Waterpark, a four-storey hotel and water theme park in Camaya Coast. Moreover, when ESTLC experienced difficulties during the pandemic, as mobility restrictions and community quarantines adversely affected travel & tourism, DBP recognized the Company's needs and the Bank extended financial aid to ESTLC in the form of interest adjustments and deferment of principal payment.

Now, Camaya Coast is a 2,000-hectare development composed of three (3) tracts of land located in several municipalities across the Province of Bataan. Aside from developments within Camaya Coast, ESLCC with its subsidiaries & affiliates strive to continuously create development projects beneficial for the nation. A notable example of such project is that the Company is constructing an airport in Camaya Coast called Camaya PAD to provide additional transport infrastructure in the country, and envisions to start its own airline that would bring tourists & travellers to the best tourist destinations in the country and in selected Asian countries.

ESLCC still remains a strong partner of DBP, proving the Bank's consistency in providing assistance to companies through easy & challenging times. DBP is anticipating for a long & productive relationship with ESLCC and its subsidiaries & affiliates in the years to come.

AGUSAN SUR TRANSPORT SERVICE COOPERATIVE (AGSURTRANSCO)

Here to Provide a Smooth Ride

DBP has a reputation for providing affordable financing tailored to the requirements of transportation authorities and cooperatives. It has created the PASADA Financing Program (Program Assistance to Support Alternative Driving Approaches). In general, the primary purpose of these loans is to upgrade and modernize public transportation, that is, to aid in the rollout of the government's Public Utility Vehicle Modernization Program (PUVMP) and its accompanying Omnibus Franchising Guidelines as prescribed by the Department of Transportation.

The Agusan Sur Transport Service Cooperative (AGSURTRANSCO) used the PASADA Financing Program to access a 7-Year Term Loan amounting to Php22 million. Through the loan, DBP would initially fund the purchase of nine Hyundai HD 50S EURO 4 CLASS 3 23-seater modern jeeps. AGSURTRANSCO's project is consistent with the National Government's PUV Modernization Program since these nine new units will replace the old UV Express Vans that the coop operates. The modern jeeps are equipped with Automated Fare Collection (AFC) machines to systematize contactless payment since this is a safer option during the pandemic. As soon as the new fleet of vehicles is operating, AGSURTRANSCO will hire more regular staff. To date, the cooperative is made up of 503 members.

AGSURTRANSCO's commitment to providing reliable service to its loyal commuters is what they see as long-term. If they do a thorough job for the people, the people will be grateful and repay them. On the other hand, the coop's ability to continue operations through these challenging times is a testament to the fact that it appreciates having DBP to rely on for direction and assistance.

SAN LEONARDO MUNICIPALITY, NUEVA ECIJA

Public Allies Number One

The first-class municipality of San Leonardo, Nueva Ecija, has been in partnership with DBP since 1993. San Leonardo has been inducted into the Department of Internal and Local Government Hall of Fame for Good Financial Housekeeping and Good Local Governance. The LGU and its constituents gained from different infrastructure initiatives generously granted by DBP, which resulted in increased and enhanced services for the public and extra revenue for the LGU. As of March 2021, there have been five major projects funded by DBP loans amounting to a total of Php565.0 million.

A functional water system is crucial in creating a vibrant and competitive community, such as the San Leonardo Waterworks System. It has become necessary for the municipal government to build new pumping stations and overhead tanks to keep up with the increasing demand from residents. The waterworks system aims to service the entire municipality's 20,000 residences and around 250 businesses. The project generates revenue and enhances the service of the municipal water system.

Situated on a 2,900 sq. m. site in Brgy. Tambo Adorable, San Leonardo, the development of a new multipurpose structure would primarily function as a typhoon evacuation center. Aside from the evacuation center, a coffee shop, canteen, and souvenir stands will be built. Also located in Brgy. Tambo Adorable is the L. Nagaño Gymnasium. It is under construction to update its facilities to offer indoor sports and community gatherings and may function as a temporary refuge during typhoons.

The construction of an additional two-story hospital building would substantially benefit the residents of Sta. Rosa, Peñaranda, and Jaen, and other nearby districts. The medical facility will

serve about 70,000 residents of San Leonardo. This project is likewise revenue-generating and will provide primary care. The new facility would have proper waste disposal protocols in place.

The local population's health, safety, security, and convenience take precedence over all other considerations while building a new two-storey public market. It will also have a multiplier impact on the local economy through the connections it creates among merchants, service providers, entrepreneurs, and farmers by offering a suitable location for trading and marketing, thus attracting commerce from neighboring communities. It is located in Brgy. Diversion and has a total floor space of over 23,000 sq. m. The municipal government has constructed a temporary location for market sellers near the municipal hall while work on the new public market is in progress.

METRO ILOILO TRANSPORT SERVICE COOPERATIVE

Steady and Ready

It is crucial for people to move about and for commodities to be shipped so that the necessary transportation infrastructure is available and works well. In a contemporary globalized society, it facilitates social involvement, the preservation of supply and disposal services, and continued economic growth. Positively affecting public health and the quality of the public transportation system is a vital objective of this development.

To make the country's public transportation system efficient and environmentally friendly, the government launched the Public Utility Vehicle Modernization Program (PUVMP). The program proposes a reformed, modern, well-managed, and ecologically sustainable transport industry, guaranteeing drivers and operators have secure, adequate, and dignified jobs and commuters arrive at their destinations swiftly, safely, and comfortably. It encourages the use of public utility jeepneys that are EURO-compliant and minimize air pollution with the ultimate goal of supporting sustainable growth without sacrificing the environment.

In response to the government's directive to revamp the country's transportation system, the Metro Iloilo Transport Service Cooperative (MITSCOOP) obtained a significant loan of Php62.91 million from DBP to acquire 27 units of EURO-compliant public utility jeepneys. Being EURO compliant necessitates maintaining a certain level of carbon emissions from vehicles. There are many degrees of EURO compliance, with EURO 6 being the highest. The greater the level, the smaller the carbon emissions. MITSCOOP's fleet complies with EURO 4 standards. To date, the cooperative has one modernized route and seven traditional routes that serve 120,000 people around Iloilo City.

Since its organization in 2018, MITSCOOP has continuously updated its facilities and fleet using funding from DBP. To begin with, DBP is its first financial institution to collaborate with, and the partnership has thrived through the years.

CASA VICTORIA RESORT AND RESTAURANT

Seizing Opportunities

The fast expansion observed in Asia's developing countries fueled the global economy in the past decade. One driving factor was the rise of small and medium-sized companies (SMEs) in their respective countries. However, the long-term impacts of the pandemic since its onset in 2020 add extra complexities and hazards to the global economy. Access to capital investment and other types of financing is critical to SMEs' sustainability and competitiveness. It enables SMEs, particularly those in the tourism industry, to participate in the global economy and capitalize on the possibilities that come with globalization.

In the Philippines, the tourism industry is starting to bounce back from the slump of the pandemic restrictions. DBP sees the need to provide efficient access to financial support for SMEs in the tourism industry to resume operations and become financially stable. Such is the case of Casa Victoria Resort and Restaurant located in Brgy. Saud, Pagudpud, Ilocos Norte. It applied for a loan, with a total amount of Php11.6 million, with DBP for the phase 1 construction of a three-story hotel building with 10 rooms and a big function hall for wedding receptions, birthday celebrations, reunions, and conferences. This is in anticipation of increased domestic travel for business and leisure purposes since the pandemic restrictions have been eased.

Casa Victoria continued to operate during the height of the pandemic. The DBP Response Program's authorized freeze on its monthly amortizations from August 2020 to January 2021 has been crucial in ensuring that the hotel can continue to serve both domestic and foreign guests. In addition, as part of a program funded by the provincial government of Ilocos Norte, the hotel and restaurant were made available to the region's healthcare workers and frontline service personnel for a free three-day, two-night stay during the height of the pandemic. This initiative increased the popularity of Casa Victoria among local tourists. Casa Victoria is also doing its part to protect the beautiful beaches of Pagudpud by sponsoring a coastal clean-up around its area every Friday. The local barangay unit, in turn, collects the garbage and other plastics for recycling.

TUPI SUPREME ACTIVATED CARBON, INC

The Promise of Possibilities

Climate change is no longer just an environmental problem since it impacts all economic sectors. Climate-related concerns cause physical and transitional financial risks. To offset the negative repercussions, individually and together, private and public financial institutions are addressing upcoming concerns, including risk management. Banks have created environmentally friendly strategies and green financial tools to grasp commercial possibilities.

A case in point is the partnership between DBP and Tupi Supreme Activated Carbon, Inc. (TSACI). TSACI is the sole activated carbon manufacturing facility in Region XII (SOCCSKSARGEN), producing 12,000 MT of activated carbon annually. As a coastal region, South Cotabato has an abundance of coconuts, which led them to conclude that it would be a profitable commercial venture. Due to the increased need for water and air filtration, the activated carbon sector is a rapidly expanding market.

DBP granted TSACI a Php330 million term loan to finance the building of an activated carbon production plant and a Php100 million credit line for the company's working capital needs in 2020. It was able to finish and run one of the rotary kilns in September 2020. The activated carbon rotary kiln is a type of rotary drum equipment used to produce high iodine value activated carbon. It is appropriate for a wide range of materials, including coal, coconut shell, crop residue, and wood chips. By the end of 2021, all four rotary kilns had been completed. In 2022, DBP provided an additional Php100 million credit line for the manufacturing plant's expanding working capital requirements.

TSACI's usage of coconut shell charcoal as a raw material benefits coconut producers in Region XII. The manufacturing plant is closer to these farmers than other activated carbon factories in Region XI and other regions of Mindanao and can offer competitive costs. The company's activated carbon output is shipped to the United States, Japan, South Korea, Peru, Sri Lanka, Thailand and Taiwan SAR. The demand for activated carbon is considerable in the international market. Water purification, gold extraction, air filtration, pharmaceuticals, and personal care products are only some of the many applications in high demand.




ENVIROCARE MANAGEMENT PRECISION, INC.

Keen to Be Clean

In recent years, local businesses from diverse sectors have stepped up efforts to be more environmentally friendly. On the other hand, through sustainable financing efforts, local banks are working closely with multiple sectors to tie long-term sustainability to their global business strategy. In the face of pandemic and environmental challenges, DBP knows the value of strengthening organizational resilience with its financial partnerships.

One of the Bank's successful financial partnerships is with Envirocare Management Precision, Inc. (EMPI). It is the first TÜV ISO 14001 certified company in the Philippines that has successfully obtained the international certification for Environmental Management System. EMPI specializes in hazardous (BFL and WEEE) and non-hazardous waste transport, treatment, and upcycling, mainly residential and residual wastes. The firm handles practically all regulated waste in the Philippines, including asbestos and PCBs. All of its transport trucks are owned and exclusively employed for purposes of waste transfer.

In September 2019, DBP authorized EMPI's Php20 million revolving promissory note line (RPNL) to finance client contracts, such as MDC, Coca-Cola, Sunpower, Globe, Monde Nissin, Nidec, Asian Terminals, Bayer Crop Science, LGUs and local hospitals. In 2021, DBP helped EMPI get Php80 million for the company's projects and other purchase orders.

Besides capital infusion, EMPI used DBP financing to construct a specialized treatment plant for liquid waste management, and they also plan to buy more vehicles. The DBP loan assisted the company in procuring more than 20 units for waste transportation. The demand is enormous, so EMPI continuously finds ways to enhance its fleet to meet it. For sustainability, the company is estimating its carbon footprint as a result of its fleet's operations. EMPI is also moving in the direction of installing solar panels to conserve energy or make use of renewable sources of power.

Aside from these environmentally sustainable practices, EMPI has initiatives outside environmental service. Certain materials it collects are recyclable. So as not to go to waste, the company makes chairs and tables out of these recycled materials and then donate them to schools. The company also has a "Waste to Craft" program in which family members recycle plastic trash into useful items for decoration or exhibition.

LAGAO DRIVERS OPERATOR TRANSPORT COOPERATIVE (LADOTRANSCO)

Gearing Up to Go Green

"Greening of the financial system" refers to one of the most important trends in the banking industry in recent years. This is about practicing responsible and sustainable financing by funding environmentally accountable projects in infrastructure, transportation, and other markets that promote sustainable growth. These banks – such as DBP may significantly impact the adoption of green policies in industries like transportation.

In aid of the National Government's Public Utility Vehicle Modernization Program (PUVMP), the Bank has provided funding under the Program Assistance to Support Alternative Driving Approaches (PASADA) Financing Program to the LADOTRANSCO. Any cooperative or business that meets the requirements of the PUVMP's Omnibus Franchising Guidelines and has been issued a franchise by the Land Transportation Franchising and Regulatory Board (LTFRB) is eligible to participate in the program.

LADOTRANSCO is one of Gen Santos City's pilot cooperatives to fully support the national government's PUVMP, and the city is the first in the country to obtain an authorized Local Public Transport Route Plan (LPTRP). General Santos City was the country's prototype for the LPTRP and the first transport cooperative recipient in Mindanao to obtain a loan from DBP under the PASADA Program, allowing them to acquire five electric jeeps initially, and with additional financing, increased their electric jeeps to 41 units, combined with 30 units of Euro 4 Class 2 modern jeepneys. Although LADOTRANSCO has been in the transportation sector for several years, but they are new to modernization. With its Board of Directors (and dedicated General Manager), it decided on how to proceed in light of the new system and the dynamic nature of the transportation sector. The coop saw the government's determination to pursue transportation modernization in the country and decided to work with the LTFRB and the LTO. Most importantly, the coop considered the long-term positive effects of the widespread adoption of environmentally friendly vehicles on future generations.

PHILIPPINE URBAN LIVING SOLUTIONS

Giving Life to Living Spaces

Real estate is unique among assets since it may be seen as both a financial investment and a need. Modern commercial real estate provides a wide range of amenities and services. If appropriately managed, real estate may be a lucrative source of passive income for decades.

Philippine Urban Living Solutions, Inc. (PULS) came about from the idea of providing affordable temporary living spaces to employees working in business centers in Metro Manila. The company claims to be the first to professionalize the dormitory industry in the Philippines, providing quality, affordable dormitories or co-living accommodation to young professionals. To further expand its business model, PULS received a Php500 million 10-year Term Loan Facility from the Development Bank of the Philippines (DBP) to finance the construction of MyTown Los Angeles in Makati City. This is PULS' 18th co-living building. It will serve as rental accommodation for those who seek to avoid expensive housing, long rental application periods, and the complications brought about by city commuting.

PULS benefited from DBP's assistance in financing their initiatives and completing their construction projects, especially in the wake of the pandemic. The company coordinated with the Department of Tourism and the Bureau of Quarantine to get one of their buildings designated as a quarantine facility, adapting their business successfully during the height of the pandemic.

In the new normal, the target tenants, including employees and other transient workers, will benefit from the safety and convenience that this project promises. The target renters will save money on transportation costs and avoid coming into close contact with strangers during their daily journey, reducing the risk of contracting the coronavirus.

PULS is also set to pay annual real estate and business taxes adding to the local government's revenue. In addition, the project will generate employment, as it will hire additional employees from the city, including a maintenance crew.

FOUR SEASONS FRUITS CORPORATION (FSFC)

Food Financing for All

A systemic change is required to make food systems more regenerative, sustainable, and diverse while simultaneously boosting food availability for an extra two billion people around the world by 2050. How countries fund food systems – from public and private sources – may be the ultimate game changer since money drives food system inefficiencies and is vital to their socioeconomic development. There is room for much more strategic targeting of public expenditure to accomplish development goals, specifically, in this scenario, the United Nation's Sustainable Development Goal 2, to "end hunger, achieve food security and improved nutrition and promote sustainable agriculture." The goal is to ensure that everyone has access to sufficient amounts of food of a high enough quality to live a healthy life. To accomplish this goal, improved access to food and widespread promotion of environmentally responsible agriculture will be required. For its part, DBP keeps looking for ways to extend financial assistance to companies with similar goals and values.

One prime example is the Four Seasons Fruits Corporation (FSFC). From Tagum City, Davao del Norte, the company's dedication to food safety and quality spurred its growth from micro-scale—when it began as a backyard business in 2001—to the large-scale enterprise it is today. Various Saba Cardava banana cultivators in Davao del Norte, Kidapawan, and nearby towns provide the raw materials, thus, generating income for other local communities as well. Most of its purchasers come from the United States, Europe, Australia, and Asia and have done so for at least ten years. The product the company is known for is the saba cardava banana chips. In addition to being enjoyed as a snack, the banana chips are combined in trail mixes, cereals, granola bars, and dessert toppings, among other uses.

The successful partnership between DBP and FSFC began in 2018. DBP was searching for businesses that supported farmers and focused on agriculture at the time. On the other hand, FSFC required a substantial loan to enhance its facilities and operations, so the company decided to submit the prerequisites needed for the loan application. Eventually, DBP granted FSFC a Php200 million loan for the procurement of their equipment and facilities in 2021. With the capital infusion, FSFC was able to acquire x-ray machines for its products and transform its equipment from black iron to 304 stainless steel. The company also increased its production by establishing a new facility.

It continued operations at the height of the pandemic lockdowns because the business was considered essential. However, the company made sure to put safety protocols in place. It purchased three shuttle buses for employees to safely transport them from their houses to the company factories and offices. It also provided employees with vitamins, face masks, and test kits. To further ensure safety for all of their employees, FSFC hired a full-time in-house doctor and nurses for the company clinic to implement safety protocols such as conducting regular swab tests and assisting employees with COVID-19 symptoms. Aside from the clinic, the company decided to build 100 rooms to house their employees and an additional 60 rooms to serve as a makeshift isolation facility.

In terms of sustainable production processes, FSFC decided to convert its product waste into something valuable. It acquired a 1.8-hectare plot of land where it transports banana peelings, deconstructs them, mixes it with black ash, delivers them to its treatment facility, decomposes them, combines it, and converts it into organic fertilizer. In turn, the company distributes this to its partner farmers so that they may continue to use it in planting their crops. FSFC also employs filtration on its chimney and converts wastewater to act as a filter for air pollutants, preventing wastewater from entering the canals. The company also makes use of alternative energy sources such as rice husk to fuel the boilers. To give to the community, it sponsors a feeding program for malnourished children and provides scholarships for deserving students. To ensure quality products for years, the company has spread awareness about saba cardava and encouraged local farmers to cultivate the fruit plant.

GOLDMINE RICE MARKETING

Better to Rise Together

Setting up a business relationship is the first step in any credit arrangement between participants in product markets. These things can take time and money to grow. It also needs initial networks or contacts. Goldmine Rice Marketing started as a retailer in Baclaran market in 1998 then became a wholesaler and eventually an importer. In 2007, they sold to wet markets in Metro Manila before expanding into corporate clients the following year. In 2015, the Borrower opened a Php5 million revolving promissory note line (RPNL) with DBP. Currently, the authorized credit line is Php200 million to help fund the company's working capital needs, notably the purchase of inventory for the company's rice trading business.

To meet the needs of its clientele, Goldmine Rice Marketing imports rice regularly, more so during the lean months in the Philippines. For fast facilitation and easy customs clearance, its sister company, Goldmines Transport Corporation (a licensed international and domestic freight forwarder and trucking services provider), handles the operations and logistics of the business.

Goldmine ensures high-quality goods for consumers by employing industrial-standard machines to polish grains. The firm offers many rice varieties, customized packaging, rice polisher, rice grading, and rice by-product. It expanded into big chain supermarkets, groceries, and, recently, online retail platforms.

Goldmine means "endless support," so the company gives back to its community as part of its corporate social responsibility activities. The company supports Nueva Ecija farmers through their cooperatives by supplying them with capital and other technical assistance. It also buys the farmers' harvest, and then the company manages the milling and selling of the rice products. It also has an expansion plan next year that will focus on introducing a "farm to market" initiative.

BRYDOMZ POULTRY FARM

Hatching a Lasting Legacy

Agriculture is changing. Consumers are more interested in food production and processing. They want animal-friendly, sustainable facilities. Poultry farm loans help shift operations for maximum yield or expand the business.

Brydomz Poultry Farm started as a sole proprietorship and then registered in December 2021 as a One Person Corporation (OPC). They decided to level up their operations by partnering with DBP in 2020. Despite the uncertainties of the pandemic, this small-and-medium-enterprise (SME) company chose DBP to finance its projects because the Bank proved to be supportive of SMEs—easy to deal with, quick to respond, and offers financial guidance. With this in mind, Brydomz Poultry Farm received the approved loan amount of Php47.3 million for its broiler/integrator project.

This fledgling poultry farm specializes in contract growing of broilers, with San Miguel Foods, Inc. (SMFI) serving as the primary integrator for their chicken project. The location of the poultry farm project is in Carmen, Agusan del Norte. The initial phase of the poultry project consists of three tunnel-ventilated broiler buildings. It started with one building (broiler), but with the loan from DBP, Brydomz Poultry Farm was able to have two more. The business owners funded the construction of Building 1, while DBP financed Buildings 2 and 3 along with other project components. Each broiler house in the Phase 1 project can hold up to 33,000 birds, for a total of 99,000 birds' worth of space.

Brydomz Poultry Farm makes it a point to promote and practice environmental responsibility. It utilizes solar lights and a deep-well pump to conserve energy and resources. It also follows strict waste management and sanitation protocols. As for upholding social responsibility, 60% of the poultry farm's cleaners and harvesters are locals. It also provides a scholarship program for the community's grade school and high school children.

Board of Directors

Left to Right:

Emmanuel G. Herbosa
VICE CHAIRMAN
PRESIDENT AND CEO
01 March 2019 - present

Alberto G. Romulo
CHAIRMAN
15 February 2017 - present

Luis C. Bonguyan
DIRECTOR
11 November 2016 - present

Ma. Lourdes A. Arcenas
DIRECTOR
04 January 2017 - present

Miguel C. Abaya†
DIRECTOR
23 November 2016 -
25 March 2021

Left to Right

Rogelio V. Garcia
DIRECTOR
15 February 2017 - present

Jeannie N. Sandoval
DIRECTOR
26 November 2020 - 05 October 2021

Dante V. Liban
DIRECTOR
31 August 2021 - present

Rafael L. Reyes
DIRECTOR
27 October 2020 - 15 March 2022

Wilma T. Eisma
DIRECTOR
02 March 2022 - present

Emmanuel P. Galicia, Jr.
DIRECTOR
11 November 2016 - present

Not in Photo

Consuelo N. Padilla
DIRECTOR
02 March 2022 - present

CORPORATE GOVERNANCE

Sustaining Corporate Governance to Meet Evolving Needs

As part of its efforts to advance good corporate governance, DBP reviewed, refined, and adopted several governance standards and initiatives to meet evolving needs and local conditions in 2021. It strengthened not only its organizational capacity to provide critical financial services but also its ability to remain effective, efficient, and responsive to the needs of its stakeholders. These build on lessons learned and previous work undertaken by DBP to raise the bar for corporate governance which, in turn, serves as catalyst for sustainable and inclusive development.

The Bank broadened its support to priority sectors by providing much needed capital to recover, stabilize, or expand, to ensure better and more resilient industries in the future. It sustained the implementation of several DBP programs which include the Resources for Inclusive and Sustainable Education which sends indigent but deserving high school students to college; the Swine Repopulation, Rehabilitation and Recovery Credit Program to support the national government's efforts to recover and repopulate the local swine industry through the financing of sustainable bio-secured farm projects; and the DBP RESPONSE to accelerate MSME Recovery amidst an economic slowdown caused by the pandemic. It also assisted charitable institutions, organizations, and local government units by dedicating significant resources to augment basic social services, especially for vulnerable groups and calamity-stricken communities. DBP likewise actively participated in building inter-agency and multi-sectoral partnerships to revitalize the economy and support the national government's development plans and priorities. Ensuring its viability, the Bank sought dividend relief for its CY 2021 net earnings with the favorable endorsement of the Department of Finance to the Office of the President of the Philippines.

DBP sustained full compliance with applicable laws and regulations such as the Governance Commission for GOCCs (GCG) Code of Corporate Governance (Memorandum Circular No. 2012-07) and the Bangko Sentral ng Pilipinas Circulars on the Enhanced Corporate Governance Guidelines. DBP also remained fully compliant with all good governance conditions, including the mandatory disclosures in the DBP website, Freedom of Information reportorial requirements, and Anti-Red Tape Authority (ARTA) directives such as Updating of the DBP Citizen's Charter.

The Board of Directors and Management ensure that the Bank continues its operations and conducts business as usual in a sincere, prompt, and efficient manner. Reinforcement of DBP's core values, intensifying the culture of integrity and strictly adhering to the code of conduct and ethical behavior, are observed throughout the organization.

The Board of Directors, through the Human Resource Committee, oversees the selection and assessment of the performance of senior management based on fit and proper rule, qualification standards, and established criteria and performance standards consistent with the Bank's strategic objectives. Pursuant to the DBP Revised Charter, the Board approved the Bank's Merit Increase Program in December 2021 to keep the compensation of DBP Officers and employees at par and competitive with industry rates while the Bank's new compensation and position classification system is still under regulatory evaluation.

Appropriate groundwork to create long-term value has also been laid out by the Board of Directors through the adoption and implementation of sound strategies and practices consistent with DBP's corporate culture, long-term objectives, and organizational structure. The DBP Board likewise ensured that the Bank's governance, risk management, and internal control process remain generally adequate and effective while navigating through the new normal.

The Board takes the lead in promoting a culture of risk awareness by developing and refining the Bank's risk appetite and risk management strategy. The Bank follows an enterprise risk management framework which integrates Strategic Planning, the Internal Capital Adequacy Assessment Process, and Business Continuity Planning. The Board reviewed and approved risk management policies and procedures that tackled new governance protocols regarding credit, operational, and information security risks. Both the Business Continuity Management Program and Integrated Incident Management Framework were enhanced and revised to promote continuity of operations in the event of an emergency situation and to establish standardized procedures on management of incidents.

The Bank institutionalizes consumer protection as an integral component of corporate governance, culture, and risk management through the adoption of the Consumer Protection Risk Management System. The Consumer Assistance Management System is likewise set in place to manage, control, and ensures a two-way flow of information whereby the Bank, clients, regulators, and other stakeholders can have access and the means to dialogue.

BOARD OF DIRECTORS

Profiles

ALBERTO G. ROMULO

Chairman
Independent/Non-executive Director
Nationality: Filipino
Age: 88

Mr. Romulo has been serving as the Chairman of the DBP Board since 15 February 2017. Prior to assuming this position, Mr. Romulo has occupied various national government positions, both elected and appointed. From 1987 to 1998, he was elected Senator and served as Senate Majority Leader from 1991 to 1996. Among his notable contributions are the following banking-related laws he authored and/or sponsored: The New Central Bank Act, The Social Security Law, The Philippine Veterans Bank Act, and the Joint Legislative-Executive Development Council Law.

As a member of the Cabinet, Mr. Romulo lent his talents serving as Executive Secretary, Secretary of Finance, Secretary of Budget and Management, and Secretary of Foreign Affairs. As Foreign Affairs Secretary, he was instrumental in the passage of the Philippine Archipelagic Baseline Law in 2009 and the Veterans Benefit Enhancement Act. He was also appointed as a Member of the Monetary Board during the time of President Corazon Aquino and again when President Gloria Macapagal-Arroyo assumed power.

At present, Mr. Romulo concurrently holds directorships in DBP Leasing Corporation, DBP Insurance Brokerage, Inc., DBP Data Center, Inc., and Manila Bulletin Publishing Corporation. He is also an Ex-Officio member of the governing board of the Maritime Industry Authority, National Resources Development Corporation, National Food Authority, Strategic Investment Development Corporation, National Development Company, and Philippine International Trading Corporation.

Mr. Romulo is a lawyer and Certified Public Accountant. He obtained his Doctor of Laws degree from the University of Madrid in Spain.

EMMANUEL G. HERBOSA

Vice Chairman
President and Chief Executive Officer/Executive Director
Nationality: Filipino
Age: 68

Appointed on 15 February 2019, Mr. Herbosa currently sits as the Vice Chairman of the Board as well as the President and Chief Executive Officer of DBP. He also serves in the governing boards of DBP Daiwa Capital Markets, Philippines, Inc., LGU Guarantee Corporation, Bancnet, Bankers Association of the Philippines, Trinity Insurance Brokers, La Funeraria Paz, Inc., and Assist America Philippines. Mr. Herbosa is also the President of Emrose Ventures Corporation and Bambina Food Enterprises.

Honed by over four decades of solid banking experience, Mr. Herbosa juggled leadership roles in corporate banking, consumer banking, branch banking, and overseas banking in highly regarded financial institutions such as the Bank of the Philippine Islands and Bank of Commerce, where he served as Senior Vice President, and Executive Vice President, respectively. He also worked as Chief Operating Officer of Ayala Insurance, a bancassurance subsidiary of the Ayala Group.

Prior to his designation as DBP President and CEO, Mr. Herbosa headed the Philippine Guarantee Corporation, GOCC which provides accessible, reliable, and efficient guarantee systems to enable credit for stakeholders in trade and investments, infrastructure, housing, agriculture, MSMEs, and other priority sectors of the government. He also held directorial posts at the De La Salle School Boards, De La Salle Brothers Fund, Inc., and P & Gers Fund, Inc.

Mr. Herbosa graduated with a bachelor's degree in Industrial Management Engineering from the De La Salle University, and obtained his Master in Business Administration from the Wharton School, University of Pennsylvania.

LUIS C. BONGUYAN

Independent/Non-executive Director
Nationality: Filipino
Age: 73

Driven by his desire to enter public service, Mr. Bonguyan, a Certified Public Accountant at LC Bonguyan & Co. CPAs., served first as city councilor from 1988 to 1991 and then as Vice Mayor from 1991 to 1995 and 1998 to 2007 in the city government of Davao. Continuing that legacy, he sits in the governing board of DBP since 11 November 2016. He also serves as the Chairman of the Board of DBP Data Center, Inc. and Director of DBP Insurance Brokerage, Inc.

He held several top positions in several organizations, namely President of the American Chamber of Commerce, President of the Davao Jaycee Senate, National Director of JCI Senate Philippines, and the National President of the Ambassador Club of the Philippines prior to his appointment to the DBP Board.

Mr. Bonguyan earned numerous awards in the span of his career, including Most Outstanding Certified Public Accountant in public practice in 1983, Tambuli Award, the highest award from the University of Mindanao Alumni Association in 2001, and Most Outstanding JCI Senator of Mindanao.

ROGELIO V. GARCIA

Regular/Non-executive Director
Nationality: Filipino
Age: 73

Appointed to the role on 15 February 2017, Atty. Garcia brings over 45 years of law practice under his belt. The San Beda College alumnus was also appointed as Director of the DBP Insurance Brokerage, Inc. and the Al Amanah Islamic Investment Bank of the Philippines.

Atty. Garcia was a public servant in various capacities. He was a member of the Parliament in the Batasang Pambansa and Deputy Minister of the Department of Labor and Employment. His proven track record garnered Atty. Garcia various positions at the Integrated Bar of the Philippines, including IBP South Cotabato Chapter President, Governor for IBP Western Mindanao Region, and Deputy Director of IBP Commission on Bar Discipline. He was a member of the Board of Trustees of the Knights of Columbus Fraternal Association of the Philippines, Inc. (KCAFPI) from 2013 to 2016. Further, he was the JCI Senate Philippines National President in 2016.

Atty. Garcia also serves as the Chairman of the Board of Sagay Central, Inc.; President of the Ambassador Club Philippines – Quezon City Chapter; National President and Regional President of PDP Laban and PDP Laban Region XII, respectively; Senior Partner at the Rogelio V. Garcia Law Office, and Grand Knight of the Knight of Columbus – General Santos City Chapter.

MARIA LOURDES A. ARCENAS

Independent/Non-executive Director
Nationality: Filipino
Age: 71

A clinical psychologist by training and profession, Ms. Arcenas was appointed to the DBP Board of Directors on 4 January 2017. She concurrently serves as Director of the DBP Service Corporation and the Al Amanah Islamic Investment Bank of the Philippines as well as Treasurer of Vitrian Holdings, Inc. and Arava Development Corporation.

Ms. Arcenas has an extensive career which includes psycho-diagnostics and counselling, human resource management, crisis communication, team-building, resiliency, and competence development. She continuously lends her expertise as Senior Advisor on corporate social responsibility to local and international corporations in the mining, power, forestry, and infrastructure sectors.

She is a strong advocate of women empowerment, serving as the current Chairperson of Women Institute for Social Entrepreneurship which provides women in peace-building roles with opportunities for building sustainable livelihoods. Ms. Arcenas is also a trustee of Jose P. Laurel Memorial Foundation.

Ms. Arcenas graduated Cum Laude from St. Scholastica's College, Manila with a degree in Psychology. She obtained her Master of Arts degree in Clinical-Counseling Psychology from the Ateneo de Manila University. She was a recipient of the Rotary Ambassadorial Scholarship at Stanford University where she obtained a Master of Science degree in International Development Education. Ms. Arcenas received accreditation certificates in Partnerships Brokering for Sustainable Development from Deakin University in Australia and in Conflict Resolution and Peace Building from Chulalongkorn University in Thailand.

JEANNIE N. SANDOVAL

Regular/Non-executive Director
Nationality: Filipino
Tenure as director: 10 months
Age: 56

A veteran public servant, Ms. Sandoval began her almost year-long stint as member of the Board of Directors on 24 November 2020 and served until 05 October 2021.

Ms. Sandoval served as vice mayor of Malabon City from 2013 to 2019, prioritizing primary health care, education, entrepreneurial programs, and other essential social services, along with women empowerment, family and children's welfare. She also served as President of Genesis Industrial Gases Corporation, Watercraft Venture Corporation, and Soroptimist International of Malabon . In recognition of her efforts, she was named Most Outstanding Club President in the Soroptimist International Philippine Region Conference for 2010-2011 and 2011-2012. Soroptimist International of Malabon was also named Most Outstanding Club for the same years.

Married to former Rep. Federico S. Sandoval II, she earned her Bachelor's degree in Computer Science from the De La Salle University. Ms. Sandoval also completed a Local Legislation course in the University of the Philippines – National College for Public Administration and Governance, and attended the International Benchmarking Programs held in Sweden and Japan which focused on local government capacity to address urban challenges and solid waste management, respectively.

She sits as Chairperson of the Philippine Red Cross – Malabon City Chapter after serving for six years as a Director for Volunteers and External Affairs.

DANTE V. LIBAN

Regular/Non-executive Director
Nationality: Filipino
Age: 74

Director Liban joined the DBP Board of Directors on 31 August 2021.

With an extensive record in public service, Dr. Liban served as City Councilor and Minority Leader of the Quezon City Government; Congressional Representative of the Second District of Quezon City in the 9th, 10th and 11th Congress; and was a former Director General of the Technical Education and Skills Development Authority.

He occupied key positions in local and international organizations including Deputy Secretary General of the Chamber of Commerce of the Philippines (presently the Philippine Chamber of Commerce and Industry), Executive Secretary of the Employers Confederation of the Philippines, and Administrative Director of the ASEAN Chamber of Commerce & Industry's Working Group on Industrial Complementation. He likewise served as Regent of several universities including the University of the Philippines, Polytechnic University of the Philippines, and Mindanao State University.

Dr. Liban holds a Doctorate in Organizational Development and Degrees in Law and Public Administration, among others, and has earned honorary doctorates in the field of Humanities, Law, Education, Public Administration, and Pedagogy. Director Liban likewise attended advanced leadership programs at Harvard University's John F. Kennedy School of Government, Harvard Institute of International Development, the International Institute of Labor in Switzerland, and the Haggai Institute in Hawaii.

Dr. Liban concurrently serves as Director of the DBP Service Corporation and President of the Rotary Club of Quezon City – Mother Club in Rotary International District 3780.

MIGUEL C. ABAYA[2]

Independent/Non-executive Director
Tenure as director: 4 years and 4 months
Nationality: Filipino
Age: 85

Bringing his military know-how to the fore, Brigadier General Abaya (AFP, Ret.) was appointed to the BOD in November 2016 and served until 25 March 2021. Brigadier General Abaya's expertise continues to guide the BOD in making sound decisions, given DBP's substantial involvement in the modernization programs of the Armed Forces and the Police. He served as Director of Al Amanah Islamic Investment Bank of the Philippines and DBP Service Corporation.

Brigadier General Abaya is a graduate of the Philippine Military Academy and a holder of a Masters in Public Management degree from the University of the Philippines in Cebu. He also obtained a post-graduate degree in International Defense Management from the Naval Post Graduate School in Monterey, California.

Since 1982, Brigadier General Abaya has been a member of the Pi Gamma Mu International Honor Society in Social Sciences–University of the Philippines Diliman Alpha Chapter. He also served as Regional Commander of the Philippine Constabulary–Integrated National Police.

EMMANUEL P. GALICIA, JR.

Regular/Non-executive Director
Nationality: Filipino
Age: 51

With a consistent vocation in the legal profession, Atty. Galicia joined the DBP Board of Directors on 11 November 2016.

Atty. Galicia finished his Bachelor of Arts in Communication and obtained his Bachelor of Laws degree from the Ateneo de Davao University and was subsequently admitted to the Philippine Bar in 1996.

At present, Atty. Galicia is a senior partner and associate at LG Law and Goc-Ong & Associates Law Offices, respectively; a retained lawyer of various companies; and the President of the Independent Baptist Churches in the Philippines. He also serves as the President and CEO of the DBP Data Center, Inc.

[2]Director Abaya only served as a Director until 25 March 2021.

RAFAEL L. REYES

Regular/Non-executive Director
Nationality: Filipino
Age: 53

Mr. Reyes assumed his duties as DBP Director on 27 October 2020.

Prior to his appointment to the DBP Board, he handled top management position roles including Chief Executive Officer of Miascor Holdings, Inc.; Executive Director, Mergers & Acquisitions and Strategy of Prospector Investments Ltd.; Managing Director of JG Summit Capital Services, Inc.; Executive Director, SE Asia Private Equity Head of AIG Investment Corporation; and Vice President of AIA Capital Corporation.

He was a former Deputy Administrator of the Subic Bay Metropolitan Authority and served in the board of various companies within South East Asia including eTelecare Global Solutions Inc.; SPI Technologies, Inc.; Rustan Supercenters, Inc.; Eng Teknologi Holdings Bhd; WTK Holdings Bhd.; and Millennium Microtech Holdings Corp.; among others. His consulting engagements include stints with a number of private companies including Lombard Investments, Energy Logics Group, and Prospector Investments and Citadel Holdings.

Mr. Reyes is a member of the Management Association of the Philippines, the Financial Executives Institute of the Philippines and the Tau Beta Pi Engineering Honor Society. He is a published writer and obtained both his Bachelor of Science in Industrial Engineering and Engineering Management, and Master of Science in Industrial Engineering, from Stanford University in the U.S.

Mr. Reyes, the Founder and Chief Executive Officer of FIGS, Inc., also serves as the Chief Executive Officer of Landlock Propiedad, Inc. He also sits in the governing board of DBP Insurance Brokerage, Inc., Moxie Real Estate Advisers, Inc., XYZ Transport Holdings, Inc., CB E-Cademy Incorporated Embark Holdings, Inc., Royal Beijing Language and Cultural Center Inc., and Atravesar, Inc.

WILMA T. EISMA

Regular/Non-executive Director
Nationality: Filipino
Age: 53

Following her stint as the first woman Administrator and Chairman of the Subic Bay Metropolitan Authority, Atty. Wilma T. Eisma joined the DBP Board of Directors on 02 March 2022. She also serves as Director of the DBP Insurance Brokerage, Inc.

Atty. Eisma also held various leadership roles in PMFTC Inc., the Philippine affiliate of Philip Morris International, handling Sustainability and Contributions, Public Affairs and Contributions, and Government and Community Relations. She likewise handled Local Regulatory Affairs and Community Relations, as well as Government Relations, while working for the Philip Morris Philippines Manufacturing Inc. She occupied key positions during her tenure at the Office of the Secretary of the Department of Trade and Industry, and the Office of the Majority Floor Leader in the House of Representatives.

Atty. Eisma earned her Doctor of Jurisprudence from the Ateneo de Manila University. She has received both local and international recognition including the "100 Most Influential Filipina Women in the World" Award from the Global Filipina Women's Network of Toronto, Canada; International Public Service Award from the Chicago Filipino Asian-American Hall of Fame Awards; Silver Stevie Award for "Female Executive of the Year" during the 15th Annual Stevie Awards in New York City, USA; and the "Woman of the Year" Award from the American Association of the Philippines' Asia Leaders Awards.

CONSUELO N. PADILLA

Regular/Non-executive Director
Nationality: Filipino
Age: 62

Ms. Padilla assumed office as Member to the DBP Board of Directors on 08 March 2022. She concurrently serves as Chairman of the Landbank Countryside Development Foundation and Director of the PTFC Baesa Redevelopment Corporation, Padilla De Los Reyes, Inc., and Seltoh/Tohsel Corporation. She is also the Treasurer of the Foundation for Development Through Education.

She was previously a Presidential Assistant at the Office of the President, as well as a Consultant for solid waste at the Department of Tourism. She has held key positions in the Treasury offices of Philippine Associated Smelting and Refining Corporation and the Bank of the Philippine Islands, and was the Philippine Representative to OBU Bank Dagang Nasional Indonesia.

Ms. Padilla earned her Master in Business Management from the Asian Institute of Management, and her AB Literature in English and BSC Accounting degree from Assumption College.

THE BOARD OF DIRECTORS

The Board of Directors takes the lead in articulating and carrying out the Bank's development mandate, with the end goal of fostering long-term success and securing sustained competitiveness of DBP, consistent with their fiduciary responsibility to promote the best interest of the Bank, the Filipino people and other stakeholders. The Board of Directors also set out the performance tone and shapes the corporate culture of the Bank.

The Board of Directors is made up of nine (9) members including the Chairman and the President and CEO, appointed by the President of the Philippines. All members are persons of probity with recognized competence in banking, finance, economics, law, agriculture, business management, or government administration.

Two separate individuals, namely Mr. Alberto G. Romulo and Mr. Emmanuel G. Herbosa, continue to sit as Chairman and President and CEO, respectively, to ensure an appropriate balance of power, increased accountability, greater capacity of the Board for independent decision-making, and optimum capacity to exercise supervisory function over Management. Chairman Romulo has been taking the lead role in governing the Bank in a transparent manner since his appointment in February 2017. Through an organized decision-making process, he ensured that all Directors have the opportunity to deliberate and make informed decisions on all matters submitted for Board's consideration. Their concerted efforts and collective wisdom guided and enabled the Bank to meet its targets and objectives. Meanwhile, President and CEO Herbosa joined the Board on 01 March 2019 and acts as its Vice Chairman. He directs and supervises the Bank's operations as well as executes and administers the policies, measures, and resolutions approved by the Board. He also handles implementation of strategies that safeguard the interests of the Bank and its stakeholders to ensure optimal results.

DBP adheres to the prescribed remuneration for Directors of a Class "A" financial institution under Executive Order No. 24, series of 2011. Members of the Board of Directors are entitled to receive the prescribed amount of per diem for each Board and Board-Level Committee meeting attended, subject to the prescribed annual limit and special premium rate accorded to the Chairman of the Board and of the respective Board-level Committees. Likewise, the Members of the Board of Directors are entitled to Performance-Based Incentive (PBI) and certain reimbursable expenses incurred in the performance of their official duties.

Further, the President and CEO receives additional compensation in accordance with existing DBP Compensation Plan, in such amount as determined and approved by the Board of Directors.

Members of the Board held a Board Retreat on 25 August 2021 to: revisit the DBP's Strategy Map, Mission and Vision Statement and Broad-based strategies; confirm the 2022 DBP Performance Scorecard endorsed by Management; identify strategic priorities for 2022 and beyond; and offer insights to the direction of the Bank as it celebrates its 75th founding year. They likewise evaluated DBP's progress in implementing board-based strategies to foster sustainable growth. The Board of Directors adopted the "Transformative Banking" theme endorsed by the Management which reinforced the Bank's proactive stance to revitalize the economy.

As part of the Bank's Continuing Education Program for the Board, all Directors participated in both in-house and outsourced capacity-building training programs and seminars on relevant topics such as Corporate Governance, Information Security, and Anti-Money Laundering. New Directors, on the other hand, were enrolled in a Corporate Governance Orientation program given by an accredited training provider of BSP or GCG. Through an orientation program conducted by the Office of the Corporate Secretary, newly appointed Directors are likewise furnished with a Compliance Kit and were informed of their respective duties and responsibilities.

All incumbent members of the Board of Directors and Officers, at the end of the year, disclosed their existing interlocking positions in all entities to the Board of Directors and BSP. DBP also held an assessment to ensure that all those concerned still have sufficient time to effectively carry out their duties and responsibilities in addition to preventing conflicts of interest arising from these interlocking positions.

DBP also measured the performance of the Board and its individual members through the Annual Performance Appraisal of the DBP Board of Directors, Board-Level Committees, and Individual Directors, to determine performance gaps and areas for improvement; measure adherence to individual and collective roles, duties and responsibilities of the directors; and ensure the Board remain the best fit to support the Bank's strategic goals as provided in the BSP MORB, the Fit and Proper Rule of the GCG, and the DBP Revised Manual of Corporate Governance. The assessment system applies to Directors who have served the Bank for at least six (6) months prior to the rating date.

The criteria and rating system for the Board and Board-level Committee assessments focus on their structure and composition (20%), duties and responsibilities (60%) and performance of individual members (20%). For the Peer Assessment, the criteria are the following: Competence (15%), Independence (15%), Preparedness as a Director (20%), Practice as a Director (20%), Committee Activity (15%), and Development Process of the Corporate Enterprise (15%). Results of the appraisal for CY 2021 showed that the Board of Directors displayed a high level of effectiveness and efficiency with an over-all rating of "Very Satisfactory" while each member obtained a strong adjectival rating. Board-Level Committees, on the other hand, achieved a "Very Satisfactory" or an "Outstanding" rating for the 2021 performance period.

Board Committees

The Board of Directors may delegate some of its functions, to Board-Level Committees as it sees fit. Board-Level Committees play a crucial role in ensuring adherence to laws, regulations, and guidelines relevant to governance, internal audit, risk oversight, and information technology, among others. It likewise assists the Board in improving banking operations by contributing in efforts to resolve issues, enhance efficiency, advance corporate good governance, and drive sustainable growth.

At present, the Bank's standing committees are as follows: the Executive Committee (ExCom); Audit and Compliance Committee (ACC); Risk Oversight Committee (ROC); Trust Committee (TC); IT Governance Committee (ITGC); Governance Committee (GovCom); Human Resource Committee (HR Comm); Related Party Transactions (RPT) Committee; and Budget Committee. Ad-hoc committees with limited duration and scope, are also formed on an as-needed basis.

At least one-third but not less than two (2) members are nominated and appointed as an Independent Director by the DBP Board, subject to the confirmation of the BSP and the Monetary Board. Prior to their nomination, the Bank conducts an initial evaluation of their profile and work experience in line with Subsection 131.g of the BSP Manual of Regulations for Banks (MORB). Independent directors are tasked to promote the independent oversight of management of the Board. The Bank's independent directors are Chairman Alberto G. Romulo, Director Maria Lourdes A. Arcenas, Director Luis C. Bonguyan, and Director Miguel C. Abaya.

In 2021, the Board of Directors commenced the review and updating of the Board-Level Committee Charters to reflect recent policy changes, adopt trends and innovations, and recommendations from regulatory agencies. Provisions on virtual attendance, remote conduct of meetings, and records confidentiality, among others, were among those included in the revised Charters.

Executive Committee

The Executive Committee exercises such powers of the Board of Directors in the management of the business and affairs of the Bank as the Board may time to time confer upon it. It is composed of the Chairman of the Board of Directors, the President and CEO, and three (3) other Directors who are designated on a regular rotation basis.

The Committee works with the President and CEO in reviewing short and long-term plans prepared by the Management prior to submission to the Board of Directors. It also reviews in detail, progress against plan especially of activities or units within an activity that are not are not up to par except areas of Management that fall within the responsibilities of the ACC and HR Comm. ExCom is likewise tasked to review all management practices annually.

In 2021, ExCom held 25 meetings where it deliberated and passed upon matters that are within the purview of its delegated authority under the DBP Amended By-Laws.

Designation	Name	Inclusive Dates	Committee Meetings Held		
			Held Since Assumption	Attended	%
Chairman	Alberto G. Romulo	January 1 – December 31, 2021	25	25	100%
Vice Chairman	Emmanuel G. Herbosa	January 1 – December 31, 2021	25	25	100%
Members (on a rotation basis)*	Miguel C. Abaya	January 1 – March 25, 2021	2	2	100%
	Maria Lourdes A. Arcenas	January 1 – December 31, 2021	13	13	100%
	Luis C. Bonguyan	January 1 – December 31, 2021	12	12	100%
	Emmanuel P. Galicia, Jr.	January 1 – December 31, 2021	13	13	100%
	Rogelio V. Garcia	January 1 – December 31, 2021	11	11	100%
	Dante V. Liban	August 31 – December 31, 2021	4	4	100%
	Rafael L. Reyes	January 1 – December 31, 2021	12	12	100%
	Jeannie N. Sandoval	January 1 – October 5, 2021	10	10	100%

**Membership of ExCom is occasionally rotated by the Board of Directors to avoid undue concentration of power and promote fresh perspective.*

Trust Committee

The Trust Committee is a special committee that ensures that the Bank's trust and other fiduciary business, including investment management activities of the DBP Trust Banking Group, are carried out in accordance with applicable, laws, rules, and regulations.

The Committee oversees the implementation of DBP's risk management framework as well as the placement of internal controls related to fiduciary activities. It likewise reviews the trust business operations as well as proposals for new investments, trust products, and the like. Also part of its duties is reviewing and evaluating the performance of the Trust Officer.

TC is composed of at least five members including the President and CEO, and the Trust Officer. The Chairperson and other members of the Committee may be any of the following: (a) non-executive directors or independent directors who are both not part of the audit committee; or (b) those considered as "qualified independent professionals".

It held a total of 12 meetings in 2021.

Designation	Name	Inclusive Dates	Committee Meetings Held		
			Held Since Assumption	Attended	%
Chairman	Emmanuel P. Galicia, Jr.	January 1 – December 31, 2021	12	12	100%-
Vice Chairman	Rafael L. Reyes	January 1 – December 31, 2021	12	12	100%
Members	Emmanuel G. Herbosa	January 1 – December 31, 2021	12	12	100%
	Corazon D. Conde (Independent Professional)	January 1 – December 31, 2021	12	12	100%
	Ma. Teresa T. Atienza (Trust Officer)	January 1 – July 23, 2021	7	7	100%
	Camilo G. Sanchez (Trust Officer)	December 15 - 31, 2021	1	1	100%

Risk Oversight Committee

The Risk Oversight Committee provides oversight on the Bank's compliance to risk management principles and best practices. It also governs the establishment of a robust risk management framework to ensure timely execution of risk management strategies and plans in the midst of the pandemic. The Committee is composed of at least three members wherein the majority must be independent directors, including the Chairman. ROC held 14 regular and special meetings to address the adequacy and effectiveness of the Bank's risk management systems and operating policies.

In 2021, the Board of Directors, through the ROC, defined the Bank's internal capital management strategies and work towards the achievement of augmenting its long-term resources through capital infusion from its stakeholders as part of the Internal Capital Adequacy Assessment Process. Enhancements on the Bank's credit, market, liquidity, interest rate, operational, and information security risk management policies and procedures recommended by business units such as the Enterprise Risk Management Group (ERMG) were also approved by the Committee. It also approved work-from-home and alternative working arrangements to ensure business continuity of bankwide operations.

The Committee addressed the asset quality deterioration through various directives; thereby ensuring bad accounts have appropriate provisions. It likewise institutionalized the Consumer Protection Risk Management System and ensured that the Bank met its profitability targets by year-end and maintained sufficient liquidity at all times.

Designation	Name	Inclusive Dates	Committee Meetings Held		
			Held Since Assumption	Attended	%
Chairman	Miguel C. Abaya	January 1 – March 25, 2021	3	3	100%
(Acting Chairman)	Rafael L. Reyes	April 21 – December 31, 2021	14	14	100%
Vice Chairman		January 1 – April 20, 2021			
	Luis C. Bonguyan	October 6 – December 31, 2021 (Vice Chairman)	14	14	100%
Members		January 1 – October 5, 2021			
	Maria Lourdes A. Arcenas	April 21 - December 31, 2021	11	11	100%

Development Advocacy Committee

The Development Advocacy Committee assists the Board of Directors in driving and integrating sustainability and emerging development perspectives into the Bank's lending programs and operations. It likewise ensures that such programs are aligned with the national socio-economic agenda as well as the administration's thrusts specially those focusing on the environment and social safeguards. DAC likewise continuously charts the overall outcome of DBP's development mandate.

The Committee is composed of six (6) members including the Chairman of the Board of Directors, and the President and CEO. A total of 12 meetings were held in 2021.

Designation	Name	Inclusive Dates	Committee Meetings Held		
			Held Since Assumption	Attended	%
Chairman	Jeannie N. Sandoval	January 1 – October 5, 2021	9	9	100%
	Dante V. Liban	October 6 – December 31, 2021	3	3	100%
Vice Chairman	Rogelio V. Garcia	January 1 – December 31, 2021	12	12	100%
Members	Alberto G. Romulo	January 1 – December 31, 2021	12	12	100%
	Emmanuel G. Herbosa	January 1 – December 31, 2021	12	11[2]	100%
	Miguel C. Abaya	January 1 – March 25, 2021	3	3	100%
	Maria Lourdes A. Arcenas	January 1 – December 31, 2021	12	12	100%
	Rafael L. Reyes	April 21 – December 31, 2021	12	12	100%

Audit and Compliance Committee

The Audit and Compliance Committee provides oversight on the adequacy, effectiveness, and efficiency of the Bank's internal control framework; internal and external audit functions and compliance functions/programs; and the financial reporting policies, practices and control, and monitoring of compliance with applicable laws, rules and regulations; among others. It also approves the appointment and removal of the Internal Audit Group's (IAG) Chief Audit Executive pursuant to the Committee's Charter and BSP MORB.

In 2021, ACC continued to tackle various matters such as the Bank's annual business plans, recommendations on credit policy enhancements, independent testing frameworks, compliance, and the performance of IAG and the Compliance Management Group (CMG). Committee members likewise discussed the results of IAG's review and annual internal report on the effectiveness of the Bank's internal controls and risk management systems during the 1st quarter of the year.

ACC also approved and authorized the implementation of IAG's 2021 Risk-Based Audit Plan, Quality Assurance Improvement Program, Updated Internal Audit and Operating Manual, and the conduct of remote or offsite auditing to ensure continuity of services and compliance with regulatory requirements. To ensure the Bank's practices remain aligned with the best industry practices, ACC also kept track of outstanding audit issues, findings, or recommendations. It also noted the report on the results of credit, operations, applications, pre-implementation of 78 branches, lending centers, processes, subsidiaries, and IT systems, among others.

As the lead group in implementing the Bank's compliance program, CMG took steps to ensure that several policies and programs remain relevant, effective, and compliant with regulatory issuances and recommendations. In 2021, ACC approved several proposals from CMG, including the Bank's Compliance Manual to incorporate changes in banking laws, rules, and regulations; Amended Money Laundering and Terrorism Financing Prevention Program; Enhanced Money Laundering Risk Assessment Forum; Updated Anti-Money Laundering Compliance Risk Testing Program which now includes offsite risk testing methodologies; and the conduct of the Bank-wide Privacy Impact Assessment and Validation to identify and minimize the risk of DBP's existing projects, programs, measures, system, and technology.

[2] President and CEO Herbosa missed one meeting as he was away on official business.

ACC is composed of at least three (3) non-executive directors, majority of whom are independent directors, including the Chairperson. It held 14 meetings in 2021.

Designation	Name	Inclusive Dates	Committee Meetings Held		
			Held Since Assumption	Attended	%
Chairman	Luis C. Bonguyan	January 1 – December 31, 2021	14	14	100%
Vice Chairman	Rogelio V. Garcia	January 1 – December 31, 2021	14	14	100%
Member	Maria Lourdes A. Arcenas	January 1 – December 31, 2021	14	14	100%

Governance Committee

The Governance Committee assists the Board of Directors in fulfilling its corporate governance responsibilities and in promoting the best interests of the Bank, particularly ensuring the Board's effectiveness, due observance of the Bank's corporate governance principles and guidelines, and a sound corporate governance framework. It likewise formulates and recommends the implementation of systems and procedures to strengthen the Board's independence from management and avoid conflicts of interest. It also acts as the Whistleblower Protection Committee and oversees the periodic evaluation of the Board, Board-Level Committees, and Senior Management.

In 2021, GovCom stepped up its engagement efforts to ensure DBP officers and employees' continuous participation in corporate governance programs and activities under the Enhanced DBP Corporate Governance Framework 2019-2022. It encouraged the Bank's Governance Circles (GCs) in the Head Office, Branches, and Lending Centers to regularly meet in person or via various video/teleconferencing platforms to allow employees, including those on the front lines or with alternative work arrangements, to freely voice their concerns, collaborate, and discuss relevant issues. The Office of the Corporate Secretary – Corporate Governance Unit (OCS-CGU) consolidates reports from GCs and submits it to GovCom for notation and referral to concerned business units for appropriate action. At present, there are more than 260 active GCs.

In light of the gradual easing of quarantine restrictions, GovCom held a Town Hall in partnership with HR Comm on 25 November 2021 to discuss employee-related matters including issues and concerns under the purview of HRMG. As members of the Board of Directors where present, relevant concerns were either addressed on the spot or farmed out to business units and officers concerned for their feedback or updates. GovCom members assured all employees that ensuring their fair treatment and compensation is among the top priorities of the Board of Directors and Senior Management.

The Committee is composed of at least three non-executive directors, majority of whom shall be independent, including the Chairperson. It held 18 meetings in the past year.

Designation	Name	Inclusive Dates	Committee Meetings Held		
			Held Since Assumption	Attended	%
Chairman	Maria Lourdes A. Arcenas	January 1 – December 31, 2021	18	18	100%
Vice Chairman	Emmanuel P. Galicia, Jr.	January 1 – December 31, 2021	18	18	100%
Member	Alberto G. Romulo	January 1 – December 31, 2021	18	18	100%

IT Governance Committee

The IT Governance Committee, composed of at least three (3) members of the Board of Directors, oversees the Bank's information technology (IT) - related business and affairs as well as ensures that its IT capabilities are aligned with the Bank's goals and objectives. It provides guidance to IT on the best approach to meets its objectives, monitors the performance of IT operations vis-à-vis its plan and the progress of IT projects, reviews and endorses to the Board reports on all IT issues and concerns, and provides insights and advice to the executive management through the IT Steering Committee.

ITGC periodically reviews and updates the Bank's Information Strategic Plan to reflect business requirements. It likewise monitors IT services and safeguard IT assets of DBP. In addition, it ensures that IT performance is measured, IT resources are managed, and that IT-related risk are identified, measured, monitored, and mitigated.

The Committee held 13 meetings in 2021.

Designation	Name	Inclusive Dates	Committee Meetings Held		
			Held Since Assumption	Attended	%
Chairman	Dante V. Liban	October 6 – December 31, 2021	3	3	100%
Chairman	Rafael L. Reyes	January 1 – October 5, 2021	13	13	100%
Vice Chairman	Rafael L. Reyes	October 6 – December 31, 2021			
Vice Chairman	Emmanuel P. Galicia, Jr.	January 1 – October 5, 2021	13	13	100%
Members	Emmanuel P. Galicia, Jr.	October 6 – December 31, 2021			
Members	Miguel C. Abaya	January 1 – March 25, 2021	3	3	100%
Members	Luis C. Bonguyan	April 21 – December 1, 2021	9	9	100%
Members	Jeannie N. Sandoval	January 1 – October 5, 2021	9	9	100%

Human Resource Committee

The Human Resource Committee assists the Board of Directors in ensuring the practice of good corporate governance within the institution. It reviews, screens, and formalizes Management's recommendations on HR-related matters for approval of the Board of Directors. To meet the growing needs of the Bank's officers and employees, it ensures that internal policies on recruitment, talent development, performance evaluation, and promotion and retention programs as well as bank-wide compensation and benefits programs are up to date and compliant with regulatory issuances. The Committee likewise provides oversight over the remuneration of senior management and other key personnel.

HR Comm is composed of the President and CEO, and two members of the BOD. It held a total of 16 meetings in 2021.

Designation	Name	Inclusive Dates	Committee Meetings Held		
			Held Since Assumption	Attended	%
Chairman	Rogelio V. Garcia	January 1 - December 31, 2021	16	16	100%
Vice Chairman	Emmanuel G. Herbosa	January 1 – November 2, 2021	11	10[3]	100%
Members	Maria Lourdes A. Arcenas	November 3 – December 31, 2021	5	5	100%
	Jeannie N. Sandoval	January 1 – October 5, 2021	3	3	100%
	Dante V. Liban	October 6 – December 31, 2021	6	6	100%

Related Party Transactions Committee

The Related Party Transactions Committee assists the Board of Directors in ensuring that all transactions with related parties are properly disclosed, recorded, monitored, updated, and reported as needed. It is likewise tasked to evaluate all material RPTs and ensure that these are undertaken on an arm's length basis. It also oversees, through the OCS-CGU, the implementation of the system for identifying, monitoring, measuring, controlling, and reporting of all RPTs, including the periodic review of RPT policies and procedures.

The RPT Committee also discloses relevant information on the Bank's exposures and observance of policies on conflicts of interest to the appropriate regulating and supervising authorities as needed.

The Committee is composed of three members of the BOD, two of whom are independent directors, including the Committee Chairperson. In 2021, the RPT Committee held eight (8) meetings.

Designation	Name	Inclusive Dates	Committee Meetings Held		
			Held Since Assumption	Attended	%
Chairman	Alberto G. Romulo	January 1 – December 31, 2021	8	8	100%
Vice Chairman	Miguel C. Abaya	January 1 – March 25, 2021	1	1	100%
	Luis C. Bonguyan	April 21 – December 31, 2021	7	7	100%
Member	Jeannie N. Sandoval	January 1 – October 5, 2021	6	6	100%
	Dante V. Liban	October 6 – December 31, 2021	2	2	100%

Budget Committee

The Budget Committee, composed of four members of the Board of Directors, helps oversee the management of the Bank's financial and budgetary affairs. It reviews, evaluates, and approves or endorses for approval the Bank's operating expenses, major capital expenditures, and other related matters.

It held a total of 10 meetings in 2021.

Designation	Name	Inclusive Dates	Committee Meetings Held		
			Held Since Assumption	Attended	%
Chairman	Rogelio V. Garcia	January 1 – December 31, 2021	10	10	100%
Vice Chairman	Emmanuel P. Galicia, Jr.	October 6 – December 31, 2021	10	10	100%
Members		January 1 – October 5, 2021			
	Luis C. Bonguyan	January 1 - December 31, 2021	10	10	100%

Board Meetings

The schedule of Board and Board-Level Committee meetings in CY 2021 were set and approved by the Board of Directors on 16 December 2020, to ensure attendance and availability of its members. As in the past, all incumbent members of the Board attended 100% of both scheduled and special meetings held including those conducted via ad referendum. In CY 2021, the Board of Directors conducted meetings in person and through modern technologies to ensure existence of a quorum and allow members who cannot physically attend reasonable opportunities to participate.

The Board and Executive Committee each held two meetings per month while the other Board-level Committees met at least once a month or as needed. In compliance with the BSP MORB, a separate meeting, without the President and CEO, was held on 29 September 2021, where non-executive Directors discussed with the Heads of the Oversight Groups, specifically the IAG, CMG, and ERMG, various matters under their purview such as IAG's annual audit report and results of internal audit reviews; compliance concerns, including CMG's plans, goals, and targets; and ERMG's organizational structure and critical risk matters in the near term.

The Bank's Corporate Secretary, SVP Rene A. Gaerlan, lends his expertise to ensure the Board's effectiveness and efficiency. He also prepares and maintains records of the Board and Board-Level Committees' actions or decisions for easy reference, audit compliance, and other regulatory requirements. The Corporate Secretary keeps the members of the Board informed of the policy changes, developments, and other materials to effectively discharge their functions.

[3]President and CEO Herbosa missed one meeting as he was away on official business.

CY 2021 Actual Date of Board and Board-Level Committees Meeting

I. Board Meeting

2021	Regular Meeting	Special Meetings	Meeting via/Ad Referendum
January	6, 20	-	6, 20, 27
February	3, 17	-	2, 17
March	3, 17	-	3, 17, 29
April	7, 21	-	7, 16, 21, 23, 28, 29
May	5, 19	-	5, 17, 19
June	2, 16	-	2, 16, 30
July	7, 21	-	7, 12, 21, 22, 29
August	4, 18	-	4, 18, 25, 31
September	1, 15	16	1, 6, 15, 23
October	6, 20	27	6, 20, 29
November	3, 17	24	3, 17
December	1, 15	-	1, 10 , 15
TOTAL	24	3	41

II. Board-Level Committee Meeting

2021	ExCom		TC		ROC			DAC		ACC		GovCom		ITGC			HR Comm			RPT Committee		Budget Committee	
	Reg.	Ad Ref	Reg.	Ad Ref	Reg.	Ad Ref	Special	Reg.	Ad Ref	Reg.	Special	Reg.	Ad Ref	Reg.	Ad Ref	Special	Reg.	Ad Ref	Special	Reg.	Ad Ref	Reg	Ad Ref
January	13, 27	-	27	-	-	27	-	13	-	20	-	-	6, 29	6	-	-	13	-	-	-	-	-	20
February	10, 24	-	24	-	24	-	-	10	-	17	4	3	-	3	-	-	10	-	-	-	11	-	-
March	10, 24	-	-	24	-	24	-	10	-	17	-	3	3	3	-	-	10	17	-	-	-	-	17
April	14, 28	-	-	28	28	-	-	14	-	21	-	7	-	7	-	-	-	14	-	-	-	-	21
May	12, 26	-	26	-	27	-	-	12	-	19	-	5	14	-	5	-	12	-	-	-	28	-	19
June	9, 23	-	23	-	23	-	-	9	-	16	-	2	9, 11	2	-	-	9	-	-	-	-	-	16
July	14, 28	-	22	-	28	-	-	14	-	21	-	7	-	7	-	-	14	-	-	-	2, 16 , 26	7	-
August	11, 25	-	-	25	25	-	-	25	-	18	31	4	-	4	-	-	-	11	-	-	3	-	18
September	8, 22	-	22	-	22	-	-	-	8	15	-	1	-	1	-	-	-	8	-	-	-	-	15
October	13, 27	-	27	-	27	-	1	13	-	20	-	6	-	6	-	-	13	-	-	-	15	-	20
November	10, 24	-	24	-	24	-	19	10	-	17	-	3	24	3	-	15	10	-	4, 25	-	26	-	-
December	9	20, 24	16	-	16	-	-	9	-	15	-	1	-	1	-	-	9	28	-	-	-	15	-
TOTAL	**23**	**2**	**9**	**3**	**10**	**2**	**2**	**11**	**1**	**12**	**2**	**11**	**8**	**11**	**1**	**1**	**9**	**5**	**2**	**-**	**8**	**2**	**8**

Attendance of Directors at Board Meetings

Name of Director	24 Regular Board Meetings			44 Approval by Referendum/ Special Meetings		
	Held Since Assumption	Attended	%	Held Since Assumption	Attended	%
Alberto G. Romulo	24	24	100%	44	44	100%
Emmanuel G. Herbosa	24	24	100%	44	44	100%
Miguel C. Abaya	6	6	100%	7	7	100%
Maria Lourdes A. Arcenas	24	24	100%	44	44	100%
Luis C. Bonguyan	24	24	100%	44	44	100%
Emmanuel P. Galicia, Jr.	24	24	100%	44	44	100%
Rogelio V. Garcia	24	24	100%	44	44	100%
Dante V. Liban	8	8	100%	16	16	100%
Rafael L. Reyes	24	24	100%	44	44	100%
Jeannie N. Sandoval	18	18	100%	34	34	100%

Continuing Education Program for the Members of the Board for CY 2021

Name of Director	Training Course	Inclusive Dates		Conducted by	Venue
Romulo, Alberto G.					
	Information Security Awareness Session for Board of Directors	11/29/2021	11/29/2021	Engr. Rogelio Tiglao - Cybersecurity Bureau - Department of Information and Communications Technology	Respective Areas (Via Zoom)
	Executive Session on Business Restructuring and Rehabilitation and Practical Applications of the FIST Law	08/10/2021	18/10/2021	Ateneo-CCE	Via Zoom
	Anti-Money Laundering Updates for Board of Directors and Senior Management	09/14/2021	09/14/2021	Anti-Money Laundering Council	Via Ms Teams
	Financial Institutions Strategic Transfer (FIST) Law Briefing	08/11/2021	08/11/2021	BSP Deputy Director Noel Neil Malimban (Office of the General Counsel and Legal Services)	Via Zoom
Herbosa, Emmanuel G.					
	Information Security Awareness Session for Board of Directors	11/29/2021	11/29/2021	Engr. Rogelio Tiglao - Cybersecurity Bureau - Department of Information and Communications Technology	Respective Areas (Via Zoom)
	Executive Session on Business Restructuring and Rehabilitation and Practical Applications of the FIST Law	08/10/2021	18/10/2021	Ateneo-CCE	Via Zoom
	Anti-Money Laundering Updates for Board of Directors and Senior Management	09/14/2021	09/14/2021	Anti-Money Laundering Council	Via Ms Teams
	MAP General Membership Meeting: “Governance Warriors: How Independent Directors Create Value?”	07/13/2021	07/13/2021	Management Association of the Philippines	Via Zoom
Arcenas, Maria Lourdes A.					
	Information Security Awareness Session for Board of Directors	11/29/2021	11/29/2021	Engr. Rogelio Tiglao - Cybersecurity Bureau - Department of Information and Communications Technology	Respective Areas (Via Zoom)
	Anti-Money Laundering Updates for Board of Directors and Senior Management	09/14/2021	09/14/2021	Anti-Money Laundering Council	Via Ms Teams
	Financial Institutions Strategic Transfer (FIST) Law Briefing	08/11/2021	08/11/2021	BSP Deputy Director Noel Neil Malimban (Office of the General Counsel and Legal Services)	Via Zoom
	MAP General Membership Meeting: “Governance Warriors: How Independent Directors Create Value?”	07/13/2021	07/13/2021	Management Association of the Philippines	Via Zoom
Bonguyan, Luis C.					
	Information Security Awareness Session for Board of Directors	11/29/2021	11/29/2021	Engr. Rogelio Tiglao - Cybersecurity Bureau - Department of Information and Communications Technology	Respective Areas (Via Zoom)
	Executive Session on Business Restructuring and Rehabilitation and Practical Applications of the FIST Law	08/10/2021	18/10/2021	Ateneo-CCE	Via Zoom
	Anti-Money Laundering Updates for Board of Directors and Senior Management	09/14/2021	09/14/2021	Anti-Money Laundering Council	Via Ms Teams
	Financial Institutions Strategic Transfer (FIST) Law Briefing	08/11/2021	08/11/2021	BSP Deputy Director Noel Neil Malimban (Office of the General Counsel and Legal Services)	Via Zoom
	MAP General Membership Meeting: “Governance Warriors: How Independent Directors Create Value?”	07/13/2021	07/13/2021	Management Association of the Philippines	Via Zoom
Garcia, Rogelio V.					
	Information Security Awareness Session for Board of Directors	11/29/2021	11/29/2021	Engr. Rogelio Tiglao - Cybersecurity Bureau - Department of Information and Communications Technology	Respective Areas (Via Zoom)
	Anti-Money Laundering Updates for Board of Directors and Senior Management	09/14/2021	09/14/2021	Anti-Money Laundering Council	Via Ms Teams
	Financial Institutions Strategic Transfer (FIST) Law Briefing	08/11/2021	08/11/2021	BSP Deputy Director Noel Neil Malimban (Office of the General Counsel and Legal Services)	Via Zoom
	MAP General Membership Meeting: “Governance Warriors: How Independent Directors Create Value?”	07/13/2021	07/13/2021	Management Association of the Philippines	Via Zoom
Galicia, Emmanuel P. Jr.					
	Information Security Awareness Session for Board of Directors (Recording)	11/29/2021	11/29/2021	Engr. Rogelio Tiglao - Cybersecurity Bureau - Department of Information and Communications Technology	Respective Areas (Via Zoom)
	Executive Session on Business Restructuring and Rehabilitation and Practical Applications of the FIST Law	08/10/2021	18/10/2021	Ateneo-CCE	Via Ms Teams
	Anti-Money Laundering Updates for Board of Directors and Senior Management	09/14/2021	09/14/2021	Anti-Money Laundering Council	Via Ms Teams
	Financial Institutions Strategic Transfer (FIST) Law Briefing	08/11/2021	08/11/2021	BSP Deputy Director Noel Neil Malimban (Office of the General Counsel and Legal Services)	Via Zoom
	MAP General Membership Meeting: “Governance Warriors: How Independent Directors Create Value?”	07/13/2021	07/13/2021	Management Association of the Philippines	Via Zoom
	Online Mandatory Continuing Legal Education - VII Compliance (with 36 MCLE Units)	07/05/2021	10/05/2021	Chan Robles Law Net, Inc.	Self-Paced Via ChanRobles Online Learning Platform
Liban, Dante V.					
	Information Security Awareness Session for Board of Directors	11/29/2021	11/29/2021	Engr. Rogelio Tiglao - Cybersecurity Bureau - Department of Information and Communications Technology	Respective Areas (Via Zoom)
	Executive Session on Business Restructuring and Rehabilitation and Practical Applications of the FIST Law	08/10/2021	18/10/2021	Ateneo-CCE	Via Ms Teams
	Anti-Money Laundering, Counter-Terrorist Financing and Counter-Proliferation Financing (BSP Cir. No. 1022) for Directors and Senior Management	23/09/2021	23/09/2021	Bankers Institute of the Philippines, Inc.	Via Zoom

Name of Director	Training Course	Inclusive Dates		Conducted by	Venue
	Corporate Governance Orientation Program for Government-Owned and Controlled Corporations	21/09/2021	22/09/2021	Institute of Corporate Directors	Via Zoom
	AML Updates for the Board of Directors and Senior Management	14/09/2021	14/09/2021	Anti-Money Laundering Council	Via Zoom
Reyes, Rafael L.					
	Information Security Awareness Session for Board of Directors	11/29/2021	11/29/2021	Engr. Rogelio Tiglao - Cybersecurity Bureau - Department of Information and Communications Technology	Respective Areas (Via Zoom)
	Executive Session on Business Restructuring and Rehabilitation and Practical Applications of the FIST Law	08/10/2021	18/10/2021	Ateneo-CCE	Via Ms Teams
	AML Updates for the Board Of Directors and Senior Management	14/09/2021	14/09/2021	Anti-Money Laundering Council	Via Zoom
	Corporate Governance Orientation Program for Government-Owned and Controlled Corporations	05/25/2021	05/26/2021	Institute of Corporate Directors	Via Zoom
Sandoval, Jeannie N.					
	Anti-Money Laundering Updates for Board of Directors and Senior Management	09/14/2021	09/14/2021	Anti-Money Laundering Council	Via Ms Teams
	MAP General Membership Meeting: “Governance Warriors: How Independent Directors Create Value?”	07/13/2021	07/13/2021	Management Association of the Philippines	Via Zoom
	Corporate Governance Orientation Program for Government-Owned and Controlled Corporations	05/25/2021	05/26/2021	Institute of Corporate Directors	Via Zoom

Corporate Governance Programs, Policies and Initiatives

Guided by its Enhanced Corporate Governance Framework DBP stands firm on its commitment to uphold ethical and professional standards while doing business, especially with external partners, counterparties, and its clients, to help DBP remain accountable, competitive, and well-positioned to achieve its mandate. Directors, officers, and employees are expected to understand and comply with all applicable laws and regulations to prevent violations of laws and internal policies.

Pursuant to the DBP Manual on Code of Ethics (MCE), all members of the Board of Directors, officers, and employees are expected to perform and discharge their duties with the highest degree of responsibility, integrity, competence, and loyalty, act with patriotism and justice, lead modest lives and uphold public interest over personal interest. Also enshrined in the MCE are the duties and obligations of DBP towards its stakeholders, and the duties and responsibilities of the Directors, officers, and employees towards the Bank. Details of prohibited acts and transactions whereby the commission thereof will subject the personnel concerned to appropriate administrative disciplinary actions are likewise incorporated in the MCE.

To keep pace with the latest standards, the Bank sustained implementation of new and existing policies and guidelines, and worked towards reviewing and updating such policies to better align it with recent regulatory issuances including BSP Circular No 1129, s. 2021, which amends Corporate Governance Guidelines for BSP-Supervised Financial Institutions.

For instance, internal guidelines on the nomination to the Governing Board of its subsidiaries, affiliates, and other related entities which allows multiple board seats will be supplemented by a Policy on Interlocking Positions of Directors and Officers in 2022.

DBP also revised its Citizen’s Charter containing the comprehensive list of all Bank services classified into simple, complex and highly technical transactions, detailed with the processing time, complete requirements, and required fees for each service. Copies of the updated Citizen’s Charterare posted in conspicuous places in the Bank and the DBP website. DBP continuously complied with ARTA directives on the reengineering requirement and effectively managing and maintaining a zero-backlog program.

The Bank also commenced the review and updating of its No Gift Policy. The Policy requires Directors, officers, andemployees to practice and demonstrate equal treatment, unbiased professionalism, and non-discriminatory actions in the performance of their duties and responsibilities, without expectation of any undue favor or reward. This means that no DBP personnel may to solicit money, gifts or favors, directly or indirectly, from anyone doing business or seeking to do business with the Bank during the course of their official duties or in connection with any transaction which may be affected by the functions of their office.

The Bank, through its Board of Directors, worked to foster open dialogue between directors, management, officers, and employees to discuss various governance policies, issues, and concerns through a town hall meeting and the DBP Governance Circles in CY 2021. This is a key participatory governance tool, established across the DBP Head Office, Branches, and Lending Centers to give officers and employees a greater in the company’s decision-making process. It helps form more appropriate and effective programs, policies, and interventions that balances the interests of all those involved. At present, there are more than 260 GCs meeting almost monthly to collaborate, voice out their concerns, and engage in dialogue regarding matters of utmost importance.

To uphold and promote ethical behavior and sound banking practices among and between the Bank, its employees, members of its Board of Directors, and other stakeholders, DBP sustained the implementation of its DBP Whistleblower Policy.

Stakeholders are encouraged to freely report irregularities, violations of laws, rules and regulations, or even corrupt practices or non-observance of the Bank’s MCE without fear of retaliation. Interference, retaliation, and other forms of retribution against Whistleblowers or Witnesses to a Protected Disclosure are considered grave administrative offense and shall be dealt with in accordance with DBP’s Implementing Guidelines of the Revised Rules on Administrative Cases. Guidelines on reporting and investigation of an alleged illegal activity reported are also included under the Policy.

To clearly ascertain the progress of the corporate governance measures and reforms of the bank, the Bank utilizes a Corporate Governance Self-Assessment System.

DBP obtains the necessary information on its performance vis-à-vis its counterparts in terms of adherence to regional best practices for the preceding year. In 2021, the Bank implemented several changes to the system to conform to recent updates in the corporate governance rules and regulations, namely indicating the number of required independent directors, updating terminologies, and including an adjectival rating equivalent, among others. Only those who are responsible in the direction and management of the bank that effectively demonstrate how corporate governance works in the institution may participate in this initiative.

DBP, using the Corporate Governance Scorecard (CGS), also conducted a self-assessment of its governance policies and practices according to three broad criteria, namely, stakeholder relationships, disclosure and transparency, and responsibilities of the Board pursuant to GCG Memorandum Circular No. 2015-07 (Re-Issued). Aside from ensuring the transparency of the bank, it helps identify and evaluate its strengths and weakness as well as measure adherence to best practices and international standards. GCG validated the results of the assessment using the disclosures made in the DBP website including the 2020 Annual Corporate Governance Report. DBP was among the GOCCs that garnered the highest score for CY 2020, with a rating equivalent of “Outstanding.”

The Bank also ensured constant awareness and transparency in the disclosure of all business matters by regularly updating the Corporate Governance Page and Transparency Seal of the DBP website. Copies of the policies, guidelines, reports, and other materials are accessible to both external and internal stakeholders. DBP’s website also contains information on the Bank’s Complaints Handling Program, specifically how (instructions are in English and Tagalog) and where clients and consumers can file their feedback and complaints. It includes the contact details (address, telephone number, and email address) of the department in charge as well as the 24/7 ATM Hotline.

Related Party Transactions

The Bank continues to implement the DBP Circular No. 25, series of 2018 or the “Revised DBP Related Party Transactions Policy” to effectively determine, manage, and monitor related parties and RPTs; prevent or deal with risks and unethical conduct that result or potentially result to conflicts of interest; and ensure that no stakeholder is unduly disadvantaged. It likewise provides clear guidelines so that the Bank’s dealings with related parties are not only conducted on an arm’s length basis but also upon terms not less favourable to the bank as compared to similar transactions with non-related parties. The policy is currently being reviewed and updated to comply with latest regulatory issuances and BSP directives. The list of material RPTs entered into by the Bank in 2021 is included in the Notes to Financial Statements. The Bank also commenced the review and updating of its No Gift Policy. The Policy requires Directors, officers, and employees to practice and demonstrate equal treatment, unbiased professionalism, and non-discriminatory actions in the performance of their duties and responsibilities, without expectation of any undue favor or reward. This means that no DBP personnel may to solicit money, gifts or favors, directly or indirectly, from anyone doing business or seeking to do business with the Bank during the course of their official duties or in connection with any transaction which may be affected by the functions of their office.

The Bank, through its Board of Directors, worked to foster open dialogue between directors, management, officers, and employees to discuss various governance policies, issues, and concerns through a town hall meeting and the DBP Governance Circles in CY 2021. This is a key participatory governance tool, established across the DBP Head Office, Branches, and Lending Centers to give officers and employees a greater in the company’s decision-making process. It helps form more appropriate and effective programs, policies, and interventions that balances the interests of all those involved. At present, there are more than 260 GCs meeting almost monthly to collaborate, voice out their concerns, and engage in dialogue regarding matters of utmost importance.

Anti-Corruption GRI 103-1-3, 205-1 &2

Policies and grievance mechanisms are in place for corruption-related incidents. The DBP Complaints Handling Program, DBP Financial Consumer Protection Framework, DBP Whistleblower Protection Policy, DBP Code of Ethics, DBP No Gift Policy, DBP Guidelines and Procedures for Incident Reporting, DBP Administrative Legal Department’s Procedure on Reporting Complaints against bank Officers and Employees are just some of the tools that can address the issue.

Incidence reporting can be coursed through the Bank’s Whistleblower Protection Policy. Which provide a methodology for reporting illegal activities, including provisions to protect whistleblowers and confidential information.

DBP Statement on Zero Tolerance for Fraud, Corruption and Malpractice

DBP seeks to uphold and embody moral excellence in public service by making integrity and decency a way of life at all levels of the organizations and dealings with stakeholders, avoiding any appearance of irregularity that could erode the Filipino’s trust and confidence in the Bank as an institution and in the government as a whole.

DBP exercises zero tolerance for all types of fraud, including illegal practices, corruption and malpractices. The Bank thus, commits to seriously deal with any allegation of fraud by initiating an objective and impartial investigation of all suspected incidents surrounding such allegation that involves its officer or employee, or that transpired in a transaction where DBP is a party.

The Corporate Governance Unit (CGU), which reports to the Board of Directors through the Governance Committee, is in charge of implementing the Board’s good governance initiatives. CGU is primarily responsible or the formulation, implementation, and coordination of all programs and policies to ensure that a culture of ethics and social responsibility permeates at all levels of the Bank’s operations and practices.

The establishment of the DBP Governance Circle, ensures that good governance policies and programs are cascaded and internalized by all bank officers and employees. The Governance Circle reinforces DBP core values, enhances the culture of compliance and accountability, solicits employee feedback/suggestions and encourages responsible reporting through the whistle blowing policy.

Management Committee

Front: Left to Right:

Jose Gabino D. Dimayuga
EXECUTIVE VICE PRESIDENT
AGE: 61/FILIPINO

Emmanuel G. Herbosa
PRESIDENT AND CHIEF EXECUTIVE OFFICER
AGE: 68/FILIPINO

Perla Melanie C. Caraan
SENIOR VICE PRESIDENT
AGE: 61/FILIPINO

Soraya F. Adiong
SENIOR VICE PRESIDENT
AGE: 48/FILIPINO

George S. Inocencio
SENIOR VICE PRESIDENT
AGE: 56/FILIPINO

Back: Left to Right:

Ma. Cristina C. Malab
FIRST VICE PRESIDENT
AGE: 54/FILIPINO

Emmanuel Z. Muniz III
SENIOR VICE PRESIDENT
AGE: 54/FILIPINO

Front: Left to Right:

Fe Susan Z. Prado
EXECUTIVE VICE PRESIDENT
AGE: 64/FILIPINO

Marietta M. Fondevilla
EXECUTIVE VICE PRESIDENT
AGE: 66/FILIPINO

Roda T. Celis
EXECUTIVE VICE PRESIDENT
AGE: 58/FILIPINO

Ronaldo U. Tepora
SENIOR VICE PRESIDENT
AGE: 52/FILIPINO

Carolyn I. Olfindo
SENIOR VICE PRESIDENT
AGE: 56/FILIPINO

Back: Left to Right:

Catherine T. Magana
SENIOR VICE PRESIDENT
AGE: 56/FILIPINO

Jose Maria Villareal
VICE PRESIDENT
AGE: 58/FILIPINO

Paul D. Lazaro
SENIOR VICE PRESIDENT
AGE: 63/FILIPINO

Management Committee

The Management Committee (ManCom), DBP's highest approving body at the Management level, is collectively responsible for vetting and deliberating on all matters based on the decision of the majority of its members. It is composed of the President and CEO as Chairman and the designated Senior Officers.

The ManCom Chairman may invite other members of senior management to sit down in the deliberations of the Committee as non-voting members who attend all ManCom meetings.

Policy and operations matters presented to the ManCom for approval cut across bank sectors and impact the whole bank. These include: (1) policy matters for determination of management's official position prior to submission for Board approval; (2) policy matters as may be delegated by the Board for ManCom deliberation and approval, and (3) administrative or operational matters that would benefit from the collective wisdom and deliberation of the ManCom as a collegial body.

MEMBERS	NO. OF MEETINGS ATTENDED
PCEO Emmanuel G. Herbosa	46
EVP Jose Gabino D. Dimayuga	50
EVP Marietta M. Fondevilla	22
EVP George S. Inocencio	22
EVP Susan Z. Prado	49
EVP Roda T. Celis	47
SVP Carolyn I. Olfindo	25
SVP Perla Melanie C. Caraan	47
SVP Soraya F. Adiong	42
SVP Ronaldo U. Tepora	50
FVP Christine G. Mota as OIC, OS	2
SVP Lutgarda C. B. Peralta as OIC, CSS	1
FVP Francis Nicolas M. Chua as OIC, TCFS	1
VP Francis Delos Reyes as OIC, TCFS	1
VP Mary Rachelle Hernandez as OIC, LSG	2
SVP Minerva M. Virtucio as OIC, OS	2
VP Maria Virginia M. Tipace as OIC, HRMG	1
VP Heidi G. Macasaet as OIC, HRMG	1
VP Rodrigo Jesus V. Mantaring as OIC, SPG	1
VP Raul D. Mallari as OIC, LSG	3
VP Romeo B. Carandang as OIC, HRMG	1
SVP Antonio Owen S. Maramag as OIC, BBS	2
SAVP Ivan Philippe Ibero as OIC, LSG	1
OBSERVERS	
SVP Paul D. Lazaro	42
SVP Catherine T. Magana	46
FVP Ma. Cristina C. Malab	50
SVP Emmanuel Z. Muniz III	47
VP Jose Maria L. Villareal	11
VP Nomerlito A. Juatchon	36
FVP Rose Marie Q. Quilantang as LPMG representative	7
SAVP Jeshryl D. Aranzaso as ERMG representative	5
AVP Patricia T. Roque as ERMG representative	1
SAVP Jocelyn A. Carillo as CMG representative	3
VP Jose Marie A. Bonto as ICTMG representative	1
VP Jose M. De Vera as ICTMG representative	1

ASSET LIABILITY MANAGEMENT COMMITTEE

The Asset Liability Management Committee (ALCO) has been established by the Board of Directors to assist in ensuring that liquidity, market, and interest rate risks are adequately managed both on long-term and day-to-day bases. The Committee's duties, responsibilities, and authority are set forth in the ALCO Charter. Among other functions, the ALCO is directed towards optimization of income to ensure viable and profitable operations through maximization of yields and minimization of costs relative to risk and opportunities in the market. The Committee serves as approving authority and pre-clearing body of the Bank's pricing policies, interest rate setting, investments in financial instruments, and risk management policies and limits on market, liquidity, interest rate and other related risks. It likewise undertakes notation of reports on regulatory compliance ratios, profitability and financial performance indicators, sources and uses of funds, fund sourcing, market developments and economic review. In addition, the ALCO monitors the Bank's capital position and the capital management activities undertaken to ensure that capital levels are compliant with regulatory requirements and management directives.

The members of ALCO are designated by the President and Chief Executive Officer who acts as the Chairperson. The Branch Banking Sector Head and the Treasury & Corporate Finance Sector Head are the Committee's First Vice Chairperson and Second Vice Chairperson respectively. The Committee meets every week and follows the approved Structured Agenda.

		PERIOD COVERED
Chairperson	PCEO Emmanuel G. Herbosa	January 1 – December 31, 2021
First Vice Chairperson	SVP George S. Inocencio	July 7 – December 31, 2021
Second Vice Chairperson	EVP Roda T. Celis	January 1 – December 31, 2021
Members	EVP Jose Gabino D. Dimayuga	January 1 – December 31, 2021
	EVP Marietta M. Fondevilla	January 1 – July 6, 2021
	EVP Susan Z. Prado[a]	January 1 – July 6, 2021 July 7 – December 31, 2021
	SVP Carolyn I. Olfindo	July 7 – December 31, 2021
	SVP Ronaldo U. Tepora	January 1 – December 31, 2021
	SVP Minerva M. Virtucio	January 1 – July 6, 2021
	FVP Christine G. Mota	January 1 – September 7, 2021
	VP Angelica G. Arile	July 7 – December 31, 2021
Resource Persons	SVP Catherine T. Magana	January 1 – December 31, 2021
	SVP Paul D. Lazaro	February 9 – December 31, 2021

*Designated as First Vice Chairperson

		NUMBER OF MEETINGS UPON ASSUMPTION	NUMBER OF MEETINGS ATTENDED UPON ASSUMPTION
Chairperson	PCEO Emmanuel G. Herbosa	49	43
First Vice Chairperson	EVP Susan Z. Prado	26	26
	SVP George S. Inocencio	23	20
Second Vice Chairperson	EVP Roda T. Celis	49	43
Members	EVP Jose Gabino D. Dimayuga	49	47
	EVP Marietta M. Fondevilla	23	22
	EVP Susan Z. Prado	23	21
	SVP Carolyn I. Olfindo	23	22
	SVP Ronaldo U. Tepora	49	48
	SVP Minerva M. Virtucio	24	23
	FVP Christine G. Mota	35	35
	VP Angelica G. Arile	24	24
	SVP Perla Melanie C. Caraan, OIC CSS		3
	SVP Antonio Owen S. Maramag, OIC BBS		2
	SVP Lutgarda B. Peralta, OIC CSS		1
	FVP Francis Nicolas M. Chua, OIC TCFS		1
	FVP Christine G. Mota, OIC OS		1
	VP Allen Robert M. Adecer, OIC TG		1
	VP Rodrigo Jesus V. Mantaring, OIC SPG		1

CREDIT COMMITTEE

As established by the Board of Directors, the Credit Committee (CreCom) is responsible for the implementation of the Bank's comprehensive and effective credit risk management system. The CreCom ensures that the Bank's credit risk-taking activities are aligned with the credit risk strategy and appetite approved by the Board. Led by the President and Chief Executive and Senior Management, the CreCom is the primary credit risk evaluation, endorsement and/or approving body of the Bank, through which all credit and credit-related matters requiring higher approval by the Board of Directors or the Executive Committee are coursed.

Being the bankwide approving authority for all credit matters, the CreCom deliberates and acts on all credit proposals within its authority provided under the Delegated Authorized Credit Limits approved by the Board. It also evaluates and approves investment proposals for new and/or existing issuers and/or issues as may be submitted by the Bank's Treasury and Corporate Finance Sector.

The CreCom is responsible for the development, implementation and review of credit policies, procedures and guidelines, as well as appropriate lending programs in support of the Bank's development thrusts. It issues instructions arising from the credit approval to the concerned Lending Units and ensures their compliance during the loan implementation process. The policy and investment proposals approved by the CreCom are endorsed to the Board for final approval.

		PERIOD COVERED
Chairman	PCEO Emmanuel G. Herbosa	January 1 – December 31, 2021
First Vice Chairperson	EVP Marietta M. Fondevilla	January 1 – June 15, 2021
	EVP Fe Susan Z. Prado[a]	January 1 – June 15, 2021 June 16 – December 31, 2021
Second Vice Chairperson	SVP Carolyn I. Olfindo[b]	July 7 – July 18, 2021 July 19 – December 31, 2021
Members	EVP Jose Gabino D. Dimayuga	January 1 – December 31, 2021
	EVP Roda T. Celis	January 1 – December 31, 2021
	SVP Soraya F. Adiong	January 1 – December 31, 2021
	SVP Paul D. Lazaro[c]	February 9 – February 15, 2022 February 16 – December 31, 2021
	SVP George S. Inocencio	July 19 – December 31, 2021
Resource Persons	SVP Catherine T. Magana	January 1 – December 31, 2021

[a] Designated as Second Vice Chairperson
[b] Designated as Member
[c] Designated as Resource Person

		NUMBER OF MEETINGS UPON ASSUMPTION	NUMBER OF MEETINGS ATTENDED
Chairperson	President & CEO Emmanuel G. Herbosa	54	47
First Vice Chairperson	EVP Marietta M. Fondevilla	25	24
Second Vice Chairperson/ First Vice Chairperson	EVP Fe Susan Z. Prado	54	50
Second Vice Chairperson	SVP Carolyn I. Olfindo	27	26
Members	EVP Jose Gabino D. Dimayuga	54	53
	EVP Roda T. Celis	54	50
	SVP Soraya F. Adiong	54	25
	SVP Paul D. Lazaro	49	44
	SVP George S. Inocencio	25	23
	SVP Minerva M. Virtucio		16
	SVP Perla Melanie C. Caraan		3
	SVP Antonio Owen S. Maramag		2
	FVP Rose Marie Q. Quilantang		5
	FVP Christine G. Mota		3
	FVP Francis Nicolas M. Chua		3
	VP Mary Gina T. Legaspi		12
	VP Jose Maria L. Villareal		18
	VP Raul D. Mallari		2
	SAVP Micaela V. Masigan		8

IT STEERING COMMITTEE (ITSC)

1. Committee Members as of end 2021

Chairperson	President and CEO
Members	1st Vice Chairperson, IT Governance Committee
	2nd Vice Chairperson, Head, Operations Sector
	Head, Branch Banking Sector
	Head, Corporate Services Sector
	Head, Development Lending Sector
	Head, Treasury and Corporate Finance Sector
	Head, Legal Services Group
	Head, ICT Management Group
Resource Persons	Head, Enterprise Risk Management Group
	Head, Compliance Management Group
	Special Assistant to the Corporate Head III

2. IT Steering Committee Members' Attendance Record CY 2021 and Duration of Membership
Total No. of Meetings held during the year: 10
Approval/Notation Ad Referendum: 4
Total: 14

	MEMBERS	ATTENDED NO. OF MEETINGS HELD DURING THE YEAR: (10)	Ad Ref (4)	DURATION
Chairperson	PCEO Emmanuel G. Herbosa	8	4	Jan – Dec 2021
ITGC Chairman, 1st Vice Chairperson	Dir. Rafael L. Reyes	7	2	Jan – Aug 2021
	Dir. Dante V. Liban	2	-	Nov – Dec 2021
Head, OPS, 2nd Vice Chairperson	EVP Marietta M. Fondevilla	5	2	Jan – June 2021
	EVP Susan Z. Prado	3	2	July – Dec 2021
Head, CSS	EVP Marietta M. Fondevilla	5	2	Jan – June 2021
OIC, CSS	SVP Carolyn I. Olfindo	5	2	July – Dec 2021
Head, BBS OIC, BBS	EVP Susan Z. Prado	4	2	July – Dec 2021
	SVP George S. Inocencio	5	2	Jan – June 2021
Head, TCFS	EVP Roda T. Celis	10	4	Jan – Dec 2021
Head, DLS	EVP Jose Gabino D. Dimayuga	9	4	Jan – Dec 2021
Head, LSG	SVP Soraya F. Adiong	8	4	Jan – Dec 2021
Head, ICTMG	SVP Emmanuel Z. Muñiz III	9	3	Feb – Dec 2021
OBSERVERS				
Head, ERMG	SVP Catherine T. Magana*	9	NA	Jan – Dec 2021
Head, CMG	VP Nomerlito A. Juatchon*	6	NA	Jan – Aug 2021
	VP Jose Maria C. Villareal*	3	NA	Oct – Dec 2021
Head, IAG	SVP Ryan R. Gabinete*	4	NA	July – Dec 2021
	VP Cristopher C. Realina*	9	NA	Jan – Nov 2021
Special Asst. to the Corporate Head III	SVP Emmanuel Z. Muñiz III* Designated as Resource Person per Office Order No. 488 dated 11.06.2019	1	NA	Jan 2021

*Designated as Resource Person/Observers

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PRESIDENT & CEO

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SENIOR VICE PRESIDENT

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SENIOR VICE PRESIDENT

RENE A. GAERLAN
SENIOR VICE PRESIDENT

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VICE PRESIDENT

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RODRIGO JESUS V. MANTARING
VICE PRESIDENT

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VICE PRESIDENT

ERNESTO R. PURUGGANAN
VICE PRESIDENT

CRISTOPHER C. REALINA
VICE PRESIDENT

REBECCA G. REYES
VICE PRESIDENT

STELLA A. SAMPAYAN
VICE PRESIDENT

CAMILO G. SANCHEZ
VICE PRESIDENT

MARY RACHELLE R. SAÑEZ-HERNANDEZ
VICE PRESIDENT

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SENIOR VICE PRESIDENT

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ANTONIO OWEN S. MARAMAG
SENIOR VICE PRESIDENT

MARY JOYCE B. SALGADOS
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REY C. URBIZTONDO
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SENIOR ASSISTANT VICE PRESIDENT

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MARIA VIRGINIA M. TIPACE
VICE PRESIDENT

RISK MANAGEMENT

Maintaining a Strong Capital Position

The Bank continued to exhibit preparedness and ability to absorb shocks in its pursuit of financial strength and viability to sustain its development efforts. In 2022, DBP sustained its profitable operations and posted a Capital Adequacy Ratio (CAR) of 13.53% on a consolidated basis. This is almost 3% more than the BSP's regulatory minimum CAR of 10.00%. Further, it posted CET 1 and Tier 1 Ratios of 12.25% on a consolidated basis, above regulatory thresholds.

The Bank places emphasis in maintaining adequate capital ratios to ensure availability of sufficient resources in pursuing its mandate. This in mind, DBP is committed to maintain this strong capital position. Overall risk positions and capital levels are regularly reviewed and monitored to ensure that the Bank is sufficiently capitalized. Integrated stress testing is conducted to provide a comprehensive enterprise-wide assessment of the bank's vulnerabilities, results of which serve as basis for determining capital buffer for shocks.

With the implementation of the BSP Circular No. 639 s. 2009 requiring all UKBs to adopt the Internal Capital Adequacy Assessment Process (ICAAP), DBP has adopted the "Pillar I Plus" approach to account for additional capital provisions for non-Pillar I risks, such as credit concentration risk, interest rate risk in the banking book, liquidity risk, strategic risk, compliance risk and reputational risk. The Bank has undergone efforts to institutionalize the ICAAP by successfully integrating it in its Strategic Planning Exercise and Enterprise Risk Management (ERM) framework.

MANAGEMENT OF RISKS

The responsibility of risk management resides in all levels of the organization with the Board of Directors being ultimately responsible for the overall risk management of the Bank. They set the tone and risk tolerance by articulating the Bank's risk appetite and establishing the risk management strategy for the Bank. Moreover, the Board takes the lead in promoting a culture of risk-awareness throughout the institution.

The Enterprise Risk Management Group (ERMG), as a management unit, is primarily responsible for ensuring that the risk profile of the Bank is aligned with business strategies as approved by the Board of Directors. ERMG develops and implements an effective risk management framework from which emanates recommended policies, procedures, controls and methodologies. Risk and capital management is then performed at all levels of the organization, instituting a culture of risk awareness and a risk-based approach to decision-making.

Management of risk is guided, implemented and monitored by the Board-level committees, such as the Risk Oversight Committee (ROC) -- the lead risk management unit of the bank – the Executive Committee, the Governance Committee, the Development Advocacy Committee, Audit and Compliance Committee, Trust Committee, Human Resource Committee, the IT Governance Committee, and the Budget Committee, together with the management committees, the Credit Committee, Asset Liability Management Committee (ALCO), the Management Committee, and the IT Steering Committee.

The Bank follows an ERM framework which integrates Strategic Planning, the ICAAP and Business Continuity Planning (BCP). The ERM framework involves risk assessment and identification from which formulation of risk management strategies emanates. Strategies consider capital implications and other requirements to ensure continuity of developmental service to the nation. These risk strategies, when implemented, are subject to monitoring and further evaluation with the aim of continually improving the risk management process. Capital adequacy rounds these up as it is needed to ensure financial stability as objectives are achieved even as risk management is enhanced.

CREDIT RISKS

Given the Bank's primary thrust of financing development to stimulate economic activities across the nation, the Bank's loan portfolio is typically characterized by medium to long-term exposures to the priority sectors of infrastructure and logistics, environment, micro, small and medium enterprises (MSMEs), social services and community development, and agriculture, fishing and forestry.

The Bank manages its credit risk at all relevant levels of the organization through its credit evaluation and assessment process, credit policies, and controls and monitoring structures. The Bank has an established credit limit structure which provides for safeguards to manage credit concentration risk brought about by exposures to single name/group borrowers, industry sectors and DOSRI. Hierarchy of approval is established in order that big-ticket accounts are subject to rigorous evaluation up to the Board of Directors. Credit risk mitigation is likewise employed through the acceptance of eligible collaterals and guarantees. An enhanced internal credit risk rating system (ICRRS), linked with PFRS9-compliant models of estimating expected credit loss (ECL), enables monitoring of the portfolio quality and risk level and individual credit profile. Assessment of account classification and estimation of ECL on a quarterly basis ensures adequacy of loan loss reserves.

The Bank makes use of the standardized approach under the Basel framework to determine required capital levels on account of its credit risk exposures. The Bank's total credit risk-weighted assets as of December 31, 2021 amounted to Php520.79 billion, broken down as follows:

Credit Risk-Weighted Assets As of December 31, 2021 (In Php millions)	Group	Parent
Total Risk-Weighted On-Balance Sheet Assets (Schedule A)	489,082	485,593
Total Risk-Weighted Off-Balance Sheet Assets (Schedule B)	32,456	32,456
Total Counterparty Risk-Weighted Assets in Banking Book (Derivatives and Repo-Style Transactions) (Schedule C)	404	404
Total Counterparty Risk-Weighted Assets in Trading Book (Derivatives and Repo-Style Transactions) (Schedule D)	0	0
Total Risk-Weighted Amount of Credit Linked Notes in the Banking Book	0	0
Total Risk-Weighted Securitization Exposures	0	0
Total Gross Risk-Weighted Assets	521,942	518,453
Deductions	1,155	679
TOTAL CREDIT RISK-WEIGHTED ASSETS	520,787	517,774

Schedule A ASSETS - Group As of December 31, 2021 (In Php millions)	Total Credit Risk Exposure after Risk Mitigation	20%	50%	75%	100%	150%	Total Credit Risk-Weighted Assets
Cash on Hand	5,970	-	-	-	-	-	-
Checks and Other Cash Items	-	-	-	-	-	-	-
Due from Bangko Sentral ng Pilipinas (BSP)	304,830	-	-	-	-	-	-
Due from Other Banks	23,117	3,008	18,658	-	1,452	-	11,382
Financial Assets Designated at Fair Value through Profit or Loss	-	-	-	-	-	-	-
Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)	30,920	844	10,479	-	7,951	-	13,360
Financial Assets at Hold to Collect (HTC)	256,874	779	31,497	-	47,135	-	63,040
Loans and Receivables	411,845	16,028	40,211	-	336,198	19,407	388,620
Loans and Receivables Arising from Repurchase Agreements, Certificates of Assignment/ Participation with Recourse, and Securities Lending and Borrowing Transactions	16,030	-	152	-	-	-	76
Sales Contract Receivable	5	-	-	-	5	0	5
Real and Other Properties Acquired	1,304	-	-	-	-	1,304	1,956
Total Exposures, Excluding Other Assets	1,050,894	20,658	100,998	0	392,741	20,711	478,439
Other Assets	10,501	-	-	-	10,643	-	10,643
Total Exposures, Including Other Assets	1,061,396	20,658	100,998	0	403,384	20,711	489,082
Total Risk-Weighted On-Balance Sheet Assets not covered by CRM	1,061,396	4,132	50,499	-	403,384	31,067	489,082
Total Risk-Weighted On-Balance Sheet Assets covered by CRM	92,314						
TOTAL RISK-WEIGHTED ON-BALANCE SHEET ASSETS	**1,153,709**	**4,132**	**50,499**	**-**	**403,384**	**31,067**	**489,082**

Schedule A ON-BALANCE SHEET ASSETS - Parent As of December 31, 2020 (In Php millions)	Total Credit Risk Exposure after Risk Mitigation	20%	50%	75%	100%	150%	Total Credit Risk-Weighted Assets
Cash on Hand	5,958	-	-	-	-	-	-
Checks and Other Cash Items	-	-	-	-	-	-	-
Due from Bangko Sentral ng Pilipinas (BSP)	304,395	-	-	-	-	-	-
Due from Other Banks	22,990	3,008	18,658	-	1,325	-	11,255
Financial Assets Designated at Fair Value through Profit or Loss	-	-	-	-	-	-	-
Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)	30,920	844	10,479	-	7,951	-	13,360
Financial Assets at Hold to Collect (HTC)	256,820	779	31,497	-	47,135	-	63,040
Loans and Receivables	408,879	16,028	40,080	-	333,365	19,406	385,720
Loans and Receivables Arising from Repurchase Agreements, Certificates of Assignment/ Participation with Recourse, and Securities Lending and Borrowing Transactions	15,952	-	152	-	-	-	76
Sales Contract Receivable	5	-	-	-	5	0	5
Real and Other Properties Acquired	1,293	-	-	-	-	1,293	1,939
Total Exposures, Excluding Other Assets	1,047,212	20,658	100,866	-	389,781	20,699	475,394
Other Assets	10,057	-	-	-	10,199	-	10,199
Total Exposures, Including Other Assets	1,057,269	20,658	100,866	-	399,980	20,699	485,593
Total Risk-Weighted On-Balance Sheet Assets not covered by CRM	1,057,269	4,132	50,433	-	399,980	31,048	485,593
Total Risk-Weighted On-Balance Sheet Assets covered by CRM	92,314						
TOTAL RISK-WEIGHTED ON-BALANCE SHEET ASSETS	**1,149,582**	**4,132**	**50,433**	**-**	**399,980**	**31,048**	**485,593**

Schedule B OFF-BALANCE SHEET ASSETS (In Php millions)	Group	Parent
Direct credit substitutes (e.g., general guarantees of indebtedness and acceptances)	2,692	2,692
Transaction-related contingencies (e.g., performance bonds, bid bonds, warrantees and stand-by LCs related to particular transactions)	28,062	28,062
Trade-related contingencies arising from movement of goods (e.g., documentary credits collateralized by the underlying shipments) and commitments with an original maturity of up to one (1) year	1,702	1,702
Other commitments which can be unconditionally cancelled at any time by the bank without prior notice and those not involving credit risk	-	-
TOTAL RISK-WEIGHTED OFF-BALANCE SHEET ASSETS	**32,456**	**32,456**

Schedule C COUNTERPARTY ASSETS IN THE BANKING BOOK (In Php millions)	Group	Parent
A. Derivative Exposures	-	-
1. Interest Rate Contracts	-	-
2. Exchange Rate Contracts	-	-
3. Equity Contracts	-	-
4. Credit Derivatives	-	-
B. Counterparty Exposures arising from Financial Assets Sold/Lent under Repurchase Agreements, Certificates of Assignment/ Participation with Recourse, Securities Lending and Borrowing Agreements (Repo-style Transactions)	404	404
TOTAL COUNTERPARTY RISK-WEIGHTED ASSETS IN THE BANKING BOOK	**404**	**404**

Schedule D COUNTERPARTY ASSETS IN THE TRADING BOOK (In Php millions)	Group	Parent
A. Derivative Exposures		
1. Interest Rate Contracts	-	-
2. Exchange Rate Contracts	-	-
3. Equity Contracts	-	-
4. Credit Derivatives	-	-
B. Counterparty Exposures arising from Financial Assets Sold/Lent under Repurchase Agreements, Certificates of Assignment/ Participation with Recourse, Securities Lending and Borrowing Agreements (Repo-style Transactions)	-	-
TOTAL COUNTERPARTY RISK-WEIGHTED ASSETS IN THE TRADING BOOK	**0**	**0**

MARKET RISK

A major source of market risk for the Bank is in the form of price and foreign currency risks from its treasury activities. Trading and investment activities are carried out mainly to manage residual funds from the Bank's lending activities.

While capital requirements are accounted for using the standardized approach, the Bank complements its capital adequacy assessment by using several measures to monitor market risk from its portfolio: (1) measuring of sensitivity of exposures to market factors, (2) estimating maximum potential loss through Value-at-Risk calculation, and (3) analysis of vulnerabilities through scenario analysis and stress testing. The combination of these measures allows the Bank to determine the continuing adequacy of its capital to withstand losses from sudden and prolonged adverse market conditions.

The table below provides a summary of Parent Company's VaR profile by risk class for 2021:

VALUE-AT-RISK PROFILE (In Php millions)	2021	December 2020 - December 2021			2020
	Year end	Average	Min	Max	Year end
Fixed Income Trading	42	55	4	302	18
Foreign Exchange Trading	-	5	-	46	-

As of end-2021, total market risk-weighted assets stood at Php3.14 billion, of which, 86.23% is accounted for by interest rate exposures while foreign exchange exposures make up for the remaining 13.77%.

MARKET RISK-WEIGHTED ASSETS (In Php millions)	2021	2020
Using Standardized Approach		
1. Interest Rate Exposures	2,708	2,848
2. Equity Exposures	-	-
3. Foreign Exchange Exposures	432	9,680
4. Options	-	-
TOTAL MARKET RISK-WEIGHTED ASSETS	**3,141**	**12,529**

Market Risk Management Department – Market and Liquidity Risk Unit (MRMD-MLRU) handles risk management for the Bank's treasury operations. MRMD-MLRU provides the Board of Directors, Senior Management and Treasury Group with comprehensive analytics for market risk. In addition, MRMD-MLRU establishes and reviews controls imposed on the Bank's trading and investment portfolio. The controls implemented on treasury activities, including controls on a portfolio and on a per trader basis, helps ensure that the risk tolerance defined by the Board of Directors is properly executed. MRMD-MLRU regularly monitors the activities of Treasury Group to ensure that these are conducted within established limits, aligned to market regulation, and adheres to high ethical standards.

LIQUIDITY & INTEREST RATE RISKS

The Bank designed the liquidity risk management process with three main elements appropriately linked to each other: (1) Risk profiling using the Maximum Cumulative Outflow (MCO) together with Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR) and other liquidity ratios, (2) Analysis of vulnerabilities using Liquidity Stress Testing, and (3) Defining concrete operational strategies during crisis events in the Contingency Funding Plan (CFP). This design helps ensure the Bank's ability to meet its maturing obligations, which can be subject to uncertainty resulting from external events and changes in other risk factors.

The MCO is the Bank's core measurement and monitoring tool in managing liquidity risk as it captures cash flow mismatch from assets and liabilities including off-balance sheet commitments. It ultimately identifies any liquidity funding requirement in the future under normal banking environment. Alongside the MCO, the Bank employs liquidity ratio analyses to determine significant changes in its liquidity profile and identify potential points of liquidity stress and serve as gauge for industry comparison. The Bank uses the LCR to monitor and assess its ability to withstand significant liquidity shocks that can last thirty (30) calendar days. The NSFR is also measured by the Bank to assess its longer-term funding resilience. The Bank's LCR and NSFR are both compliant with the 100% prescribed minimum level by the BSP. On the other hand, other liquidity ratios are indicators of the Bank's ability to satisfy a diversified mix of volatile and stable funding requirements against liquid, less liquid and non-liquid assets.

LCR in Single Currency	As of Dec. 31, 2020	As of Dec. 31, 2021
Solo	141.10%	122.29%
Consolidated	141.37%	122.53%

NSFR in Single Currency	As of Dec. 31, 2020	As of Dec. 31, 2021
Solo	127.22%	112.24%
Consolidated	126.93%	112.05%

Other Liquidity Ratios[1/]	DBP Ratios	Industry Ratio[2/]
Stable Funding vs. Non-Liquid Assets	17%	14%
Liquid Assets vs. Volatile Funding	39%	37%
Liquid & Less Liquid Assets vs. Volatile Funding	45%	39%
Key Liquidity Provider Sourced Funding vs. Total Liabilities	6%	5%
Liquid Assets Ratio	32%	29%

[1/] Liquidity Ratios computed internal to DBP
[2/] Top 10 Universal Banks in terms of assets excluding DBP as of September 30, 2021

The Bank also considers funding concentration as possible source of liquidity risk as it is related to its funding profile. Unlike other commercial Banks and being a development bank, it has access to Overseas Development Assistance (ODA) facilities from foreign governments and supranational development Banks, as well as other agencies which provide funds characterized by stability, longer tenors and lower interest rates. However, majority of funds are sourced from deposits thus the Bank is vulnerable to unexpected withdrawals from large fund providers or from set of depositors. To manage this risk, core deposit levels are closely monitored as well as top depositors and profiles on classification and currencies to keep track significant movements and potential funding requirement.

To reinforce the Bank's liquidity risk management, the BOD and ROC set the risk tolerance reflected through the various liquidity risk limits and internal thresholds in place. Liquidity Stress Testing are also being processed monthly to anticipate worst case scenarios and test the capacity of the Bank's liquidity position. In case of liquidity crisis event, the Bank's CFP outlines the strategic courses of action to be taken by concerned business units and Senior Management.

In addition, Interest Rate Risk in the Banking Book (IRRBB) is the risk of unexpected adverse change in net interest income or the unexpected adverse change in the value of equity as a result of unexpected changes in interest rates. Two complementary approaches are used in the assessment and measurement of interest rate risk: (1) changes in expected earnings through the Earnings-at-Risk (EaR) measure, and (2) changes in economic value provided by Economic Value of Equity (EVE) measure.

The Bank's IRRBB is mainly sourced from timing differences of maturity (for fixed-rate instruments) and/or repricing (for floating-rate instruments) of assets and liabilities. This is initially measured through the Interest Rate Gap (IRGap) analysis where interest-bearing liabilities are subtracted from interest-earning assets per identified time band to determine whether the gap is either asset-sensitive or liability-sensitive. Asset-sensitive indicates positive gap wherein interest rate-sensitive assets are more than liabilities that will be repriced and is vulnerable to declining interest rate. Otherwise, IRGap is considered liability sensitive and is vulnerable to rising interest rate.

To determine the potential decline in interest income as a result of movements in interest rate under normal scenario, the Bank uses the EaR methodology computed by subjecting the IRGap to an interest rate factor using a 99% confidence level. Computed EaR per time band is aggregated within the 1-year period and is compared to EaR limits based on the bank's tolerance level and capacity of its capital to absorb losses. Alongside EaR measurement, various stress testing scenarios and sensitivities are employed by the bank to evaluate its impact on capital and set-up adequate buffer to mitigate the risks. The frequency of EaR's measurement and reporting to the ALCO and ROC is on a monthly basis. On the other hand, the BOD is the final approving authority on the levels of movements in interest rates which is aligned with the Uniform Stress Testing for banks to sensitize the Bank's IR risk portfolio together with the policies, key assumptions and methodologies used in measuring IRRBB.

The following table shows the impact of reasonable changes in interest rates to the Bank's net income as of December 2020 and December 2021:

IMPACT OF CHANGE IN INTEREST RATE TO NET INCOME (In Php Millions)

Currency	-200 bps	-100 bps	-50 bps	50 bps	100 bps	200 bps
2020						
Php	(1,203)	(602)	(301)	301	602	1,203
USD	247	124	62	(62)	(124)	(247)
JPY	32	16	8	(8)	(16)	(32)
2021						
Php	(759)	(380)	(190)	190	380	759
USD	(520)	(260)	(130)	130	260	520
JPY	2	1	0	(0)	(1)	(2)

To strengthen management of IRRBB exposures, the Bank also provides quarterly reporting of EVE. The Bank uses the EVE model to capture the economic value of interest rate-sensitive assets, liabilities and off-balance sheet accounts through the calculation of net present value of all future cash flows from the said accounts. Assumptions are employed to loans subject to prepayment risk as well as deposits' outflow rates. The EVE complements the short-term view of EaR considering that EVE covers short-, medium- and long-term exposure of the Bank's IR profile. With the EVE calculation, Delta EVE or the Change in EVE is determined using standard shocks provided by Basel and other stress scenarios/sensitivities to assess the impact of the interest rate movements in the Bank's capital. As of December 2021, greatest decline or change in EVE resulted from non-parallel/steepening rate shocks across the time bands which extend to the maturity of the interest-sensitive accounts.

Further, sensitivity to changes in interest rates may impact the Bank's capital as of December 2021:

IMPACT OF CHANGE IN INTEREST RATE TO CAPITAL (In Php Millions)

Currency	-200 bps	-100 bps	-50 bps	50 bps	100 bps	200 bps
Php	12,704	5,978	2,901	(2,734)	(5,309)	(10,019)
USD	(2,928)	(1,378)	(669)	631	1,225	2,314
JPY	(7,671)	(3,556)	(1,715)	1,598	3,089	5,785
EUR	(391)	(181)	(87)	81	156	292
TOTAL	**1,714**	**863**	**430**	**(424)**	**(838)**	**(1,628)**

Economic disruptions persist in 2021 with the prolonged COVID-19 pandemic situation. The Bank maintained the additional liquidity and interest rate risk stress scenario factoring in various assumptions on potentially affected accounts to assess capacity to withstand further complications. Results of the risk assessment are comprehensively included in the regular reports.

MRMD-MLRU handles risk management for the Bank's liquidity and interest rate risks exposures. Said business unit establishes the parameters for the liquidity and interest rate risk management tools such as MCO, IR_Gap, EaR and EVE. More importantly, analyses of the results of these monitoring tools are provided to Treasury Group, Senior Management and Board of Directors to guide decision-making.

OPERATIONAL RISK

The Bank's operational risk capital charge is determined using the Basic Indicator Approach (BIA). An analysis of the Bank's historical loss experience, which is based on data reported and captured via the Enhanced Operational Loss Monitoring Module (eOLMM), an automated system for tracking operational losses, complements the results of the BIA. The operational risk capital charge is obtained by multiplying the computed average gross income by a specified factor. Capital allocated for operational risk is currently at Php3.90 billion.

OPERATIONAL RISK-WEIGHTED ASSETS (In Php millions)	Group	Parent
Using Basic Indicator Approach (BIA)		
Year 3	2,823	2,800
Year 2	3,219	3,195
Year 1	3,327	3,310
Average	3,123	3,102
Adjusted Capital Charge	3,904	3,877
TOTAL OPERATIONAL RISK-WEIGHTED ASSETS	**39,039**	**38,771**

The Bank aims to provide significant improvement in the way it facilitates its risk management functions through automation of data and information collection. One step in attaining this improvement is thru the implementation of the Operational Risk Information System (ORIS) on December 16, 2019.

ORIS is a Risk Management tool that automates the Risk and Control Self-Assessment (RCSA), Business Impact Analysis (BIA) and the Information Security Risk Assessment (ISRA). ORIS was implemented to achieve the following:

a. Systematic collection of operational risk information;
b. Quicker access on historical risk assessment results;
c. Easier monitoring of Business Units' risk assessments, KRIs, and RTPs; and
d. Timely generation of required risk reports.

ORIS is accessible to all Bank Units' (Head Office, Lending Centers, and Branches) authorized personnel, for data collection wherein the gathered information will be used to assist top management in its decision-making relative to the identification, mitigation and management of operational risks.

The RCSA is conducted across the institution to identify risk areas and vulnerabilities. Top level risk assessment is performed by the Board of Directors and Senior Management in its annual Strategic Planning exercise. This is complemented by a bottom-up RCSA conducted by business units, wherein high risk areas given the functions of the units are identified and risk responses are determined.

The BIA on the other hand, enables the Business Units (BUs) to identify business functions that have the most impact in the Bank and determine the effect of an interruption of services or impact resulting from business disruptions/disaster on each BU or the organization.

Recognizing the 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 and pandemic illness, among others, the Bank continually exerts efforts to improve its business continuity management including disaster preparedness. The Bank regularly reviews and enhances its Business Continuity Management Program Manual to adopt industry best-practices and ensure that the Bank's core business operations continue to function in the event of business disruption or disaster. Regular tests are scheduled and performed to ensure the ability of all bank units to recover their business operations. Complementing the detailed contingency measures, the Bank's disaster recovery facilities are regularly assessed and maintained with a view towards the Bank's recovery requirements, including critical application systems, equipment and supplies.

For Risk Management awareness, infographics are issued and sessions are conducted on the topics of Operational Risk Management and Business Continuity Management. To ensure continuity in the implementation of the various regulatory requirements in incident reporting, operational loss monitoring, business continuity management, and operational risks, the Bank identified and designated an Operational Risk Coordinator from each business unit. The roles and responsibilities of the coordinator cover the Business Continuity and Operational Risk Management. The Bank issued Office Order No. 110 on March 16, 2021 for immediate implementation of the said designation.

INFORMATION SECURITY / INFORMATION TECHNOLOGY (IS/IT) RISK

The Manual of Regulations for banks mandates the establishment of a robust and effective technology risk management processes, governance structures, and cybersecurity controls, as identified in Section 148: Information Technology Risk Management. The Bank's strategy for expanded digital presence, pervasive use of emerging technology and associated digital platforms correspondingly raises the need to protect the bank's information assets and privacy of its customers against increasing and complex cyber-attacks and other threat vectors impacting the bank's electronic infrastructure. Its protection shall ensure that the benefits derived from technological innovations can be fully optimized without compromising financial stability, operational resilience, and consumer protection. Moreover, information security risk including cyber-risk should be managed and integrated into the organization's information security program and enterprise-wide risk management system.

DBP has an Information Security Risk Management Program that manages the bank's information security (IS) and information technology (IT)-related risks. It adheres to the Bank's established risk management lifecycle process, forming part of the overall enterprise risk management system. As such information security risk is viewed in the larger context of organizational risk, employing similar techniques, methods and metrics in defining IS/IT risk. By understanding and managing this risk that the Bank is facing, the goal of information security is to manage the risks and maintain them at tolerable levels.

The Bank's IS/IT risk capital charge is determined using the likelihood-impact analysis approach. An analysis of the Bank's historical loss experience based on data reported and captured via a central incident database, supplements the result of the assessment. IS/IT risks are re-assessed via an annual risk assessment exercise participated by all business units to provide a comprehensive analysis of evolving threats, accounting for both external and internal factors impacting identified risks. The output is a set of strategies/recommendations to manage associated risks and place additional safeguards where necessary.

COMPLIANCE & LEGAL RISK

Through the Compliance Management Group (CMG), DBP implements a Compliance Program which contains the processes involved in the implementation of the Bank's compliance system and through which all relevant Philippine laws and banking regulations, applicable to all areas of Bank operations, will be identified and monitored for adherence by all Bank units.

The Compliance Program discusses the general framework for the Bank's compliance policy to applicable laws and regulations, functions of CMG, delineation of functions between Internal Audit Group (IAG) and CMG, responsibilities of CMG personnel, Compliance Monitoring System, Compliance Testing Process, and reporting.

Meanwhile, legal risk is centrally managed, through the Legal Services Group, via control structures such as Legal Office sign-off procedures, issuance of legal opinions, regular monitoring of ongoing cases and continuous training and awareness campaigns. In an effort to prevent money laundering through the Bank, it has adopted Know Your Customer (KYC) policies. Each business unit is required to validate the true identity of a customer based on reliable identifying documents/records before an account may be opened. For high-net-worth individuals whose sources of funds are unclear, a more extensive due diligence is exercised. Decisions to enter into a business relationship with a high-risk customer, such as a politically exposed person or an individual holding a prominent position, are made exclusively at the senior management level.

To assess the capital requirements for compliance risk, the Bank considers the previous year total potential fines and penalties. Meanwhile, to assess the capital impact of compliance risk-related legal risk, the following were considered in the computation of capital charge: (1) amount involved, (2) probable result (or the win-loss probability expressed in percentage), and (3) amount of possible liability/loss for ongoing cases that were identified by the litigation lawyers. No capital charge will be provided for cases with lesser probability of loss (or more than 30% winning probability). The estimated capital charge for Compliance and Legal Risks is part of the annual Internal Capital Adequacy Assessment Process. DBP's Compliance Management Group has the responsibility to implement the Compliance Program of the Bank. The Program outlines the processes and introduces the framework for DBP's compliance system and policy. The framework also describes the functions of the CMG unit, the responsibilities of CMG personnel, and the Compliance Testing process, including monitoring and reporting system.

REPUTATION RISK

Risk identification is crucial in successfully managing reputation risk, which is not easily measurable. It is thus important to be aware of the venues where possible threat or danger to the good name of the Bank may be present. Regular media scanning of publications as well as news coverage involving and relevant to the Bank is undertaken to immediately identify any negative publicity which could create misimpressions about DBP and its operations.

Effective communication is important in promoting an excellent reputation, thus, the Bank actively implements external communications initiatives to maintain its image as a proactive development financial institution with a line-up of responsive products and services in fulfillment of its developmental mandate. The initiatives include advertising, media, marketing communication, and public relations activities. To achieve a wider reach, the Bank has also utilized the social media platform, specifically Facebook, to promote the image of the Bank. Sustaining DBP's positive image is expected to result in deepened existing customer relationships and an expanded customer base. The Bank is also vigilant about keeping its good name and reputation, and as such, continually strives towards managing and improving its services and operations. Should negative publicity involving the Bank arise, appropriate actions are immediately undertaken by the Corporate Affairs Department, to help protect the Bank's good name and reputation. Also, to provide the necessary support to implement the BSP's Financial Consumer Protection regulations, the Bank created the Customer Experience Management Department (CEMD), a business unit responsible for receiving and monitoring of the resolution of inquiries, requests, feedback and complaints. In addition, the Bank also contracted a third-party research agency to conduct an independent assessment of the level of overall customer satisfaction and engagement across the Bank's products and services with the objective of enhancing the customer service quality of DBP.

Finally, Reputation risk is managed through good corporate governance. Members of the governing board and senior management set the tone of good governance and cascade this to the officers and employees of the Bank. DBP stands proud to serve as a beacon of good governance while sustaining its growth momentum for its role as the catalyst for a progressive and more prosperous Philippines.

STRATEGIC RISK

The Bank, being a government financial institution (GFI), pursues the strategic direction of the National Government, which is encapsulated in the DBP Balanced Scorecard. This contains DBP's commitment to deliver its core development mandate that supports the national agenda of inclusive growth and poverty reduction. The scorecard also highlights the Bank's continued pursuit of financial strength and viability to sustain its developmental efforts.

Strategic risk, the potential risk to earnings and capital of inappropriate business decisions and implementation and/ or inability to adequately respond to changing business environment, is qualitatively assessed, and its management involves setting the strategy, deploying resources, monitoring implementation and being aware of opportunities and threats.

Business plans are aligned with the Bank's strategic thrusts and directions as determined by the Board of Directors and Senior Management, with associated risk assessments taken into consideration in the formulation of risk management strategies and determination of capital requirements. Periodic review of actual performance versus set objectives is done by the Management Committee and the Board of Directors. Responsiveness to macroeconomic and industry changes is provided by continuous awareness by various Bank units to opportunities and threats, resulting in tactical revisions of specific business plans. DBP adheres to the strategic direction of the national government in pursuing inclusive growth in parallel with poverty reduction efforts. This alignment is condensed in the DBP Balanced Scorecard, which demonstrates the Bank's objective of strengthening its financial position and viability to support its development initiatives. DBP's approach to strategic risk involves qualitative analysis and identifying strategies and resources to manage the risk effectively. The Bank enhances its overall strategic risk management by embedding risk assessments in formulating strategies and determining capital requirements for its business plans. Moreover, as part of its risk management process, the Bank's actual performance is periodically reviewed against its set objectives by the Management Committee and the Board of Directors.

CAPITAL STRUCTURE AND CAPITAL ADEQUACY

Effective January 1, 2014, the Group complied with BSP Circular No. 781, s. 2013 or the Basel III Implementing Guidelines on Minimum Capital Requirements. This provides the implementing guidelines on the revised risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for universal Banks and commercial banks, as well as their subsidiary banks and quasi-banks, in accordance with the Basel III standards. In addition, the Group complied 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.

BSP Circular No. 781 sets out a minimum Common Equity Tier 1 (CET 1) Ratio of 6.00% and Tier 1 Capital Ratio of 7.50% and also introduced a capital conservation buffer of at least 2.50% comprised of CET 1 Capital. 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 CET 1 requirement. Currently, the CCyB is set at 0.00%. The existing requirement for Total Capital Adequacy Ratio (CAR) is still at 10.00%. Meanwhile, BSP Circular No. 881 stipulates that the Leverage Ratio must not be less than 5.00%. These ratios shall be maintained by the Bank at all times. At present, the Bank has one issuance that is fully compliant with Basel III regulations, which is the ten-year Php10.00 billion Unsecured Unsubordinated Notes issued by the Bank in November 2013. These notes are eligible as Tier 2 Capital and will mature on November 20, 2023, if not redeemed earlier. Pursuant to BSP Circular No. 781 on treatment as regulatory capital, the notes were subject to a discount rate of 80% by end-2021. The notes shall be subject to a discount of 20% applied annually starting November 2018 until its maturity.

The Group and the Parent Bank have complied with all externally imposed capital requirements throughout the year.

On a consolidated basis, the Bank's Total Qualifying Capital amounted to Php76.17 billion as of December 31, 2021. Tier 1 Capital, wholly consisting of Common Equity Tier 1, accounted for 90.52% at Php68.95Bn and Tier 2 Capital at 9.48% or Php7.22 billion.

CAPITAL ADEQUACY (Amounts In Php millions)	**Group**	**Parent**
Qualifying Capital		
Common Equity Tier 1 (CET 1) Capital	68,953	68,054
Tier 1 Capital	68,953	68,054
Tier 2 Capital	7,219	7,185
TOTAL QUALIFYING CAPITAL	**76,172**	**75,239**
CAPITAL CONSERVATION BUFFER	**14,074**	**13,992**
COUNTERCYCLICAL CAPITAL BUFFER	**-**	**-**
SURPLUS / (SHORTFALL) CET1 CAPITAL	**21,101**	**20,481**
Risk-Weighted Assets (RWA)		
Credit RWA	520,787	517,774
Market RWA	3,141	3,141
Operational RWA	39,039	38,771
TOTAL RWA	**562,967**	**559,686**
Qualifying Capital Requirements (10.0% of RWA)		
Credit Risk	52,079	51,777
Market Risk	314	314
Operational Risk	3,904	3,877
TOTAL QUALIFYING CAPITAL REQUIREMENT	**56,297**	**55,969**
CET 1 Ratio (CET 1 Capital ÷ Total RWA)	**12.25%**	**12.16%**
Tier 1 Ratio (Tier 1 Capital ÷ Total RWA)	**12.25%**	**12.16%**
Capital Adequacy Ratio (CAR) (Qualifying Capital ÷ Total RWA)	**13.53%**	**13.44%**
Exposure Measure		
On-Balance Sheet Exposures	1,144,184	1,140,135
Derivative Exposures	-	-
Securities Financing Transaction (SFT) Exposures	15,878	15,800
Off-Balance Sheet Exposures	39,724	39,724
TOTAL EXPOSURE MEASURE	**1,199,787**	**1,195,660**
Leverage Ratio (Tier1 Capital ÷ Total Exposure Measure)	**5.75%**	**5.69%**

Capital requirement (equivalent to 10.00% of risk-weighted assets) for credit risk is at Php52.08 billion, Php314 million for market risk, and Php3.90 billion for operational risk. The Bank's risk-based CAR of 13.53% is well above the 10.55% internal and 10.00% regulatory minimum level, while the CET 1 and Tier 1 Ratios are calculated at 12.25%. The Bank maintained the minimum Capital Conversation Buffer (CCB) and Countercyclical Capital Buffer (CCyB) as required. Similarly, the Bank's Leverage Ratio of 5.75% is well above the 5.30% internal and 5.00% regulatory minimum levels.

The Bank posted solo CAR, Tier 1, CET 1 Ratio, and Leverage Ratio of 13.44%, 12.16%, 12.16%, and 5.69% respectively as of end 2021.

Common Equity Tier 1 Capital, Tier 1 Capital and Qualifying Capital are computed in accordance with the provisions of Part II of BSP Circular No. 781. Further, risk-weighted assets (RWA) is the sum of (1) credit risk-weighted assets, (2) market risk-weighted assets, and (3) operational risk-weighted assets.

RWA consist of total assets less non-risk assets such as the following: cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits and other non-risk items determined by the Monetary Board (MB) of the BSP. As of December 31, 2021, the Group has no exposures to securitization structures, contracts that provide credit protection through credit derivatives and investments in other types of structured products. Credit risk mitigants on RWA were based on collateralized transactions (margin deposits and hold-out on deposits) as well as guarantees by the Philippine National Government and those guarantors and exposures with highest credit rating. Standardized credit risk weights were used in the credit assessment of asset exposures. Third party credit assessments were based on the ratings by S&P, Moody's, and Fitch on exposures to Sovereigns, Multilateral Development banks, banks, Local Government Units, Government Corporations, and Corporates. Market RWA and Operational RWA are computed using the Standardized and Basic Indicator approaches, respectively.

As of December 31, 2021, the Php845 million difference between the Bank's Qualifying Capital of Php75.24 billion and the total capital of Php76.08 billion reported in the Audited Financial Statements (AFS) was mainly due to the following:

In Php millions	
Unsecured Subordinated Debt Classified as Tier 2 Capital	2,000
General Loan Loss Provision	5,185
Regulatory Adjustments to CET 1 Capital	(8,030)
	(845)

Exposure Measure is computed in accordance with the provisions stated in BSP Circular No. 881. It is composed of on-balance sheet exposures, derivative exposures, securities financing transaction (SFT) exposures and off-balance sheet exposures.

As of December 31, 2021, the Php16.53 billion difference between the Bank's On-Balance Sheet Exposures of Php1.14 trillion and the total resources of Php1.16 trillion per published financial statements was mainly due to the following:

In Php millions	
Loans and Receivables arising from RRP	15,878
Derivatives Exposure (Replacement Cost)	-
Regulatory Adjustments to CET 1 Capital	7,028
General Loan Loss Provision	(6,374)
	16,531

Evaluating Risks, Minimizing Impact

DBP supports ecological protection by integrating sustainable business practices in investments and operations. The Bank invests in high-impact programs with clear social and environmental priorities.

Operational excellence means combining quality and sustainability in everyday actions. By proactively integrating practices in service, asset management, and business decisions, DBP is helping advance sustainability in the banking sector.

The policy embodies the Bank's dedication to the environment. It seeks to improve its Environmental Management System within the organization while encouraging other institutions to follow the path through environmentally responsive lending and technical assistance programs.

Moreover, DBP strictly complies with the country's environmental laws, regulations and relevant agreements. To assess sustainability performance, the Bank regularly reviews its environmental initiatives and human resource capacity to meet sustainability targets.

PROMOTING A CULTURE OF RISK-AWARENESS

Identifying and managing risks associated with business activities is important to protect operations and ensure development objectives. The Board of Directors leads overall management, from risk assessment to monitoring, while promoting a culture of risk-awareness within the organization.

The Enterprise Risk Management Group develops and implements the risk management framework that directs policies, procedures, methods, and controls. Risk management functions is performed together with key Board-level committees, such as the Risk Oversight Committee, the Governance Committee, and the Audit and Compliance Committee.

Furthermore, DBP's Enterprise Risk Management Framework involves risk assessment and identification which formulates strategies for its implementation. This includes risks related to Environment, Social and Governance topics.

A combination of qualitative and quantitative tools and methodologies are utilized to conduct assessments and to establish a comprehensive limit structure for tolerance and appetite. Stakeholder consultations are also conducted to ensure an inclusive identification process. Once identified these are addressed by the management strategies followed a thorough analysis of DBP's portfolio and overall risk profile. DBP considers capital implications and service continuity in its management. Monitoring and evaluation of risk strategies are also performed.
Given the implicit risks in the banking industry, DBP anticipates potential risks and hazards through consistent assessment. All year long, risks and opportunities are identified by business units and enterprise levels through an environmental scan. The results are tackled in Management Committee meetings and included in the strategy for the upcoming year. Moreover, the risk identification and assessment are documented in the Bank's Internal Capital Adequacy Assessment Process (ICAAP), the primary risk identification and assessment document. The document report is forwarded to the Bangko Sentral ng Pilipinas (BSP) every third month of the year.

The Bank deals with risks in credit, market, liquidity, and interest rate. Non-financial risks are in information security/information technology, operations, compliance and legal, reputation, and strategy. Beyond these risk categories, is the threat of climate risk. Climate hazards damage property and assets and disrupts operations. To manage climate risks DBP enhances business continuity management, disaster preparedness plans, and contingency measures. Continuity plans are periodically tested, including disaster preparedness to ensure recovery of all bank units and to identify potential weaknesses of these programs. Regular assessment and maintenance activities are also conducted to ensure the operability of recovery facilities which contain its critical application systems, equipment and supplies. For its loan portfolio, the Bank performs routine monitoring and evaluation to determine the environmental factors and related incidents that may affect the viability of DBP's financing projects.

For CY 2021, the Board of Directors, along with the Risk Oversight Committee (through the Enterprise Risk Management Group), regularly discussed the adequacy and effectiveness of the bank's risk management systems and operating policies, especially in the face of the COVID-19 Pandemic. They also revisited and reviewed pertinent credit policies and guidelines that can affect the borrowers' repayment capabilities during the pandemic. The Committee likewise revised and updated the bank's various market, liquidity, interest rate, and trust risk policies and models as well as various limits for treasury activities. New policies on information security risk management were also approved to ensure the protection of information assets. Moreover, enhancements to the Business Continuity Management Program and revisions to the Integrated Incident Management Framework were approved respectively. These promote continuity of operations in the event of an emergency and establish standardized procedures on incident of management. Also, in 2021, the Board approved the results of the Risk and Control Self-Assessment exercise, which determined the overall operational risk profile of the bank. Lastly, the Board approved the Consumer Protection Risk Management System, which institutionalizes consumer protection as an integral component of corporate governance, culture, and risk management.

EFFECTIVE ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT

Lending and investment activities are evaluated in the light of environmental and social impacts. The process considers environmental, social and climate risks in the project evaluation and credit process monitoring guided by the DBP's Credit Policy on Environmental and Social Due Diligence.

Due diligence is of utmost importance to effective and sound financial management. For DBP, due diligence requires a comprehensive screening and assessment of any project vying for the Bank's financing support. Project screening and assessment are two related exercises by which DBP exercises due diligence. DBP screens projects by categorizing the environmental risks associated with a project. The possible impacts of natural and climate-induced hazards on the project are also identified. Moreover, the probable social impacts of natural and climate-induced hazards are evaluated through this process.

Project assessment is performed by examining the technical aspects of a project. Then, the environmental, social, and economic impacts of a project are appraised. This step also involves pinning down the performance indicators that will serve as data reference points for project monitoring. The performance indicators will ultimately measure project success, specifically if the environmental and socio-economic targets are achieved and sustained.

In the coming years, DBP vows to expand and enhance its relevant policies and procedures on ES risk management to adapt to the changing business landscape and the emerging issues that can significantly affect the Bank's portfolio and reputation. In time, The Bank will also continuously align with internationally recognized principles, standards, and global practices to develop more robust ES risk management strategies.

ESTABLISHED CREDIT EVALUATION AND ASSESSMENT PROCESS

Credit risk is very significant with DBP. The risk exposures in its loan portfolio are between medium and long term. DBP established a credit evaluation and assessment process, credit policies, controls, and monitoring structures to create a robust credit risk management system. Through a diversified portfolio and other safeguard measures, DBP reduces the likelihood of concentration risk. Moreover, credit risk is mitigated through expansive due diligence and acceptance of eligible collaterals.

DBP regularly monitors its Past Due and Non-Performing Loans ratios, which are 4.47% and 3.45%, respectively, by year-end of 2021. Risk rating of accounts are being adjusted given market changes, prospects of the borrower's business and industry, including the relief afforded by the regulatory body. In addition, the Bank conducts review/updating of risk rating of all accounts to take into consideration recent payment experience prior to the estimation of the quarterly ECL.

MANAGING MARKET RISK

The Bank's market risk primarily stems from its treasury-related activities subject to price and foreign currency risks. Such treasury-related activities include trading and investment, which utilize residual funds from lending activities. These residual funds are placed in financial instruments that can generate acceptable profits, thus augmenting the Bank's capital and funds which in turn can be further allocated to lending activities in the priority sectors of infrastructure, social services, environment, and MSMEs. Meanwhile, to measure and manage market risk, the Bank implements Value-at-Risk (VaR) calculations, stress tests, scenario analysis, and Board-approved risk limits.

ROBUST LIQUIDITY RISK MANAGEMENT

DBP implements a process that interconnects Risk profiling using the Maximum Cumulative Outflow (MCO) with LCR, NFSR and other Liquidity Ratios, Analyzing vulnerabilities using Liquidity Stress Testing, and Defining concrete operational strategies during crisis events, such as varying degrees of natural disasters, in the Contingency Funding Plan (CFP). Furthermore, the Bank's tolerance for liquidity risk is demonstrated through its Board-approved liquidity risk limits and internal thresholds.

MEASURING INTEREST RATE RISK

Any unexpected adverse change in interest rates may negatively affect the value of the lending and investment portfolios, and ultimately the bank's net interest income from these portfolios. Decline in net interest income can in turn reduce profits which can be allocated to future developmental lending activities. To protect the bank from the adverse impact of interest rate movements, DBP uses two complementary approaches to assess and measure interest rate risk. DBP applies the Earnings-at-Risk (EaR) approach for changes in expected earnings, while the Economic Value of Equity (EVE) approach is used for changes in the economic value.

AUTOMATING OPERATIONAL RISK

The Basic Indicator Approach, complemented by an analysis of DBP's historical loss experience, helps the Bank determine its operational risk capital charge. The computed average gross income should be multiplied by a specified factor to calculate operational risk capital charge.

Since 2019, DBP started implementing the Operational Risk Information System (ORIS) to automate its data management and information collection. The system enables DBP to automate its Risk and Control Self-Assessment (RCSA), Business Impact Analysis (BIA), and Information Security Risk Assessment (ISRA).

PROTECTION AND MANAGEMENT OF INFORMATION

DBP established an Information Security Risk Management Program to handle risks related to its information security and information technology. The program is attuned to DBP's risk management lifecycle process. DBP employs a likelihood-impact analysis approach to project the risk capital charge combined with an analysis of historical loss based on its reported data. DBP annually re-evaluates risks, mindful of external and internal factors that may impact the risks and anticipate emerging and evolving threats. The evaluation results are used to develop strategies that enhance and address any gaps in the existing process.

COMPLIANCE PROGRAM AND LEGAL CONTROL MEASURES

DBP's Compliance Management Group implements the Compliance Program that outlines the processes and introduces the framework for compliance system and policy. The framework also describes the functions of the CMG unit, the responsibilities of CMG personnel, and the Compliance Testing process, including monitoring and reporting system.

DBP's Legal Services Group manages the risk by implementing control measures such as sign-off procedures, issuance of legal opinions, consistent monitoring of ongoing cases, and training and awareness campaigns. DBP has also adopted Know Your Customer (KYC) policies to prevent financial crimes such as money laundering. In addition, senior management has the prerogative to disengage with high-risk customers. The Bank's Compliance Risk capital charge is determined using the previous year's total potential fines and penalties. The following were factored in the computation to determine the capital impact of compliance risk-related legal risk: (1) amount involved, (2) probable result (or the win-loss probability expressed in percentage), and (3) amount of possible liability or loss for ongoing cases identified by the litigation lawyers. For cases with greater probability of loss (or 30% and below winning probability), estimated capital charge is the identified amount of possible liability/loss. Meanwhile, no capital charge will be provided for cases with lesser probability of loss (or more than 30% winning probability)

MONITORING REPUTATION RISK

Effectively managing reputational risk starts with the practical identification and monitoring of threats and issues that may damage the Bank's reputation. As part of its monitoring for risk control, DBP regularly reviews media coverage of the Bank, particularly any negative publicity that may taint its reputation. Alongside these controls, DBP maximizes the strength of social media and external communications campaigns to protect and improve its image as a development-oriented bank. Advertising, marketing, promotional activities, and public relations events form part of its external communications strategy. DBP promptly responds to complaints or adverse publicity through its Corporate Affairs Department. Additionally, DBP established the Customer Experience Management Department (CEMD) to receive and monitor the resolution of inquiries, requests, feedback and complaints. Further, to establish an unbiased view of the Bank, DBP commissioned an independent external party to review customer satisfaction and engagement.

CONSUMER PROTECTION RISK

The DBP Consumer Protection Management System (CPRMS) is an integral component of the Bank's Financial Consumer Protection Framework and integrated into the Bank's existing enterprise risk management processes and risk governance framework. It enables the bank to identify, measure/assess, monitor/report, and control/mitigate consumer protection risks inherent in its operations. As part of risk governance, the Board of Directors through the Senior Management is the final approving authority on the results of risk assessments and its corresponding mitigants.

The DBP CPRMS also includes the related bank policies and procedures which take into consideration the Consumer Protection Standards of Conduct (Disclosure and Transparency, Protection of Client Information, Fair Treatment, Effective Recourse Mechanism, and Financial Education and Awareness) to ensure that the bank and its employees comply with customer protection laws, rules, and regulations. The quality and effectiveness of the CPRMS and its implementing policies and procedures are independently assessed by independent control functions of the bank.

ENHANCING STRATEGIC RISK MANAGEMENT

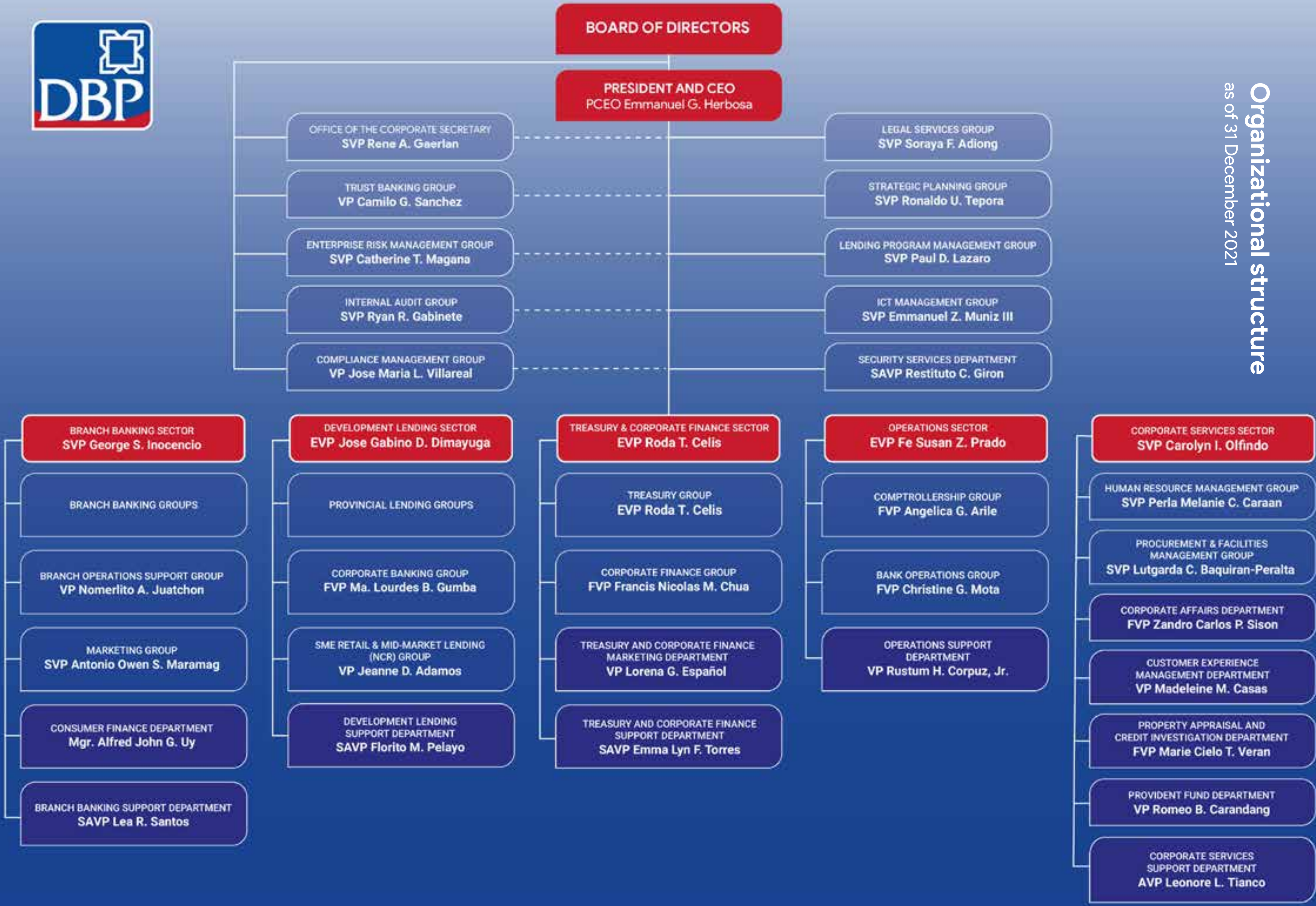
DBP adheres to the strategic direction of the national government in pursuing inclusive growth in parallel with poverty reduction efforts. This alignment is condensed in the DBP Balanced Scorecard, which demonstrates the Bank's objective of strengthening its financial position and viability to support its development initiatives. DBP's approach to strategic risk involves qualitative analysis and identifying strategies and resources to manage the risk effectively. The Bank enhances its overall strategic risk management by embedding risk assessments in formulating strategies and determining capital requirements for its business plans. Moreover, as part of its risk management process, the Bank's actual performance is periodically reviewed against its set objectives by the Management Committee and the Board of Directors.

DBP Organization

The Bank continues to work towards enhancing its organizational resilience in the midst of digitalization to promote financial inclusion and sustainable development. The results were strategies that helped the Bank navigate the new normal.

Organizational structure

as of 31 December 2021



DBP ORGANIZATION

Inspiring Teamwork

OUR PEOPLE (BUILDING A SUSTAINABLE WORKFORCE) GRI 10

Operational excellence is anchored on the commitment of employees. As a service and development-oriented institution, DBP takes pride on having employees who continuously strive to promote integrity, excellence, teamwork, service to others, and love of country across the organization.

DBP strives to have a work environment that fully supports employee growth and well-being. A healthy workplace that inspires our people to flourish, thrive and realize their full potential with programs that support a healthy work-life balance.

The organization believes in having a competitive and merit-based selection and hiring process with competitive remuneration, benefits, and various non-financial incentives to attract and retain talent.

In times of crisis employees are given enough time to physically, mentally and emotionally recover, while obtaining additional resources and tools to assist them during the hard times.

With the ongoing health crisis, DBP enhanced the existing employee health initiatives, especially for those on the frontlines of service. Since 2020, improved health and safety measures were implemented to maintain employee well-being and ensure a safe workplace for all.

Recruitment

As a stable government financing institution with a steady growth, DBP is able to expand its services and hire more employees. In 2021 DBP had a total of 3,409 employees across the country.

Number of employees by employment type
(full-time and part-time), by gender

2021 FULL-TIME

2,266 FEMALE

1,143 MALE

3,409 TOTAL

PART-TIME NONE

Retention and Separation

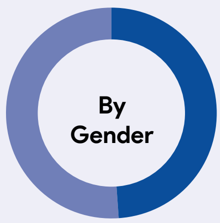
A total of 887 employees have been with DBP for over 21 years. This subgroup ranks the highest in number among the tenured employees in the Bank. Retention is attributed to the competitive compensation package which includes diverse benefits, allowances, and subsidies, and opportunities for career development.

Despite the pandemic a total of 123 employees were hired in 2021. However, like any active organization separation is inevitable, a total of 159 employees left the Bank in 2021.

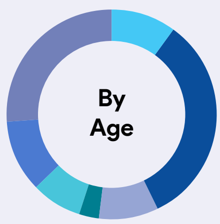
Diversity and Equal Opportunities

The work environment at DBP supports equal opportunities that lead to career growth. The non-discrimination policy is outlined in DBP Circular No. 12 series of 2019. This prohibits any form of prejudice or bias based on gender identity, civil status, physical disabilities, religion, political affiliation, ethnicity, and indigenous cultural community membership. The policy ensures equal treatment for all employees, from the hiring date to the training process, including the employee's promotion.

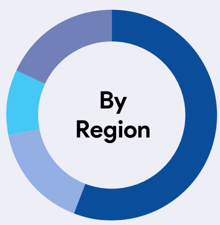
Employee separations percentage by gender, age and region



49% Female
51% Male



33% 26-35
26% 60 and above
11% 56-59
10% 25 and below
9% 36-45
8% 50-55
3% 46-49



56% Head Office- NCR
18% Mindanao
16% Luzon
10% Visayas

Under gender representation, DBP has more female employees than male employees. At the end of 2021, DBP had 2,266 female employees, almost twice higher than the 1,143 male employees hired by the Bank. Likewise, the Bank has employed 20 employees who are members of the country's Indigenous People (IP) groups. Of these, 11 are female, while nine are male.

On top of the monthly salary, employees also receive a Mid-Year Bonus and other payments, benefits, and subsidies, such as the Provident Fund, Health Care Plan, and Motor Vehicle Lease Purchase Plan. The health care plan provides coverage for criticalillnesses and other health needs.

The Bank's Compensation Plan outlines the high-ranking officers' salaries, including DBP's President and CEO and the four highest compensated officers. The salary increase of top officers and managers is based on performance rating and ranking and must not exceed the level's maximum wage.

DBP also implements a pay range for different levels and positions in the organization. Depending on the overall performance of the Bank, the annual incentive payouts are given through the Performance-Based Bonus (PBB), subject to the conditions, requirements, and multiplier incentives established by the Governance Commission covering government-owned and controlled corporations (GOCCs). The PBB incentive must coincide with the Bank's ability to achieve its annual goals and targets related to economic, environmental, and social aspects.

Employees are given due notice in the event of termination or separation. For senior officers, the Compliance Management Group is notified of any separation approval. Employees receive their separation benefits, which include the Provident Fund, lastpay, and monetary value of leave credits, upon submission of documentary requirements and Certificate of Clearance.

COMPENSATION AND BENEFITS - EMPLOYEE REMUNERATION

GRI 102-35 - 39, GRI 103-1 - 3, GRI 202-1, GRI 401-2 - 3, GRI 405-2 – 3

DBP believes that employees are integral to the Bank's success. Thus, the Bank has developed a compensation plan and complementary benefit programs designed to support its employees' financial, physical, and emotional wellness. DBP rewards its employees with competitive compensation and incentive packages based on merit and performance, regardless of gender.

DBP New Hires by Gender

2021

80 FEMALE

43 MALE

123 TOTAL BANKWIDE NEW HIRES

DBP enjoys exemption from the Salary Standardization Law (SSL) despite being a public institution. Through the DBP's Revised Charter, the Bank can offer a compensation package on par with its private sector counterparts. The Compensation Plan is reviewed once every two years to ensure its competitiveness and responsiveness to industry trends.

To attract and keep its employees, DBP follows a distinct salary structure with standard benefits and allowances. On top of their salary, employees also receive Mid-Year Bonus and other payments, benefits and subsidies, such as the Provident Fund, Health Care Plan, and Motor Vehicle Lease Purchase Plan. The health care plan provides adequate coverage for critical illness and other health needs, including minor, major and dreaded diseases.

The Bank's Compensation Plan outlines the compensation of the high ranking officers of DBP, including the President and CEO and four highest compensated officers. The increase in salaries of top officers and managers depends on their individual performance rating and ranking and shall not exceed the level's maximum wage. DBP also implements a pay range for different levels and positions in the organization.

Annual incentive payouts are given to employees through the Performance-Based Bonus (PBB), depending on the overall performance of the Bank. This performance bonus is subject to the conditions, requirements and multiplier incentives established by the Governance Commission covering GOCCs such as DBP. Granting PBB incentive lies with the Bank's ability to achieve its annual goals and targets related to economic, environmental and social aspects.

DBP follows a process related to employee separation. All employees are given notice of termination or separation. For senior officers, the Compliance Management Group is also notified regarding any approval of separation. Employees separated from the Bank may receive their separation benefits, including provident fund, last pay and money value of leave credits (if any} after submitting documentary requirements with Certificate of Clearance.

List of benefits

	Y/N	% of Employees who availed for the year	
		Female	Male
GSIS	Y	2,124	1,077
Maternity	Y	113	-
Sickness	Y	338	164
GSIS Loan	Y	869	
PhilHealth	Y	2,266	1,143
Pag-IBIG	Y	2,266	1,143
Parental leaves	Y	152	37
Solo Parent	Y	39	4
Maternity	Y	113	-
Paternity	Y	-	37
Alternate Caregiver (part of ML)	Y	-	2
Vacation leaves	Y	102	63
Sick leaves	Y	338	164
Magna Carta for Women	Y	20	-
Medical benefits (aside from PhilHealth)	Y	2,124	1,077
HMO	N		
Medical allowance	Y	2,266	1,143
Housing assistance (aside from Pag-IBIG)	Y	29	33
Retirement fund (aside from GSIS)	Y	2,124	1,077
Further education support	Y	50	
Company stock options	N		
Telecommuting	Y		
Flexible-working Hours	Y	1,336	765
Others. Please specify			

Provident Fund

DBP recognizes the commitment and hard work of the employee community with benefits that go beyond the years of loyal service. DBP's Provident Fund is a trust fund that is part of our employees' pension plan and in line with Republic Act 4537.

Available for officials and employees who have demonstrated dedicated service to the Bank, the retirement benefit has a counterpart funding, with DBP providing a 30% share. With this unique incentive mechanism, DBP employees can better prepare for retirement.

The Provident Fund offers various loans with competitive terms and concessional rates that allows employees to accumulate assets and build up net worth.

For the period 2019-2021, PF's Individual Housing Loan Program provided financial assistance to 77 DBP employees, a Real estate loan to 12 employees for investment or entrepreneurial purposes, and 77employees for a car loan.

The Provident Fund continues to be a steady partner of DBP employees during unexpected financial needs. 20 employees affected by natural disasters or calamities were provided calamity loan assistance. PF's Emergency Loan, on the other hand, extended assistance to 28 DBP employees for their emergency requirements and their dependents med medical needs that Health Care Fund does not cover.

As the threat of the COVID-19 pandemic continues in 2021, DBP continues to provide financial assistance through a loan facility called HEAL, benefitting at least 1,379 members with a total amount of Php28.08 million. Attuned to the needs of our employees, PF offered TELE Loan (Tools Essential Leading to Employees Productivity) to provide

PF members a source of funds for acquiring Tele device/s in support of the alternative work arrangement (WFH) to maintain productivity and upkeep their qualified dependents in the DEPED's Blended Learning Program 193 employees availed this loan.

DBP also extends financial assistance to deserving dependents through the Scholarship Program for Dependents of Employees. Designed to make tertiary education accessible to DBP employees' dependents, this program also contributes to the achievement of

UN Sustainable Development Goal 4 to ensure inclusive and equitable quality education.

PEOPLE DEVELOPMENT AND TALENT MANAGEMENT GRI 103-1 – 3, GRI 404-1 – 3

In 2021, the Bank bolstered four pillars of the Human Resource Management plan and strategies to strengthen productivity. The need to transform the Bank to be more flexible, adaptable, and forward-thinking was fundamentally anchored on innovations and breakthroughs in the core areas of Recruitment, Learning and Development, Rewards and Recognition, and Results-Based Performance Management.

Learning and Development Programs

In 2021, innovations in learning and development (L&D) were ushered for a future-ready and resilient organization. A 5-Year Capability Building (CapBuild) Strategy (2021-2025) was crafted to serve as L & D Roadmap based on the results of the 2020 competency baseline of 2.59 or 94.84% and 2021 competency improvement to 2.68 or 96.30% in 2021.

Every employee had at least one (1) L&D program focusing in the areas of innovation, digital transformation, financial consumer protection, data privacy and information security, anti-money laundering, and leadership and development. With a total of 3198 bankwide employees, each one earned an average of 30.4 training hours in CY 2021.

As a testament to these accomplishments, the Bank's L & D initiatives won the ADFIAP Outstanding Development Project Awards 2021 (Category 1: Human Capital Development). DBP also received an Institutional Award from BAIPHIL for the Bank's active participation in BAIPHIL's seminars, general membership meetings and conventions.

The pool of high-value certified talents and licensed professionals including high-potentials and emerging leaders were provided with opportunities to learn and develop competencies beyond the confines of the brick-and-mortar training room. Open online courses and degree programs of ivy-league institutions and international learning portals or learning management systems were dominant in the Bank's 2021 training portfolio.

As part of learning innovation in the midst of the pandemic, the Read and Learn Kits and Watch and Learn Kits were easily accessed via email. The curated content was developed by the Bank's Technical Subject matter experts and pool of internal instructional designers. Onboarding and orientation toolkits for supervisors to assist new employees during their probationary period were made readily available. In 2021, the Bank's human resources gained new learning experiences from a wide variety of platforms thru DBP iLearn, MS SharePoint portals, learning video channels, podcast series, cloud-based learning management systems of foreign and local institutions.

In 2021, the Bank has strengthened its commitment to be every employee's development partner in completing higher degrees, professional global certifications, and learning with foreign counterparts in banking, government, business, and financial markets.

Average hours of training per employee category and gender

2021			
25.16 Rank & File	37.78 Junior Officers	39.25 Senior Officers	FEMALE
21.80 Rank & File	35.84 Junior Officers	39.42 Senior Officers	MALE
		199.25	TOTAL

Continuing Professional Education and Development

The Board-approved DBP Learning and Career Development Plan (LCDP) serves as an overarching guide toward integrated Learning and Career Development initiatives for bank officers and staff. It integrates guidelines on training, scholarships, and other learning interventions. Anchored on the critical business needs and designed based on the 70-20-10 philosophy of learning, the following learning and development programs are covered under the LCDP:

1. In-service Training Programs

    - Orientation Program
      The DBP ONE is a blended learning program is the umbrella program for compliance training on mandatory programs such as Anti-Money Laundering Awareness and Information Security, and likewise includes orientation sessions on Introduction to Development Banking and Bank Products and Services, among others. Additionally, the DBP Onboarding Toolkit is disseminated among new hires and their supervisors to ensure the completion of the onboarding and orientation process.
    - Functional / Specialized / Technical Program (e.g. Account Officers Development Program or AODP)
    - Management and Leadership Development Program
    - Culture and Values Enhancement Program

2. Other HR Development Interventions and Support Programs includes:

    - Coaching and Mentoring
    - Job Rotation Program
    - Professional Certification Programs
    - Scholarship Grants
    - DBP Professional Advancement and Continuing Education Support (DBP PACES) Program

As a critical talent management process and as part of the Bank's leadership continuity planning, the Bank's Succession Management Policy and System has been put in place and is continuously being reviewed and updated. DBP is committed to improving its operational risk management by enhancing its succession planning program including the conduct of a periodic review of key or critical positions, and identification of potential successors.

In 2021, DBP issued DBP Circular No. 51 or the Amended Succession Management Policy to further strengthen the operationalization of the succession management policy in the bank. The succession planning in the Bank is carried out through a 3-step process:

(1) Identification of the most critical leadership roles across the organization;
(2) Finding the right people who could assume these roles; and
(3) Preparation of potential successors to assume these roles more effectively.

The 2021 Succession Plan for critical roles was also reviewed and approved by the Board on Feb 17, 2021 per BR No. 0130. Likewise, 100% of 561 identified potential successors have established Career Development Plans for 261 key roles which include the Head of Sectors, Groups, Departments, Branches, and Lending Centers.

Performance Rewards Management

The DBP-SPMS aligns individual accountabilities and targets with the Bank's Major Final Outputs (MFOs) to ensure that individual contributions resulted in the collective growth of the organization.

The Revised Strategic Performance Management System (SPMS IPAS) was approved by the DBP Board of Directors under Resolution No. 04 dated January 20, 2021 and submitted for approval of the Civil Service Commission (CSC) on February 18, 2021. The implementation of the revised SPMS-IPAS started with the conduct of 2021 Individual Performance Appraisal.

The Bank's Strategic Performance Management System (SPMS) was re-designed to connect different levels of planning and target-setting at the Organizational Planning level thru the Institutional Service-Level Review and Validation System (ISERV) that serves as the basis for the Individual Commitment/Target-Setting or the Individual Performance Appraisal System (SPMS-IPAS). Beyond the performance evaluation system, the Bank's SPMS has evolved to integrate the full cycle of performance management that includes (1) Performance Target-setting, (2) Performance Monitoring and Coaching; (3) Mid-Year Review and Calibration; and (4) Performance Review and Evaluation.

DBP conducts a systematic performance review to appraise employee productivity properly. The results of this review serve as the basis for promotion and various forms of performance-based incentives. The results are also used to inform learning and development programs and interventions. Additionally, DBP has a policy that grants paid time off or study leave benefits for staff completing their master's degrees or taking the Bar exams or other Board examinations.

Strategic Talent Management and Acquisition

DBP Management Associates Program (MAP) is another professional development component that DBP offers. MAP is a talent acquisition and development strategy of the bank to select, train, and deploy a pool of qualified and high-potential candidates groomed for a junior officer position. With 12 batches since MAP's inception in 2004, MAP Batch XII open its one-year intensive hybrid curriculum consistent with the original intent and purpose of the program as recognized under CSC Resolution No. 07-1737 series of 2007 to develop a cadre of high-potential junior officers who will be assigned in bank Units in-charge of account management or promotion of bank Products and Services upon successful completion of MAP Training.

OCCUPATIONAL HEALTH AND SAFETY - HEALTH AND WELLNESS

GRI 103-1 – 3, GRI 403- 1 – 10

The COVID-19 pandemic has created a new set of challenges in the workplace. While there is a sense of urgency to normalize business operations, DBP continues to refine its health protocols to protect the well-being of its employees.

The Bank considers the workplace peculiarities and nuances. Guided by the occupational safety and health standards for the public sector, the Bank, thru its Safety and Health Committee complies with the provisions of the CSC/DOH/DOLE Memorandum Circular.

A safe and healthy workplace can enhance employee morale and improve productivity, thus achieving a harmonious relationship in the workplace. As such the Bank has maintained a zero-accident record in the workplace. Provision for reasonable working conditions, emergency preparedness, occupational safety and health program, provision of support facilities and working hours, break and leave privileges are being considered by the Management.

Even before the COVID-19 pandemic, DBP has an active Health and Wellness Unit under the Employee Relations Department (HWU-ERD) which leads the implementation of the Bank's health and wellness plan and addresses employees' medical needs are met. HWU-ERD also conducts programs to enhance the well-being of DBP personnel.

During the pandemic, DBP instituted several changes to protect its employees. The Bank adopted a work-from-home setup with the implementation of The DBP Circular No. 20, dated June 30, 2020, or Guidelines on Alternative Work Arrangements which covers work arrangements, protocols, performance, and productivity measures.

I. EMPLOYEE WELLNESS PROGRAM	
Number of Employees availed of vaccination	
1. Flu (cost shouldered by employees)	
Employees	171
Dependents	286
2. Pneumococcal (cost shouldered by employees)	
Employees	139
Dependents	125

II. HEALTHCARE PROGRAM	
Number of cases/consultations attended by DBP in-house doctors	
1. Medical, EENT consultations & management	
Employees and dependents	13,961
2. Dental	
Employees	1274
Dependents	52

Health and safety protocols were strictly observed in the workplace. Mandatory thermal scanning and declaration of health status were observed DBP ERD Health and Wellness Unit's doctors and nurses address all health and medical needs of our personnel, including the medical-related queries from all DBP offices and branches via in-clinic and teleconsultancy service. Dental services were also provided to employees and dependents.

To boost overall health and productivity, DBP has a fitness facility, and group exercise programs like Zumba, Kickboxing, and Yoga. Likewise, DBP employees benefitted from various health and wellness initiatives such as vaccination drives, health-related lectures, and wellness webinars.

CUSTOMER CARE

Customers Come First

For banking, convenience and accessibility continue to be a priority for customers, but people also want a return of quality engagement. While speed and response times are important, quality execution and compassionate service delivery still has a premium. Meeting customer expectations therefore require a holistic approach that put customers first.

For DBP, its Consumer Assistance Management System (CAMS) not only aims to provide an effective recourse for its customers, but more importantly provides a system to accelerate the improvement of its overall customer experience. Administered by the Customer Experience Management Department (CEMD), CAMS also employs an enterprise-wide customer service through the institutionalization of Customer Service Officers (CSO) across all business units. This ensures that all customer concerns are handled and resolved quickly at the business unit level, unless escalation of concerns is required. All feedback and concerns are consolidated and monitored by the CEMD and handled according to ARTA-prescribed timelines. In line with the Bank's accreditation into the Green Climate Fund, concerns-handling services were also extended to stakeholders of DBP-funded projects.

To deepen the Bank's insights into the needs of its customers, it conducts an annual Customer Satisfaction (CSAT) Survey and regularly solicits customer feedback from its head office and the branches, electronically and manually.

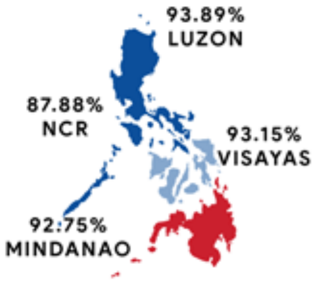
For 2021, the CSAT Survey was conducted through a third-party service provider in compliance with the mandatory requirements of the Governance Commission for GOCCs (GCG). Last year's survey involved a minimum of 1,000 respondents selected across various business units and conducted via telephone interview due to the limitations of the COVID-19 pandemic and in consideration of customer safety.

For DBP, its Consumer Assistance Management System (CAMS) not only aims to provide an effective recourse for its customers, but more importantly provides a system to accelerate the improvement of its overall customer experience.

Despite the operational challenges faced during the pandemic environment, the Bank's CSAT score improved from 90.91% in 2020 to 92.87% in 2021, detailed as follows:

% VERY SATISFIED

TOTAL	92.87%
BRANCHES	93.39%
LENDING GRP	78.13%
TREASURY GRP	92.86%
TRUST BANKING GRP	91.17%



Results of the 2021 CSAT revealed that the highest satisfaction index for individual customers is derived from the Bank's staff and its facilities. Moreover, the main drivers of satisfaction continue to be DBP's accommodating bank personnel and the speed and ease of transactions.

92.87%

CUSTOMER SATISFACTION FOR CY 2021

CORPORATE SOCIAL RESPONSIBILITY

Making a Difference for a Better Tomorrow

As a catalyst for a progressive and poverty-free Philippines, DBP upholds its commitment as a responsible corporate citizen through initiatives that promote the welfare of the Filipino people, particularly the underprivileged.

The Bank's corporate social responsibility (CSR) program for the environment aims to contribute to environment protection and climate change mitigation through the reforestation of public lands.

To improve access of Filipino students to quality tertiary education, the Bank launched DBP Resources for Inclusive and Sustainable Education (RISE) in 2018, an offshoot of the DBP Endowment for Education Program (DEEP), the Bank's scholarship program from 2008 to 2018. The DBP Rise is also essentially designed as a poverty reduction strategy through the provision of tertiary education opportunities to financially-challenged but deserving Filipino youth.

DBP also assists in community development through outreach programs. Under the Bank's donations and contributions fund, the Bank seeks to augment both public and private resources for the provision of development and social services to inherently vulnerable groups and other target beneficiaries.

DBP engages with local communities in implementing CSR programs and initiatives through working partnerships involving industry and advocacy partners. The Bank considers and adopts its partners' knowledge and expertise to efficiently manage and monitor the program operations being implemented.

The Bank's CSR programs are implemented year-round, thus, the Bank maintains constant engagement with its partner-communities to monitor program operations and welfare of beneficiaries.

EDUCATION

Designed as a poverty alleviation strategy, DBP RISE is DBP's contribution to the global initiative in CSR; a direly needed response to bring major development intervention in the education sector. It provides a nationwide investment to develop the country's human capital by providing educational opportunities to deserving but marginalized Filipino high school graduates, while strengthening institutional relationship with Program partners. Launched in 2018, the DBP RISE has a total allocation of Php500 million to cover five batches of scholars starting AY 2018-2019 until AY 2022-2023.

The goal is to improve access of indigent and deserving Filipino youth to quality education in priority courses which are in line with the National Government's "Build, Build, Build" Program. These courses include, engineering, real estate management, education, information technology, and hospitality, among others. In line with the Management Committee Resolution No. 0450 dated August 24, 2021, the implementation of DBP RISE Batch 4 started in partnership with 10 new partners schools for the benefit of least 510 indigent students nationwide. As of 2021, the program has disbursed financial support of around Php131.46 million which has benefitted 986 scholars.

986
BENEFITTED SCHOLARS

10
NEW PARTNER SCHOOLS

Philippine Development Plan 2017-2022

Human Capital Development Towards Greater Agility

4 QUALITY EDUCATION

Education:
DBP Endowment for Education Program (DEEP)

2021	
EXPENDITURES	
1st TRANCHE	2nd TRANCHE
Php105,000	**Php44,267,462.38**
NO. OF BENEFICIARIES	
7	**815**
IMPACT	

Improve access of a number of indigent and deserving Filipino youth for quality education in priority courses, which are in line with the administration's "Build, Build, Build" Program (i.e. Engineering, Real Estate Management, Education, Information Technology, Hospitality, etc.)

ENVIRONMENT

The DBP Forest Program is the Bank's initiative to protect the country's watershed areas. Its long-term vision is to develop downstream industries in the rural areas by supporting and encouraging the forestation of open public and ancestral domain areas through the planting of high-value fruit trees, forest trees and other species like bamboo and ilang-ilang, as well as coastal rehabilitation through planting of mangroves.

As of the end of 2021, some Php112.46 million has been disbursed under the program benefitting a total of 7,363 individuals from various People's Organizations. Of the total number of beneficiaries, 230 of them were provided with alternate livelihood opportunities.

The budget was utilized to plant a total of 6,233.65 hectares of coastal and upland areas. An additional 5,736.43 hectares were planted with a combination of endemic forest trees, fruit bearing trees and high value crops in upland reforestation. A total of 497.22 hectares were planted with mangrove species and nipa palms in mangrove rehabilitation.

Philippine Development Plan 2017-2022

Expanding Economic Opportunities in Agriculture, Forestry, and Fisheries and Ensuring Food Security

13 CLIMATE ACTION

Environment
DBP Forest Program

2021
EXPENDITURES
Php112,459,976.04
NUMBER OF BENEFICIARIES
7,363 individuals from various People's Organization
IMPACT

A. **Environmental Impacts**
   A total of 6,233.65 hectares coastal and upland areas were already planted.
   - A total of 5,736.43 hectares were planted with combination of endemic forest trees, fruit bearing trees and high value crops in upland reforestation.
   - A total of 497.22 hectares were planted with Mangroves species and Nipa palms in Mangrove rehabilitation.

B. **Socio-Economic Benefit**
   Provided alternate livelihood opportunities to 230 beneficiaries

OUTREACH

This is the Bank's initiative to support charitable projects for the benefit of inherent vulnerable groups and to provide donations for individuals and families in calamity-stricken areas in partnership with duly-registered charitable institutions and non-government organizations, local government units, national government agencies, and public institutions, respectively.

The outreach program also encompasses DBP's support to the Department of Education for equipment and facilities improvement, as well as the provision of school supplies and learning materials for students and learners among others, through the Adopt-a-School and Brigada Eskwela Programs.

In 2021, the program extended assistance to 17 LGUs that were adversely affected by natural or man-made disasters. Six outreach and charitable institutions for inherent vulnerable groups and other priority beneficiaries were also assisted. Internally, the program has benefited 21 employee-dependents as institutional donation for the passing of bank personnel.

Outreach

2021

EXPENDITURES

Php10,073,765

NO. OF BENEFICIARIES

1. **17** Local Government Units
2. **6** Socio-civic organizations and public institutions (including DepEd School-beneficiaries)
3. **21** DBP employee-dependents

IMPACT

A. **Environmental Impacts**
A total of 6,233.65 hectares coastal and upland areas were already planted.
- A total of 5,736.43 hectares were planted with combination of endemic forest trees, fruit bearing trees and high value crops in upland reforestation.
- A total of 497.22 hectares were planted with Mangroves species and Nipa palms in Mangrove rehabilitation.

B. **Socio-Economic Benefit**
Provided alternate livelihood opportunities to 230 beneficiaries

497.22
Hectares
OF REHABILITATED MANGROVES AREA

Internal Process

Environmental initiatives are integrated into banking operations, asset management, and business decisions.

INTERNAL PROCESS: GRI 13-1, GRI 307-1

Strengthening Sustainability in Banking

DBP's environmental policy integrates environmental considerations in operations, asset management, and business decisions. The Bank conducts annual reviews, measurements, and internal and external audits on operations to ensure effectiveness. Environmental initiatives include the reduction of internal operations' environmental impact through efficient resource consumption, identification, and environmental risks management. It also includes the promotion of projects that contribute to environmental protection through DBP's loan programs, CSR, and advocacy projects.

CARBON FOOTPRINT

Generally, energy use for CY 2021 is still lower compared to the CY2019 data. With the collective efforts of officers and employees, several measures have been implemented to reduce and control energy consumption. The initiatives include the conversion to LED lighting fixtures and Inverter-type Air-Conditioning (AC) units, as part of retrofitting programs for office premises.

Total Energy Consumption within the Organization (MJ)	2021	2020	2019
Total Consumption (KWh)	10,723,681.29	10,226,986.00	11,906,528.01
Total Consumption (MJ)	21,601,369.79	15,453,579.73	17,077,927.37
Energy Consumption Breakdown			
Diesel	359,914.92	348,740.56	403,019.73
Gasoline	199,706.06	58,251.29	44,484.38
LPG	0	0	0
Electricity	10,723,681.29	10,226,986.00	11,906,528.01
Energy Intensity (MJ/employee)			
	17,661.08	14,491.47	19,053.22
Total fuel consumption (MJ)			
Diesel	359,914.92	348,740.56	403,019.73
Gasoline	199,706.06	58,251.29	44,484.38
LPG	0	-	-
Others	0	-	-

Designated Pollution Control Officers and Managing Heads were identified and trained to improve environmental technical capacity. Energy Efficiency Conservation Officers for HO and sites were also designated in 2021 to ensure that compliance and improvement initiatives remain consistent with the Government Agency Management Program (GEMP) and Energy Efficiency Conservation Plan (EECP). Identified employees were also mandated to attend DOE's Energy Audit Orientation in compliance to RA 11285.

Total water consumption (cubic meters)	2021	2020	2019
Head Office	38,028.00	35,150.00	44,476.00
Branches	53,768.99	59,413.28	66,700.55
Total	91,796.99	94,563.28	111,176.55

PAPER CONSUMPTION

With the Bank's Strategic Environmental Plan, and consistent with the Bank's Paper Lite campaign, programs and initiatives to cut down paper consumption were planned and pursued.

Noteworthy projects include:

1. The use of QR Technology and other online/digital tools for certain processes/activities
2. Utilize iPad for digital versions of bank Committee papers (ManCom, ALCO, ITSC)
3. Use of MS Teams as an online meeting and collaboration platform and other MS Tools such as Shifts, Planner, One Drive, etc.

In 2021, although provision for alternative work arrangements remained, employees transitioned to onsite work. As such, minimal % increase in total paper consumption was experienced compared to figures during actual and pre-pandemic years. Nonetheless, per capital paper consumption decreased while business volume continued to increase.

DBP expressed its intent to develop long-term solutions to improve paper efficiency. Among the projects are:

1. Continuous implementation of the Paperlite initiatives to reduce cost, e.g. expanded scope for Paper Lite bank Committee deliberations using the iPad
2. Rationalizing report and document printing
3. The transition of Business Units from paper/memo-based to digital/online platform (SharePoint, email, etc.)
4. Maximize use of various Departmental and Knowledge Management Portal for information sharing

	Head Office			Branches and LCs			Total Paper Consumption		
	2021	2020	2019	2021	2020	2019	2021	2020	2019
Bond Paper (ream)	14,867	7,667	12,394	20,406	15,179	20,257	35,273	22,846	32,651
Continuous Form (box)	424	498	478	4,709	20,892	5,098	5,133	21,390	5,576
Ream / Full time employee	11	6	2	4	7	3	7.36	6.51	11

WASTE MANAGEMENT

The Bank follows standard guidelines and control procedures to reduce and control waste generation. To further promote waste reduction, initiatives like back-to-back printing for applicable documents without compromising information security and maximizing IT tools for information storage, sharing, and collaboration (document review/simultaneous updating), e.g. Portal, MS Teams, Sharepoint, OneDrive, etc.

DBP adopted its own solid waste segregation and management program, aligned with RA 9003 or the country's Ecological Solid Waste Management Act.

The Bank reviews and improves its system of managing solid waste to ensure the promotion of public health among stakeholders (including internal employees and bank clients), in support of DBPs ISO 14001:2015 - aligned certification. DBP's disposal and segregation of garbage remain consistent with local ordinances and national laws and regulations.

To ensure the effectiveness of resource management initiatives and solid waste management, appropriate strategies are incorporated into the overall strategic environmental plan for the medium term. Corresponding targets and action plans are aptly measured, monitored, and assessed periodically for effectiveness. Part of DBP's medium-term plan is to develop a Waste Management Program in partnership with relevant organizations. The initiative will encourage the sharing of perspectives among stakeholders that are consistent with the plans outlined in the Bank's SSTP.

Garbage segregation is strictly implemented with the use of the color-coded bins in the Head Office (HO) and off-site offices. Designated receptacles for hazardous wastes are also in place.

A significant initiative was to ensure the availability of appropriate containers for pathological and medical wastes. With the ongoing pandemic, generated wastes such as face masks used gloves, and lab gowns, need to be safely disposed of in the proper receptacle. In the HO, bins for this purpose were fabricated by in-house carpenters under the Construction & Facilities Management Department's (CFMD's) supervision.

Consistent with DBP guidelines on the of Disposal Hazardous Waste Materials, e.g. busted lamps/bulbs, etc., the bank ensures proper transportation and disposition as soon as the quantity ceiling has been met. In the provinces, branches coordinated with their respective groups for a synchronized approach to the collection, transportation, and disposal of hazardous waste via DENR-accredited service providers.

DBP's hazardous wastes are transported to authorized treaters. For example, used oil generated by off-sites is picked up by a DENR-accredited transporter and given to a treater for appropriate handling. DBP goes the extra mile to obtain a certification from the treater to ensure that hazardous waste is handled properly, as required by EMB-DENR. This initiative is consistent with the EMS principle of life cycle perspective in the value chain of goods and procured products

Service providers for transport, disposal, and treatment services are accredited by EMB-DENR. However not all areas are covered by accredited services. Common challenges encountered in managing hazardous waste include the non-availability of authorized transporter to pick up wastes from different off-site offices in a given region and the lack of office space to properly store hazardous waste.

The issues are addressed by proper handling procedures like the continuous monitoring of hazardous waste quality levels. It is important that the quality must not reach the warning level prior to proper disposal. If possible there must be close coordination by branches with regional offices to manage synchronized collection and disposal activities. Continues coordination with the local EMB-DENR office for assistance is crucial as well as proper disclosure/reporting of hazardous waste status/initiatives by PCO via SMRs to avoid any related violation / penalties.

Waste Generated (kg)	2021	2020	2019
Hazardous Waste			
Bulbs	68.00	9.0	340
Batteries	35.00	8.40	1836.60
Empty Cartridges/Tonel	160.00	2.30	304.70
WEEE	260.00		
Used Oil	400.00	248.00	502.00
Empty Paint Cans	14.00	84.80	141.60
Total - Head Office	5417.00		

SOCIAL AND ENVIRONMENTAL COMPLIANCE

DBP institutionalizes the adoption of sustainability principles in its corporate governance and risk management frameworks to promote the Bank's long-term financial viability and influence on economic and social progress, for clients and society, while minimizing environmental pressures. Moreover, the Bank espouses adopting regulatory policies in pursuing sustainable and resilient growth by enabling environmentally and socially responsible business decisions.

The Bank maintains an Environmental Compliance Obligations Register that is reviewed annually and updated as needed. This is used as an institutional tool to identify specific regulations, and how these apply to DBP's internal operations. The Bank identifies the status of compliance for each item and establishes action plans, as needed. DBP's Pollution Control Officers, the Bank's environmental stewards, ensure that all DBP offices conform to the requirements of environmental regulations and ordinances applicable to the Bank.

In 2021, the Bank's Environmental Compliance Obligations Register was updated to capture BSP Circular on Sustainable Finance Framework, Principles of Responsible Banking (PRB), and adherence to public health standards to reduce the transmission of COVID-19. Compliance thereto is validated as part of the Bank's ISO 14001:2015 EMS Certification.

DBP indirectly influences its clients to manage their environmental and social impacts and risks by enforcing policies as loan requirements and lending conditions. DBP requires its clients to submit pertinent environmental statements and permits such as the Environmental Compliance Certificate, to to validate the borrowers' compliance to local environmental and social regulations

Environmental Stewards of DBP

NOEL E. ALIMUIN
Head Office

EDWIN C. DIZON
Head Office

MARIA RIZA O. CASTILLON
Metro Manila North Branches

LOTIS GRACE D. SANGIL
Metro Manila South Branches

KRIZIA MAY M. QUELA
Northern Luzon Branches

LOURCILI P. DAVID
Central Luzon Branches

LESLIE ANNE P. BELANGEL
Western Visayas Branches

YVETTE NOELLE V. CARMONA
Central Visayas Branches

MICHELLE C. DONGSAL
Eastern Visayas Branches

MARGARITA D. MERCADO
South Luzon Branches

ROLANDO D. BELAGUIN
Bicol Branches

JOSEPHINE F. GONZALES
Northeastern Mindanao Branches

MARITES D. CABUGSA
Northern Mindanao Branches

KAREN Q. GAYANILO
Western Mindanao Branches

ICHIE M. BARROMETRO
Southern Mindanao Branches

Financial Statements

An organization's resilience is best gleaned through its financial performance. The Bank is committed to remain grounded, conscientious, dependable and responsive to the evolving needs of the Filipino people.

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, 2021 and 2020, 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 reponsible 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 Goup and the Parent or to cease operations, or has no realistic alternative but to do so.

The Board of 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 of the Board of Directors, has expressed its opinion on the presentation upon completion of such audit.

ALBERTO G. ROMULO
Chairman of the Board

EMMANUEL G. HERBOSA
President and Chief Executive Officer

FE SUSAN Z. PRADO
Executive Vice President
Head, Operations Sector

June 15, 2022

REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Corporate Government Sector
Cluster 1- 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, 2021 and 2020, 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 a summary of significant accounting policies.

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, 2021 and 2020, and its financial performance and its 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 to the financial statements.

Basis for Opinion

We conducted our audits in accordance with International Standard 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 Matter

We draw attention to Note 2 to the financial statements, which states that the financial statements have been prepared in accordance with the PFRSs/Philippine Accounting Standards, 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 is discussed in detail in Note 2. Our opinion is not qualified in respect to this matter.

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 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 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with 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 disclosure 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 a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant 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 Ni. 15-2010 in Note 47 and BSP Circular No. 1074 in Noted 5, 15, 40 and 45 to the financial statements are presented for the purposes of filing with the Bureau of Internal Revenue and the BSP, respectively, and is not a required part 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.

COMMISION ON AUDIT

MARIE FRANCES HAZEL S. ACEBEDO
OIC, Supervising Author

June 15, 2022

Statement of Financial Position

As at December 31, 2021 and 2020
(In thousand pesos)

		Group		Parent	
	Note	Audited 2021	Restated 2020	Audited 2021	Audited 2020
Assets					
Cash and other cash items	7	6,495,299	5,159,888	6,483,262	5,150,944
Due from Bangko Sentral ng Pilipinas	8	304,830,160	295,805,474	304,395,253	295,454,189
Due from other banks	9	23,003,860	9,790,485	22,993,278	9,784,589
Interbank loans receivable	10	41,922,537	23,772,833	41,922,537	23,772,833
Securities purchased under agreement to resell	11	16,029,892	16,017,118	15,952,185	15,965,252
Financial assets at fair value through profit or loss (FVTPL)	12	6,370,110	9,007,597	6,370,110	9,007,597
Financial assets at fair value through other comprehensive income (FVOCI)	13	31,280,631	47,132,700	31,236,233	47,086,062
Financial assets at amortized cost (Held to Collect)	14	256,758,756	203,803,358	256,709,121	203,776,523
Financial assets at amortized cost (Loans and receivables, net)	15	457,828,501	417,265,767	455,764,786	414,675,573
Bank premises, furniture, fixtures and equipment - net	16	2,748,964	2,570,836	2,729,475	2,526,384
Rights-Of-Use Assets - net	17	582,968	329,285	558,813	320,932
Investment property - net	18	1,175,085	942,866	1,175,085	942,866
Equity investment in subsidiaries - net	19	-	-	1,797,161	1,647,161
Equity investment in associates and joint ventures - net	20	206,766	216,246	41,117	43,295
Non-current assets held for sale - net		199,354	201,570	196,450	201,570
Deferred tax assets	22	5,595,123	3,735,952	5,545,035	3,706,461
Intangible assets - net	23	303,954	431,183	302,144	427,276
Other assets - net	24	6,755,449	8,776,437	5,946,447	7,915,449
Total Assets		**1,162,087,409**	**1,044,959,595**	**1,160,118,492**	**1,042,404,956**
Liabilities and Equity					
Liabilities					
Deposits liabilities	25	939,666,012	817,576,607	939,337,507	817,562,416
Bills payable	26				
Official Development Assistance (ODA)		40,073,289	45,670,809	40,073,289	45,670,809
Non-ODA		27,560,205	33,183,817	26,148,953	31,197,413
		67,633,494	78,854,626	66,222,242	76,868,222
Bonds payable	27	36,241,776	53,526,885	36,241,776	53,526,885
Due to Bangko Sentral ng Pilipinas/other banks	28	152	2,985	152	2,985
Manager's checks and demand drafts outstanding	29	432,030	318,999	424,469	312,813
Accrued taxes, interests and expenses	30	5,749,639	5,911,195	5,453,310	5,528,053
Unsecured subordinated debt	31	10,000,000	10,000,000	10,000,000	10,000,000
Deferred credits and other liabilities	32	25,229,458	14,657,966	24,760,650	14,149,212
Total Liabilities		1,084,952,561	980,849,263	1,082,440,106	977,950,586
Equity					
Capital Stock	33	32,000,000	19,500,000	32,000,000	19,500,000
Retained earnings		46,209,630	43,129,579	46,792,289	43,515,084
Retained earnings reserves	34	262,950	259,414	242,950	239,414
Accumulated other comprehensive income/(loss)	35	(1,336,671)	1,222,294	(1,356,853)	1,199,872
		77,135,909	64,111,287	77,678,386	64,454,370
Non-controlling interest		(1,061)	(955)	-	-
Total Equity		77,134,848	64,110,332	77,678,386	64,454,370
Total Liabilities and Equity		**1,162,087,409**	**1,044,959,595**	**1,160,118,492**	**1,042,404,956**

See accompanying Notes to Financial Statements

Statement of Profit or Loss

For the Years Ended December 31, 2021 and 2020
(In thousand pesos, except per share amounts)

	Note	Group Audited 2021	Group Restated 2020	Parent Audited 2021	Parent Audited 2020
Interest income					
Loans and receivables		18,300,351	17,655,459	18,291,897	17,643,732
Financial assets - debt and equity securities		11,020,588	9,834,284	11,018,315	9,831,988
Deposits with banks		3,281,177	2,555,995	3,217,037	2,443,995
Interbank loans receivable/Securities purch. under agreement to resell		318,499	541,633	317,146	539,499
		32,920,615	30,587,371	32,844,395	30,459,214
Interest expense					
Bills payable and other borrowings					
ODA Borrowings		1,811,982	2,028,114	1,811,982	2,028,114
Other Borrowings		2,404,923	2,776,524	2,325,701	2,669,408
Deposits		8,614,941	7,884,612	8,615,401	7,884,983
		12,831,846	12,689,250	12,753,084	12,582,505
Net interest income		20,088,769	17,898,121	20,091,311	17,876,709
Provision for impairment	21	4,624,312	4,047,762	4,514,911	4,037,145
Net interest income after provision for impairment		15,464,457	13,850,359	15,576,400	13,839,564
Other income					
Profits from investment and securities trading		563,466	436,918	563,466	436,918
Foreign exchange profit/(loss)		846,119	179,758	846,119	179,758
Service charges, fees and commissions		1,463,459	1,313,237	1,329,451	1,154,807
Dividends - equity investments		840,733	877,098	860,537	881,478
Miscellaneous	37	461,393	505,193	362,302	384,040
		4,175,170	3,312,204	3,961,875	3,037,001
Other expenses					
Compensation and fringe benefits		4,991,306	4,689,325	4,760,798	4,427,734
Taxes and licenses	39, 47	5,815,228	4,045,170	5,794,551	4,019,069
Occupancy expenses		106,622	94,491	101,295	83,136
Other operating expenses	38	4,783,839	3,780,626	4,741,256	3,754,795
		15,696,995	12,609,612	15,397,900	12,284,734
Profit before tax		3,942,632	4,552,951	4,140,375	4,591,831
Provision for income tax	39	381,074	1,058,704	400,285	1,049,220
Profit for the year		**3,561,558**	**3,494,247**	**3,740,090**	**3,542,611**
Attributable to:					
Equity holder of DBP		3,561,664	3,494,350		
Non-controlling interest		(106)	(103)		
		3,561,558	3,494,247		
Earnings per share for net income attributable to the equity holder of DBP during the year		11.13	17.92	11.69	18.17

See accompanying Notes to Financial Statements

Statement of Profit or Loss and Other Comprehensive Income

For the Years Ended December 31, 2021 and 2020
(In thousand pesos)

		Group		Parent	
	Note	Audited 2021	Restated 2020	Audited 2021	Audited 2020
Profit for the Year		3,561,558	3,494,247	3,740,090	3,542,611
Other comprehensive income/(loss)					
Items that may be reclassified subsequently to profit or loss:					
Debt instruments at Fair Value through Other Comprehensive Income (FVOCI)					
Net change in fair value during the year	35	(1,528,465)	1,636,395	(1,528,465)	1,663,736
Items that will not be reclassified to profit or loss:					
Equity instruments at Fair Value through Other Comprehensive Income (FVOCI)					
Net change in fair value during the year	35	(1,030,500)	(370,438)	(1,028,260)	(398,098)
Net Unrealized gains/(losses) on financial instruments at FVOCI	35	(2,558,965)	1,265,957	(2,556,725)	1,265,638
Total Comprehensive Income for the Year		**1,002,593**	**4,760,204**	**1,183,365**	**4,808,249**
Attributable to:					
Equity holder of DBP		1,002,699	4,760,307		
Non-controlling interest		(106)	(103)		
		1,002,593	4,760,204		

See accompanying Notes to Financial Statements

Statement of Changes in Equity

For the Years Ended December 31, 2021 and 2020
(In thousand pesos, except per share amounts)

		GROUP					
		Attributable to 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
BALANCE AT DECEMBER 31, 2019		**19,500,000**	**39,673,292**	**256,812**	**(43,663)**	**(853)**	**59,385,588**
Cumulative effect of prior period adjustments			82,984				82,984
BALANCE AT DECEMBER 31, 2019 - RESTATED		**19,500,000**	**39,756,276**	**256,812**	**(43,663)**	**(853)**	**59,468,572**
Total comprehensive income net of tax							
Net Income for the year			3,494,350			(103)	3,494,247
Net change in fair value of debt instrument at FVOCI					1,636,395		1,636,395
Net change in fair value of equity instrument at FVOCI					(370,438)		(370,438)
Dividends			(19,405)				(19,405)
Reclassification to (from) Surplus Free							
Set up of reserve for Trust Business			(2,602)	2,602			0
Adjustments							
Tax deficiency assessments for CY 2016			(136,840)				(136,840)
DCI staff supplementation differential for 2017-2019			(17,539)				(17,539)
DBP-SC's security/clerical/messengerial/janitorial services for 2019			(27,617)				(27,617)
Other prior period adjustments			90,178			1	90,179
BALANCE AT DECEMBER 31, 2020		**19,500,000**	**43,136,801**	**259,414**	**1,222,294**	**(955)**	**64,117,554**
Cumulative effect of prior period adjustments			(7,222)				(7,222)
BALANCE AT DECEMBER 31, 2020 - RESTATED		**19,500,000**	**43,129,579**	**259,414**	**1,222,294**	**(955)**	**64,110,332**
Total comprehensive income net of tax							
Net Income for the year			3,561,664			(106)	3,561,558
Net change in fair value of debt instrument at FVOCI					(1,528,465)		(1,528,465)
Net change in fair value of equity instrument at FVOCI					(1,030,500)		(1,030,500)
Transactions with owner							
Issuance of shares during the year		12,500,000					12,500,000
Dividends			(13,240)				(13,240)
Reclassification to (from) Surplus Free							
Set up of reserve for Trust Business			(3,536)	3,536			0
Adjustments							
Residual value and depreciation expense of Bank Premises, Furniture, Fixture, and Equipment			823				823
Difference between issue price and book value of shares of equity investment - PAL Holdings, Inc.	13		(243,527)				(243,527)
Payment of Merit Increase differential for CY 2015-2020			(216,645)				(216,645)
Other prior period adjustments			(5,488)				(5,488)
BALANCE AT DECEMBER 31, 2021 - AUDITED		**32,000,000**	**46,209,630**	**262,950**	**(1,336,671)**	**(1,061)**	**77,134,848**

		PARENT				
	Note	Capital Stock	Retained Earnings	Retained Earnings Reserves	Accumulated Other Comprehensive Income/(Loss)	Total
BALANCE AT DECEMBER 31, 2019 - AUDITED		**19,500,000**	**40,156,551**	**236,812**	**(65,766)**	**59,827,597**
Total comprehensive income net of tax						
Net Income for the year			3,542,611			3,542,611
Net change in fair value of debt instrument at FVOCI					1,663,736	1,663,736
Net change in fair value of equity instrument at FVOCI					(398,098)	(398,098)
Reclassification to (from) Surplus Free						
Set up of reserve for Trust Business			(2,602)	2,602		0
Adjustments						
Tax deficiency assessments for CY 2016			(136,840)			(136,840)
DCI staff supplementation differential for 2017-2019			(17,539)			(17,539)
DBP-SC's security/clerical/messengerial/janitorial services for 2019			(27,617)			(27,617)
Other prior period adjustments			520			520
BALANCE AT DECEMBER 31, 2020 - AUDITED		**19,500,000**	**43,515,084**	**239,414**	**1,199,872**	**64,454,370**
Total comprehensive income net of tax						
Net Income for the year			3,740,090			3,740,090
Net change in fair value of debt instrument at FVOCI					(1,528,465)	(1,528,465)
Net change in fair value of equity instrument at FVOCI					(1,028,260)	(1,028,260)
Transactions with owner						
Issuance of shares during the year		12,500,000				12,500,000
Reclassification to (from) Surplus Free						
Set up of reserve for Trust Business			(3,536)	3,536		0
Adjustments						
Residual value and depreciation expense of Bank Premises, Furniture, Fixture, and Equipment			823			823
Difference between issue price and book value of shares of equity investment - PAL Holdings, Inc.	13		(243,527)			(243,527)
Merit Increase differential for CY 2015-2020			(216,645)			(216,645)
		-	(459,349)	-	-	(459,349)
BALANCE AT DECEMBER 31, 2021 - AUDITED		**32,000,000**	**46,792,289**	**242,950**	**(1,356,853)**	**77,678,386**

See accompanying Notes to Financial Statements

Statement of Cash Flows

For the Years Ended December 31, 2021 and 2020
(In thousand pesos)

	Note	Group		Parent	
		Audited 2021	Restated 2020	Audited 2021	Audited 2020
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest income received		31,298,091	26,826,945	31,325,221	26,771,632
Interest expense paid		(13,315,090)	(12,641,902)	(13,236,368)	(12,535,187)
Bank commission, service charges and fees received		1,463,460	1,343,114	1,329,451	1,154,807
Profits from investment and securities trading		546,856	306,903	546,856	306,903
Dividend and other income		1,152,722	1,661,668	1,073,435	1,574,773
General and administrative expenses paid		(14,782,378)	(11,674,874)	(14,412,729)	(11,416,931)
Changes in operating assets and liabilities:					
(Increase) Decrease in operating assets:					
Financial assets - FVTPL		2,220,081	(1,670,021)	2,220,081	(1,670,021)
Financial assets at Amortized Cost (Loans and receivables, net)		(44,941,745)	(67,264,504)	(45,352,045)	(67,570,582)
Non-current assets held for sale		23,348	32,593	26,252	32,593
Other assets		(167,053)	1,865,307	(321,177)	1,885,543
Increase (Decrease) in operating liabilities:					
Deposit liabilities		118,848,519	265,728,417	118,534,206	266,058,820
Due to Bangko Sentral ng Pilipinas/other banks		(2,833)	(2,038)	(2,833)	(2,038)
Manager's checks and demand drafts outstanding		113,031	(585,707)	111,656	(571,543)
Accrued taxes, interest and expenses		(171,026)	229,304	(84,213)	180,535
Deferred credits and other liabilities		9,888,601	7,215,936	9,829,449	7,181,224
Cash generated from (used in) operating activities		92,174,584	211,371,141	91,587,242	211,380,528
Income taxes paid		(2,078,271)	(1,771,176)	(2,077,011)	(1,758,200)
Net cash provided/(used) in operating activities		90,096,313	209,599,965	89,510,231	209,622,328
CASH FLOWS FROM INVESTING ACTIVITIES					
(Increase) Decrease in:					
Financial assets - FVOCI		14,630,535	(3,994,603)	14,630,535	(3,994,603)
Financial assets at Amortized Cost (HTC)		(47,205,929)	(48,525,827)	(47,183,129)	(48,525,701)
Equity investment in subsidiaries		0	0	(150,000)	9,890
Equity investment in associates and joint ventures		9,480	(15,157)	2,177	995
Bank premises, furnitures, fixtures and equipment		(522,850)	(306,336)	(531,992)	(274,131)
Right-Of-Use Assets		(457,527)	(227,586)	(436,828)	(222,767)
Investment properties		(220,221)	238,185	(220,221)	238,186
Intangible assets		65,961	(80,480)	65,568	(78,452)
Net cash provided/(used) in investing activities		(33,700,551)	(52,911,804)	(33,823,890)	(52,846,583)
CASH FLOWS FROM FINANCING ACTIVITIES					
Increase (Decrease) in:					
Borrowings		(12,110,196)	(11,933,857)	(11,535,043)	(12,103,697)
Bonds Payable		(18,162,500)	21,000,000	(18,162,500)	21,000,000
Finance Lease Liability - ROU		232,350	74,635	236,136	57,984
Payment of 2016 Tax Deficiency Assessment		0	(136,840)	0	(136,840)
Payment to DCI for Staff Supplementation Differential FTP 2017-2019		0	(17,539)	0	(17,539)
Payment to DBPSC for 2019 Security,Clerical,Messengerial, and Janitorial Services		0	(27,617)	0	(27,617)
Cash dividends paid		(13,240)	(19,405)	0	0
National Government's Capital Infusion to DBP		12,500,000	0	12,500,000	0
Payment of Merit Increase Differential for CY 2015-2020		(216,645)	0	(216,645)	0
Net cash provided/(used) in financing activities		(17,770,231)	8,939,377	(17,178,052)	8,772,291
EFFECTS ON EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		3,115,447	(2,293,940)	3,115,447	(2,293,940)
NET INCREASE IN CASH AND CASH EQUIVALENTS		41,740,978	163,333,598	41,623,736	163,254,096
Cash and cash equivalents	7				
Beginning of year		350,513,718	187,180,120	350,095,727	186,841,631
End of year		**392,254,696**	**350,513,718**	**391,719,463**	**350,095,727**

See accompanying Notes to Financial Statements

DBP Subsidiaries

The Al-Amanah Islamic Investment Bank of the Philippines (AIIBP) was formerly known as Philippine Amanah Bank (PAB). It was first established in 1973 by virtue of Presidential Decree (P.D.) 264 which was issued by then President Ferdinand Marcos. Its mandate was to provide credit, commercial, development and savings banking facilities at reasonable terms to the people of the primarily Muslim provinces of Mindanao through establishment, acquisition, development and expansion of agricultural, commercial and industrial enterprises. It was later on amended by Presidential Decree No. 542 in the year 1974 wherein it was directed to implement the Islamic concept of banking such as the "no-interest" doctrine and the so-called two-tier silent partnership principle. In 1990, Republic Act (R.A.) 6848 was enacted into law which provides for the Charter of AAIIBP authorizing its conduct of Islamic banking business and replacing the PAB. Its primary purpose is to promote and accelerate the socio-economic development of the Autonomous Region by performing banking, financing and investment operations and to establish and participate in agricultural, commercial and industrial ventures based on the Islamic concept of banking.

ISLAMIC BANKING IN THE PHILIPPINES

In line with the declared policy of the government to develop the Autonomous Region in Muslim Mindanao, now the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM), RA 11439 ("An Act Providing for the Regulation and Organization of Islamic Banks") was passed into law in 2019. In its declaration of policy (Sec. 1), it recognized the "vital role of Islamic banking and finance in creating opportunities for greater financial inclusion especially for the underserved Muslim population, in expanding the funding base for small and medium-sized enterprises as well as large government infrastructure through financial arrangements with risk sharing as their core element, and in contributing to financial stability through the use of financial contracts and services that are founded on risk sharing rather than speculation in compliance with Shari'ah principles."

Currently, AAIIBP is the only Islamic Bank in the country. Having both Universal and Islamic Banking licenses, it is authorized to perform a wide range of banking services including Islamic banking deposit products as well as investment and financing facilities.

It has nine (9) branches located in Cagayan de Oro, Cotabato, Davao, Jolo, Iligan, General Santos, Marawi, San Juan, and Zamboanga City.

AAIIBP 2020 ROADMAP

The AAIIBP 2020 Roadmap for Rehabilitation, Sustainability and Growth is aimed for the transformation of AAIIBP into full Islamic banking concomitant to its compelling rehabilitation including the following:

- Rehabilitation through the Institutionalization of the First Islamic Microfinance window in the Philippines by AAIIBP for its essential and responsive participation in poverty alleviation program of the Government, primarily in BARMM and her similarly situated neighbors in Mindanao.
- Transformation of AAIIBP to Full Islamic Banking, Financing and Investment to realize its significance as an economic vehicle for socio-economic development in pursuit to nation building.
- Participation of AAIIBP in the Development of Takaful or Islamic Insurance in the Philippines to promote its promising potential role in national economic stability.

TECHNICAL ASSISTANCE GRANT BY ASIAN DEVELOPMENT BANK

After participating in the series of Islamic Banking Training for Bankers and other Stakeholders granted by the Asian Development Bank's (ADB) Knowledge and Support Technical Assistance on Islamic Finance for the Philippines which were held in BSP Manila headquarters last January to February 2020, AAIIBP received a technical assistance granted by ADB. It is an exclusive and comprehensive training aimed to support the bank in its transformation to become a full Islamic Bank.

The training/capacity building will be conducted by the Islamic Finance Advisory & Assurance Services (IFAAS) who shall assist the bank in developing suite of products which are Sharia compliant, competitive, and attractive to both Muslim and non-Muslim clients of the bank with the aim of improving their livelihood and growing their businesses. IFAAS will also assist in crafting manuals including Product Development as well as Shariah Governance and Compliance.

DCI has been continuously supporting DBP's Information Technology infrastructure for the past 39 years. In 2021, DCI continued to focus primarily on assisting the bank's initiatives on various bank products by providing the workforce for the development and maintenance of the bank's systems and applications. Further, DCI also started to seek opportunities to increase revenues by expanding its customer base to include government agencies and instrumentalities via an Agency-to-Agency Agreements.

Aligned with DCI's strategic plan, DCI pursues an aggressive business plan to deliver high-quality services, build an excellent team, and capture competitive market share in the industry.

Below are some of DCI's notable accomplishments/performance in 2021.

a. DBP Opportunities

1. **DBP IT Staffing** - Among DCI's core competencies is identifying the right people suitable for augmenting the IT staffing needs of the bank. As of December 31, 2021, DCI has a total of eighteen (18) strong workforce working closely with the bank's IT requirements.
2. **BIR Debit/Credit Card Online Payment System** – This project is provision of an Online Payment System and Payment Gateway to give BIR clients and locators a payment option using an Online platform. The system is up and running. DCI operates as a backroom support of DBP in managing the system and monitoring of daily transactions.

b. Non-DBP Opportunities

The Corporation has started opportunities and negotiations on non-DBP projects focusing on government agencies and instrumentalities such as:

1. **Zamboanga Del Norte Medical Center** – This is an on-going project (5-year contract) where DCI provides Hospital Information System for the LGU hospitals. The system is operating normally.

2. **Jose B. Lingad Memorial Regional Hospital** – This is a DOH hospital where we offered the Hospital Information System (HIS) BPO project with a contract of five (5) years. Live-Production started in July 14, 2016. Implementing changes to hospital processes and workflows and monitoring End-User compliance to ensure smooth operations and correctness of data gathered by the system. This is an ongoing project. Jose B. Lingad Memorial Regional Hospital – Another project where DCI system offered at JBLMRH is the eClaims transmission. The hospital uses the system to transmit to PHIC all claims related to RT-PCR Tests. This is an ongoing use of the system.

3. **Dr. Jose N. Rodriguez Memorial Hospital** – This is a DOH hospital where we offered the Hospital Information System (HIS) BPO project with a contract of seven (7) years. Contract was signed in February 2018. Implementing changes to hospital processes and workflows and monitoring End- User compliance to ensure smooth operations and correctness of data gathered by the system. This is an ongoing project and the system is operating normally.

4. **James L. Gordon Memorial Hospital** – This is a LGU hospital where we offered the Hospital Information System (HIS) BPO project with a contract of five (5) years. Implementing changes to hospital processes and workflows and monitoring End-User compliance to ensure smooth operations and correctness of data gathered by the system. Contract was signed in August 2018. This is an ongoing project and the system is operating normally.

5. **Eastern Visayas Regional Medical Center (EVRMC)** – This is a DOH hospital where we offered the Hospital Information System (HIS) BPO project with a contract of seven years. Contract was signed in May 2018. Implementing changes to hospital processes and workflows and monitoring End-User compliance to ensure smooth operations and correctness of data gathered by the system. Inflow of income comes in middle of 2019. This is an ongoing project where the system is operating normally.

6. **Tondo Medical Center (TMC)** – This is a DOH hospital where we offered the Hospital Information System (HIS) BPO project with a contract of seven (7) years. Contract was signed in April 2019. Implementing changes to hospital processes and workflows and monitoring End-User compliance to ensure smooth operations and correctness of data gathered by the system. Live production starts in September 2019. This is an ongoing project where the system is operating normally.

7. **Provincial Government of Sorsogon (Dr. Fernando S. Duran Sr. Memorial Hospital)** – This is a LGU hospital where we offered the Hospital Information System (HIS) BPO project with a contract of six (6) years. Contract was signed in September 2019. Implementing changes to hospital processes and workflows and monitoring End-User compliance to ensure smooth operations and correctness of data gathered by the system. This is an ongoing project where the system is operating normally.

8. **Ilocos Training Regional Medical Center** – This is a DOH hospital project where DCI system offered at ITRMC is the eClaims transmission. The hospital uses the system to transmit to PHIC all claims related to RT-PCR Tests. This is an ongoing use of the system. Ilocos Training Regional Medical Center - This is a DOH hospital where we offered the Hospital Information System (HIS) BPO project with a contract of five (5) years. Contract was signed in September 2021. This is an ongoing project where the system is operating normally.

9. **Department of Energy (DOE)** – Development of Web-based Energy Data Center Management System (EDCMS). This project aims to upgrade the existing DOE's Energy Data Center of the Philippines resources data and information system (IS) via the development of a web-based system using the System Requirements Specifications (SRS) and other documents at hand as a result of the elicitation workshop/activities conducted. Department of Energy (DOE) – Expansion and Enhancement of the Web-based National Energy Efficiency and Conservation Database System (NEECDS). This system aims to develop the enhancement of web-based application and online database system to achieve the online processes and submission intended for PELP, GEMP and EDSS programs. Department of Energy (DOE) – Custom Video Conferencing Management System (CVCMS). This aims to integrate DOE's communication Chat Channel via an Application Program interface (API) to the current National Energy Efficiency and Conservation Database (NEECD) system.

10. **Governance Commission for GOCCs (GCG)** - This is an engagement that entails supply, delivery, installation, configuration, testing and implementation of Enterprise Planning Solution. The ERP Solution Software Phase 1 is an integrated, robust and flexible information system optimized specifically to address the strategic requirements of the GCG's Administrative and Finance Office towards becoming a center of excellence both in human capital management and property management.

11. **Philippine Science High School (PSHS)** - This is an engagement that entails supply, delivery, installation, configuration, testing and implementation of New Freshmen Admission Processing System (NFAPS) and Student Information System (SIS). Philippine Science High School (PSHS) – Web hosting service for the PSHS Knowledge Hub (KHub) and New Freshmen Admission and Processing System (NFAPS). This project ensures the continuity of the KHub and NFAPS and accommodation of the teaching and learning needs of the PSHS community.

12. **Securities and Exchange Commission (SEC)** – Web-based Integrated Human Resource Information System (IHRIS). This is an integrated, robust and flexible information system optimized specifically to address the strategic requirements of the SEC Human Resource Sub-sector towards becoming a center or excellence in human capital management. This is a one-year project that commenced on September 2021.

13. **Landbank of the Philippines (LBP)** – Web-based Integrated Human Resource Information System (IHRIS). This is an integrated, robust and flexible information system optimized specifically to address the strategic requirements of the LBP Human Resource Sub-sector towards becoming a center or excellence in human capital management. This is a sixteen (16) months project that commenced on December 2021.

DBP LEASINGCORP.
A Subsidiary of the Development Bank of the Philippines

DBP Leasing Corporation's (DBPLC) revenue base continued to be affected in 2021 given the prolonged effects of the covid pandemic in business operations worldwide.

Gross revenues slid by 28.46% from Php203.67 million in 2020 to Php145.70 million in 2021. Due to the smaller revenue base and the recognition of the required provision for probable loss, the company registered a net loss after tax of Php81.45 million. Earnings before interest, taxes, depreciation, and amortization (EBITDA) was at a positive Php94.42 million in 2021.

BGen Jess G Estoesta AFP (Ret) took over the helm as President and CEO of DBPLC effective August 16, 2021. He has been a member of the Governing Board since July 15, 2020.

Selective lending continued to be implemented with efforts centered on collection and risk management.

DBPLC remitted Php13.03 million in dividends to the Bureau of Treasury for the year 2021.

DBPLC continued its tradition of being the first in the DBP Group to receive its Commission on Audit (COA) Unqualified Opinion for the year 2021.

The following are the DBPLC Board of Directors and its Senior Management.

DBPLC Board of Directors

Chairman	Cyr C. Gonesto
Vice Chairman	BGen Jess G. Estoesta AFP (Ret)
DBP Representative	Alberto G. Romulo
Director	Andrew C. Kong
Director	Danilo E. Bernal
Director	Benhur S. Mongao
Director	Reymont U. Choachuy

DBPLC Senior Management

President and CEO	BGen Jess G. Estoesta AFP (Ret)
Chief Financial Officer/ VP Finance	Agnes Z. Bengco
VP AMG	Ceasar A. Lejano

DBP MANAGEMENT CORPORATION

The DBP Management Corporation (DBPMC) was created in 1981 primarily to assist DBP in the management of its distressed accounts and disposal of acquired assets. DBPMC's mandate was to purchase, or otherwise dispose of real and personal property of every kind and description, including shares of stock, bonds, debentures, notes, evidences of indebtedness, and other securities or obligations of any corporation or corporations, association or associations, domestic or foreign and to carry and on to manage the general business of any company.

As early as April 20, 2016, the Governance Commission for GOCCs (GCG) has already classified DBPMC as "inactive" and that the Corporation functions mainly as a support unit of the Parent Corporation, DBP. Given this situation, DBPMC's operations have been limited to investing in low-risk investment outlets like time deposit and special savings.

On April 26, 2017, the DBP Board approved the amendment of DBPMC's Articles of Incorporation mainly for shortening its corporate life. The DBP Board likewise gave instruction for the Parent bank, DBP, to initiate the dissolution of DBPMC and subsequent transfer of the remaining assets to DBP subject to final approval of GCG.

On June 20, 2018 and April 3, 2019, the DBP Board approved the nomination of representatives to the Board of DBPMC to pass upon and approve the various undertakings in the preparation for DBPMC's dissolution and subsequent transfer of the remaining assets to DBP. Said dissolution, subject to clearance by GCG, did not progress as there were delays in the approvals by GCG of the nine-man Board of DBPMC.

However, on October 7, 2020, the DBP Board resolved to resume active operations of DBPMC in anticipation of the enactment of the Financial Institutions Strategic Transfer (FIST) Act in which DBPMC's participation might be tapped by DBP. The DBP Board revoked the 2017 Board Resolution No. 0142 approving amendments of DBPMC's Articles of Incorporation for the shortening of DBPMC's corporate life and its subsequent dissolution.

On October 29, 2020, the DBP Board sought endorsement of the DOF Secretary for GCG's approval of the DBP representatives to the respective Boards of subsidiaries including the nine-man Board of DBPMC. GCG's approval is necessary to resume active operations of DBPMC.

As of 31 December 2021, DBPMC's assets amounted to Php97.78 million with net income of Php0.33 million for the year, derived mainly from interest on time deposits.

DBP Subsidiaries Officers

Al-Amanah Islamic Investment Bank of the Philippines

In photo from Ist to 2nd row: Compliance Unit Head Aprilie Mae B. Malacay, Communications Officer Rowena C. Thakur, Investment Unit Head Arleth A. Mendoza, COO Atty. Imelda Tarhata F. Macarambon, Operations Unit Head Atty. Jomaila G. Rangiris, Branch Banking Services Department Head Lilian Q. Dubal, and Marketing Department Head Reina M. Gayak

DBP Leasing Corp.

From Left to Right:
PCEO BGen Jess G. Estoesta AFP (Ret),
VP Agnes Z. Bengco,
VP Caesar A. Lejano

Data Center Inc. (DCI)

From Left to Right: Director Luis C. Bonguyan as DCI Chairman, Chairman Alberto G. Romulo as DCI Director, Director Roque L. Balaba, Director Ellen Catarongan-Niebres, PCEO Emmanuel P. Galicia, Jr., Director Kristjan Vicente T. Gargantiel, Director/ Treasurer Faustino D. Ignacio, HR Division Head Marco A. Ustaris, Operations Head Gina A. Gonzales, PMD Head Bayani P. Asuncion, Jr.

DBP Products and Services

BRANCH BANKING SECTOR

1. Deposit

a. **Savings Account.** An interest earning deposit account which comes with an ATM or an ATM with Passbook. Provides both interest income and liquidity to account holder. Funds may be accessed via over-the-counter (OTC), online, ATM or Point-of-Sale (POS) terminals (for Peso Accounts) and OTC (for US Dollar accounts).

b. **Deposit Account for Financial Inclusion.** A Peso savings account with ATM, with simplified account opening requirements, lowered required initial deposit and zero required minimum monthly average daily balance.

c. **USD Savings Account for Investors of USD Denominated Bonds.** A settlement account of investors of USD denominated bond issuances where the issue is supported by DBP. It is also a regular operating account for valid transactions of the investor. Offered only during USD denominated bond issues.

d. **Current Account.** Provides easy access to funds of corporates and individuals for payment of their financial transactions. Choice between maintaining a non-interest or interest bearing Peso checking account at low initial deposit, minimum monthly ADB and ADB to earn interest requirement.

e. **Young Earner's Savings Account.** A Peso and US Dollar Savings Account for kids 0-19 years old (In trust for Account for 7 years old and below) to encourage the habit of saving. Offers low initial deposit which allows a one year grace period from account opening date to build up the balance up to the required ADB to earn interest. The YES account earns an interest of a regular savings account + premium.

f. **Zero Balance Account.** A zero opening and maintaining balance Savings or Current Account available for corporates and individuals performing online settlement of government contributions/payments to PhilHealth, Pag-IBIG through the bank's online payment system. It is also available to clients of Trust Banking Group (TBG), both individuals and corporates, to serve as TBG's settlement facility for the interest income and any proceeds from its Clients' investment funds.

g. **Payroll Account.** For payroll requirements of local institutional clients.

h. **Pensioner's Account.** A Peso savings account for PVAO and SSS pensioners. Accountholders enjoy priority servicing.

i. **Wisdom Account.** Peso or US Dollar Savings or Time Deposit account for senior citizens 60 years old and above. It offers a premium over savings and time deposit rates and priority processing.

j. **Electronic Cash (EC) Card.** A special ATM savings intended for OFWs & OFW beneficiaries that has the following features: (i) no initial deposit required to open the account; (ii) minimum of Php500.00 ADB to earn interest; (iii) no maintaining balance required; and (iv) the EC Card is EMV-compliant, can be used for bills payment, POS transactions, and can be enrolled online. The accountholder can also withdraw OTC at any DBP branches nationwide.

k. **Time Deposit.** Peso and US Dollar Time Deposit Account for individual and corporate clients which earn higher interest than the regular savings account.

l. **Special Savings.** A high yield Peso fixed term deposit for individual and corporate clients. With passbook for easy tracking of investment.

m. **Option Savings Account.** A high yield Peso fixed term deposit for individual and corporate clients with temporary short term liquidity. Client may opt for a shorter term and still enjoy a higher interest rate. With passbook for easy tracking of investment.

n. **High Earner Time Deposit.** A Peso or US Dollar Time Deposit for individual and corporate clients with long term placement requirements. Offers higher interest rate than a Time Deposit. Interest earning is paid upon placement which may be used for liquidity or reinvestment.

o. **Special Investor's Resident Visa (SIRV).** A Peso Time Deposit for foreign investors who intend to reside and invest in the Philippines acceptable to the Board of Investments.

2. **DBP EC Salary Loan.** The DBP EC Salary Loan is a short-term to mid-term multi-purpose unsecured personal loan to employees of accredited participants - Local Government Units (LGUs), National Government Agencies and Offices, Government Owned and Controlled Corporations (GOCCs), State Universities and Colleges (SUCs), Local Water Districts (LWDs) and Electric Cooperatives (ECs). Loan repayment under this program is via salary deduction.

3. **Back to Back Loans.** Short term secured loan available to existing Peso and USD Deposit Account holders. .

4. Electronic Banking

a. **DBP Regular Debit Card.** The DBP Regular Debit Card is the standard card by the bank that is EMV Compliant and contactless enabled. This is directly linked to an interest earning Savings/Current Account providing cardholders the accessibility to payment transactions and cash withdrawals through POS and ATMs. Validity of the card is five (5) years.

b. **DBP ATM ID Debit Card.** A multi-functional payroll ATM Card that also serves as the institutional client's company identification card. The DBP ATM-ID Debit Card is linked to an interest-earning Savings/Current Account with a Php100 maintaining balance. It utilizes a customized card design that is EMV-compliant and can be equipped with an RFID functionality for contactless interface capability.

c. **DBP Cash Card.** A nameless EMV card with a highly customized design issued in partnership with institutions for their specific disbursement needs. The DBP Cash Card can be transacted locally at any BancNet ATM and POS terminal.

d. **DBP Digital Banking Portal (DBP^2).** A facility that enables institutional clients to access their accounts and perform banking transactions via the internet. It provides a full suite of cash management solutions that includes disbursements, collections, account and liquidity management services.

e. **Bancnet e-Gov.** An on-line facility that enables employers from both the private and government sectors to facilitate payments to Government agencies like PhilHealth and HDMF (Pag- IBIG). This 24-hour facility provides a convenient way of remitting government contributions and loan payments.

f. **Cash@POS.** Expands the functions of a POS terminal to include processing of withdrawal transactions using ATM cards of participating banks though DBP's partner institutions. This service aims to provide ATM accountholders access to their funds even in areas without Automated Teller Machines (ATM).DBP Internet Payment Gateway (IPG). A web-based collection solution for institutions with interactive or transactional websites. DBP serves as the enabler for card payment acceptance through the websites of these accredited institutions.

g. **Bills Payment Facility.** Enables a Biller to collect online through the BancNet Online website. Enables cardholders to pay for their bills with Bancnet affiliated billers either through the ATM or Bancnet online.

h. **DBP Point of Sale (POS) Facility.** A stand-alone collection facility that enables clients to accept Prepaid, Debit and Credit cards payments over-the-counter.

i. **Automated Teller Machine (ATM).** A self-service specialized machine that allows the public to conduct safe and secure financial transactions, with the following services:

1. Cash Withdrawals
2. Balance Inquiry
3. PIN Change
4. Funds Transfer
5. Bills Payment
6. Checkbook Reorder

Network Affiliation: VISA, MasterCard, Diners Club, Discover, FXK, JCB, UnionPay via Bancnet
Denomination: Philippine Peso

j. **ATM Piggybacking Partnership.** DBP provides convenient ATM services thru installation of ATMs at partner rural banks especially in remote areas with limited access to banking services.

5. Foreign Inward Remittance

a. Send Money to the Philippines:

1. **DBP Foreign Tie-ups.** Remit to your beneficiary in the Philippines through DBP's accredited remittance partners located in Kingdom of Saudi Arabia, UAE, Japan, Canada, Australia, Europe, Hong Kong, Cambodia, and other countries.

2. **Society for Worldwide Interbank Financial Telecommunication (SWIFT).** Send remittances through any bank overseas for credit to you and your beneficiary's account in the Philippines.

6. Domestic Inward Remittance

a. **Bank to Bank Credit.** Fast and worry-free credit of remittances to any Peso or US Dollar-denominated bank accounts in the Philippines through the BSP PESONet, InstaPay and Philippine Domestic Dollar Transfer System (PDDTS) channels and through Society for Worldwide Interbank Financial Telecommunication (SWIFT)/Real Time Gross Settlement (RTGS).

b. **Cash Pick-up Anywhere.** Claim remittances at any DBP branches or any of the more than 8,000 accredited/authorized outlets nationwide. Payout partners include M Lhuillier, Cebuana Lhuillier, Palawan Pawnshop and selected rural banks.

c. **Payment to Institutions (Overseas Collection Arrangement).** Collection of premiums and loan amortizations for payment to Social Security System (SSS), Pag-IBIG Fund, PhilHealth and other government and private institutions.

7. Fund Transfer

a. Manager's Check
b. Foreign Currency Denominated Bank Draft
c. Philippine Domestic Dollar Transfer System (PDDTS)
d. Society for Worldwide Interbank Financial Telecommunication (SWIFT)
e. Real Time Gross Settlement Domestic (RTGS)
f. PESONet
g. Instapay

8. Special/Other Services

a. Bills Payment Acceptance for

(1) BIR
(2) PhilHealth
(3) PLDT
(4) SMART

b. Deposit Pick-up and Cash Delivery Service
c. Payroll Servicing
d. Servicing of Government's Modified Disbursement Scheme (MDS)
e. NCO collection for the Bureau of Treasury
f. Central posting of Internal Revenue Allotment (CePIRA)
g. Debit to One Credit to All Deposit Facility (DOCA)
h. Credit to One Debit to All Deposit Facility (CODA)
i. Remote Deposit Service on Checks (RDSC)
j. Foreign Currency Exchange Dealership (Non-Trade)

CORPORATE FINANCE SERVICES

1. **Issue Management.** Tailored solutions to corporate and public sector clients who are looking to tap the investing public and institutional investors to raise funds. DBP offers innovative financing structures that cater to the unique requirement of issuers and investors alike, as government regulators, to ensure a successful issuance on a timely and cost- effective manner.

2. **Fixed-income Underwriting.** DBP capitalizes on its experience with various fund-raising activities in the credit evaluation of investment securities and loan arrangements to determine appropriate distribution channels to ensure the success of the arrangement.

4. **Loan Syndication/Arrangement.** DBP lends its expertise in coming up with appropriate financing structures via syndicated loans, wherein DBP manages the fund raising on behalf of the client and acts as the central point of contact to facilitate information sharing among lenders and other parties for more cost-and time-efficient fund-raising process.

5. **Structuring/Project Finance.** DBP assists in developing appropriate financing structures, particularly with a view of the financing being a limited or non- recourse facility to the sponsors.

6. **Transaction and Financial Advisory Services.** DBP helps clients realize their strategic objectives by providing advisory services for public private partnerships or joint ventures (either solicited or unsolicited), privatizations, and for mergers and acquisitions, among others. DBP can also provide tailor-fit solutions required by clients.

DEVELOPMENT LENDING SECTOR

1. Infrastructure and Logistics

a. **Financing Utilities for Sustainable Energy Development Program (FUSED Program).** To contribute in the increased access to electricity services through financing in order to help achieve inclusive growth and poverty reduction. FUSED Program is aligned with the Philippine Energy Plan 2012-2030 of the Department of Energy.

b. **Connecting Rural Urban Intermodal Systems Efficiently (CRUISE Program).** An umbrella program for connectivity infrastructure in the transportation, logistics, tourism sectors and their related Information Technology (IT) and climate change adaptation/risk mitigation requirements.

c. **DBP PASADA (Program Assistance to Support Alternative Driving Approaches) Program.** In support of the implementation of the National Government's Public Utility Vehicle Modernization Program (PUVMP) and its Omnibus Franchising Guidelines (OFG) under Department Order No. 2017- 011 issued by the Department of Transportation (DoTr), DBP PASADA Program is a special funding program for the acquisition of brand new, energy efficient public transport vehicles to replace old jeepneys. It also includes funding assistance to support facilities necessary of the proper operations and maintenance of Public Utility Vehicles (PUVs).

d. **Infrastructure Contractors Support (ICONS) Program.** A financing program in support of the infrastructure thrust of the National Government. It aims to provide credit assistance to contractors in the completion of their projects and to contractors who intend to expand their capacities through capital investments.

e. **DBP-Mindanao Development Assistance (DBP-MinDA).** The Financing Program aims to contribute to addressing the challenges faced by the people in Mindanao such as low agricultural productivity due to lack of access of production areas to processing centers and market, and the lack of access to water supply for drinking and irrigation and other support services. The program will contribute to addressing these challenges and further attain peace, prosperity and poverty reduction, among others, for geographically isolated and disadvantaged areas in Mindanao through the provision of potable water supply and irrigation.

f. **DBP's Electric Cooperative Loan Take-Out Assistance from PSALM (DELTA-P).** The program aims to contribute to the continual improvement of the Electric Cooperative's (ECs) performance through loan takeout from the Power Sector Assets and Liabilities Management (PSALM) to ensure adequate, affordable, and reliable supply of electricity.

2. Environment and Climate Change

a. **Green Financing Program (GFP).** An umbrella program to support the bank's strategic thrust of environmental protection and the country's green growth strategy. It was designed primarily to assist strategic sectors, industries and local government units in adopting environment-friendly processes and technologies and incorporating climate change adaptation and mitigation and disaster risk reduction measures by providing financing and technical assistance.

b. **Water for Every Resident (WATER) Program.** An umbrella program for the financing of water supply projects. It aims to contribute in the provision of safe and affordable water supply through financing in order to help achieve inclusive growth and poverty reduction.

c. **Lending Initiative for Sanitation (LINIS) Program.** It aims to contribute in the National Government's goal of achieving universal access to sanitation through provision of credit assistance to local government units, water districts & private companies and thus help them address compliance to necessary rules and directives.

d. **Energy Efficiency Savings (E2SAVE) Financing Program.** Designed to help public and private institutions in improving their productivity by harnessing the available new technologies in the market for their energy efficiency projects, E2SAVE will allow loan repayment based on electricity savings to make investment affordable to end-users.

The Program aims to provide credit assistance based on electricity savings to both private and public sectors' energy efficiency projects to enable them to harness the available new technologies and thus contribute in the effort of reducing greenhouse gas emissions. It likewise aims to provide credit assistance to Energy Service Companies to further promote the development of energy efficiency projects.

3. Social Services and Community Development

a. **Assistance for Economic and Social Development (ASENSO) for Local Government Units.** DBP ASENSO for LGUs Financing Program aims to provide financing assistance to all levels of local government units in the accomplishment of its projects to accelerate infrastructure and socio-economic development consistent with the goals in Philippine Development Plan; and, to contribute in the attainment of Sustainable Development Goals.

b. **Education Sector Support for Knowledge, Wisdom and Empowerment through Lending Assistance (ESKWELA).** The program aims to provide credit assistance to the education sector. This is the umbrella program that covers basic education, technical/vocational education, tertiary education and alternative learning systems to support the bank's thrust of contributing to the improvement of lives of Filipinos across the nation to make the highest possible standards of quality education available.

c. **Building Affordable Homes Accessible for Every Filipino (BAHAY) Program.** The BAHAY Program is a credit facility for the housing sector covering the end-to-end process of housing development from land acquisition to site development and shelter construction.

It aligns with DBP's strategic thrust of social development through the provision of accessible financing to support shelter production and secure tenure delivery.

The BAHAY Program aims to contribute to the National Government's target of making cities and human settlements inclusive, safe, resilient, and sustainable through financing.

The lending program also aims to help address the gaps in mass housing by providing credit assistance through short-term and long-term financing.

d. **Rehabilitation Support Program on Severe Events (RESPONSE).** Provides rehabilitation financing support to both public and private institutions, which have been adversely affected by calamities and/or events arising from the occurrence of such calamities. The financing support is granted to eligible borrowers to expedite the recovery process of the business/project and in turn assist in the socio-economic rehabilitation of the calamity-stricken area.

e. **Strategic Healthcare Investments for Enhanced Lending and Development (SHIELD).** Program supports the Philippine Development Plan that aims to improve access to health services and the United Nations Sustainable Development Goal No. 3 – Good Health and Well-being, which aims to "Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all".

f. **Sustainable Waste-management for Enhanced Environmental Protection (SWEEP) Program.** The SWEEP Program aims to support the strict implementation of R.A. 9003: Ecological Solid Waste Management Act of 2000 and R.A. 6969: Toxic Substances and Hazardous and Nuclear Waste Act of 1990. The objective of the program is to contribute to the development of solid and hazardous waste management facilities and waste-to-energy projects through providing credit assistance to public and private companies in order to help protect the environment and address climate change.

g. **Solar Merchant Power Plant (SMPP) Financing Program.** The SMPP Financing Program (2021; End Date - 2030) is designed to support in the attainment of the government's target of 35% renewable energy (RE) in the country's energy mix by 2030 per Philippine Energy Plan (2018-2030). It is expected to contribute to the government's goal of increasing solar pv capacity in the country from 2.16 GW in 2020 to 15.9 GW by 2030.

i. **Swine Repopulation, Rehabilitation and Recovery (Swine R3) Credit Program.** The Swine R3 Credit Program is a credit window to support the national government's efforts in the recovery and repopulation of the local swine industry through financing of bio-secured farm projects.

j. **Rural Agro-enterprise Partnership for Inclusive Development and Growth (RAPID Growth) Credit Facility.** The RAPID Growth Credit Facility is a credit assistance program created to support the RAPID Growth Project of the national government. The RAPID Growth Project was conceptualized by the Department of Trade and Industry (DTI) and funded by the International Fund for Agricultural Development (IFAD). One of the key features of the RAPID Growth Project is the Conditional Matching Grants. Grant fund support will be provided to qualified proponents to enhance their overall competitiveness level and for the development of the specific agricultural value chain. It is basically aiming to address market failures & institutional deficiencies in terms of access to financing. It also aims to provide the necessary development intervention to help improve agricultural production, productivity, and quality.

k. **Contract-to-sell Financing Facility for Real Estate Developers (CTS).** aims to provide a means for developers to grow their housing portfolio and support continuous production of housing in the country. The Program also aims to assist Key ShelterAgencies (KSAs) in addressing the housing requirement of the country.

4. Micro, Small and Medium Enterprises

Sustainable Agribusiness Financing Program

a. **Agroforestry Plantation Program (APP) (formerly Tree Plantation Financing Program)** is a credit assistance program for the development, expansion, harvesting, processing, maintenance and protection of industrial forest- based plantations in qualified private and public land consisting of at least 5 to 40,000 hectares of open area.

b. **Broiler Contract Growing Program (BCGP)** a sub program under the Sustainable Agribusiness Financing Program (SAFP), it is designed to encourage contract growers to expand their business by facilitating the financing of poultry broiler contract growing projects through shortened loan processing. It likewise aims to finance the promotion of agribusiness for countryside development while responding to the food requirements of the country.

c. **DA/ACPC-DBP BuyAnihan Credit Program** is a credit facility which aims to elevate direct engagement of rice cooperatives/ associations in the rice industry value chain by providing credit access to working capital requirement.

This program serves as an organized approach to channel financing to the agriculture sectors and promote financial inclusion.

d. **Expanded Rice Credit Assistance under Rice Competitiveness Enhancement Fund (ERCA-RCEF)** is a credit facility to support rice farmers, their cooperatives, and for improving the productivity of local rice farmers and increasing their income amidst liberalization of the Philippine rice trade policy.

The ERCA is one of the components of the government's recently approved law, Republic Act 11203 or commonly known as the Rice Tariffication Law of 2019. Under this law, Php1 billion is allotted annually for credit assistance within a period of six (6) years, which will be equally divided between Development Bank of the Philippines (DBP) and the Land Bank of the Philippines (LBP).

The fund shall be made available in the form of credit facility with minimal interest rates and with minimum collateral requirements to the rice farmers. ERCA- RCEF shall be over and above the regular credit programs of Land Bank and DBP for rice farming.

e. **Sustainable Agribusiness Financing Program for the Dairy Industry** is a sub-program under the Sustainable Agribusiness Financing Program that provides credit access for dairy production, processing, marketing, and acquisition of fixed assets for dairy projects.

f. **Swine Repopulation, Rehabilitation and Recovery (Swine R3) Credit Program** is a credit window to support the national government's efforts in the recovery and repopulation of the local swine industry through financing of bio- secured farm projects.

Sustainable Enterprises for Economic Development (SEED)

a. **Credit Surety Fund (CSF) Credit Facility.** On top of providing loans to MSMEs, DBP participates in the Bangko Sentral ng Pilipinas(BSP)-developed Credit Surety Fund (CSF) Program (2009) a credit enhancement scheme that aims to increase the credit worthiness of MSMEs that lack collateral, credit knowledge, and credit history.

b. **DBP RESPONSE to Accelerate MSME Recovery (DBP RESPONSE-MSME Recovery)** is a sub-program of DBP RESPONSE created in compliance to RA No. 11494 (Bayanihan to Recover As One Act) directing DBP to introduce low interest and/or flexible term loan program for operating expenses available to businesses affected by the COVID-19 pandemic particularly those engaged in agri-fishery and non-essential businesses, including start-ups and cooperatives.

c. **Rediscounting Line Facility for Financial Institutions.** DBP is expanding its product offerings for Financial Institutions by including rediscounting of Promissory Notes of eligible borrowers to augment the funds needed by wholesale borrowers. This will ensure continued cash flow for the business and other cash needs more promptly and expand loan access and increased number of clients, including not only those project/business-based enterprises but also those for eligible salary-based general purpose consumption loans.

OPERATIONS SECTOR

Trade Finance

a. **Import Letter of Credit (ILC).** A payment instrument issued by a bank, at the request of the applicant (importer), in which the bank promises to pay a specified amount of money to the named foreign beneficiary (exporter) upon his presentation of documents as stipulated in the credit.

b. **Domestic Letter of Credit (DLC).** A payment instrument issued by a bank, at the request of the applicant (buyer), in which the bank promises to pay a specified amount of money to the named local beneficiary (seller) upon his presentation of documents as stipulated in the credit.

c. **Foreign Standby Letter of Credit (FSLC).** A guarantee of payment issued by a bank to a foreign beneficiary on behalf of its client (applicant) that is used as "payment of last resort" should the client fail to fulfill a contractual commitment with a third party.

Called/drawn upon only if there is default.

d. **Domestic Standby Letter of Credit (DSLC).** A guarantee of payment issued by a bank to a local beneficiary on behalf of a client (applicant) that is used as "payment of last resort" should the client fail to fulfill a contractual commitment with a third party.

Called/drawn upon only if there is default.

e. **Document Against Acceptance (DA).** The seller ships the goods directly to the buyer and sends the shipping documents and bill of exchange or time draft drawn on the buyer through a bank, which shall release the documents to the buyer upon the buyer's acceptance of the draft and confirmation of the draft's maturity date.

f. **Document Against Payment (DP).** The seller ships the goods to the buyer and sends the shipping documents and a sight draft drawn on the importer through a bank for purposes of handling the release of documents to the importer only upon payment of the import bill. The bank shall only release the shipping documents to the buyer if the latter has paid the import bill amount plus the charges.

g. **Open Account (OA).** Exporter/seller ships the goods and sends shipping documents directly to the buyer without coursing the shipping document through the bank, upon the importer's promise to pay at some future date after shipment.

h. **Direct Remittance (DR).** Exporter/seller ships the goods and sends shipping documents directly to the buyer without coursing the shipping document through the bank, upon the importer's promise to pay at some future date after shipment

A supplier-buyer arrangement where payment is made within 29 calendar days after delivery or BL/AWB shipment date.

i. **Advance Payment.** The buyer/importer pays, either partial or full, the seller/exporter in advance for goods/services ordered. Seller ships out the goods/performs the services only upon receipt of good funds.

j. **Trust Receipt (TR) Financing.** A loan/facility given to the buyer/importer where the goods are released to him allowing him physical possession of the goods as a trustee. When a TR loan is availed, the bank retains title to the goods. The buyer/importer is obliged to remit proceeds of sale of these goods to the bank.

k. **Collection of Customs Duties.** DBP is one of the Authorized Agent Banks (AAB) of the Bureau of Customs (BOC) to collect and remit the payment of customs duties of its importer/exporter clients.

l. **Shipside Bond/Shipping Guaranty Issuance.** Issued by the applicant's bank at the importer's request, in favor of the shipping company authorizing them to release the goods to the importer without an original BL. This relieves the shipping line of any liability for releasing the goods to the importer without the original BL.

m. **Air Waybill Endorsement/Advance Release.** Issued by the applicant's bank at the importer's request, in favor of the airline company authorizing them to release the goods to the importer without an original Air Waybill (AWB). This relieves the airline of any liability for releasing the goods to the importer without the original Air Waybill (AWB).

n. **Export Bills Purchase (EBP).** The handling of export documents and discounting/advancing the value of the draft/bill of exchange, which are presented to the bank by the exporter.

o. **Outward Bills for Collection (OBC).** This is not a trade financing method but simply a collection process which the bank may offer to exporters who do not need financing of a particular shipment at a particular period of time. The export documents are presented for collection purpose only.

p. **Export LC/SBLC Advising (LA).** It is a service provided by DBP wherein it merely advise the arrival of the LC/SBLC, but holds no obligation on the part of the bank.

The original Export LC/SBLC will only be released to the exporter/beneficiary upon payment of bank advising fees.

q. **Inward Trade Remittance.** The bank credits the export proceeds to the exporter client's peso/dollar account based on the received SWIFT MT103.

TREASURY AND CORPORATE FINANCE SECTOR

Treasury

a. **Government Securities.** Government Securities (GS) are unconditional obligations of the Republic of the Philippines. These are relatively free from credit risk because the principal and interest are guaranteed by the National Government, backed by the full taxing power of the sovereignty. However, there may be market risks due to changes in the interest rates.

The Philippine Government issues both Peso and US Dollar denominated securities. There are two kinds of Peso Government Securities (GS): (1) Treasury Bills and (2) Treasury Bonds. Treasury Bills are obligations with maturity of one year or less, issued at a discount to the maturity value. Treasury Bonds are obligations with maturities ranging from 2 years to 25 years, issued at par with periodic coupon payments to be made up to final maturity. Some bonds may be issued without coupons and these are known as zero coupon bonds.

As for the dollar denominated GS, it has tenors of up to 25 years. Interest rates are paid semi-annually based on a fixed coupon rate.

b. **Corporate Bonds/Bank Notes.** Corporate Bonds/Bank Notes are debt securities issued by a corporation/bank and sold to investors. Compared to Government Securities, Corporate Bonds/Bank Notes offer better yield to maturity. However, it is not covered by the PDIC insurance since it is not a deposit product. Client's exposure is on the Issuer. These are subject to both market risks and credit/default risks.

c. **Foreign Exchange.** Provides prices in buying and selling of foreign currencies to service FX trade and non-trade requirements of clients.

TRUST BANKING GROUP

1. Unlad Kawani Money Market Fund
2. Unlad Panimula Multiclass Money Market Fund (UNLAD PANIMULA)
3. Investment Management Account (Institutional)
4. Employee Benefit
5. Escrow
6. Safekeeping
7. Credit Surety Fund
8. Special Purpose Trust
9. Director's and Officers' Liability Fund (DOLF)
10. Mortgage/Collateral Trust Indenture
11. Facility/Loan Agency
12. Public Trusteeship
13. Gintong Sikap Secure Fund
14. Blue Chip Fund
15. Living Trust Account
16. Transfer Agency
17. Unlad Pamahalaan GS Money Market Fund
18. Unlad Pribadong Institution Money Market Fund
19. Personal Management Trust

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Notes to Financial Statements

December 31, 2021 and 2020
(All amounts in thousand pesos unless otherwise stated)

Note 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.

Its principal place of business is at Sen. Gil J. Puyat Avenue Corner Makati Avenue, Makati City.

As of December 31, 2021, the Group had 3,600 employees, operated 131 branches with 12 branch lite units and installed a total of 993 ATMs nationwide.

1.2 Approval of Financial Statements

These financial statements have been approved and authorized for issuance by the Board of Directors of the Parent Bank on June 15, 2022 under Board Resolution No. 0298.

Note 2 - Summary of Significant 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 BSP Memorandum M-2020-008 dated March 14, 2020

- Allowing BSP Supervised Financial Institutions (BSFIs) to provide financial assistance under Sec. 135 (Loans, advances, and other credit accommodations to officers) of the Manual of Regulations for Banks (MORB) to officers who are affected even in the absence of BSP-approved purposes or even if not within the scope of the existing BSP-approved purposes, for the grant of loans, advances, or any other forms of credit accommodations to officers, subject to subsequent submission of request for approval of the purpose for the grant of loans, advances, or any other forms of credit accommodations to officers, within 30 calendar days from the approval thereof of the BSFI's Board of Directors, to the appropriate supervising department of the BSP for regularization.

- Upon grant by BSFIs of a temporary grace period for payment or upon approval of the restructuring, but subject to reporting to BSP, exclusion from the past due and non-performing classification, the loans of borrowers in affected areas which should have been reclassified as past due under Sec. 304 of the MORB, as of March 8, 2020, including those loans becoming past due or non-performing six months thereafter. The exclusion shall be allowed from March 8, 2020 until December 31, 2021. For this purpose, BSP documentary requirements for restructuring of loans may be waived: Provided, That the BSFI will adopt appropriate and prudent operational control measures (As amended per Memorandum No. M-2020-032 dated April 27, 2020).

- Non-imposition of monetary penalties for delays incurred in the submission of all supervisory reports due to be submitted from March 8, 2020 up to six months thereafter.

- Subject to prior approval of the BSP, staggered booking of allowance for credit losses computed under Sec. 143 (Credit Classification and Provisioning) of the MORB, over a maximum period of five years for all types of credits extended to individuals and businesses directly affected by COVID-19 as of March 8, 2020.

- Subject to prior approval of the BSP, non-imposition of penalties on legal reserve deficiencies computed under Sec. 255 of the MORB, starting from reserve week following March 8, 2020 up to six months thereafter.

2.2.2 BSP Memorandum M-2020-011 dated March 19, 2020

- Increase in the single borrower's limit (SBL).

  Increase in the SBL under Sec. 362 of the MORB from 25 per cent to 30 per cent for a period of six months from March 19, 2020.

- Relaxation in the maximum penalty that may be imposed for reserve deficiencies under Sec. 255 of the MORB.

  For the duration of the enhanced community quarantine plus 15 days thereafter, the maximum penalty that may be imposed by the BSP for reserve deficiencies shall be the Overnight Lending Facility rate plus 10 basis points: Provided, that the maximum reserve deficiency of the BSFI shall be 200 basis points, and the excess above that shall be subject to regular penalties (As amended per Memorandum No. M-2020-025 dated April 13, 2020).

- Relaxation of the notification requirements related to changes in banking hours.

  A bank need not inform the BSP of changes in its banking hours, as required under Sec. 108 of the MORB, during the enhanced community quarantine period.

- Relaxation of the notification requirements on the temporary closure of bank branch/branch-lite units and BSFI offices/service units.

  > Bank Branch/Branch-Lite or Non-Stock Savings and Loan Association (NSSLA) Service Unit. The temporary closure of a bank branch/branch-lite unit or NSSLA service unit from March to April 2020 shall not be subject to the notification requirements under Sec. 105 of the MORB: Provided, that information on the closure shall be posted on the bank's/NSSLA's website or social media accounts or displayed in conspicuous places in the premises of the affected branch/branch-lite or NSSLA service unit, if the latter requirement is practicable.

  Consistent with existing guidelines, the bank branch/branch-lite unit or NSSLA service unit that is temporarily closed shall be re-opened within a period of one year from the date of temporary closure. The temporary closure of said unit beyond one year shall be deemed as a permanent closure and surrender of license of the branch/branch-lite unit or NSSLA service unit. Re-opening thereof shall be deemed as an establishment of a new bank branch/branch-lite unit under Sec. 105 of the MORB.

  > Other BSFI Offices/Units. The temporary closure of other BSFI offices/units from March to April 2020 shall be subject to the posting of information on the closure on the BSFI's website/social media account or in conspicuous places in the premises of the affected BSFI office/unit, if the latter requirement is practicable.

  The BSFI shall submit a consolidated report on the bank branches/branch-lite-units or BSFI offices/service units that were temporarily closed during the enhanced community quarantine period to the appropriate supervising department of the BSP on or before June 30, 2020, and periodically update the appropriate supervising department of the BSP on the status of the re-opening said bank branches/branch-lite units or BSFI offices/service units until such time that these units are fully operational.

- Relaxation in the regulations governing the submission of reports and other documents to the BSP-Financial Supervision Sector (FSS).

  The submission of reports and other documents to the BSP-FSS that fall due within the months of March to May 2020 is suspended until further notice, except for the following reports:

  - Financial Reporting Package for Banks (FRP);
  - Consolidated Foreign Exchange (FX) Position Report;
  - Event-driven report requirement; and
  - Reserve requirement-related reports:
  - Consolidated Daily Report of Condition (CDRC);
    - Weekly Report on Required and Available Reserves Against Deposit Liabilities;
    - Consolidated Report on Required and Available Reserves Against Deposit Substitutes and Special Financing; and
    - Weekly Reserve Report on Trust and Other Fiduciary Accounts (TOFA).

The pertinent provisions of BSP Circular No. M-2020-008 shall apply in the submission of the reports, which stated the non-imposition of monetary penalties for delays in submission of reports (Item No. 3 of Annex A). The submission of the notarized certification related to said reports shall likewise be waived.

All reports or documents sent through an official e-mail address of the BSFI to the BSP-FSS during the period of the enhanced community quarantine shall be recognized as an authorized submission without need for a physical signature.

- Extension in the period of compliance with BSP supervisory requirements.
- The BSFIs shall comply until June 30, 2020 with the BSP supervisory and notification requirements governing BSFI operations, which were imposed by the BSP-FSS prior to March 8, 2020, and which fall due within the months of March to May 2020;
- The BSFIs shall comply until June 30, 2020 with the submission of documentary requirements related to activities that fall under a Type C license and due within the months of March to May 2020; and
- The documentary requirements shall be submitted by the BSFI to the BSP in accordance with prevailing guidelines at the time of submission.

2.2.3 BSP Memorandum M-2020-033 dated April 27, 2020

Suspension of charging of filing, processing and licensing/registration fees related to the grant of Type A and B Electronic Payments and Financial Services (EPFS) license.

The waiver of fees related to grant of EPFS licenses aims to encourage BSFIs to provide safe, efficient and reliable digital channels that support critical payment use cases such as social benefit transfers, payments to merchants or billers including to the Government, payments to suppliers, and remittances.

The application of the said relief is as follows:

- Type A license - BSFIs that can be assessed against the prudential criteria provided under the Policy and Regulations on Licensing and requires that applicants must have been examined by the BSP; and

- Type B license - proponents that cannot be assessed against the prudential criteria provided under the Policy and Regulations on Licensing including newly established BSFIs and new applicants for an authority to operate as "Electronic Money Issuer-Others".

The following fees for applications received within six months from March 8, 2020 shall be waived and may be extended subject to the approval of the Monetary Board:

Type of Fee	Universal and Commercial Banks
Types A and B EFPS	
• Processing Fee	50,000
• Licensing Fee	100,000

The above reliefs cover the comparative period CY 2021 and may have impact the current-year transactions/events in view of the following amendments:

2.2.4 BSP Memorandum M-2021-026 dated April 26, 2021

Amendments to the Credit-Related Regulatory Relief Measures for BSFIs Affected by the Corona Virus Disease 2019 (COVID-19):

Section 1. Amendments to the regulatory relief measure on the exclusion of eligible loans from the past due (PD) and non-performing loan (NPL) classification. The following loans of affected borrowers which have been granted a temporary grace period or restructured by the BSFI, in view of the COVID-19: (a) Loans which should have been reclassified as PD as of 8 March 2020, and (b) Loans that have become PD or non-performing, six (6) months from 8 March 2020 up to 31 March 2021, may be excluded from the PD and NPL classification until 31 December 2021, subject to reporting by the BSFI to the BSP, in accordance with the following timelines pursuant to the guidelines under Memorandum No. M-2020-061 dated 03 August 2020: (a) Starting from the reporting period ending 30 April 2021, in the case of the supplemental report that will accompany the Solo Financial Reporting Package, and (b) Starting from the reporting period ending 30 June 2021, in the case of the supplemental report that will accompany the Capital Adequacy Report.

Section 2. Amendments to the Relief Measure on the Single Borrower's Limit. Memorandum No. M-2020-011 dated 19 March 2020, as amended by Memorandum No. M-2020-057 dated 21 July 2020, is hereby further amended to read as follows: xxx The additional operational relief measures that are available to BSFIs are as follows: 1. Increase in the single borrower's limit (SBL). Increase in the SBL under Section 362 of the Manual of Regulations for Banks (MORB)/Section 342-Q of the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI) from 25 percent to 30 percent until 31 December 2021, pursuant to national interest.

2.2.5 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 Bank has submitted additional documents to BSP for this evaluation, on October 4, 2021, BSP approved the parent Bank's request for staggered booking of ACL amounting to Php3,281 million covering 149 borrowers, subject to the condition that the Parent Bank shall immediately recognize the ACL amounting to Php656 million which is equivalent to ACL that should be recognized in the first year of the five-year period, while the annual equal booking of Php656 million within the period of five years or until 31 December 2025.

The Parent Bank's Net Income for CY 2021 registered at Php3,740 million. Had the Parent Bank not availed the financial reporting relief for the implemented staggered booking of ACL, Net Income would have ended at Php1,771 million.

2.3 Changes in Accounting Policy and Disclosures

a) New standards, amendments and interpretations not yet adopted:

> **PAS 16 (Amendments)**, Property, Plant and Equipment – Proceeds before Intended Use (Effective January 1, 2022)

The amendments to the standard aim to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing the same, in profit or loss.

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

> **PAS 37 (Amendments),** Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts (Effective January 1, 2022)

The amendments clarify the costs that must be considered in the assessment of an onerous contract, specifying further that the cost of fulfilling a contract form part of the costs directly related to the contract (e.g. direct labor, materials and overhead allocations)

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

> **PFRS 17**, Insurance Contracts (Effective January 1, 2023)

The standard has a deferred implementation beginning January 1, 2023 wherein it will eventually replace PFRS 4, Insurance Contracts. The new standard will provide principles for the recognition, measurement, presentation and disclosure of contracts it issues and reinsurance contracts it holds within its scope in both life and non-life insurance industries.

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

> **PAS 1 (Amendments),** Classification of Liabilities as Current or Non- Current (Effective January 1, 2023)

The amendments provide a more general approach in classifying liabilities based on existing contractual arrangements at the reporting date. Originally set for implementation on January 1, 2022, it has been moved to January 1, 2023.

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

2.4 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, 2021 is as follows:

	Percentage of ownership
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	- 99.88 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 on consolidation. The consolidated financial statements of the Group are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

2.5 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.

2.6 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 venture 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.

2.7 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 are derecognized upon disposal or when no future economic benefits are expected to be derived from the subsidiaries and associates and joint ventures at which time the cost and the related accumulated impairment loss are removed in the statement of condition. 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.

2.8 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 pesos, 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 PDS as of transaction date and are revalued monthly using the Philippine Dealing System (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.

2.9 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.

2.10 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 the Department of Education (DepEd) against their DBP accounts for the payroll of its 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.

2.11 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.

2.12 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 newly 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.

2.13 Classification and Measurement of Financial Assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss (FVTPL), financial assets at fair value through other comprehensive income (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 solely payments of principal and interest 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 solely payments of principal and interest 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.
- 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.

2.14 Impairment of Assets

a) *Financial Assets*

Under PFRS 9, the ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECLs), unless there has been no significant increase in credit risk since origination, in which case the allowance is based on the 12 months' expected credit loss (12mECLs). The Group's policies for determining if there has been a significant increase in credit risk are set out in Note 6.

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 12mECLs. 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 LTECLs. Stage 2 financial instruments also include facilities, where the credit risk has improved, and the financial instrument has been reclassified from Stage 3.

- Stage 3: Financial instruments that have shown objective evidence of impairment (credit-impaired). The bank records an allowance for the LTECLs.

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 ECLs 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.

- *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 12m ECL is calculated as the portion of LTECLs 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 LTECLs. 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.

- Loan commitments and letters of credit: When estimating LTECLs 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 a probability-weighting of the four 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, ECLs are 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.

2.15 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.

2.16 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.

2.17 Derecognition Due to Substantial Modification of Terms and Conditions

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, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as Stage 1 for ECL measurement purposes.

When assessing whether or not to derecognize a loan to a customer, amongst others, the Group considers the following factors:

- Change in currency of the loan;
- Introduction of an equity feature;
- Change in counterparty; and
- If the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

When the loan has been renegotiated or modified but not derecognized, the Group also reassesses whether there has been a significant increase in credit risk. The Group also considers whether the assets should be classified as Stage 3. Once an asset has been classified as forborne, it will remain forborne for a minimum of 24-month probation period. For the loan to be reclassified out of the forborne category, the customer has to meet all of the following criteria:

- All of its facilities have to be considered performing;
- The probation period of two years has passed from the date the forborne contract was considered performing;
- Regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period; and
- The customer does not have any contract that is more than 30 days past due.

2.18 Offsetting of Financial Instruments

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.

2.19 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.

2.20 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 purchase/completion 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 COA Circular No. 2017-004 which provides the guidelines on the implementation of PFRS on 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.

2.21 Investment Property

Investment property includes land and buildings acquired upon foreclosure which are not immediately available for sale in the next 12 months. This is stated at cost less accumulated depreciation. Transaction cost shall be included in the initial measurement. It is also subject to regular impairment tests. An impairment loss is recognized for the amount by which the property's carrying amount exceeds its recoverable amount, which is the property's fair value less costs to sell and value in use.

If the fair market value of the collateral or acquired asset at the time of foreclosure is less than the outstanding loan balance, the allowance shall be adjusted to reflect the fair market value of the collateral with the remaining allowance to be treated as excess for transfer to General Loan Loss Provision (GLLP) or for reallocation to other accounts.

If the fair market value of the collateral or acquired asset at the time of foreclosure is higher than the outstanding loan balance, the whole amount of the allowance shall be treated as excess for transfer to GLLP or for reallocation. However, no gain on foreclosure shall be recognized.

Depreciation of Investment Property (IP) shall be computed on a straight-line method using the remaining useful life of the asset based on the carrying amount less 10 per cent residual value.

2.22 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 immediate disposal generally under cash or term sale transactions. Initial carrying amount is computed as the outstanding balance of the loan less allowance for impairment plus transaction costs, where allowance for impairment is set-up if the carrying amount exceeds the fair value of ROPA.

If the fair market value of the collateral or acquired asset at the time of foreclosure is less than the outstanding loan balance, the allowance shall be adjusted to reflect the fair market value of the collateral with the remaining allowance to be treated as excess for transfer to General Loan Loss Provision (GLLP) or for reallocation to other accounts.

If the fair market value of the collateral or acquired asset at the time of foreclosure is higher than the outstanding loan balance, the whole amount of the allowance shall be treated as excess for transfer to GLLP or for reallocation. However, no gain on foreclosure shall be recognized.

2.23 Leases

a) *The Bank 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 Asset (ROU)

  It is measured at cost which comprise (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 is measured at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any measurement of the lease liability. The depreciation is computed based on the straight-line method.

The details of right-of-use asset as of December 31, 2021, are presented in Note 17.

- Lease Liability

It is measured at the present value of the lease payments that are not paid at that 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, 2021, are presented in Note 32.4

- 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 twelve (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 Php250,000.00 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, 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 Bank 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.

c. *COVID-19-related Rent Concessions*

The amendments to PFRS 16 were to provide an optional relief to lessees from the application of PFRS 16's guidance on lease modification accounting for rent concessions arising as direct consequence of the COVID-19 pandemic.

The said amendment was to help lessees that have granted COVID-19 related rent concession by lessors with practical relief, while still providing useful information about leases to users to these financial statements.

Adoption of these amendments did not have any impact on the Group's consolidated financial statements.

2.24 Intangible Assets

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

2.25 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share in the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included under Other Assets in Note 24.

2.26 Employee Benefits

Retirement benefits of the Parent Bank's personnel are covered by applicable mode of retirement under Republic Act 660, 1616 and 8291 of the Government Service Insurance System (GSIS). Those employed on or before June 1, 1977 are qualified under RA 1616 or the so called "Take All" mode where the Parent Bank pays the retirement benefits through a funded non-contributory plan (Gratuity Plan Fund). Those employed after June 1, 1977 shall be paid directly by the GSIS.

To infuse new blood, achieve cost savings in its personnel budget and crease new opportunities for career advancement, the Parent Bank established an Early Retirement Incentive Program (ERIP) IV where retirement incentive is paid to availees upon effectivity of their separation.

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 Government Grants

The grant account was cancelled and declared closed per World Bank (WB) letter dated September 5, 2012. Out of the USD0.62 million availed from the grant proceeds, USD0.17 million or equivalent to Php7.6 million was established for the Project Preparation Fund (PPF). PPF was approved by WB as one of the components of the grant intended to assist financing project preparation activities for renewable energy (RE) technologies.

In compliance with PAS 20, Accounting for Government Grants and Disclosure of Government Assistance, the Php7.7 million PPF sub-grant is presented under Miscellaneous – Others in Note 24.

2.30 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 Bangko Sentral ng Pilipinas (BSP).

The Group recognizes interest on financial instruments based on the effective interest method of accounting.

The effective interest rate (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.

2.31 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, (b) Development Lending.

Note 41 discusses in length the operations and performance of these segments.

2.32 Dividend Policy

The Parent Bank consistently adheres to the provisions under the Revised Implementing Rules and Regulations to Republic Act (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 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;
i. Income subject to final tax, as provided in the Annual Income Tax Return Schedule on Supplemental Information, net of tax;
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.*
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-SES within 10 banking days after the date of declaration as duly approved by the Board of Directors.

Note 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
- 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 Investments at Amortized Costs

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 15.

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.

Note 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 not presented on the statement of financial position at fair value at December 31, 2021:

	Carrying Amount		Fair Value	
	Group	Parent	Group	Parent
Financial assets:				
Cash and other cash items	6,495,299	6,483,262	6,495,299	6,483,262
Due from BSP	304,830,160	304,395,253	304,830,160	304,395,253
Due from other banks	23,003,860	22,993,278	23,003,860	22,993,278
Interbank loan receivables	41,922,537	41,922,537	41,922,537	41,922,537
Securities purchased under agreement to resell	16,029,892	15,952,185	16,029,892	15,952,185
Fair value through profit or loss	6,370,110	6,370,110	6,370,110	6,370,110
Fair value through other comprehensive income	31,280,631	31,236,233	31,280,631	31,236,233
Amortized cost (Held to collect investments)	256,758,756	256,709,121	260,125,920	260,076,286
Amortized cost (Loans and receivables, net)	457,828,501	455,764,786	457,828,501	455,764,786
Other assets, net	1,914,931	1,845,830	1,914,931	1,845,830
Total	**1,146,434,677**	**1,143,672,595**	**1,149,801,841**	**1,147,039,760**
Financial liabilities:				
Deposit liabilities	939,666,012	939,337,507	939,666,012	939,337,507
Bills payable	67,633,494	66,222,242	67,633,494	66,222,242
Bonds payable	36,241,776	36,241,776	36,241,776	36,241,776
Due to BSP/other banks	152	152	152	152
Manager's checks and demand drafts outstanding	432,030	424,469	432,030	424,469
Accrued taxes, interests and expenses	5,749,639	5,453,310	5,749,639	5,453,310
Unsecured subordinated debt	10,000,000	10,000,000	9,147,066	9,147,066
Total	**1,059,723,103**	**1,057,679,456**	**1,058,870,169**	**1,056,826,522**

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 LIBOR yield curve or counterparty credit risk is Bloomberg.

Level 3 – 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.

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's assets at December 31, 2021:

	Group			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial Assets:				
FVTPL				
Debt securities	6,353	0	0	6,353
Derivatives with positive fair value	0	0	0	0
	6,353	0	0	6,353
FVOCI				
Debt securities	28,214	0	0	28,214
Equity Securities	43,288	2,450	0	45,738
INMES	0	0	292,267	292,267
	71,502	2,450	292,267	366,219
Held to Collect				
Unquoted debt securities classified as loan (UDSCL)	0	15,848,055	0	15,848,055
TOTAL	**77,855**	**15,850,505**	**292,267**	**16,220,627**

	Parent			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial Assets:				
FVTPL				
Debt securities	6,353	0	0	6,353
Derivatives with positive fair value	0	0	0	0
	6,353	0	0	6,353
FVOCI				
Debt securities	28,214	0	0	28,214
Equity Securities	27,060	2,450	0	29,510
INMES	0	0	289,517	289,517
	55,274	2,450	289,517	347,241
Held to Collect				
Unquoted debt securities classified as loan (UDSCL)	0	15,848,055	0	15,848,055
TOTAL	**61,627**	**15,850,505**	**289,517**	**16,201,649**

The Parent Bank used the "market approach" in the valuation of unquoted equity securities. Under this approach, the 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.

However, in 2021, there was a transfer from Level 3 to Level 1 of Php27.060 million in view of the share swap transaction of Philippine Airlines (PAL), an unquoted company to PAL Holdings Inc. (PHI), a listed company.

Note 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 of the Parent Bank. The risk management processes of the subsidiaries and affiliates, on the other hand, are the separate responsibilities of their respective BOD.

The Parent Bank has established an enterprise risk management framework that meets best-practice and Basel and 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 takes the lead in promoting a culture of risk awareness throughout the institution. Strategic decisions in relation to risk management are made by the Risk Oversight Committee (ROC).

The Enterprise Risk Management Group (ERMG) serves as the implementing unit of the ROC and is responsible for the development and implementation of a comprehensive risk management policy framework. The management and mitigation of risks, specifically in the core risk areas under Credit, Market and Operational, 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 Parent Bank continues to take various initiatives in response to the changing risk environment to further reinforce its risk management capabilities. As such, the Bank has a focused unit to identify, measure, monitor and control risks regarding Information Security. This puts the Parent Bank in a stronger position to manage both its current activities and support further growth and expansion.

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'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 the Parent Bank's policies and procedures 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 exposures. 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.

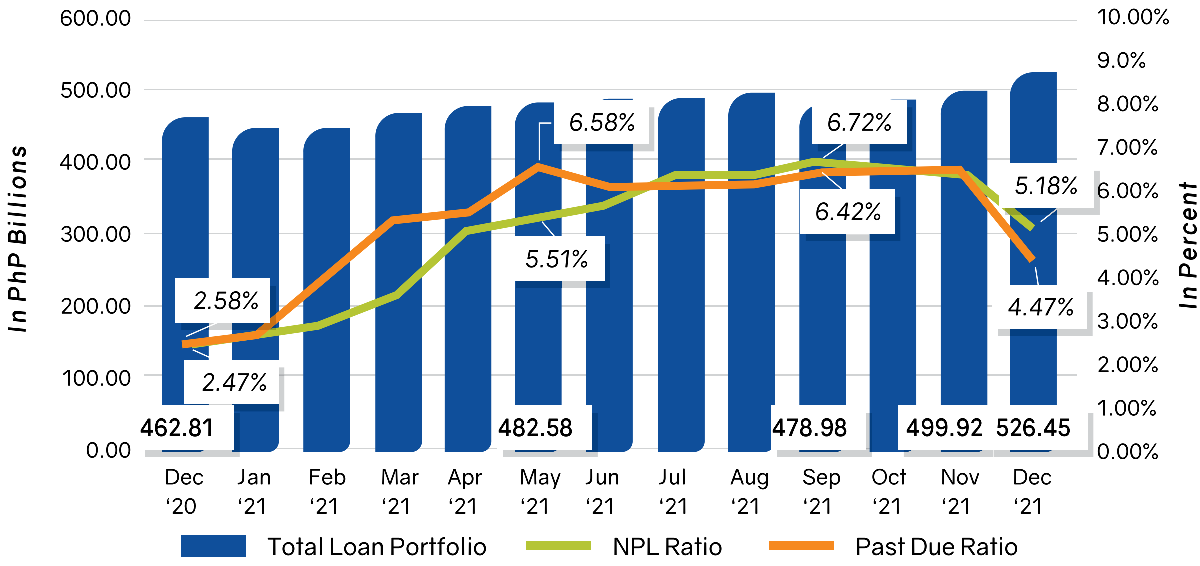
Comprehensive pre-approval credit risk review and internal credit risk rating review are being done on a borrower level. Likewise, credit reviews are being conducted on a portfolio level.

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 Expected Credit Loss (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 Group 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 Internal Audit Group.

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 pandemic and calamities. 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. As a matter of policy, DBP came up with the DBP Rehabilitation Support Program on Severe Events (DBP RESPONSE) which provided rehabilitation financing support to the Bank's new and existing borrowers, who have been adversely affected by calamities and force majeure events.



<u>*5.1.2 Credit Portfolio Management*</u>

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 Philippine Financial Reporting Standards (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 expected credit loss provisioning.

Definition of each rating/tier is described as follows:

BRR	Qualitative Rating	Characteristics
1	**Excellent**	• Very low probability of default and no history of payment delinquency • High debt servicing capacity; strong and stable financial position and performance • Structuring ensures remote possibility of default; generally considered non-risk counterparties • Belonging to industries with strong resilience to adverse economic and market conditions • Undisputed market leader; has ready access to immediate funding
2	**Strong**	• Low probability of default and no history of payment delinquency • More than sufficient debt servicing capacity; no sign of weakness in financial position and performance • Strong market position in the industry with favorable outlook • Reliable access to funding • Capable of withstanding external stresses and industry disruptions
3	**Good**	• Acceptable probability of default and no history of payment delinquency • Sound debt servicing capacity; conservative financial position; sustained good financial performance • May be susceptible to cyclicality; able to withstand changes in market condition
4	**Adequate**	• Risk indicators are present indicating reasonable probability of default • Comfortable debt servicing capacity; volatile financial performance with prospect of improvement • Limited access to funding • With capability to withstand adverse market condition
5	**Acceptable**	• Considerable level of risk indicators leading to relatively weak but acceptable creditworthiness • Adequate cash flow for debt service; volatile financialperformance • Belonging to a vulnerable industry; may be able to traverse unfavorable market or operating environment
6	**Watchlisted**	• Well-defined risk indicators and strong impression of weakened credit worthiness • Evident financial difficulties and company-specific issues questions ability or willingness to service debt • Business under gestation period; outlook with uncertainty • Existing facility risks increase the risk of default • Challenges in operating environment threaten repayment capability
	Especially Mentioned	• Past due for 1-30 days or with other banks/creditors • Below weaknesses, if uncorrected may affect borrower's overall repayment capacity and thus deserves management's close attention: o 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 - Documentation risk (adverse developments during releasing, non-compliance with loan covenants, terms and conditions) - 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 • 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
	Substandard	• Past due for 31-180 days (365 days for secured) • Well-defined weaknesses that may jeopardize repayment / full repayment as indicated by the below: • Adverse developments and trends that affect willingness or repayment ability • Weak financial condition and results of operations • Deficit capital, cashflow / liquidity problems, sustained losses, Adverse industry conditions, and Unable to weather adverse economic conditions • Collateral have been found with defects as to ownership or other adverse information • Breach of financial covenants affecting capacity to pay • Classified "Especially Mentioned" in the previous review without adequate correction
	Doubtful	• Past due for 121-180 days (over 1 year to 5 years for secured) • 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 • 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 • 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.
	Loss	• Considered uncollectible or worthless • Borrower's and co-makers / guarantor's whereabouts are unknown, or insolvent or their earning power is permanently impaired • Collaterals securing the loans are without recoverable values

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 Board of Directors. 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 Expected Credit Loss (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% at reporting date from origination;
- Risk rating deteriorated by 2 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 Bank treated Stage 1 ECL as General Provisions (GP), while Stage 2 and 3 ECLs were treated as Specific Provisions (SP). A minimum of 1.00% General Loan Loss Provision (GLLP) 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 profit or loss statement. In cases when the computed ECL on Stage 1 accounts is less than the 1.00% 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 unlikeliness 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:

Portfolio	Estimation Approach
Corporate Loans	Calibrated PD based on Internal Credit Risk Rating (Quantitative and Qualitative factors)
Loans to Government Units	Calibrated PD based on Internal Credit Risk Rating (Quantitative and Qualitative factors)
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.

Scenario	Probability	Description
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 table below shows the percentage of the Group and Parent Bank's loans and receivables and the related allowance for impairment as of December 31, 2021 and 2020.

	Group			
	2021		2020	
	Credit Exposure	Allowance for Impairment	Credit Exposure	Allowance for Impairment
Pass	83.37%	2.00%	86.67%	1.53%
Especially Mentioned	12.14%	5.56%	11.29%	4.28%
Substandard	3.21%	17.44%	0.88%	30.40%
Doubtful	0.55%	33.67%	0.32%	95.76%
Loss	0.73%	88.11%	0.84%	87.69%
	100.00%		100.00%	

	Parent			
	2021		2020	
	Credit Exposure	Allowance for Impairment	Credit Exposure	Allowance for Impairment
Pass	83.50%	1.86%	86.63%	1.54%
Especially Mentioned	12.21%	5.56%	11.37%	4.28%
Substandard	3.05%	17.77%	0.87%	30.51%
Doubtful	0.50%	32.51%	0.28%	59.12%
Loss	0.74%	88.10%	0.85%	87.68%
	100.00%		100.00%	

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
- 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, 2021, 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	
	2021	Restated 2020	2021	2020
Due from BSP	304,830,160	295,805,474	304,395,253	295,454,189
Due from other banks	23,003,860	9,790,485	22,993,278	9,784,589
Interbank loans receivable	41,922,537	23,772,833	41,922,537	23,772,833
Securities purchased under agreements to resell	16,029,892	16,017,118	15,952,185	15,965,252
Financial asset at FVTPL – net	6,370,110	9,007,597	6,370,110	9,007,597
Financial assets at FVOCI – net	31,280,631	47,132,700	31,236,233	47,086,062
Financial asset at amortized cost – net (HTC)	256,758,756	203,803,358	256,709,121	203,776,523
Loans and receivables, net	457,828,501	417,265,767	455,764,786	414,675,573
Other assets, net	2,056,809	3,371,370	1,987,708	3,307,789
	1,140,081,256	**1,025,966,702**	**1,137,331,211**	**1,022,830,407**

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

	Group		Parent	
	2021	2020	2021	2020
Undrawn loan commitments	27,586,093	23,727,546	27,586,093	23,727,546
Others	4,870,002	3,146,099	4,870,002	3,146,099
	32,456,095	**26,873,645**	**32,456,095**	**26,873,645**

5.1.6 Credit Quality

The following table shows the credit quality of financial assets as of December 31, 2021 and 2020:

	Group 2021				
	Loans and receivables	Loans and advances to banks*	Investment securities**	Other Assets***	TOTAL
Neither past due nor impaired	443,943,743	385,786,449	294,729,153	2,285,301	1,126,744,646
Past due but not impaired	2,532,315				2,532,315
Impaired	29,119,778				29,119,778
	475,595,836	385,786,449	294,729,153	2,285,301	1,158,396,739
Allowance for impairment	(17,767,335)		(319,656)	(228,492)	(18,315,483)
	457,828,501	**385,786,449**	**294,409,497**	**2,056,809**	**1,140,081,256**

	Group 2020 (Restated)				
	Loans and receivables	Loans and advances to banks*	Investment securities**	Other Assets***	TOTAL
Neither past due nor impaired	418,152,790	345,385,910	260,107,399	3,633,484	1,027,279,583
Past due but not impaired	200,198	0	0	0	200,198
Impaired	12,374,824	0	29	0	12,374,853
	430,727,812	345,385,910	260,107,428	3,633,484	1,039,854,634
Allowance for impairment	(13,462,045)	0	(163,773)	(262,114)	(13,887,932)
	417,265,767	**345,385,910**	**259,943,655**	**3,371,370**	**1,025,966,702**

	Parent 2021				
	Loans and receivables	Loans and advances to banks*	Investment securities**	Other Assets***	TOTAL
Neither past due nor impaired	442,157,797	385,263,253	294,635,120	2,211,288	1,124,267,458
Past due but not impaired	2,477,504	0	0	0	2,477,504
Impaired	28,097,908	0	0	0	28,097,908
	472,733,209	385,263,253	294,635,120	2,211,288	1,154,842,870
Allowance for impairment	(16,968,423)	0	(319,656)	(223,580)	(17,511,659)
	455,764,786	**385,263,253**	**294,315,464**	**1,987,708**	**1,137,331,211**

	Parent 2020				
	Loans and receivables	Loans and advances to banks*	Investment securities**	Other Assets***	TOTAL
Neither past due nor impaired	415,151,248	344,976,863	260,033,955	3,554,015	1,023,716,081
Past due but not impaired	155,271	0	0	0	155,271
Impaired	12,159,776	0	0	0	12,159,776
	427,466,295	344,976,863	260,033,955	3,554,015	1,036,031,128
Allowance for impairment	(12,790,722)	0	(163,773)	(246,226)	(13,200,721)
	414,675,573	**344,976,863**	**259,870,182**	**3,307,789**	**1,022,830,407**

* Comprised of Due from BSP, Due from Other Banks, Interbank Loans Receivable and Securities Purchased Under Agreements to Resell
** Comprised of FVTPL, FVOCI and Amortized Cost
***Comprised of 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.

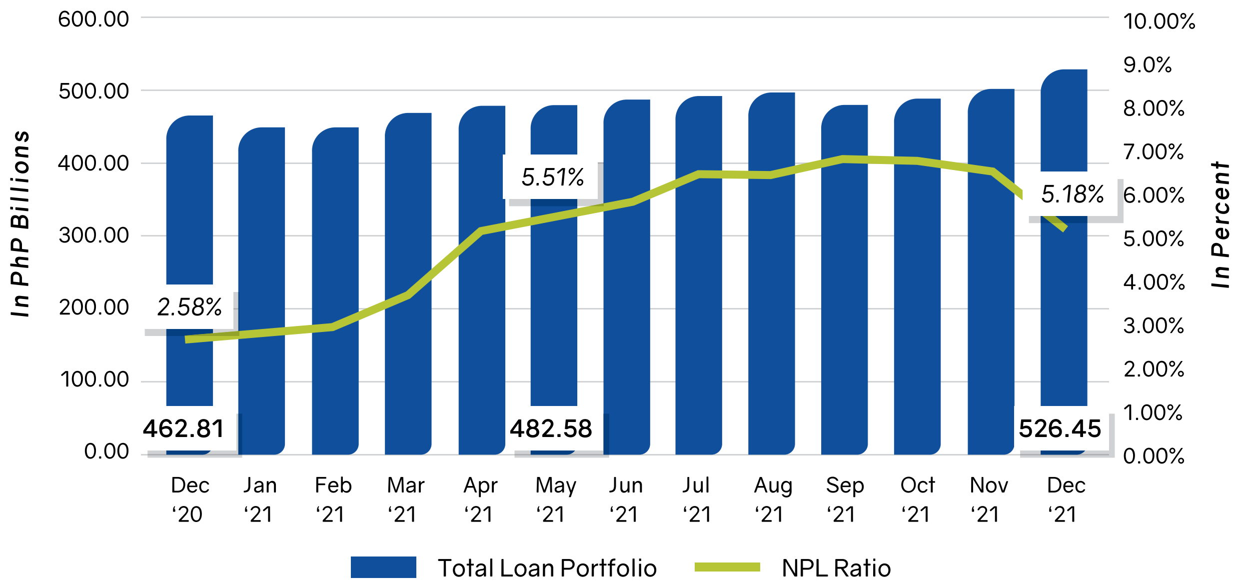
	Group		Parent	
	2021	**2020**	**2021**	**2020**
Past due less than 31 days	872,089	109,408	872,089	109,408
Past due 31 - 60 days	1,601,290	0	1,601,290	0
Past due 61 - 90 days	6,657	0	4,125	0
Over 90 days	52,279	90,790	0	45,863
	2,532,315	**200,198**	**2,477,504**	**155,271**
Fair value of collateral	**827,695**	**344,513**	**827,695**	**344,513**

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:

	S & P Credit Equivalent Ratings	
Credit Grades	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 Bank's Total Loan Portfolio and the movement in the NPL Ratio from December 2020 to December 2021. Average NPL ratio for 2021 was 5.30 per cent with an NPL Ratio high of 6.72 per cent in September 2021. The Bank managed to reduce it to 5.18 per cent by end of 2021.



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:

	Parent 2021			
	FVTPL	FVOCI*	FA at Amortized Cost**	Total
Grade				
High Grade	6,370,110	15,182,605	219,959,040	241,511,755
Standard Grade	0	13,287,114	37,179,033	50,466,147
Substandard Grade	0	0	0	0
Default	0	0	0	0
Total	**6,370,110**	**28,469,719**	**257,138,073**	**291,977,902**
Stage				
1	6,370,110	26,191,034	254,577,691	287,138,835
2	0	2,278,685	2,560,382	4,839,067
3	0	0	0	0
Total	**6,370,110**	**28,469,719**	**257,138,073**	**291,977,902**

* Exclusive of Php316.577 million Investment in Non-Marketable Equity Securities (INMES) and Php2,449.937 million MRT equity investment as these are not credit exposures.
**Inclusive of Accrued Interest Receivables but exclusive of Allowance for Credit Losses and Unearned Interest and Income.

	Parent 2020			
	FVTPL	FVOCI*	FA at Amortized Cost**	Total
Grade				
High Grade	8,909,786	27,140,961	158,032,414	194,083,161
Standard Grade	97,811	16,172,131	46,038,838	62,308,780
Substandard Grade	0	0	0	0
Default	0	0	0	0
Total	**9,007,597**	**43,313,092**	**204,071,252**	**256,391,941**
Stage				
1	8,909,786	27,140,961	177,518,138	213,568,885
2	97,811	16,172,131	26,553,114	42,823,056
3	0	0	0	0
Total	**9,007,597**	**43,313,092**	**204,071,252**	**256,391,941**

* Exclusive of Php815.877 million Investment in Non-Marketable Equity Securities (INMES) and Php2,957.093 million MRT equity investment as these are not credit exposures.
**Inclusive of Accrued Interest Receivables but exclusive of Allowance for Credit Losses and Unearned Interest and Income.

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 2021:

	Parent 2021 Gross Carrying Amount			
Developmental Loans	Stage 1	Stage 2	Stage 3	Total
Large Enterprises (L)	297,368,277	46,015,187	21,585,045	364,968,509
Medium Enterprises (M)	9,702,116	3,003,057	5,475,203	18,180,376
Small Enterprises (S)	2,293,972	695,662	849,191	3,838,825
Micro Enterprises (Mi)	1,110,944	372,509	498,266	1,981,719
Local Government Units (LGU)	50,158,417	1,356,522	38,833	51,553,772
Financial Institutions (FI)	8,510,880	75,248	0	8,586,128
Electric Cooperatives (EC)	5,845,750	106,253	533,447	6,485,450
Water Districts (WD)	5,501,456	138,373	0	5,639,829
Salary Loans	7,399,432	122,568	643,825	8,165,825
Gross Loans and Receivables	**387,891,244**	**51,885,379**	**29,623,810**	**469,400,433**

	Parent 2021 Accrued Interest Receivables			
Developmental Loans	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Large Enterprises (L)	2,152,539	420,602	213,904	2,787,045
Medium Enterprises (M)	71,540	26,534	15,124	113,198
Small Enterprises (S)	18,721	4,374	2,253	25,348
Local Government Units (LGU)	3,592	2,143	471	6,206
Micro Enterprises (Mi)	219,427	5,822	97	225,346
Financial Institutions (FI)	40,369	557	0	40,926
Electric Cooperatives (EC)	19,804	99	203	20,106
Water Districts (WD)	18,544	649	0	19,193
Salary Loans	14,742	232	3	14,977
Accrued Interest Receivables	**2,559,278**	**461,012**	**232,055**	**3,252,345**

	Parent 2021 Expected Credit Loss			
Developmental Loans	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Large Enterprises (L)	4,928,560	1,994,872	7,653,473	14,576,905
Medium Enterprises (M)	244,059	134,102	1,684,760	2,062,921
Small Enterprises (S)	43,321	20,975	384,763	449,059
Local Government Units (LGU)	20,225	17,667	127,509	165,401
Micro Enterprises (Mi)	503,816	13,623	792	518,231
Financial Institutions (FI)	363,146	3,606	0	366,752
Electric Cooperatives (EC)	56,533	1,064	83,802	141,399
Water Districts (WD)	60,897	1,390	0	62,287
Salary Loans	74,253	16,318	638,555	729,126
Staggered Booking of Reserves (Note 15)	0	0	(2,625,076)	(2,625,076)
Excess General Reserves	469,878	0	0	469,878
Expected Credit Loss	**6,764,688**	**2,203,617**	**7,948,578**	**16,916,883**

PFRS 9 disclosures pertaining to 2020:

	Parent 2020 Gross Carrying Amount			
Developmental Loans	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Large Enterprises (L)	271,117,940	47,128,121	10,430,552	328,676,613
Medium Enterprises (M)	9,675,735	4,687,375	3,536,057	17,899,167
Small Enterprises (S)	2,760,457	1,058,156	908,985	4,727,598
Micro Enterprises (Mi)	1,238,586	568,259	617,288	2,424,133
Local Government Units (LGU)	38,629,863	300,586	0	38,930,449
Financial Institutions (FI)	9,390,824	34,445	4,257	9,429,526
Electric Cooperatives (EC)	5,766,845	653,905	0	6,420,750
Water Districts (WD)	5,543,044	128,093	0	5,671,137
Salary Loans	8,464,098	54,286	620,221	9,138,605
Gross Loans and Receivables	**352,587,392**	**54,613,226**	**16,117,360**	**423,317,978**

	Parent 2020 Accrued Interest Receivables			
Developmental Loans	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Large Enterprises (L)	2,096,493	1,208,979	167,983	3,473,455
Medium Enterprises (M)	105,790	101,928	14,235	221,953
Small Enterprises (S)	33,170	13,842	21,719	68,731
Local Government Units (LGU)	173,196	679	0	173,875
Micro Enterprises (Mi)	18,951	4,927	527	24,405
Financial Institutions (FI)	30,955	52	0	31,007
Electric Cooperatives (EC)	31,404	777	0	32,181
Water Districts (WD)	17,265	1,106	0	18,371
Salary Loans	41,319	(26)	8	41,301
Accrued Interest Receivables	**2,548,543**	**1,332,264**	**204,472**	**4,085,279**

	Parent 2020 Expected Credit Loss			
Developmental Loans	Stage 1	Stage 2	Stage 3	Total
Large Enterprises (L)	2,560,299	981,300	5,304,559	8,846,158
Medium Enterprises (M)	290,547	250,926	1,411,740	1,953,213
Small Enterprises (S)	42,922	33,767	333,391	410,080
Local Government Units (LGU)	386,773	3,013	0	389,786
Micro Enterprises (Mi)	11,509	9,212	186,763	207,484
Financial Institutions (FI)	106,719	345	4,257	111,321
Electric Cooperatives (EC)	54,419	6,547	0	60,966
Water Districts (WD)	55,525	1,292	0	56,817
Salary Loans	85,077	15,587	620,234	720,898
Expected Credit Loss	**3,593,790**	**1,301,989**	**7,860,944**	**12,756,723**

Movements in the Gross Carrying Amounts and Allowance for Expected Credit Losses in 2021:

	Parent 2021 Gross Carrying Amount			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount at 1 January 2021	352,587,392	54,613,226	16,117,360	423,317,978
New assets originated or purchased	30,817,671	2,691,343	389,458	33,898,472
Assets derecognized or repaid (excluding write offs)	(22,819,674)	(1,125,597)	(433,882)	(24,379,153)
Transfers to Stage 1	48,063,577	(12,703,121)	(1,652,972)	33,707,484
Transfers to Stage 2	(16,311,099)	21,133,435	(1,721,160)	3,101,176
Transfers to Stage 3	(4,445,306)	(12,723,866)	16,923,648	(245,524)
Amounts written off	0	0	0	0
At 31 December 2021	**387,892,561**	**51,885,420**	**29,622,452**	**469,400,433**

	Parent 2021 Expected Credit Loss			
	Stage 1	Stage 2	Stage 3	Total
ECL amount at 1 January 2021	3,593,790	1,301,989	7,860,944	12,756,723
New assets originated or purchased	662,608	123,213	95,357	881,178
Assets derecognized or repaid (excluding write offs)	(275,440)	(37,956)	(333,130)	(646,526)
Transfers to Stage 1	2,729,498	(332,493)	(107,376)	2,289,629
Transfers to Stage 2	(269,536)	1,470,624	(349,842)	851,246
Transfers to Stage 3	(146,174)	(321,761)	3,419,212	2,951,277
Amounts written off	0	0	(11,446)	(11,446)
Staggered Booking of Reserves (Note 15)	0	0	(2,625,076)	(2,625,076)
Excess General Reserves	469,878	0	0	469,878
At 31 December 2021	**6,764,624**	**2,203,616**	**7,948,643**	**16,916,883**

Movements in the Gross Carrying Amounts and Allowance for Expected Credit Losses in 2020:

	Parent 2020 Gross Carrying Amount			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount at 1 January 2020	330,667,328	17,409,206	8,658,023	356,734,557
New assets originated or purchased	29,519,933	2,894,846	66,371	32,481,150
Assets derecognized or repaid (excluding write offs)	(25,556,696)	(211,766)	(167,250)	(25,935,712)
Transfers to Stage 1	63,666,444	(4,511,867)	(129,408)	59,025,169
Transfers to Stage 2	(40,700,734)	41,905,371	(42,521)	1,162,116
Transfers to Stage 3	(5,008,883)	(2,872,564)	7,990,954	109,507
Amounts written off	0	0	(258,809)	(258,809)
At 31 December 2020	**352,587,392**	**54,613,226**	**16,117,360**	**423,317,978**

	Parent 2020 Expected Credit Loss			
	Stage 1	Stage 2	Stage 3	Total
ECL amount at 1 January 2020	3,410,153	439,827	5,124,681	8,974,661
New assets originated or purchased	219,752	78,505	35,758	334,015
Assets derecognized or repaid (excluding write offs)	(354,158)	(10,628)	(157,244)	(522,030)
Transfers to Stage 1	869,516	(99,422)	(69,891)	700,203
Transfers to Stage 2	(493,002)	972,165	(8,143)	471,020
Transfers to Stage 3	(58,471)	(78,458)	3,194,592	3,057,663
Amounts written off	0	0	(258,809)	(258,809)
At 31 December 2020	**3,593,790**	**1,301,989**	**7,860,944**	**12,756,723**

5.1.9 Collateral Held as Security and Other Credit Enhancements

The Parent Bank holds collateral against loans and receivables from customers in the form of real estate and chattel mortgage, hold-out on deposits, debt and equity securities, assignment of applicable portion of Internal Revenue Allotment for debt servicing of LGUs, guarantees issued by the Republic of the Philippines, and other acceptable institutions. 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:

	2021	2020
A. Against neither past due nor impaired		
Real Estate Mortgage	83,777,515	150,252,602
Chattel Mortgage	14,196,931	3,779,147
Deposits on Hold	3,059,848	2,441,994
IRA/Others	151,837,161	112,341,774
	252,871,455	**268,815,517**
B. Against past due but not impaired		
Real Estate Mortgage	668,265	344,513
Deposits on Hold	159,430	0
	827,695	**344,513**
C. Against impaired loans		
Real Estate Mortgage	12,971,431	30,060,081
Chattel Mortgage	2,043,050	1,202,934
Deposits on Hold	16,000	0
IRA/Others	3,244,885	1,484,869
	18,275,366	**32,747,884**
	271,974,516	**301,907,914**

5.1.10 Credit Concentration

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, 2021 and 2020 based on the carrying amount is shown below:

	Group 2021				
	Loans and receivables	**Loans and advances to banks**	**Investment securities**	**Other Assets**	**TOTAL**
Financial and insurance activities	20,826,035	385,786,449	252,033,759	0	658,646,243
Electricity, gas and water	115,360,490	0	12,756,630	0	128,117,120
Manufacturing	29,726,876	0	0	0	29,726,876
Real estate, renting and business administration	54,456,737	0	15,994,060	0	70,450,797
Wholesale and retail trade	48,954,748	0	3,427,421	0	52,382,169
Transportation and storage	26,876,880	0	10,213,876	0	37,090,756
Information and communication	22,640,080	0	301,901	0	22,941,981
Public administration	52,041,571	0	1,506	0	52,043,077
Education	7,059,098	0	0	0	7,059,098
Human health and social work	17,604,999	0	0	0	17,604,999
Activities of household	8,232,235	0	0	0	8,232,235
Construction	46,329,486	0	0	0	46,329,486
Agriculture, forestry and fishing	19,369,478	0	0	0	19,369,478
Others	6,117,123	0	0	2,285,301	8,402,424
	475,595,836	385,786,449	294,729,153	2,285,301	1,158,396,739
Allowance for impairment	(17,767,335)	0	(319,656)	(228,492)	(18,315,483)
	457,828,501	**385,786,449**	**294,409,497**	**2,056,809**	**1,140,081,256**

	Group 2020 (Restated)				
	Loans and receivables	**Loans and advances to banks**	**Investment securities**	**Other Assets**	**TOTAL**
Financial and insurance activities	19,510,871	345,385,910	214,712,786	0	579,609,567
Electricity, gas and water	110,549,138	0	12,786,385	0	123,335,523
Manufacturing	24,522,221	0	227	0	24,522,448
Real estate, renting and business administration	47,597,002	0	18,863,155	0	66,460,157
Wholesale and retail trade	48,178,661	0	3,462,666	0	51,641,327
Transportation and storage	22,350,735	0	9,423,280	0	31,774,015
Information and communication	22,873,826	0	855,350	0	23,729,176
Public administration	40,204,193	0	3,579	0	40,207,772
Education	7,349,822	0	0	0	7,349,822
Human health and social work	15,274,259	0	0	0	15,274,259
Activities of household	9,220,502	0	0	0	9,220,502
Construction	42,880,865	0	0	0	42,880,865
Agriculture, forestry and fishing	14,216,378	0	0	0	14,216,378
Others	5,999,339	0	0	3,633,484	9,632,823
	430,727,812	345,385,910	260,107,428	3,633,484	1,039,854,634
Allowance for impairment	(13,462,045)	0	(163,773)	(262,114)	(13,887,932)
	417,265,767	**345,385,910**	**259,943,655**	**3,371,370**	**1,025,966,702**

	Parent 2021				
	Loans and receivables	**Loans and advances to banks**	**Investment securities**	**Other Assets**	**TOTAL**
Financial and insurance activities	20,826,035	385,263,253	251,939,726	0	658,029,014
Electricity, gas and water	115,356,565	0	12,756,630	0	128,113,195
Manufacturing	29,105,788	0	0	0	29,105,788
Real estate, renting and business administration	54,444,697	0	15,994,060	0	70,438,757
Wholesale and retail trade	48,730,120	0	3,427,421	0	52,157,541
Transportation and storage	25,829,409	0	10,213,876	0	36,043,285
Information and communication	22,638,787	0	301,901	0	22,940,688
Public administration	51,778,928	0	1,506	0	51,780,434
Education	6,987,156	0	0	0	6,987,156
Human health and social work	17,604,999	0	0	0	17,604,999
Activities of household	8,180,040	0	0	0	8,180,040
Construction	45,873,294	0	0	0	45,873,294
Agriculture, forestry and fishing	19,365,687	0	0	0	19,365,687
Others	6,011,703	0	0	2,211,288	8,222,991
	472,733,208	385,263,253	294,635,120	2,211,288	1,154,842,869
Allowance for impairment	(16,968,422)	0	(319,656)	(223,580)	(17,511,658)
	455,764,786	**385,263,253**	**294,315,464**	**1,987,708**	**1,137,331,211**

	Parent 2020				
	Loans and receivables	**Loans and advances to banks**	**Investment securities**	**Other Assets**	**TOTAL**
Financial and insurance activities	19,510,871	344,976,863	214,639,540	0	579,127,274
Electricity, gas and water	110,534,709	0	12,786,385	0	123,321,094
Manufacturing	23,791,484	0	0	0	23,791,484
Real estate, renting and business administration	47,585,749	0	18,863,155	0	66,448,904
Wholesale and retail trade	48,065,409	0	3,462,666	0	51,528,075
Transportation and storage	21,122,521	0	9,423,280	0	30,545,801
Information and communication	22,872,546	0	855,350	0	23,727,896
Public administration	39,877,978	0	3,579	0	39,881,557
Education	7,259,175	0	0	0	7,259,175
Human health and social work	15,273,097	0	0	0	15,273,097
Activities of household	9,180,038	0	0	0	9,180,038
Construction	42,314,136	0	0	0	42,314,136
Agriculture, forestry and fishing	14,212,855	0	0	0	14,212,855
Others	5,865,727	0	0	3,554,015	9,419,742
	427,466,295	344,976,863	260,033,955	3,554,015	1,036,031,128
Allowance for impairment	(12,790,722)	0	(163,773)	(246,226)	(13,200,721)
	414,675,573	**344,976,863**	**259,870,182**	**3,307,789**	**1,022,830,407**

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 24 September 2008, No. 26 dated 11 February 2009, No. 48 dated 4 March 2009, No. 53 dated 11 March 2009, No. 82 dated 15 April 2009, and No. 86 dated 22 April 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' (GFIs') 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 face value of USD632.858 million booked under Financial Assets at Amortized Cost – Held to Collect (AC-HTC) 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 18 February 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.

5.1.11 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 Integrated Treasury Management System (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. And, 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 balance sheet, 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 Group estimates VaR using the parametric approach at 99% 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.

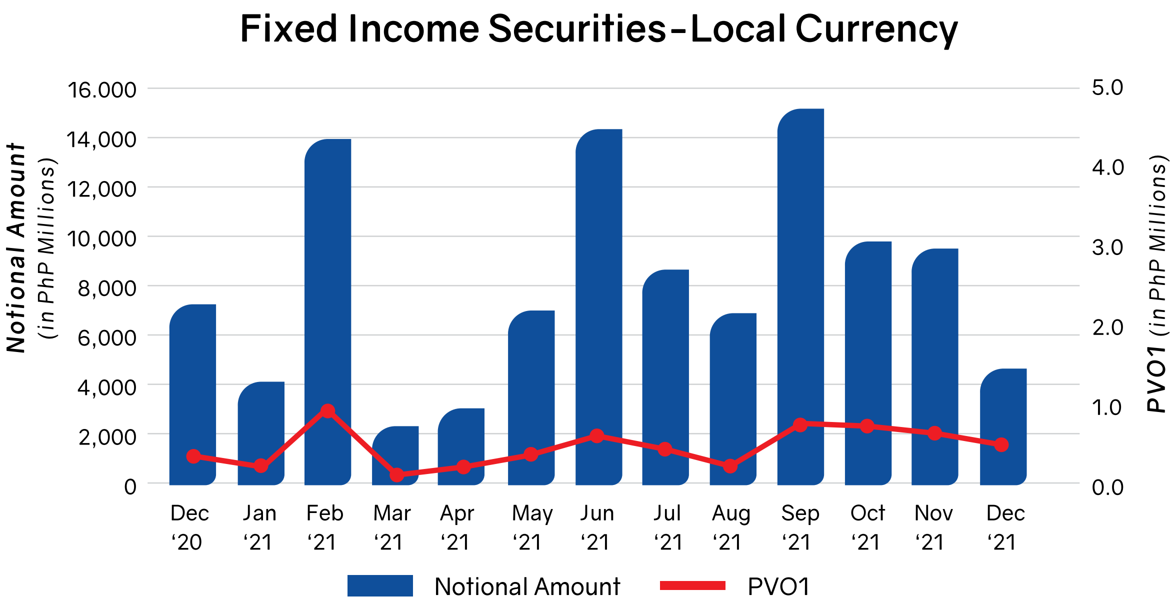
The table below provides a summary of Parent Bank's VaR profile, by risk class for 2021:

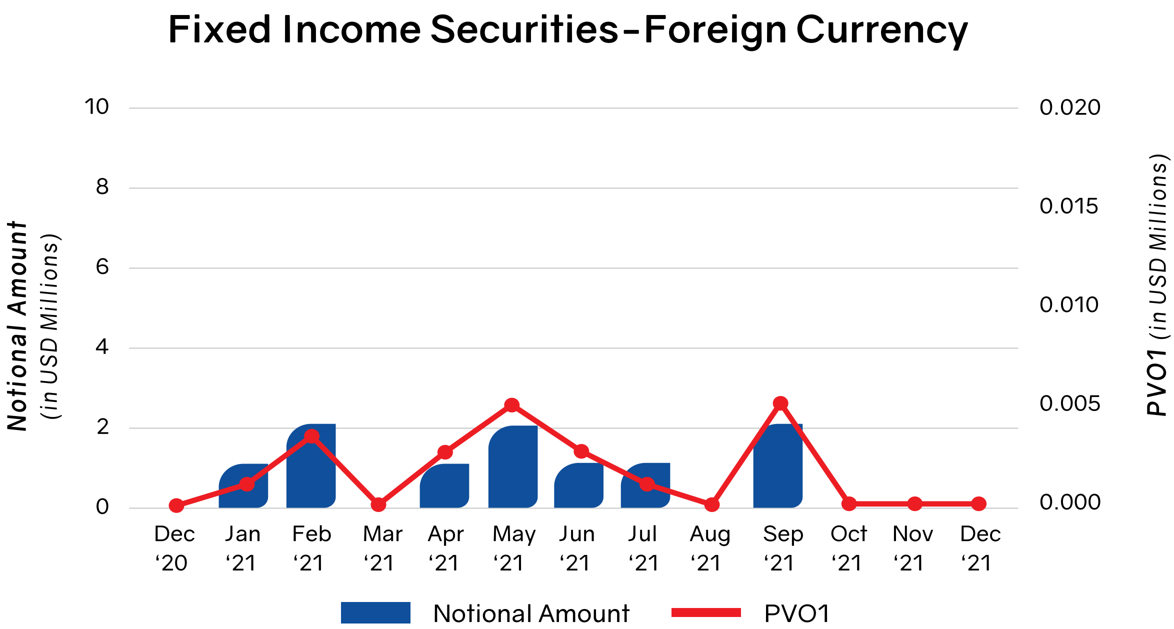
	2021	**December 2020 - December 2021**			**2020**
	Year end	**Avg**	**Min**	**Max**	**Year end**
In Php millions					
Fixed Income Trading	42.10	54.75	4.48	302.28	17.99
Foreign Exchange Trading	0.00	4.99	0.00	46.02	0.00

The Parent Bank's VaR for Fixed Income Trading by year-end of 2021 is higher by 133.95% than the previous year-end. The higher VaR recorded is due to a more volatile market in the local currency fixed income portfolio during the year. The bank also unloaded all its Foreign Exchange Trading position as of year-end to register a nil VaR.

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 2020 to December 2021.





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 and Early Warning Signals to the Contingency Funding Plan are in place and 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 Maximum Cumulative Outflow (MCO) model, which computes for varied level of gaps per tenor bucket on a per book and currency basis. As of December 2021, liquidity gap for the one-year monitoring period is net positive at Php56.17 billion and Php55.73 billion for the Group and Parent Bank, respectively.

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% 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 2021:

Group
2021 LCR DISCLOSURE
(In Single Currency, Absolute Amount)

	TOTAL UNWEIGHTED VALUE (AVERAGE)[1/]	TOTAL WEIGHTED VALUE (AVERAGE)[2/]
STOCK OF HQLA		
Total Stock of HQLA		528,301,998,955.93
EXPECTED CASH OUTFLOWS		
Deposits, of which:	901,855,460,960.27	472,723,334,995.40
Retail Funding	35,522,056,125.19	3,151,113,686.56
Wholesale Funding, of which:	866,333,404,835.08	469,572,221,308.84
Operational Deposits	259,931,226,806.13	77,979,368,041.84
Non-operational deposits (all counterparties)	606,402,178,028.95	391,592,853,267.00
Unsecured Wholesale Funding (all counterparties)	1,235,420,097.85	1,233,042,572.15
Secured Funding		-
Derivatives contracts, of which:	2,105,684,049.20	2,105,684,049.20
Outflows Related to Derivatives Exposures (net)	2,105,684,049.20	2,105,684,049.20
Outflows Related to Collateral Requirements	-	-
Structured Financing Instruments	-	-
Committed Business Facilities (all counterparties)	84,876,916,115.09	10,989,765,577.86
Other Contractual Obligations within a 30-day period	8,976,341,903.85	8,976,341,903.85
Other Contingent Funding Obligations	3,898,460,002.91	910,352,245.67
TOTAL EXPECTED CASH OUTFLOWS		496,938,521,344.13
EXPECTED CASH INFLOWS		
Secured Lending	55,193.84	-
Fully Performing Exposures (all counterparties)	61,205,764,040.89	48,056,786,157.77
Other Cash Inflows	15,590,484,487.50	15,590,484,487.50
TOTAL EXPECTED CASH INFLOWS	76,796,303,722.23	63,647,270,645.27
TOTAL STOCK OF HQLA		**528,301,998,955.93**
TOTAL EXPECTED NET CASH OUTFLOWS		**433,291,250,698.86**
LIQUIDITY COVERAGE RATIO (%)		**125.05%**

[1/] Average of quarterly outstanding balances for the year 2021
[2/] Average of quarterly weighted balances (applied with haircut or inflow/outflow rates) for the year 2021

Parent
2021 LCR DISCLOSURE
(In Single Currency, Absolute Amount)

	TOTAL UNWEIGHTED VALUE (AVERAGE)[1/]	TOTAL WEIGHTED VALUE (AVERAGE)[2/]
STOCK OF HQLA		
Total Stock of HQLA		527,793,089,240.94
EXPECTED CASH OUTFLOWS		
Deposits, of which:	901,526,442,406.16	472,689,766,387.66
Retail Funding	35,086,909,847.65	3,113,572,713.16
Wholesale Funding, of which:	866,439,532,558.51	469,576,193,674.50
Operational Deposits	260,077,163,031.53	78,023,148,909.46
Non-operational deposits (all counterparties)	606,362,369,526.98	391,553,044,765.04
Unsecured Wholesale Funding (all counterparties)	608,990,177.33	608,786,070.93
Secured Funding		-
Derivatives contracts, of which:	2,105,684,049.20	2,105,684,049.20
Outflows Related to Derivatives Exposures (net)	2,105,684,049.20	2,105,684,049.20
Outflows Related to Collateral Requirements	-	-
Structured Financing Instruments	-	-
Committed Business Facilities (all counterparties)	84,876,916,115.09	10,989,765,577.86
Other Contractual Obligations within a 30-day period	8,856,603,854.03	8,856,603,854.03
Other Contingent Funding Obligations	3,898,460,002.91	910,352,245.67
TOTAL EXPECTED CASH OUTFLOWS		496,160,958,185.35
EXPECTED CASH INFLOWS		
Secured Lending	-	-
Fully Performing Exposures (all counterparties)	60,561,507,675.65	47,734,657,975.15
Other Cash Inflows	15,141,964,449.03	15,141,964,449.03
TOTAL EXPECTED CASH INFLOWS	75,703,472,124.68	62,876,622,424.18
TOTAL STOCK OF HQLA		**527,793,089,240.94**
TOTAL EXPECTED NET CASH OUTFLOWS		**433,284,335,761.17**
LIQUIDITY COVERAGE RATIO (%)		**124.93%**

[1/] Average of quarterly outstanding balances for the year 2021
[2/] Average of quarterly weighted balances (applied with haircut or inflow/outflow rates) for the year 2021

In addition, below is the actual LCR as of December 31, 2021:

LCR as of December 31, 2021
(In Single Currency, Absolute Amount)

	Group	Parent
Total Stock of HQLA	523,893,789,738.35	523,319,436,588.45
Total Net Cash Outflows	427,570,005,159.75	427,929,790,501.51
LCR (HQLA/Net Cash Outflows)	**122.53%**	**122.29%**

The Group has maintained favorable levels of LCR since 2018. There have been changes in the balance sheet 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)

NSFR as of December 31, 2021
(In Single Currency, Absolute Amount)

	Group	**Parent**
Available Stable Funding (ASF)	524,882,594,201.62	524,013,174,947.37
Required Stable Funding (RSF)	468,447,237,937.04	466,858,209,867.65
NSFR (ASF/RSF)	**112.05%**	**112.24%**

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[1/]	**Industry Ratio[2/]**
Stable Funding vs. Non-Liquid Assets	17%	14%
Liquid Assets vs. Volatile Funding	39%	37%
Liquid & Less Liquid Assets vs. Volatile Funding	45%	39%
Key Liquidity Provider Sourced Funding vs. Total Liabilities	6%	5%
Liquid Assets Ratio	32%	29%

[1/] *DBP ratios as of December 31, 2021*
[2/] *Top 10 universal banks in terms of assets excluding DBP as of September 30, 2021*

The Parent Bank's better-than-industry liquidity ratios resulted from its ability to secure and preserve long-term funding and conservative approach in maintaining a high level of liquid assets. 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% 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, 2021 reported a net short position of USD8.479 million or 0.56% of its Qualifying Capital.

Also, the Group is required to fully cover foreign currency liabilities with foreign currency assets held in the FCDU books.

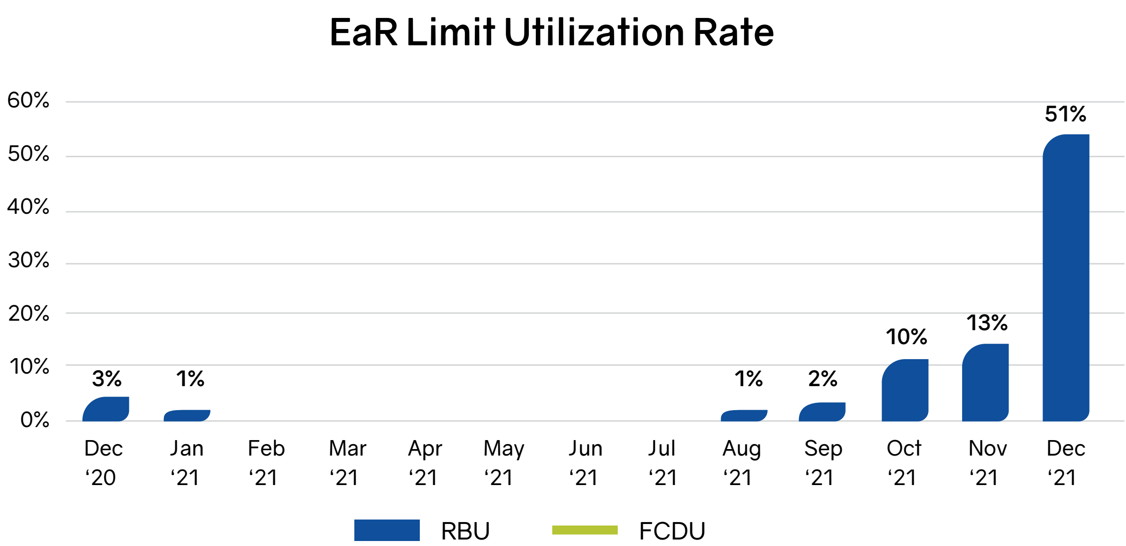
The table summarizes the Parent Bank's exposure to foreign exchange risk as of December 31, 2021. Included in the table are the Parent Bank's assets and liabilities at carrying amounts, categorized by currency:

	Foreign Currency	Regular Foreign	Total
Assets			
Due from other banks	14,076,306	7,655,951	21,732,257
Interbank loans receivable	40,391,208	1,529,970	41,921,178
Financial assets at fair value through profit and loss	0	1,819,375	1,819,375
Financial assets at fair value through other comprehensive income (FVOCI)	17,438,895	6,226,088	23,664,983
Financial assets at amortized cost	55,891,578	5,589,052	61,480,630
Loans and advances (net)	17,429,985	0	17,429,985
Other resources	952,669	2,903,835	3,856,504
Total Assets	**146,180,641**	**25,724,271**	**171,904,912**
Liabilities			
Deposit liabilities	108,027,083	0	108,027,083
Bills payable	17,066,845	8,145,579	25,212,424
Bonds payable, net	15,241,776	0	15,241,776
Accrued taxes, interest and other expenses	156,264	62,645	218,909
Other liabilities	3,966,351	16,692,452	20,658,803
Total Liabilities	**144,458,319**	**24,900,676**	**169,358,995**
Net Exposure	**1,722,322**	**823,595**	**2,545,917**
Total contingent accounts			**(70,372)**
Consolidate net open FX position in USD (million)			**(8.479)**

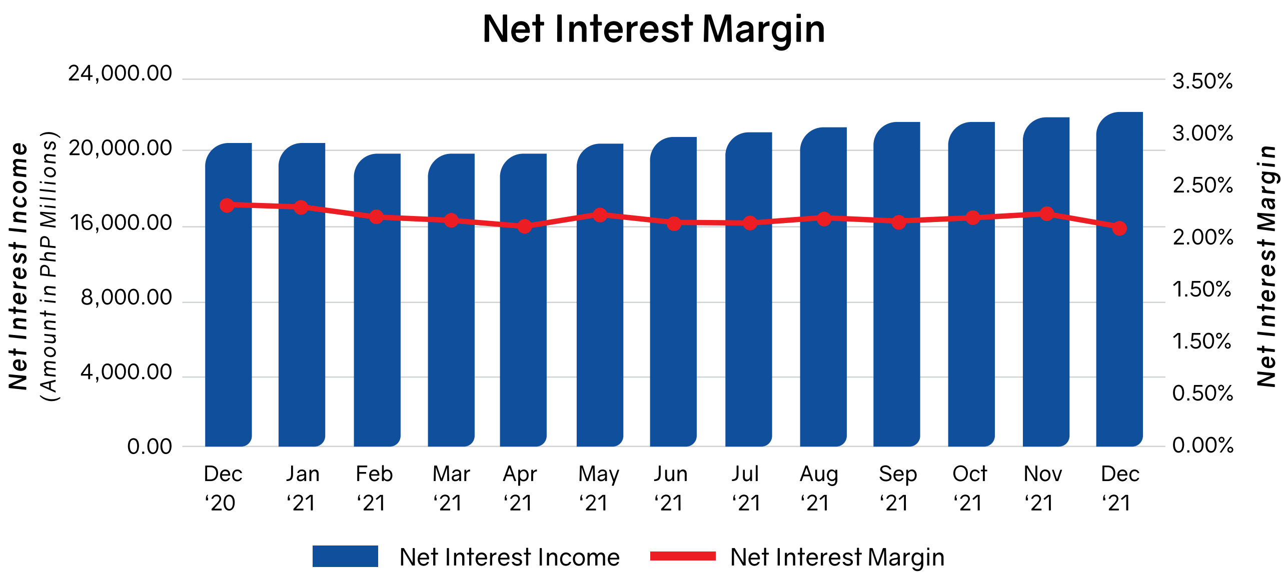
5.5 Interest Rate Risk in the Banking Book

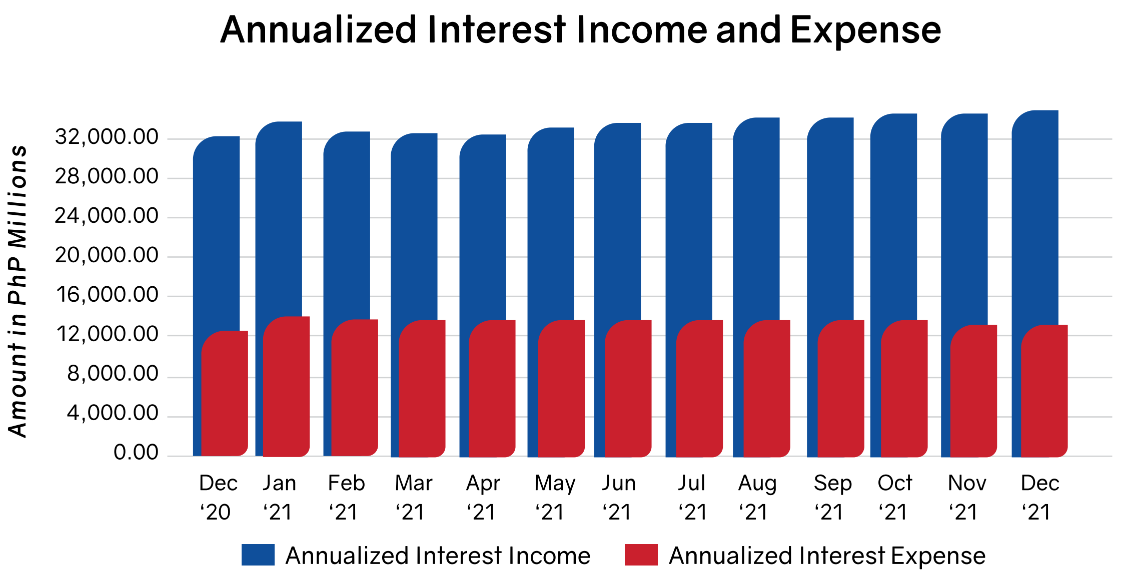
The Parent Bank currently adopts both the Earnings-at-Risk (EaR) and Economic Value of Equity (EVE) methodology in measuring interest rate risk exposure in the banking book (IRRBB). Extensive analysis, which includes scenario simulations on the Parent Bank's Interest Rate Gap (IRG) and EaR and its corresponding 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 2021 for both the RBU and FCDU books.



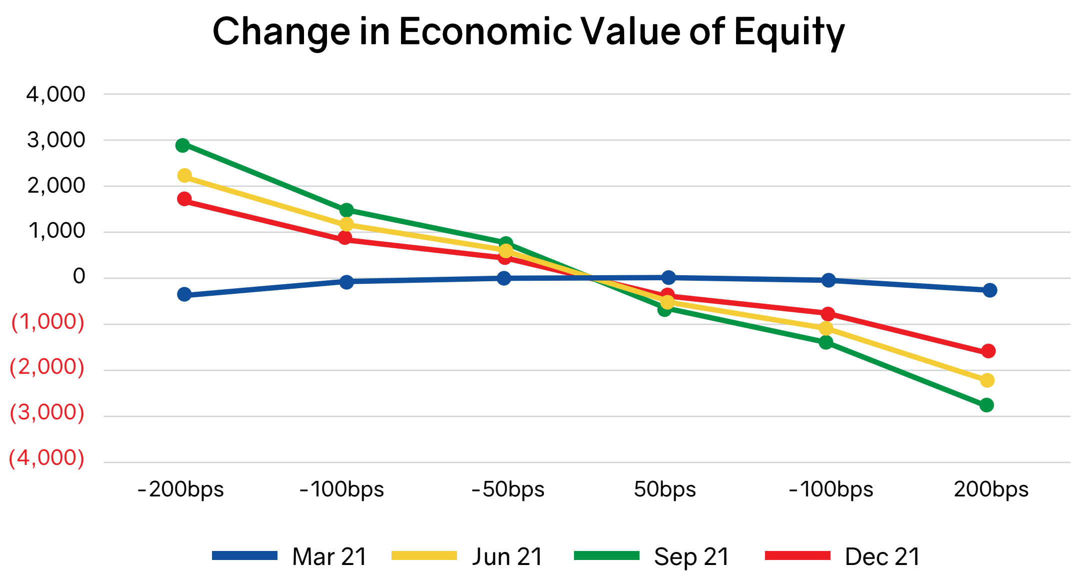
The following graphs show the monthly movement of the Parent Bank's NII and NIM in 2021 (sourced from Prudential Balance Sheet and Income Statement reports).





Alongside EaR methodology, 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

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.

Operations 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 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 ICAAP activities. This serves to identify risks relating to people, processes, systems and structures.

5.6.2 Business Continuity Management

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 Business Continuity Management 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 Business Impact Analysis 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 Business Continuity Management (BCM).

5.6.4 Risk and Control Self- Assessment (RCSA)

The Parent Bank adopts and implements the Risk and Control Self-Assessment (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

In December 2019, the Parent Bank implemented the Operational Risk Information System (ORIS) with the objective of automating the risk management tools being used by the Parent Bank, namely, the Business Impact Analysis (BIA), the Risk and Control Self-Assessment (RCSA) and the Information Security Risk Assessment (ISRA).

5.6.6 Enhanced Operational Loss Monitoring Module (eOLMM) System

In preparation for the possible adoption of advanced risk measures for operational risk, the Parent Bank has put in place an automated system to track internal losses. The DBP started the operational loss data collection with quarterly reports submitted by all bank units to the then Risk Management Office in 2005 using an automated PC-based Operational Loss Monitoring Module (OLMM) system. The system was enhanced in 2007, with frequency of downloading/consolidation of reports from quarterly to monthly, improving the timeliness of reporting and identification of loss event patterns. The system was further improved and converted to a web-based system that can also capture potential losses which led to the enhanced OLMM (eOLMM) which is being used by the Parent Bank since February 2014. Monthly operational loss report is submitted to the ROC for ongoing tracking and monitoring of operational risk losses to facilitate the effective management of operational risks.

5.6.7. Operational Loss Incident Reporting

The Parent Bank implements the policy on Integrated Incident Management Framework, to establish a standard process of risk identification, assessment, response mitigation and monitoring of operational risk incidents throughout the Parent Bank. The policy helps in the evaluation and assessment of the incidents to employ appropriate mitigation to minimize if not prevent losses from similar incidents. Further, the policy establishes proper responsibilities/accountabilities to ensure ownership and management of risks by business units.

5.6.8 Operational Risk Awareness

The Parent Bank integrates the Operational Risk Awareness sessions in the conduct of Bank Operations Training Program and through the issuance of an ORM Dashboard and Infographics on Business Continuity Management.

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 operational risk management, the Parent Bank identifies and designates an Operational Risk Coordinator from each business unit. The roles and responsibilities of the coordinator covers the Business Continuity Management and Operational Risk Monitoring. The Bank issued Office Order No. 110 dated March 16, 2021, for immediate implementation of the said designation.

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 are 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 Basic Indicator Approach (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 baselined 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 information and technology 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 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 Information Security 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 Information Security 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 Information Security 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 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 (AISO) of the same business unit, who, by virtue of their function, ensures that IS/IT risks 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 champions 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.

The ISRMD executes various risk assessment and monitoring activities all throughout the fiscal year to measure various domains or sub-areas of IS and IT risks. This includes performance of the annual enterprise-wide IS Risk Assessment (ISRA), 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 Internal Capital Adequacy Assessment Process (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. Furthermore, various tools and methodologies, both quantitative and qualitative, are conducted on a regular basis to measure and assess risks, to set up a comprehensive limit structure, and to 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 lending is geared towards public sector project financing for sustainable development, the Parent Bank 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, to monitor its varying degrees of vulnerability, and to 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 (BCBS) 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 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 continuously 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 complied with BSP Circular No. 781, 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.

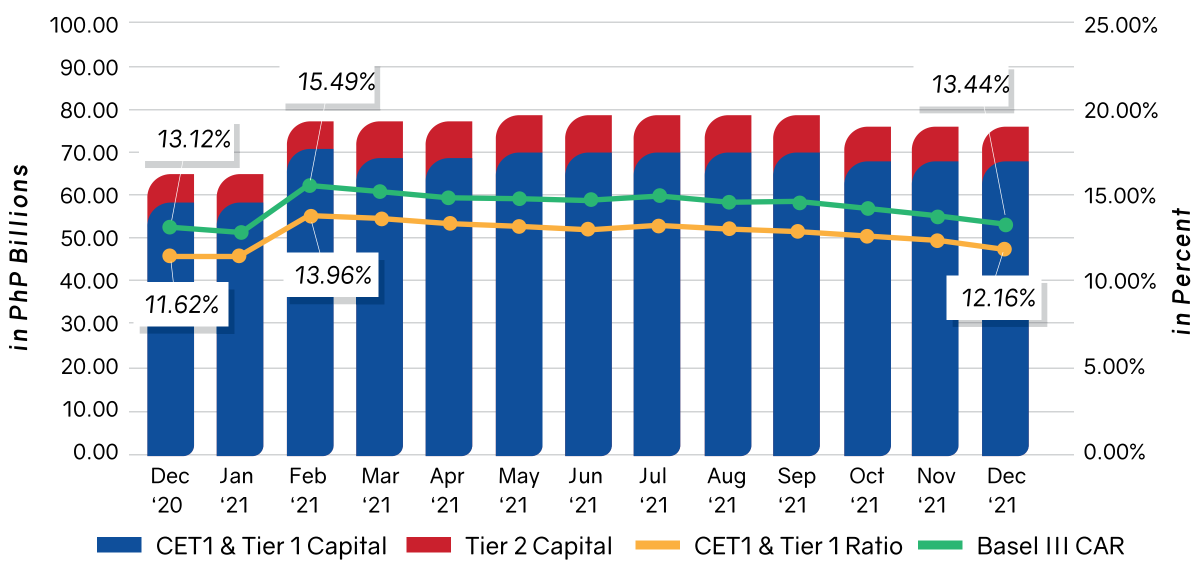
The Circular sets out the minimum requirements for Common Equity Tier 1 (CET1) Ratio of 6.00% and for Tier 1 Ratio of 7.50%. It also introduced a Capital Conservation Buffer (CCB) of at least 2.50% comprised of CET1 Capital. The existing requirement for Total Capital Adequacy Ratio (CAR) remains unchanged at 10.00%. The Circular requires that banks shall 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 0.00% but this is subject to upward adjustment to a rate determined by the Monetary Board when systemic conditions warrant such but not to exceed 2.50%.

In addition to the Minimum Capital Requirements, the Parent Bank and its subsidiaries complied 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 5.00% computed on both solo and consolidated bases.

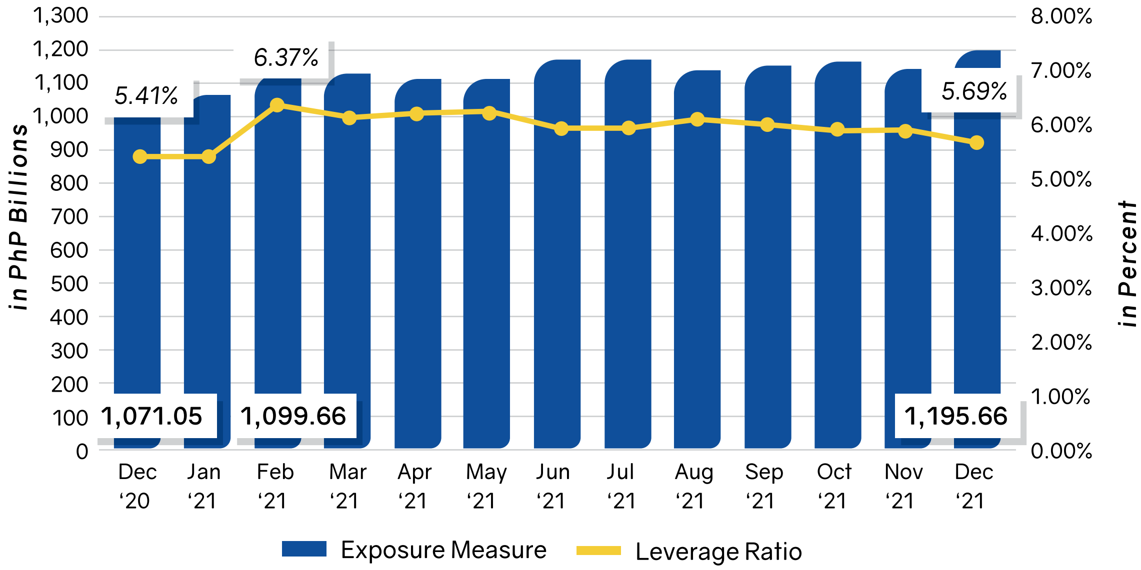
Qualifying Capital (QC), Risk-Weighted Assets (RWA), and Exposure Measure (EM) are all computed based on BSP regulations.

The Parent Bank maintains sufficient capital base to support its risk-taking and fund-raising activities resulting in a CAR of 13.44% and a LR of 5.69%. 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 amid to fulfill its development mandate, more so in conditions where banks, in general, tend to be risk-averse.

The Parent Bank's CAR from December 2020 to December 2021 is illustrated as follows:



The Parent Bank's Leverage Ratio from December 2020 to December 2021 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:

COMMON EQUITY TIER 1 (CET1) CAPITAL *In Php millions*	**Group**	**Parent**
Gross CET 1 Capital		
Paid-up common stock	32,000	32,000
Retained earnings	42,727	42,679
Undivided profits	2,613	2,764
Net unrealized gains / (losses) on FVOCI securities	(1,358)	(1,359)
Cumulative foreign currency translation	-	-
Minority interest in subsidiary banks which are less than wholly-owned	(1)	-
Gross CET1 Capital	**75,981**	**76,084**
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)	(67)	(67)
Deferred tax assets	(5,963)	(5,904)
Other intangible assets	(343)	(340)
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	-	(1,067)
Investments in equity of unconsolidated subsidiary securities dealers/brokers and insurance companies after deducting related goodwill, if any	-	-
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)	(112)	(112)
Minority investments (below 10% of voting stock) in subsidiary banks and quasi-banks, and other financial allied undertakings (excluding subsidiary securities dealers/brokers and insurance companies), after deducting related goodwill, if any (for both solo and consolidated bases)	(317)	(317)
Other equity investments in non-financial allied undertakings and non-allied undertakings	(226)	(223)
Total Regulatory adjustments to CET1 Capital	**(7,028)**	**(8,030)**
TOTAL CET1 CAPITAL	**68,953**	**68,054**
CET 1 Capital Requirements (6.00% of RWA)		
Credit Risk	31,247	31,067
Market Risk	188	188
Operational Risk	2,343	2,326
CAPITAL CONSERVATION BUFFER (2.50% of RWA)	14,074	13,992
COUNTERCYCLICAL CAPITAL BUFFER (0.00% of RWA)	-	-
TOTAL CET 1 CAPITAL REQUIREMENT	47,852	47,573
SURPLUS/(SHORTFALL) CET1 CAPITAL **(Total CET1 Capital less Total CET1 Capital Requirement)**	**21,101**	**20,481**

Under Executive Order No. 81, s. 1986, as revised by Republic Act (RA) No. 8523 series of 1998, DBP's authorized share capital is Php35 billion divided into 350 million common shares with a par value of Php100 per share, of which 320 million shares are fully paid-up and subscribed by the Government as of December 2021. 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 percent 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:

TOTAL TIER 1 CAPITAL *In Php millions*	**Group**	**Parent**
Gross Tier 1 Capital		
Gross CET1 Capital	75,981	76,084
Instruments issued by the bank that are eligible as Additional Tier 1 (AT1) capital	-	-
Gross Tier 1 Capital	**75,981**	**76,084**
Regulatory adjustments to Tier 1 Capital increase / (decrease)		
Total Regulatory adjustments to CET1 Capital	(7,028)	(8,030)
Regulatory adjustments to AT1 Capital	-	-
Total Regulatory adjustments to Tier 1 Capital	**(7,028)**	**(8,030)**
TOTAL TIER 1 CAPITAL	**68,953**	**68,054**
Tier 1 Capital Requirements (7.50% of RWA)		
Credit Risk	39,059	38,833
Market Risk	235	235
Operational Risk	2,928	2,908
TOTAL TIER 1 CAPITAL REQUIREMENT	**42,222**	**41,976**

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:

TIER 2 CAPITAL *(In Php millions)*	**Group**	**Parent**
Gross Tier 2 Capital		
Instruments issued by the Bank that are eligible as Tier 2 capital	2,000	2,000
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	5,219	5,185
Gross Tier 2 Capital	**7,219**	**7,185**
Regulatory adjustments to Tier 2 Capital increase / (decrease)	-	-
Total Regulatory adjustments to Tier 2 Capital	**-**	**-**
TOTAL TIER 2 CAPITAL	**7,219**	**7,185**

In November 2013, the Parent Bank issued unsecured subordinated notes worth Php10 billion which is eligible as Tier 2 Capital and is fully compliant with Basel III. These will mature on November 20, 2023, if not redeemed earlier. The notes bear interest at the rate of 4.875 per cent per annum with interest payable quarterly in arrears. By end-2021, the notes were subject to 80 per cent discount. A further discount of 100 per cent is due in 2022, per Basel III guidelines for treatment as regulatory capital. The notes have a loss absorption feature which means the notes are subject to a Non-Viability Write-Down in case of a Non-Viability Event. A Non-Viability Event is deemed to have occurred when the Issuer is considered non-viable as determined by the BSP. Upon the occurrence of a Non-Viability Event, the Issuer shall write-down the principal amount of the notes to the extent required by the BSP, which could go to as low as zero. A Non-Viability Write-Down shall have the following effects: (a) it shall reduce the claim on the notes in liquidation; (b) reduce the amount re-paid when a call or redemption is properly exercised, and (c) partially or fully reduce the interest payments on the notes. Subject to the existence of certain conditions, the happening of certain events, and the approval by the BSP, the Parent Bank may redeem the notes in whole but not in part: at any time beginning on November 20, 2018 and on any Interest Payment Date thereafter ("Redemption Option"), upon the happening of a Tax Event ("Tax Redemption"), or upon the happening of a Capital Event ("Regulatory Redemption"), in all cases at a redemption price equal to 100 per cent of the principal amount together with accrued and unpaid interest. The notes constitute direct, unconditional, unsecured, and subordinated obligations of the Parent Bank. The notes will at all times rank pari passu and without any preference among themselves and at least equally with all other present and future unsecured and subordinated obligations of the Parent Bank.

The remaining Tier 2 Capital is composed of general loan loss provisions equivalent of up to 1% of Credit RWA.

Total RWA is derived from the sum of Credit RWA, Market RWA, and Operational RWA. It is calculated as follows:

RISK-WEIGHTED ASSETS	**2021**		**2020**	
In Php millions	**Group**	**Parent**	**Group**	**Parent**
Credit Risk-Weighted Assets	520,787	517,774	454,572	450,479
Market Risk-Weighted Assets	3,141	3,141	12,529	12,529
Operational Risk-Weighted Assets	39,039	38,771	35,423	35,125
TOTAL RISK-WEIGHTED ASSETS	**562,967**	**559,686**	**502,524**	**498,133**

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:

EXPOSURE MEASURE *In Php millions*	**Group**	**Parent**
On-Balance Sheet Exposures		
On-Balance Sheet Items	1,151,212	1,148,165
(Asset amounts deducted in determining Basel III Tier 1 Capital)	(7,028)	(8,030)
Total On-Balance Sheet Exposures (excluding Derivatives and SFTs)	1,144,184	1,140,135
Derivative Exposures		
Replacement Cost associated with all derivatives transactions	-	-
Add-on amounts for potential future exposure associated with all derivative transactions	-	-
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)	-	-
Adjusted effective notional amount of written credit derivatives	-	-
(Adjusted effective offsets and add-on deductions for written credit derivatives)	-	-
Total Derivative Exposures	-	-
SFT Exposures		
Gross SFT assets (with no recognition of netting)	15,878	15,801
(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
CCR Exposures for SFT Assets	-	-
Agent Transaction Exposures	-	-
Total SFT Exposures	15,878	15,801
Off-Balance Sheet Exposures		
Off-Balance Sheet Exposure at Gross Notional Amount	111,587	111,582
(Adjustments for conversion to Credit Equivalent Amounts)	(71,862)	(71,858)
Total Off-Balance Sheet Exposures	39,725	39,724
TOTAL EXPOSURE MEASURE	**1,199,787**	**1,195,660**

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:

ACCOUNTING ASSETS VS LEVERAGE RATIO EXPOSURES In Php millions	**Group**	**Parent**
Total Consolidated Assets as per published financial statements	**1,160,716**	**1,158,102**
Adjustment for Investments in Banking, Financial, Insurance or 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	-	-
Adjustments for Derivative Financial Instruments	-	-
Adjustments for Securities Financial Transactions (i.e. Repos and similar secured lending)	-	-
Adjustments for Off-Balance Sheet Items (i.e., conversion to credit equivalent amounts of off-balance sheet exposures)	39,724	39,724
Other adjustments	(653)	(2,166)
LEVERAGE RATIO EXPOSURE	**1,199,787**	**1,195,660**

BALANCE SHEET ASSETS VS ON-BALANCE SHEET EXPOSURES *In Php millions*	**Group**	**Parent**
Total Assets (per Published Financial Statements)	1,160,716	1,158,102
Add: General Loan Loss Provision	6,374	5,863
Less: Derivatives Exposure (Replacement Cost)	-	-
Less: Loans and Receivables arising from RRP	15,878	15,800
On-Balance Sheet Items	1,151,212	1,148,165
Regulatory Adjustments	(7,028)	(8,030)
ON-BALANCE SHEET EXPOSURES	**1,144,184**	**1,140,135**

5.8.6 Risk Limit Structure

The Parent Bank's risk management 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 Integrated 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.

Integrated Stress Testing aims to provide a comprehensive enterprise-wide assessment of Parent Bank's vulnerabilities in quantitative terms under various scenarios. Further, this assists the Parent Bank in the following efforts:

- Effective management of concentration risk;
- Define parameters for limit-setting;
- Determine the ideal level of capital for each business undertaking or risk exposure that is sufficient enough to absorb market shocks on every conceptualized stress scenario;
- Improve assessment of the risk-return trade off;
- Identify threat to the Parent 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.

Note 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 2021					
	Up to 3 months	Over 3 – 6 months	Over 6 months – 1 year	Over 1 – 5 years	Over 5 years	Total
Assets						
Cash and other cash items	6,495,299	0	0	0	0	6,495,299
Due from BSP	304,830,160	0	0	0	0	304,830,160
Due from other banks	22,948,633	55,227	0	0	0	23,003,860
Loans – net	99,697,224	79,989,868	14,077,361	149,007,476	173,009,001	515,780,930
Investment securities	44,958,720	6,043,508	17,749,814	151,537,922	74,119,533	294,409,497
Other assets	1,966,078	40,005	3,519	448,907	15,109,154	17,567,663
Total assets	**480,896,114**	**86,128,608**	**31,830,694**	**300,994,305**	**262,237,688**	**1,162,087,409**
Liabilities						
Due to BSP/other banks	152	0	0	0	0	152
Deposits	566,526,886	343,259,991	29,870,803	8,332	0	939,666,012
Borrowings	1,378,717	8,578,726	37,510,308	3,524,509	52,883,010	103,875,270
Other liabilities	14,551,608	7,208,521	1,899,362	16,917,223	834,413	41,411,127
Total liabilities	**582,457,363**	**359,047,238**	**69,280,473**	**20,450,064**	**53,717,423**	**1,084,952,561**
Asset-liability gap	**(101,561,249)**	**(272,918,630)**	**(37,449,779)**	**280,544,241**	**208,520,265**	**77,134,848**

	Group 2020					
	Up to 3 months	Over 3 – 6 months	Over 6 months – 1 year	Over 1 – 5 years	Over 5 years	Total
Assets						
Cash and other cash items	5,159,888	0	0	0	0	5,159,888
Due from BSP	295,805,474	0	0	0	0	295,805,474
Due from other banks	9,735,983	54,502	0	0	0	9,790,485
Loans – net	81,994,368	78,028,231	16,421,168	133,895,586	146,716,365	457,055,718
Investment securities	39,916,004	16,369,372	13,145,768	113,677,687	76,834,824	259,943,655
Other assets	3,988,152	48,364	2,365	464,181	12,701,313	17,204,375
Total assets	**436,599,869**	**94,500,469**	**29,569,301**	**248,037,454**	**236,252,502**	**1,044,959,595**
Liabilities						
Due to BSP/other banks	2,985	0	0	0	0	2,985
Deposits	510,866,003	288,388,006	18,309,034	13,564	0	817,576,607
Borrowings	13,602,258	27,399,341	23,172,209	25,497,271	42,710,432	132,381,511
Other liabilities	10,651,040	2,761,594	3,753,588	13,042,347	679,591	30,888,160
Total liabilities	**535,122,286**	**318,548,941**	**45,234,831**	**38,553,182**	**43,390,023**	**980,849,263**
Asset-liability gap	**(98,522,417)**	**(224,048,472)**	**(15,665,530)**	**209,484,272**	**192,862,479**	**64,110,332**

	Parent 2021					
	Up to 3 months	Over 3 – 6 months	Over 6 months – 1 year	Over 1 – 5 years	Over 5 years	Total
Assets						
Cash and other cash items	6,483,262	0	0	0	0	6,483,262
Due from BSP	304,395,253	0	0	0	0	304,395,253
Due from other banks	22,993,278	0	0	0	0	22,993,278
Loans – net	99,450,235	79,790,607	13,657,897	147,766,580	172,974,189	513,639,508
Investment securities	44,943,719	6,043,508	17,749,814	151,503,289	74,075,134	294,315,464
Other assets	3,145,121	39,714	390	766	15,105,736	18,291,727
Total assets	**481,410,868**	**85,873,829**	**31,408,101**	**299,270,635**	**262,155,059**	**1,160,118,492**
Liabilities						
Due to BSP/other banks	152	0	0	0	0	152
Deposits	566,257,120	343,201,252	29,870,803	8,332	0	939,337,507
Borrowings	1,054,135	8,094,438	37,188,446	3,243,989	52,883,010	102,464,018
Other liabilities	14,438,370	7,175,656	1,769,428	16,437,970	817,005	40,638,429
Total liabilities	**581,749,777**	**358,471,346**	**68,828,677**	**19,690,291**	**53,700,015**	**1,082,440,106**
Asset-liability gap	**(100,338,909)**	**(272,597,517)**	**(37,420,576)**	**279,580,344**	**208,455,044**	**77,678,386**

	Parent 2020					
	Up to 3 months	Over 3 – 6 months	Over 6 months – 1 year	Over 1 – 5 years	Over 5 years	Total
Assets						
Cash and other cash items	5,150,944	0	0	0	0	5,150,944
Due from BSP	295,454,189	0	0	0	0	295,454,189
Due from other banks	9,784,589	0	0	0	0	9,784,589
Loans – net	81,842,116	77,814,250	15,913,851	132,214,355	146,629,086	454,413,658
Investment securities	39,916,004	16,369,372	13,145,768	113,650,852	76,788,186	259,870,182
Other assets	4,988,274	46,191	631	265	12,696,033	17,731,394
Total assets	**437,136,116**	**94,229,813**	**29,060,250**	**245,865,472**	**236,113,305**	**1,042,404,956**
Liabilities						
Due to BSP/other banks	2,985	0	0	0	0	2,985
Deposits	510,911,619	288,328,199	18,309,034	13,564	0	817,562,416
Borrowings	12,702,462	27,142,035	22,857,596	24,982,582	42,710,432	130,395,107
Other liabilities	10,433,591	2,709,827	3,428,139	12,772,315	646,206	29,990,078
Total liabilities	**534,050,657**	**318,180,061**	**44,594,769**	**37,768,461**	**43,356,638**	**977,950,586**
Asset-liability gap	**(96,914,541)**	**(223,950,248)**	**(15,534,519)**	**208,097,011**	**192,756,667**	**64,454,370**

Note 7 – Cash and Cash Equivalents

This account consists of:

	Group		Parent	
	2021	2020	2021	2020
Cash and other cash items	6,495,299	5,159,888	6,483,262	5,150,944
Due from Bangko Sentral ng Pilipinas* (Note 8)	304,807,384	295,776,248	304,372,477	295,424,963
Due from other banks (Note 9)	23,000,951	9,790,485	22,990,369	9,784,589
Interbank loans receivable* (Note 10)	41,921,178	23,771,385	41,921,178	23,771,385
Securities purchased under agreement to resell*(Note 11)	16,029,884	16,015,712	15,952,177	15,963,846
	392,254,696	**350,513,718**	**391,719,463**	**350,095,727**

*Exclusive of accrued interest receivable as follows:

	Group		Parent	
	2021	2020	2021	2020
Due from Bangko Sentral ng Pilipinas	22,776	29,226	22,776	29,226
Due from other banks	2,909	0	2,909	0
Interbank loans receivable	1,359	1,448	1,359	1,448
Securities purchased under agreement to resell	8	1,406	8	1,406
	27,052	**32,080**	**27,052**	**32,080**

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 Group that may be available for future operating activities and to settle capital commitments as of December 31, 2021 amounted to Php5.98 billion.

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

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

Note 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 (GFI), maintains BSP as its major depository.

Note 9 - Due from Other Banks

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

	Group		Parent	
	2021	**2020**	**2021**	**2020**
Deposit with Foreign Banks	21,171,846	8,339,629	21,171,846	8,339,629
Deposit with Local Banks	1,829,105	1,450,856	1,818,523	1,444,960
	23,000,951	9,790,485	22,990,369	9,784,589
Accrued interest receivable	2,909	0	2,909	0
	23,003,860	**9,790,485**	**22,993,278**	**9,784,589**

As of December 31, 2021, the Group maintained 27 NOSTRO accounts, 20 in RBU books and 7 in FCDU books. NOSTRO accounts are used to settle transactions in currencies other than the Group's local currency for the purpose of clearing and settling payments.

Note 10 – Interbank Loans Receivable

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

	Group		Parent	
	2021	**2020**	**2021**	**2020**
Domestic	0	0	0	0
Foreign	41,921,178	23,771,385	41,921,178	23,771,385
	41,921,178	23,771,385	41,921,178	23,771,385
Accrued interest receivable	1,359	1,448	1,359	1,448
	41,922,537	**23,772,833**	**41,922,537**	**23,772,833**

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

	2021	**2020**
Domestic	0.000%	0.000%
Foreign	0.0001% to 0.2400%	0.070% to 0.400%

Note 11 – Securities Purchased Under Agreement to Resell (SPUAR)

This account consists of transactions with:

	Group		Parent	
	2021	2020	2021	2020
BSP	15,878,024	15,871,140	15,800,317	15,819,274
Other banks	151,860	144,572	151,860	144,572
	16,029,884	16,015,712	15,952,177	15,963,846
Accrued interest receivable	8	1,406	8	1,406
	16,029,892	**16,017,118**	**15,952,185**	**15,965,252**

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

	2021	2020
BSP	2.000%	2.000%
Other banks	0.004%	0.010%

Note 12 – Financial Assets at Fair Value Through Profit or Loss (FVTPL)

This account consists of:

	Group		Parent	
	2021	2020	2021	2020
Debt Securities Purchased				
Government	4,533,936	7,190,039	4,533,936	7,190,039
Private	1,819,375	1,705,863	1,819,375	1,705,863
	6,353,311	8,895,902	6,353,311	8,895,902
Derivatives with positive fair value	0	97,811	0	97,811
	6,353,311	8,993,713	6,353,311	8,993,713
Accrued interest receivable	16,799	13,884	16,799	13,884
	6,370,110	**9,007,597**	**6,370,110**	**9,007,597**

The movement of this account is summarized as follows:

	Group	Parent
At December 31, 2020	9,007,597	9,007,597
Additions	457,885,290	457,885,290
Disposals	(460,496,763)	(460,496,763)
Fair value adjustments	(41,092)	(41,092)
Exchange differences	12,163	12,163
Net change in accrued interest receivable	2,915	2,915
At December 31, 2021	**6,370,110**	**6,370,110**

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

	2021	2020
Peso denominated	3.375%	2.625%
Foreign currency denominated	4.375%	4.375%

Note 13 – Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI)

This account consists of:

	Group		Parent	
	2021	2020	2021	2020
Debt securities:				
Government				
Treasury notes	2,862,983	9,560,879	2,862,983	9,560,879
Treasury Bills	1,019,801	36,431	1,019,801	36,431
Retail treasury bonds	2,757,806	5,737,487	2,757,806	5,737,487
Treasury bonds – ROP	4,159,366	4,307,464	4,159,366	4,307,464
Treasury bonds – US	4,933,831	7,153,428	4,933,831	7,153,428
Other Gov't Guaranteed Securities	1,525,399	7,145,531	1,525,399	7,145,531
	17,259,186	33,941,220	17,259,186	33,941,220
Private-Quoted	10,996,271	9,020,103	10,954,623	8,976,215
	28,255,457	**42,961,323**	**28,213,809**	**42,917,435**
Equity securities:				
Government	215,806	338,183	215,806	338,183
Private- Quoted	4,473	0	4,473	0
Private- Unquoted	2,548,985	3,437,537	2,546,235	3,434,787
	2,769,264	**3,775,720**	**2,766,514**	**3,772,970**
Accrued interest receivable	255,910	395,657	255,910	395,657
	31,280,631	**47,132,700**	**31,236,233**	**47,086,062**

The Parent Bank's financial assets at FVOCI are carried at inclusive/net of accumulated unrealized loss of P1,406 million and P1,163 million as of December 31, 2021 and 2020, respectively.

The movement in FVOCI is summarized as follows:

	Group	Parent
At December 31, 2020	47,132,700	47,086,062
Additions	4,776,245	4,776,245
Disposals	(8,659,703)	(8,659,703)
Fair value adjustments	(205,513)	(203,273)
Exchange differences	(11,623,351)	(11,623,351)
Net change in accrued interest receivable	(139,747)	(139,747)
At December 31, 2021	**31,280,631**	**31,236,233**

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

	2021	2020
Peso denominated	3.625%-13.750%	3.625%-13.750%
Foreign currency denominated	0.75%-7.39%	1.250%-10.625%

The DBP Board has approved on its January 18, 2017 meeting the share swap transaction proposed by Philippine Airlines (PAL) for one new share of PAL Holdings Inc. (PHI) in exchange for five of PAL or 49.697 million PAL shares equivalent to 9.939 million PHI shares. The participation in the share swap transaction will provide liquidity to the Bank as listed shares can be easily disposed. However, the amendment of par value of shares from Php1.00 to Php0.45 due to PHI's equity restructuring resulted in the decrease of PHI shares to Php4.473 million.

The book value of PAL shares at the time of swap is Php248 million in exchange of Php4.473 million of PHI shares. Hence, the difference of Php243.527 million accumulated loss on derecognition was charged to Retained Earnings in 2021. The Certificate of Entitlement was issued by PHI in favor of DBP on December 21, 2021.

13.1 Fair Value Measurement of Investment in Non-Marketable Equity Securities (INMES)

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, 2021:

a. At Fair Value	**Amount**	**Net Unrealized Gain**	**Dividends**
Small Business Guarantee Fund Corp	200,000	14,300	5,425
Philippine Int'l Trading Corp	1,000	506	0
Philippine Dealings System Holding Corp	19,278	10,277	9,716
Philippine Clearing House	7,200	7,676	0
BancNet Incorporated	16,073	9,282	1,893
La Union Devt Bank	900	322	0
Lipa City Devt Bank	2,037	2,787	
Luzon Devt Bank	55	23	0
	246,543	45,173	17,034
b. At Cost			
Marawi Resort Hotel, Inc.	551		
	247,094	**45,173**	**17,034**

The Group has nine (9) INMES accounts which were booked at fair value and one (1) INMES account which was booked at cost. Consequently, P45 million Net Unrealized Gains were recognized in the books.

Note 14 – Financial Assets at Amortized Cost – Held to Collect (AC-HTC)

This account consists of debt securities at amortized cost:

	Group		**Parent**	
	2021	**2020**	**2021**	**2020**
Domestic				
Government				
Treasury bills and notes	79,710,883	59,669,279	79,661,248	59,642,444
BSP bills	35,987,040	33,707,887	35,987,040	33,707,887
Retail treasury bonds	54,231,211	30,857,274	54,231,211	30,857,274
Treasury Bonds- ROP	17,906,790	14,381,438	17,906,790	14,381,438
ROP-GPN	422,039	574,553	422,039	574,553
PSALM	5,867,035	4,725,562	5,867,035	4,725,562
Land Bank bonds	13,317	15,039	13,317	15,039
Private	39,400,954	42,725,256	39,400,954	42,725,256
	233,539,269	186,656,288	233,489,634	186,629,453
Foreign	21,685,329	15,690,443	21,685,329	15,690,443
	255,224,598	202,346,731	255,174,963	202,319,896
Accrued interest receivable	1,963,110	1,751,356	1,963,110	1,751,356
Allowance for Impairment Losses	(319,656)	(163,773)	(319,656)	(163,773)
Unearned interest and income	(109,296)	(130,956)	(109,296)	(130,956)
	256,758,756	**203,803,358**	**256,709,121**	**203,776,523**

Government securities amounting to Php506 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, 2020	203,803,358	203,776,523
Additions	819,865,166	819,842,460
Disposals	(772,944,702)	(772,944,702)
(Amort.)/accretion of prem/disc	2,244,804	2,244,710
Exchange differences	3,712,599	3,712,599
Net change in accrued interest receivable	211,754	211,754
Net change in allowance for impairment losses	(155,883)	(155,883)
Net change in unearned interest and income	21,660	21,660
At December 31, 2021	**256,758,756**	**256,709,121**

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

	2021	2020
Peso denominated	2.375% - 15.000%	2.625% - 15.000%
Foreign currency denominated	0.125%-10.625%	1.500%-10.625%

Note 15 – Amortized Cost - Loans and Receivables

This account consists of:

	Group		Parent	
	2021	2020	2021	2020
Loans and discounts	472,573,982	426,993,765	469,400,433	423,317,978
Accounts receivable (AR) – advances on loans	71,761	52,183	71,761	52,183
Sales contract receivables (SCR)	15,164	22,306	15,164	22,306
	472,660,907	427,068,254	469,487,358	423,392,467
Accrued interest receivable	3,266,210	4,101,520	3,252,345	4,085,279
	475,927,117	431,169,774	472,739,703	427,477,746
Unearned discount/income	(331,028)	(441,208)	(6,242)	(10,697)
Discount (SCR)	(253)	(754)	(253)	(754)
Allowance for impairment and credit losses (Note 21)	(17,767,335)	(13,462,045)	(16,968,422)	(12,790,722)
	457,828,501	**417,265,767**	**455,764,786**	**414,675,573**

The Parent Bank's total loans classified as to type of interest rate as of December 31, 2021 and 2020 are Php253,830 million and Php223,733 million (variable interest rates) and Php215,573 million and Php199,585 million (fixed interest rates), respectively. Loans and other receivables bear annual interest rates of 0 per cent to 10 percent per annum in 2021 and 2020 in the Parent Bank's financial statements.

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

	Group	Parent
At December 31, 2020	417,265,767	414,675,573
Releases	211,243,736	211,016,683
Collections	(169,303,050)	(168,543,863)
Adjustments	3,638,508	3,609,635
Net change in Sales Contract Receivable	(7,142)	(7,142)
Net change in Advances on Loans & Investments	19,578	19,578
Net change in accrued interest receivable	(835,309)	(832,933)
Net change in allowance for impairment losses	(4,304,268)	(4,177,701)
Net change in unearned interest income	110,681	4,956
At December 31, 2021	**457,828,501**	**455,764,786**

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, 2021 are as follows:

Total future minimum lease payments	1,144,928
Unearned finance income	152,624
Present value of future minimum lease payments	**1,297,552**

Maturity of future minimum lease payments as of December 31, 2021 follows:

	Not later than one year	Later than one year but not later than five years	Later than five years	Total
Finance lease receivable	540,015	595,616	9,297	1,144,928
Unearned finance income	78,948	73,023	653	152,624
Total	**618,963**	**668,639**	**9,950**	**1,297,552**

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, 2021 and 2020 are presented below as net of specific allowance for impairment in compliance with BSP Circular 772:

	Group		Parent	
	2021	**2020**	**2021**	**2020**
Non-Performing Loans (NPL)				
Gross NPL	27,533,986	12,166,697	27,281,700	11,945,760
Less: Allowance for impairment loss	(9,285,259)	(7,116,905)	(9,095,966)	(7,014,037)
Net NPL	**18,248,727**	**5,049,792**	**18,185,734**	**4,931,723**
NPL Rates				
Gross NPL	**5.20%**	**2.61%**	**5.18%**	**2.58%**
Net NPL	**3.45%**	**1.08%**	**3.45%**	**1.07%**

15.3 Wholesale Lending Portfolio

The wholesale lending portfolio of the parent Bank represents 1 per cent and 2 per cent of its total loan portfolio as of December 31, 2021 and 2020, 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 a Deed of Assignment over the underlying credit receivables.

15.4 Loans as to Industry/Economic Sector

	Group	Parent
Electricity, Gas and Water	24.26%	24.40%
Wholesale & Retail Trade	10.29%	10.31%
Construction	9.74%	9.70%
Real Estate Activities	11.45%	11.52%
Public Administration	10.94%	10.95%
Financial and Insurance Activities	4.38%	4.41%
Information and Communication	4.76%	4.79%
Manufacturing	6.25%	6.16%
Transportation and Storage	5.65%	5.46%
Human Health and Social Work	3.70%	3.72%
Agriculture, Forestry and Fishing	4.07%	4.10%
Activities of Household as Employers	1.73%	1.73%
Education	1.49%	1.48%
Others	1.29%	1.27%
	100.00%	**100.00%**

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	2021		2020	
Secured Loans:				
Secured by Specified Rights	87,041,751		84,300,067	
Real Estate	59,809,704		47,849,170	
Machinery & Equipment	12,360,121		3,666,403	
Deposit/Deposit Substitutes	3,930,501		4,157,210	
Inventories	142,402		47,256	
Banks or Non-Bank Fin. Inst. Guarantee/Stand-by	75,130		8,551	
Government Bonds	10,000		45	
Unclassified Collateral	10,813,802		3,249,584	
Total Secured Loans	174,183,411	37%	143,278,286	34%
Unsecured Loans:				
Deposit/Deposit Substitutes	0		0	
Unclassified Collateral	295,217,022		280,039,692	
Total Unsecured Loans	295,217,022	63%	280,039,692	66%
Total Gross Loan Portfolio	**469,400,433**	**100%**	**423,317,978**	**100%**

15.6 BSP Circular 1074 - Loans as to Status Per Product Line

The Parent Bank's classification of 2021 gross loan portfolio, before capitalized interest and other charges, as to general product line is presented below:

	Performing	Non-Performing	Total
Retail			
Loans to GOCC	94,100,159	0	94,100,159
Loans to Individuals	7,407,594	760,593	8,168,187
Loans to LGU/NG	51,624,223	0	51,624,223
Loans to Private Corporation	251,827,865	17,562,350	269,390,215
Agrarian Reform & Other Agri Loans	10,331,224	2,273,615	12,604,839
Microfinance Loans	1,474,287	711,947	2,186,234
SME Loans - Medium Scale Enterprise	14,511,437	4,697,422	19,208,859
SME Loans - Small Scale Enterprise	4,115,580	1,906,609	6,022,189
Total	435,392,369	27,912,536	463,304,905
Wholesale			
Interbank Term Loan Receivable	587,293	0	587,293
Loans to Private Corporation	5,508,235	0	5,508,235
Total	6,095,528	0	6,095,528
Total Gross Loan Portfolio	**441,487,897**	**27,912,536**	**469,400,433**

Note 16 - Bank Premises, Furniture, Fixtures and Equipment

This account represents the book value of the following assets:

	Group		Parent	
	2021	2020	2021	2020
Land	728,749	728,774	728,749	728,774
Construction in progress	197,630	202,294	197,630	202,294
Buildings	637,415	632,433	635,712	605,734
Leasehold improvements	165,381	182,888	162,739	181,868
Computer equipment	488,997	356,610	482,709	350,474
Office equipment, furniture and fixtures	332,062	367,552	324,927	358,227
Transportation equipment	198,730	100,285	197,009	99,013
Total	**2,748,964**	**2,570,836**	**2,729,475**	**2,526,384**

The appraised value of the Parent Bank's Land, Building and Improvements amounted to Php6.56 billion.

Details as follows:

	Group							
	Land	Construction In Progress	Buildings	Leasehold Improvements - net	Computer Equipment	Office Equipment, Furnitures and Fixtures	Transportation Equipment	TOTAL
At January 1, 2021								
Cost	728,774	202,294	1,405,219	504,419	1,367,744	1,058,999	420,771	5,688,220
Accumulated Depreciation	0	0	(766,432)	(321,531)	(1,011,134)	(691,447)	(320,486)	(3,111,030)
Allow for probable losses - impairment	0	0	(6,354)	0	0	0	0	(6,354)
Net book amount	**728,774**	**202,294**	**632,433**	**182,888**	**356,610**	**367,552**	**100,285**	**2,570,836**
CY 2021 transactions								
Additions	0	53,284	64,654	27,255	287,457	100,733	236,878	770,261
Disposals	(25)	0	0	0	(51,700)	(33,841)	(112,551)	(198,117)
Depreciation	0	0	(25,118)	(41,025)	(130,596)	(92,074)	(45,510)	(334,323)
Amortization	0	(698)	0	(1,440)	0	(2,772)	0	(4,910)
Adjustments - cost*	0	(57,250)	(37,479)	(593)	(19,603)	(64,421)	(24,410)	(203,756)
Adjustments - accumulated depreciation*	0	0	2,925	(1,704)	46,829	56,885	44,038	148,973
	(25)	**(4,664)**	**4,982**	**(17,507)**	**132,387**	**(35,490)**	**98,445**	**178,128**
Total	**728,749**	**197,630**	**637,415**	**165,381**	**488,997**	**332,062**	**198,730**	**2,748,964**
At December 31, 2021								
Cost	728,749	197,630	1,432,394	529,641	1,583,898	1,058,698	520,688	6,051,698
Accumulated Depreciation	0	0	(788,625)	(364,260)	(1,094,901)	(726,636)	(321,958)	(3,296,380)
Allow for probable losses - impairment	0	0	(6,354)	0	0	0	0	(6,354)
Net book amount	**728,749**	**197,630**	**637,415**	**165,381**	**488,997**	**332,062**	**198,730**	**2,748,964**

	Parent							
	Land	Construction In Progress	Buildings	Leasehold Improvements - net	Computer Equipment	Office Equipment, Furnitures and Fixtures	Transportation Equipment	TOTAL
At January 1, 2021								
Cost	728,774	202,294	1,377,360	489,227	1,348,021	1,035,822	414,507	5,596,005
Accumulated Depreciation	0	0	(765,272)	(307,359)	(997,547)	(677,595)	(315,494)	(3,063,267)
Allow for probable losses - impairment	0	0	(6,354)	0	0	0	0	(6,354)
Net book amount	**728,774**	**202,294**	**605,734**	**181,868**	**350,474**	**358,227**	**99,013**	**2,526,384**
CY 2021 transactions								
Additions	0	53,284	64,654	24,182	285,970	100,244	236,877	765,211
Disposals	(25)	0	0	0	(51,699)	(33,841)	(112,551)	(198,116)
Depreciation	0	0	(25,050)	(39,512)	(128,956)	(89,329)	(44,954)	(327,801)
Amortization	0	(698)	0	(1,440)	0	(2,772)	0	(4,910)
Adjustments - cost*	0	(57,250)	(11,720)	(653)	(19,969)	(49,418)	(24,411)	(163,421)
Adjustments - accumulated depreciation*	0	0	2,094	(1,706)	46,889	41,816	43,035	132,128
	(25)	**(4,664)**	**29,978**	**(19,129)**	**132,235**	**(33,300)**	**97,996**	**203,091**
Total	**728,749**	**197,630**	**635,712**	**162,739**	**482,709**	**324,927**	**197,009**	**2,729,475**
At December 31, 2021								
Cost	728,749	197,630	1,430,294	511,316	1,562,323	1,050,035	514,422	5,994,769
Accumulated Depreciation	0	0	(788,228)	(348,577)	(1,079,614)	(725,108)	(317,413)	(3,258,940)
Allow for probable losses - impairment	0	0	(6,354)	0	0	0	0	(6,354)
Net book amount	**728,749**	**197,630**	**635,712**	**162,739**	**482,709**	**324,927**	**197,009**	**2,729,475**

Note 17 – Right of Use Assets

Details of the Group's lease accounts are as follows:

17.1 Right of Use Asset Account

The succeeding tables present the breakdown of the Right of Use asset account as of December 31, 2021:

	Group		
	Buildings	Transportation Equipment	Total
At December 31, 2021			
Cost	550,396	487,542	1,037,938
Accumulated Depreciation	(238,767)	(216,203)	(454,970)
Net Book Amount	**311,629**	**271,339**	**582,968**

	Parent		
	Buildings	Transportation Equipment	Total
At December 31, 2021			
Cost	512,007	487,542	999,549
Accumulated Depreciation	(224,533)	(216,203)	(440,736)
Net Book Amount	**287,474**	**271,339**	**558,813**

Details are as follow:

	Group				
	Land	Buildings	Computer Equipment	Transportation Equipment	Total
At January 1, 2021					
Cost	4,169	187,964	5,407	131,745	329,285
Net Book Amount	4,169	187,964	5,407	131,745	329,285
Additions	0	126,701	0	372,319	499,020
Adjustments - Cost	(5,078)	115,470	0	294	110,686
Disposals/Contract Expiration	0	(66,847)	(27,037)	(58,840)	(152,724)
Amortization	909	(7,881)	0	0	(6,972)
Depreciation	0	(49,297)	21,630	(174,179)	(201,846)
Adjustments - Depreciation	0	5,519	0	0	5,519
	(4,169)	123,665	(5,407)	139,594	253,683
Total	**0**	**311,629**	**0**	**271,339**	**582,968**

	Parent				
	Land	Buildings	Computer Equipment	Transportation Equipment	Total
At January 1, 2021					
Cost	4,169	179,611	5,407	131,745	320,932
Net Book Amount	4,169	179,611	5,407	131,745	320,932
Additions	0	125,148	0	372,319	497,467
Adjustment - Cost	(5,078)	96,869	0	294	92,085
Disposals/Contract Expiration	0	(66,848)	(27,036)	(58,840)	(152,724)
Amortization	909	0	0	0	909
Depreciation	0	(44,400)	21,629	(174,179)	(196,950)
Adjustment - Depreciation	0	(2,906)	0	0	(2,906)
	(4,169)	107,863	(5,407)	139,594	237,881
Total	**0**	**287,474**	**0**	**271,339**	**558,813**

The table below shows the summary of the Group's leasing activities by type of the right-of-use asset recognized on the balance sheet:

Right-of-Use Asset	No. of Right-of-Used Leased (Per Contract)	Range of Remaining Terms (Years)	Average of Remaining Terms (Years)
Buildings	94	1 to 15	4
Transportation Equipment	7	1 to 2	2

Note 18 – Investment Property

The movement is summarized as follows:

	Group		Parent	
	2021	2020	2021	2020
Beginning Balance				
Cost	1,213,558	1,469,731	1,213,558	1,469,731
Accumulated Depreciation	(127,302)	(139,234)	(127,302)	(139,234)
Allowance for Impairment	(143,390)	(179,665)	(143,390)	(179,665)
Net book amount	**942,866**	**1,150,832**	**942,866**	**1,150,832**
Acquisition	182,365	18,455	182,365	18,455
Disposal				
Cost	(16,426)	(278,964)	(16,426)	(278,964)
Accumulated Depreciation	889	32,925	889	32,925
Allowance for Impairment	2,252	27,969	2,252	27,969
Reclass				
Cost	19,529	(253)	19,529	(253)
Accumulated Depreciation	63,838	5,738	63,838	5,738
Allowance for Impairment	(19,872)	(13)	(19,872)	(13)
Adjustments - Cost	32,343	4,589	32,343	4,589
Reversal/Set-up				
Accumulated Depreciation	(85,132)	(26,731)	(85,132)	(26,731)
Allowance for Impairment	52,433	8,319	52,433	8,319
Total	**1,175,085**	**942,866**	**1,175,085**	**942,866**
Ending Balance				
Cost	1,431,369	1,213,558	1,431,369	1,213,558
Accumulated Depreciation	(147,707)	(127,302)	(147,707)	(127,302)
Allowance for Impairment	(108,577)	(143,390)	(108,577)	(143,390)
Net book amount	**1,175,085**	**942,866**	**1,175,085**	**942,866**

Fair value of the account is estimated at Php2.97 billion for the Parent Bank.

Note 19 – Equity Investment in Subsidiaries

This account consists of:

	Parent 2021	Parent 2020
Investments in subsidiaries		
Acquisition cost:		
Al-Amanah Islamic Investment Bank of the Philippines	1,155,000	1,005,000
DBP Leasing Corporation	1,132,000	1,132,000
DBP Management Corporation	37,500	37,500
DBP Data Center, Inc.	1,530	1,530
	2,326,030	2,176,030
Allowance for impairment (Note 21)	(528,869)	(528,869)
	1,797,161	**1,647,161**

Note 20 – Equity Investment in Associates and Joint Venture

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

	Group		Parent	
	2021	2020	2021	2020
Associates:				
DBP Service Corporation (28.04% owned)	86,364	78,757	856	856
	86,364	78,757	856	856
Joint Venture:				
DBP Insurance Brokerage, Inc. (40% owned)	8,882	19,828	4,000	4,000
DBP Daiwa Securities (17.06% owned)	120,934	124,897	45,675	45,675
	129,816	144,725	49,675	49,675
	216,180	223,482	50,531	50,531
Allowance for impairment loss (Note 21)	(9,414)	(7,236)	(9,414)	(7,236)
	206,766	**216,246**	**41,117**	**43,295**

The investment of the Parent Bank's subsidiary, DBP Management Corporation, 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:

	2021			
	Statement of Financial Position		Statement of Profit/ Loss	
	Total Assets	Total Liabilities	Gross Income	Net Income/Loss
DBP Daiwa Securities	1,291,513	775,349	180,727	(13,014)
DBP Service Corporation	1,301,637	899,320	2,924,672	35,003
DBP Insurance Brokerage, Inc.	118,593	81,300	63,332	15,438

	2020			
	Statement of Financial Position		Statement of Profit/ Loss	
	Total Assets	Total Liabilities	Gross Income	Net Income/Loss
DBP Daiwa Securities	669,684	143,127	195,727	(23,234)
DBP Service Corporation	1,219,632	831,375	2,084,258	39,734
DBP Insurance Brokerage, Inc.	322,004	245,435	95,303	42,448

Note 21 - Allowance for Impairment and Credit Losses

Changes in the allowance for impairment and credit losses follow:

	Group		Parent	
	2021	**2020**	**2021**	**2020**
Financial assets at amortized cost (Held to collect)				
Beginning balance	163,773	83,963	163,773	83,963
Revaluation	6,771	3,005	6,771	3,005
Other Transactions	149,112	76,805	149,112	76,805
Ending balance (Note 14)	319,656	163,773	319,656	163,773
Financial assets at amortized cost (Loans and receivable)				
Beginning balance	13,462,045	9,653,106	12,790,722	9,001,138
Provision for/reversal of impairment and credit losses	4,616,134	3,940,295	4,506,733	3,921,350
Charges against reserves:				
Write-off	(11,868)	(258,809)	(11,868)	(258,809)
Revaluation	3,180	(8,003)	3,180	(8,003)
Other transactions	(302,156)	135,456	(320,345)	135,046
Ending balance (Note 15)	17,767,335	13,462,045	16,968,422	12,790,722
Equity investments in subsidiary				
Beginning balance	0	0	528,869	518,980
Provision for/reversal of impairment and credit losses	0	0	0	9,889
Ending balance (Note 19)	0	0	528,869	528,869
Equity investments in associates and joint venture				
Beginning balance	7,236	112,149	7,236	112,149
Provision for/reversal of impairment and credit losses	2,178	995	2,178	995
Other transactions	0	(105,908)	0	(105,908)
Ending balance (Note 20)	9,414	7,236	9,414	7,236
Non-current assets held for sale				
Beginning balance	71,394	50,700	71,394	50,700
Provision for/reversal of impairment and credit losses	539	19,944	539	19,944
Other transactions	(21,133)	750	(21,132)	750
Ending balance	50,800	71,394	50,801	71,394
Investment property				
Beginning balance	143,390	179,665	143,390	179,665
Provision for/reversal of impairment and credit losses	5,351	10,077	5,351	10,077
Charges against reserves:				
Realized loss on NPLs sold during the year	(710)	0	(710)	0
Other transactions	(39,454)	(46,352)	(39,454)	(46,352)
Ending balance (Note 18)	108,577	143,390	108,577	143,390
Bank premises, furniture, fixtures and equipment				
Beginning balance	6,354	6,354	6,354	6,354
Ending balance (Note 16)	6,354	6,354	6,354	6,354
Other assets				
Beginning balance	284,565	215,596	247,240	179,939
Provision for/reversal of impairment and credit losses	110	76,451	110	74,890
Charges against reserves:				
Write-off	(1,247)	(10,224)	(1,247)	(10,224)
Revaluation	(5,911)	(325)	(5,911)	(325)
Other transactions	(28,928)	3,067	(3,967)	2,960
Ending balance (Note 24)	248,589	284,565	236,225	247,240
Total Allowance	**18,510,725**	**14,138,757**	**18,228,318**	**13,958,978**

Note 22 – Deferred Tax Assets

Components of the deferred tax assets are as follows:

	Group		Parent	
	2021	Restated 2020	2021	2020
Deferred tax assets on:				
Allowance for impairment	5,549,616	3,748,767	5,484,648	3,702,930
Rent expense	34,558	(157)	34,380	0
Gratuity pay	35,857	35,857	35,857	35,857
Trading loss/(gain) revaluation	(10,787)	(39,139)	(10,787)	(39,139)
Unrealized foreign exchange loss/(gain) - net	(101,775)	28,024	(101,775)	28,024
Others	87,654	(37,400)	102,712	(21,211)
Net deferred tax assets	**5,595,123**	**3,735,952**	**5,545,035**	**3,706,461**

Note 23 – Intangible Assets

It represents the book value of the following intangible assets:

	Group		Parent	
	2021	2020	2021	2020
Software	175,554	299,583	173,744	295,676
BSP License	128,400	131,600	128,400	131,600
Total	**303,954**	**431,183**	**302,144**	**427,276**

Details are as follows:

	Group		
	Software	BSP License	Total
At January 1, 2021			
Cost	1,064,250	160,000	1,224,250
Accumulated Amortization	(764,667)	(28,400)	(793,067)
Net Book Amount	299,583	131,600	431,183
Additions/Disposal	(68,153)	0	(68,153)
Amortization	(55,876)	(3,200)	(59,076)
	(124,029)	(3,200)	(127,229)
Total	175,554	128,400	303,954
At December 31, 2021			
Cost	996,097	160,000	1,156,097
Accumulated Amortization	(820,543)	(31,600)	(852,143)
Net Book Amount	**175,554**	**128,400**	**303,954**

	Parent		
	Software	BSP License	Total
At January 1, 2021			
Cost	1,056,799	160,000	1,216,799
Accumulated Amortization	(761,123)	(28,400)	(789,523)
Net Book Amount	295,676	131,600	427,276
Additions/Disposal	73,135	0	73,135
Amortization	(157,264)	(3,200)	(160,464)
Adjustments: Cost	(139,857)	0	(139,857)
Adjustments: Amortization	102,054	0	102,054
	(121,932)	(3,200)	(125,132)
Total	173,744	128,400	302,144
At December 31, 2021			
Cost	990,077	160,000	1,150,077
Accumulated Amortization	(816,333)	(31,600)	(847,933)
Net Book Amount	**173,744**	**128,400**	**302,144**

Note 24 - Other Assets

This account consists of:

	Group		Parent	
	2021	Restated 2020	2021	2020
Accounts receivable	674,948	3,453,508	608,882	3,374,951
Prepaid expenses	761,719	819,878	758,374	816,535
Goodwill	387,650	387,650	0	0
ROPA	101,388	104,502	77,695	74,985
Inter-office float items	(305,118)	22,697	(295,218)	24,238
Employee benefits	212,467	212,467	212,467	212,467
Dividends and interest receivable	678,296	103,905	673,693	100,527
Miscellaneous assets - CWT/EWT/GRT	2,928,135	2,311,606	2,906,152	2,305,863
Miscellaneous assets	1,639,082	1,712,007	1,308,786	1,319,975
	7,078,567	9,128,220	6,250,831	8,229,541
Accumulated depreciation	(74,529)	(67,218)	(68,159)	(66,852)
Allowance for impairment	(248,589)	(284,565)	(236,225)	(247,240)
	6,755,449	**8,776,437**	**5,946,447**	**7,915,449**

24.1 Dividends Receivable – MRTC

Under the Trust Deed – Terms and Conditions of the Notes on Tranche 3 Notes, "unless previously redeemed and cancelled, the Issuer will make a monthly payment on Tranche 3 Notes to the extent of Share Distributions received by the Issuer and deposited into the Collection Account in the corresponding month and available therefore in accordance with Condition 2 (2), on each Payment Date commencing with the Payment Date on which the Tranche 2-G Notes are paid in full until the Tranche 3 Accreted Value has been reduced to zero. The Issuer will redeem any outstanding Tranche Note 3 at the Tranche 3 Accreted Value on Legal Final Maturity Date thereof."

Moreover, accrual of monthly Equity Rental Payment (ERP) was carried out by Foreign and Domestic Settlement and Operations Department effective May 2018 starting July of the same year, the recognition of dividend income earned but not yet received in conformity with the accrual basis of accounting in reporting financial performance. As of December 31, 2021, Dividend Receivable from FVOCI equity securities representing accrual of monthly ERP amounted to Php673.37 million.

As of December 31, 2021, the Parent Bank's total outstanding investment in MRTC bonds amounted to USD195.50 million or Php9.97 billion 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 USD437.35 million equivalent to P22.30 billion.

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

	2021		2020	
	USD	Php	USD	Php
Bonds - HTM	195.50	9,970.54	201.46	9,674.69
Shares – FVTPL/FVOCI				
Securitized	20.19	1,029.64	19.59	940.89
Unsecuritized	89.16	4,546.91	89.16	4,281.58
	109.35	5,576.56	108.75	5,222.47
	304.85	15,547.09	310.21	14,897.16

Note 25 - Deposit Liabilities

This account consists of:

	Group		Parent	
	2021	2020	2021	2020
Demand	242,332,341	227,373,288	242,199,564	227,522,128
Savings	328,926,859	318,090,043	328,734,678	317,932,355
Time	368,406,812	272,113,276	368,403,265	272,107,933
	939,666,012	**817,576,607**	**939,337,507**	**817,562,416**

The total liquidity and statutory reserves as reported to BSP of the Parent Bank as of December 31, 2021 and 2020 are as follows:

	Parent			
	2021		2020	
	Rate	Amount	Rate	Amount
Available Reserves		97,819,104		89,104,327
Statutory/Legal Reserves on:				
Deposit Liabilities	12%	97,244,870	12%	87,725,520
Bonds Payable	3%	630,000	3%	1,173,750
		97,874,870		88,899,270
Excess/(Deficiency)		**(55,766)**		**205,057**

The rate of required reserve against deposit liabilities in local currency banks is 12 per cent effective April 3, 2020. Effective April 24, 2020, per BSP Circular No. 1083 loans that are granted to MSMEs of Php11.32 billion and Php7.32 billion in 2021 and 2020, respectively, were allowed by the BSP as alternative compliance with the required reserves against deposit and deposit substitute liabilities.

Note 26 – Bills Payable

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

As to remaining maturity:

	Group		Parent	
	2021	2020	2021	2020
Domestic:				
Within 1 year	1,189,819	1,511,486	28,655	39,770
Beyond 1 year	1,062,023	1,709,675	811,935	1,194,987
	2,251,842	3,221,161	840,590	1,234,757
Foreign:				
- with FX risk cover				
Within 1 year	95,939	723,702	95,939	723,702
Beyond 1 year	40,073,289	45,498,028	40,073,289	45,498,028
	40,169,228	46,221,730	40,169,228	46,221,730
- without FX risk cover				
Within 1 year	25,212,424	29,411,735	25,212,424	29,411,735
	65,381,652	**75,633,465**	**65,381,652**	**75,633,465**
	67,633,494	**78,854,626**	**66,222,242**	**76,868,222**

As to original term:

	Group		Parent	
	2021	2020	2021	2020
Domestic:				
1 Year or Less	718,438	1,245,615	0	0
> 1 Year to 5 Years	729,959	865,800	37,145	125,011
> 5 Years	803,445	1,109,746	803,445	1,109,746
	2,251,842	3,221,161	840,590	1,234,757
Foreign:				
- with FX risk cover				
> 5 Years	40,169,228	46,221,730	40,169,228	46,221,730
- without FX risk cover				
1 Year or Less	25,212,424	29,411,735	25,212,424	29,411,735
	65,381,652	**75,633,465**	**65,381,652**	**75,633,465**
	67,633,494	**78,854,626**	**66,222,242**	**76,868,222**

The 2021 year-end balances of foreign borrowings were revalued using the month-end PDS rate in accordance with PAS 21. The total amount of Bills Payable resulting from Repurchase agreement amounted to Php17.07 billion with collateral securities under the Fair Value through Other Comprehensive Income and Other Held to Collect which amounted to Php5.42 billion and Php12.28 billion, respectively.

The foreign currency denominated Bills Payable amounting to Php40.17 billion and Php46.22 billion in 2021 and 2020, respectively, were all subject to FX risk cover and guaranteed by the National Government.

Other information about bills payable as of December 31, 2021, are as follows:

	Bills Payable	
	Wholesale	**Retail**
a. Maturities		
Maximum		
Domestic		12 years
Foreign	40 years	40 years
Average		
Domestic		8.23 years
Foreign	30.18 years	35.89 years
b. Average rate (interest rate to funders)		
Domestic		2.42%
Foreign	2.96%	1.05%
c. Balance (in thousand pesos)		
Maximum month-end balance	4,652,671	43,833.411
Average monthly balance	2,378,531	41,391,020

Note 27 – Bonds Payable

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

	Group		Parent	
	2021	**2020**	**2021**	**2020**
Senior Notes	15,241,776	14,401,885	15,241,776	14,401,885
ASEAN Sustainability Bonds	21,000,000	39,125,000	21,000,000	39,125,000
	36,241,776	**53,526,885**	**36,241,776**	**53,526,885**

The statutory/legal reserves on bonds payable amounts to P630M as of December 31, 2021 (see Note 25).

27.1 Senior Notes

On 11 March 2021, the Parent Bank issued USD300.00 million notes (the "Notes") with an annual coupon rate of 2.375 per cent due on March 25, 2031 as approved by the Monetary Board of 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, 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.

The Parent Bank issued 5.5 per cent USD300.00 million notes due on March 25, 2021 as approved by the Monetary Board of 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 25 and September 25. The Parent Bank may, at its option, redeem all, but not less than all, of the Notes at any time at par plus accrued interest, in the event of certain tax changes and each holder of the Notes shall have the right, at its option to require DBP to repurchase all 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. This was redeemed March 25, 2021.

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

On November 11, 2019, the Parent Bank issued Php18.125 billion worth of fixed rate Series A ASEAN Sustainability Bonds (the "Sustainability Bonds") to finance/refinance existing and prospective Green and Social projects eligible under the Bank's Sustainability Finance Framework. The Sustainability Bonds has a tenor of two years to mature and be redeemed on November 11, 2021. The Bonds carry a coupon rate of 4.25 per cent per annum payable quarterly.

On December 11, 2020, the Parent Bank issued Php21.0 billion fixed-rate series 2 bonds (the "Series 2 Bonds") with coupon rate of 2.5 per cent per annum payable quarterly. The Bond has a two-year tenor to mature on December 11, 2022.

Both the Sustainability Bonds and the Series 2 Bonds l 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 Sustainability Bonds or the Series 2 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.

Note 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.

Note 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.

Note 30 – Accrued Taxes, Interests and Expenses

These refer to the following estimated liabilities which shall be set-up monthly against current operations:

	Group		Parent	
	2021	Restated 2020	2021	2020
Interest	1,128,300	1,518,314	1,128,060	1,518,113
Income Tax	13,734	0	13,734	0
Other Taxes/Licenses	390,014	320,418	385,744	316,148
Salaries and Other Administrative Expense	4,217,591	4,072,463	3,925,772	3,693,792
	5,749,639	**5,911,195**	**5,453,310**	**5,528,053**

Note 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 Php10.0 billion from the sale of Basel 3 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 percent per annum, payable quarterly.

Note 32 - Deferred Credits and Other Liabilities

This account consists of:

	Group		Parent	
	2021	Restated 2020	2021	2020
Cash letters of credit	16,692,408	5,534,233	16,692,408	5,534,233
Accounts payable	2,363,095	3,869,988	2,325,873	3,866,631
Unearned income/deferred credits	1,952,403	1,248,093	1,952,403	1,248,093
Miscellaneous liability – Asenso Bayanihan	988,459	1,000,000	988,459	1,000,000
Miscellaneous liability – Trust Liabilities - PUVMP	795,600	978,160	795,600	978,160
Finance lease liability (Note 4)	588,994	356,644	568,373	332,237
Withholding taxes payable	304,187	202,930	301,985	193,669
Miscellaneous liability – Lawsuits	169,898	169,898	169,898	169,898
Due to Treasury of the Philippines	86,231	59,062	84,209	57,880
Derivatives with negative fair value	0	94	0	94
Dividends payable	0	1,500	0	0
Other miscellaneous liabilities	1,288,183	1,237,364	881,442	768,317
	25,229,458	**14,657,966**	**24,760,650**	**14,149,212**

32.1 Cash Letters of Credit

This refers to import letters of credit 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 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, 2020, the total amount of Php5.53 billion increased to Php16.69 billion as of December 31, 2021. The bulk pertains to Letters of Credit issued by the Parent Bank for the account of various local government units and government agencies.

32.2 Asenso Bayanihan

Pursuant to Section 10 (v) of Republic Act No. 11494 or the "Bayanihan To Recover as One Act", the National Government alloted One Billion Pesos each to the Development Bank of the Philippines (DBP) and Land Bank of the Philippines (LBP) to subsidize loan interest payments on new and existing loans secured by the Local Government Units (i.e Provinces, Cities, Municipalities) to assist their projects related to COVID-19 pandemic response and recovery interventions.

A Special Allotment Release Order was issued by the Department of Budget and Management (DBM) to the Bureau of the Treasury (BTr) on October 29, 2020 and said funds were received by the Parent Bank on November 10, 2020. As of December 31, 2021, the Interest Subsidy Fund (ISF) balance is Php988.46 million.

The Implementing Guidelines on the Interest Subsidy Fund (ISF), as endorsed by DBP and LBP, was approved by the Department of Finance on November 6, 2020.

32.3 Trust Liability – Public Utility Vehicle Modernization Program

Pursuant to the Department of Transportation (DOTr), Department Order No. 2018-016 dated July 31, 2018, the Government, through the Special Provisions for Budgetary Support Government Corporation (BSGC) under Republic Act No. 10964 or the 2018 General Appropriations Act (GAA), provided the Equity Subsidy for the Public Utility Vehicle Modernization Program (PUVMP) amounting to Php1.13 billion. The equity subsidy is intended to support the equity requirement of eligible PUV Transport Service Cooperatives/Corporations to finance acquisition of new PUV units that complies with the Omnibus Franchising Guidelines issued by DOTr and the standards set by DTI.

As of December 31, 2021, the equity subsidy fund balance is Php795.60 million, net of releases to Transport Service Cooperatives/ Corporations.

32.4 Details on Finance Lease Liability Account

The maturity details of the Parent Bank's Finance Lease Liability as of December 31, 2021 and its corresponding future interest expense follow:

	Parent			
	Not Later than one year	**Later than one year but not Later than five years**	**Later than five years**	**Total**
Lease Payments	66,313	398,049	104,011	568,373
Interest Expense	1,271	20,397	26,103	47,771
Total	**67,584**	**418,446**	**130,114**	**616,144**

32.5 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.

32.6 Other Miscellaneous Liabilities

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

Note 33 – Capital Stock

Capital stock consists of the following:

	Parent	
	2021	2020
Common shares, Php100 par value Authorized, 350,000,000 shares		
Issued, paid and outstanding, Number of shares	320,000,000	195,000,000
Amount	**P32,000,000**	**P19,500,000**

On February 4, 2021, the National Government granted additional Php12.5 billion (125,000,000 shares) capital infusion to the Parent Bank to cover the loans and interest payment of beneficiaries affected by the COVID-19 pandemic pursuant to Republic Act No. 11494, Bayanihan to Recover as One Act. The Php12.5 billion was received on February 11, 2021.

Note 34 – Retained Earnings Reserves

This account consists of:

	Group		Parent	
	2021	2020	2021	2020
Reserve for trust business	136,741	133,205	136,741	133,205
Reserve for contingencies	35,199	35,199	35,199	35,199
Other surplus reserves				
Loans – Japan Exim Special Facility	4,937	4,937	4,937	4,937
Fund – Japan Training & Technical Assistance	66,027	66,027	66,027	66,027
Expense – Japan Exim Special Facility	46	46	46	46
Appropriated General Reserves Fund for the proposed increase in capitalization - DBP MC	20,000	20,000	-	0
	91,010	91,010	71,010	71,010
	262,950	**259,414**	**242,950**	**239,414**

In accordance with BSP regulations, reserves 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.

Reserves for contingencies includes Php35.2 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, DBP MC, for winding up of the business operation. In October 2020, however, the Parent Bank resolved to resume active operations of DBP MC. With this development, the appropriation may be reverted back to the unappropriated retained earnings, subject to the approval of the DBP MC board.

Note 35 – Accumulated Other Comprehensive Income (Loss)

This account consists of:

	Group		Parent	
	2021	2020	2021	2020
Net unrealized gain/(loss) on securities at FVOCI	(1,331,433)	1,227,532	(1,356,853)	1,199,872
Revaluation increment	(5,238)	(5,238)	0	0
	(1,336,671)	**1,222,294**	**(1,356,853)**	**1,199,872**

The movement of this account is summarized as follows:

	Group	Parent
Net unrealized gain/(loss) on securities at FVOCI		
At December 31, 2020	1,227,532	1,199,872
Net change in fair value of debt instrument at FVOCI	(1,528,465)	(1,528,465)
Net change in fair value of equity instrument at FVOCI	(1,030,500)	(1,028,260)
Net change in fair value during the year	(2,558,965)	(2,556,725)
At December 31, 2021	(1,331,433)	(1,356,853)
Revaluation increment		
At December 31, 2020	(5,238)	0
Revaluation increment for the year	0	0
At December 31, 2021	(5,238)	0
	(1,336,671)	**(1,356,853)**

Note 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:

	Reportable Segments			
Fees and Commission Income	**Treasury and Corporate Finance**	**Development Lending**	**Total Non-Reportable Segments**	**Bankwide Financial Statements**
Fees income earned from services that are provided over time:				
Payment Services	0	120	0	120
Various Service Charges	0	960,305	0	960,305
	0	960,425	0	960,425
Fees income earned from services that are provided at a point in time:				
Underwriting	87,743	0	0	87,743
Brokerage	11,387	0	0	11,387
Various Service Charges	641	231,541	37,714	269,896
	99,771	231,541	37,714	369,026
Total revenue from contracts with customers	**99,771**	**1,191,966**	**37,714**	**1,329,451**

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.

Note 37 – Miscellaneous Income

This account consists of:

	Group		Parent	
	2021	**Restated 2020**	**2021**	**2020**
Additional interest and penalty charges (AIPC)	293,265	64,332	293,265	64,332
Rental/lease income	128,306	140,885	45,895	46,022
Income/(loss) - Trust	35,363	26,013	35,363	26,013
Recovery on charged-off assets	18,915	29,448	18,915	29,448
Share in net income - equity investment	12,502	20,532	0	0
Income from assets acquired	0	68	0	0
Gain/(loss) from sale/derecognition of non-financial assets	(67,649)	190,416	(67,655)	190,371
Miscellaneous income/ (loss)	40,691	33,499	36,519	27,854
	461,393	**505,193**	**362,302**	**384,040**

Note 38 – Other Operating Expenses

This account consists of:

	Group		Parent	
	2021	2020	2021	2020
Insurance	1,942,348	1,461,613	1,938,132	1,457,084
Depreciation and amortization	633,371	521,451	609,945	504,358
Fees and commission/ Supervision	464,371	375,270	483,851	374,865
Security, clerical, messengerial and janitorial	433,577	339,399	421,689	327,906
Utilities	299,078	281,437	291,823	275,466
Information technology	278,185	251,998	278,185	251,879
Stationery and supplies used	104,535	88,454	102,754	86,419
Management and other professional fees	93,079	100,306	90,547	95,374
Repairs and maintenance	90,548	64,827	89,704	64,231
Fuel and lubricants/Traveling	48,603	43,168	46,751	40,865
Interest Expense - Finance Lease Payment Payable	30,452	20,477	29,720	20,477
Representation and entertainment	7,443	6,639	7,032	6,181
Miscellaneous expense	358,249	225,587	351,123	249,690
	4,783,839	**3,780,626**	**4,741,256**	**3,754,795**

Note 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, the President 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 01, 2020; and b) Minimum Corporate Income Tax (MCIT) rate shall be one per cent, instead of two per cent for the period beginning July 01, 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.

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

Provision for income tax consists of:

	Group		Parent	
	2021	2020	2021	2020
Current				
Final taxes	2,181,140	1,703,794	2,180,862	1,703,473
RCIT	58,978	108,161	57,996	95,504
	2,240,118	1,811,955	2,238,858	1,798,977
Deferred	(1,859,044)	(753,251)	(1,838,573)	(749,757)
	381,074	**1,058,704**	**400,285**	**1,049,220**

In 2021, the Parent Bank was subjected to MCIT totaling Php21 million for all quarters. The balance of NOLCO was not utilized as the bank incurred net taxable loss. Meanwhile, the excess MCIT for 2020 was not used as tax credit this year since the Bank will still pay MCIT for 2021.

The details of the Parent Bank's NOLCO and MCIT are as follows:

Inception Year	**Amount**	**Used**	**Balance**	**Expiry Year**
NOLCO			87,673	
2020	87,673	0		2025
2021	3,254,153	0	3,254,153	2026
	3,341,826	0	3,341,826	

Inception Year	**Amount**	**Used**	**Balance**	**Expiry Year**
Excess MCIT				
2020	63,670	0	63,670	2023
2021	20,611	0	20,611	2024
	84,281	0	84,281	

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:

	2021		2020	
	Amount	**Rate (%)**	**Amount**	**Rate (%)**
Statutory income tax	1,035,094	25.00	1,262,753	27.50
Effect of items not subject to statutory tax rate:				
Income subjected to lower tax rates	(2,097,615)	(50.66)	(1,691,191)	(36.83)
Tax-exempt income	(861,601)	(20.81)	(626,614)	(13.65)
Non-deductible expenses	1,128,506	27.26	1,121,867	24.43
Others	1,195,901	28.88	982,405	21.39
Tax expense	**400,285**	**9.67**	**1,049,220**	**22.84**

Note 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 Directors, Offices, Stakeholders and other Related Interests (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. However, as part of COVID relief measure per BSP memorandum M 2021– 026 dated April 26, 2021, SBL for retail was increase to 30 per cent until December 31, 2021. 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:

	2021	2020
Total DOSRI loans	88,540,781	83,509,762
Unsecured DOSRI loans	67,321	78,506
Total RPT Loans	94,799,071	92,105,251
Total RPT Loans (inclusive of DOSRI)	183,399,852	175,615,013
Per cent of DOSRI Loans to Loan Portfolio	16.82%	18.04%
Per cent of Unsecured DOSRI Loans to Total DOSRI Loans	0.08%	0.09%
Per cent of RPT loans to total loan portfolio	18.01%	19.90%
Per cent of DOSRI and RPT loans to total loan portfolio	34.83%	37.95%
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)

	Group		Parent	
	2021	2020	2021	2020
a) Short-term employee benefits	165.22	140.43	147.68	120.64
b) Post-employment benefits	62.1	89.69	59.45	86.82
	227.32	**230.12**	**207.13**	**207.46**

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.

Transaction Type	Old Threshold	New Threshold
For Credit Related Transactions	Above Php2 billion	Above Php300 million
For Non-Credit Related Transactions	Above Php30 million	Above Php30 million
For Investment Management, Trust and Fiduciary Activities	Above Php2 billion	Above Php300 million

Presented below are the Material Related Party Transactions reported by the Parent Bank to the BSP on a quarterly basis for calendar year 2021:

Quarter	Type	Related Counterparty	Relationship Between the Parties	Type of Transaction	Amount/Contract Price
1Q	DOSRI	National Food Authority (NFA)	National Government Agency (NGA)	Revolving Promissory Note Line (RPNL)	Php25,033 million
		Department of National Defense/ Armed Forces of the Philippines	NGA	Self-Funded Cash Import LC Opening	Php3,047 million
				Self-Funded Cash Import LC Negotiation	Php1,581 million
	OTHERS	Granexport Manufacturing Corporation	Government-Owned and Controlled Corporation (GOCC)	New Fully Secured RPNL	Php600 million
		Metro Iloilo Bulk Water Supply Corporation (MIBWSC)	The DBP Chairman is a Board Adviser for Metro Pacific Investments Corporation (MPIC), ultimate parent of MIBWSC.	Term Loan Review	Php488 million
		Government Service Insurance System (GSIS)	GOCC / Government Financial Institution (GFI)	Renewal of Pre-Settlement Risk (PSR) Line - Securities Trading	Php588 million
		Home Development Mutual Fund (HDMF)	GOCC / GFI	Renewal of PSR Line - Securities Trading	Php588 million
		Philippine Health Insurance Corporation (Philhealth)	GOCC / GFI	Renewal of PSR Line -Securities Trading	Php588 million
		Social Security System (SSS)	GOCC / GFI	Renewal of PSR Line -Securities Trading	Php470 million
		Power Sector Assets and Liabilities Management Corporation (PSALM)	GOCC	New Participation in ROP-Guaranteed Syndicated Term Loan Facility	Php25,000 million

Quarter	Type	Related Counterparty	Relationship Between the Parties	Type of Transaction	Amount/Contract Price
2Q	DOSRI	National Food Authority (NFA)	NGA	RPNL	Php26,768 million
		Power Sector Assets and Liabilities Management Corporation (PSALM)	GOCC	Term Loan	Php10,400 million
		Department of National Defense/ Armed Forces of the Philippines	NGA	Sef-Funded Cash Import LC Amendment	USD12 million
				Sef-Funded Cash Import LC Opening	Php410 million
	OTHERS	Agusan Del Sur Electric Cooperative, Inc.	Client of the Auditing Firm of a Director of the Bank (LC Bonguyan & Co.)	Term Loan Reviews	Php777 million
		First Consolidated Bank Inc. (FCB)	DBP has Php9.06 million Preferred Shares investment with FCB. As such, FCB is a related interest (DOSRI) of the Bank.	Renewal of Rediscounting Line	Php500 million
		Philippine Deposit Insurance Corporation (PDIC)	GOCC/ GFI	Pre-Settlement Risk Line	Php587 million USD4 million
3Q	DOSRI	National Food Authority (NFA)	NGA	RPNL	Php13,951 million
		Department of National Defense/ Armed Forces of the Philippines	NGA	Self-Funded Cash Import LC Opening	Php2,570 million
				Self-Funded Cash Import LC Amendment	USD40 million
	OTHERS	Power Sector Assets and Liabilities Management Corporation (PSALM)	GOCC	Term Loan Facility	Up to Php87 Billion
		Small Business Guarantee and Finance Corporation (SB Corp.)	GOCC	Term Loan	Php1,500 million
		First Consolidated Bank Inc. (FCB)	DBP has Php9.06 million Preferred Shares investment with FCB. As such, FCB is a Related party of the Bank.	Renewal of Rediscounting Line	Php500 million

Quarter	Type	Related Counterparty	Relationship Between the Parties	Type of Transaction	Amount/Contract Price
4Q	DOSRI	National Food Authority (NFA)	NGA	RPNL	Php15,084 million
		Power Sector Assets and Liabilities Management Corporation (PSALM)	GOCC	Term Loan	Php1,120 million
		Department of National Defense/ Armed Forces of the Philippines	NGA	Self-Funded Cash Import LC Negotiation	Php4,522 million
				Self-Funded Cash Import LC Opening	Php3,519 million
				Self-Funded Cash Import LC Amendment	Php7,297 million
		Power Sector Assets and Liabilities Management Corporation (PSALM)	GOCC	New DBP Participation in ROP-Guaranteed Syndicated Loan Facility	Php23,850 million
				Renewal of Pre-Settlement Risk Line	a) Php200 million Securities Trading Line for trading of Php and USD denominated securities, based on notional amount of Php2 billion b) USD1.725 million Foreign Exchange and Derivatives Line for FX spot/ forward/swap and interest rate swap, based on notional amount of USD60 million
	OTHERS	First Consolidated Bank Inc. (FCB)	DBP has Php9.06 million Preferred Shares investment with FCB. As such, FCB is a Related Party of the Bank.	Amendment of Conditions on previously approved Rediscounting Line Facility	Php500 million

Note 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):
  - o Head Office
  - o 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 condition after allocation of resources.

The segment assets, liabilities and results of operations of the reportable segments of as of December 31, 2021 and 2020 are as follows:

As of December 31, 2021	**Reportable Segments**				
	Treasury and Corporate Finance	**Development Lending**	**Total Reportable Segments**	**Total Non-Reportable Segments**	**Bankwide Financial Statements**
Interest Income	13,634,915	19,160,921	32,795,836	48,559	32,844,395
Interest Expense	(2,907,056)	(9,831,291)	(12,738,347)	(14,737)	(12,753,084)
Net Interest Income	10,727,859	9,329,630	20,057,489	33,822	20,091,311
Provision for Impairment	0	(191,907)	(191,907)	(4,323,004)	(4,514,911)
Net Interest Income After Provision for Impairment	10,727,859	9,137,723	19,865,582	(4,289,182)	15,576,400
Other Income	2,701,659	1,231,709	3,933,368	28,507	3,961,875
Gross Segment Revenue	13,429,518	10,369,432	23,798,950	(4,260,675)	19,538,275
Compensation and Fringe Benefits	(131,474)	(2,521,744)	(2,653,218)	(2,107,580)	(4,760,798)
Depreciation and Amortization	(127)	(248,837)	(248,964)	(360,981)	(609,945)
Other Operating Expenses	(1,056,140)	(7,703,918)	(8,760,058)	(1,267,099)	(10,027,157)
Total Direct Operating Expenses	(1,187,741)	(10,474,499)	(11,662,240)	(3,735,660)	(15,397,900)
Operating Profit Before Tax	12,241,777	(105,067)	12,136,710	(7,996,335)	4,140,375
Provision for Income Tax	(2,180,071)	(36)	(2,180,107)	1,779,822	(400,285)
Segment Net Profit for the Year	**10,061,706**	**(105,103)**	**9,956,603**	**(6,216,513)**	**3,740,090**
Segment Assets	**361,753,371**	**780,033,786**	**1,141,787,157**	**18,331,335**	**1,160,118,492**
Segment Liabilities	**91,415,646**	**968,065,805**	**1,059,481,451**	**22,958,655**	**1,082,440,106**
Equity					**77,678,386**

As of December 31, 2020	**Reportable Segments**				
	Treasury and Corporate Finance	**Development Lending**	**Total Reportable Segments**	**Total Non-Reportable Segments**	**Bankwide Financial Statements**
Interest Income	11,673,813	18,761,680	30,435,493	23,721	30,459,214
Interest Expense	(2,940,739)	(9,627,382)	(12,568,121)	(14,384)	(12,582,505)
Net Interest Income	8,733,074	9,134,298	17,867,372	9,337	17,876,709
Provision for Impairment	0	(210,005)	(210,005)	(3,827,140)	(4,037,145)
Net Interest Income After Provision for Impairment	8,733,074	8,924,293	17,657,367	(3,817,803)	13,839,564
Other Income	1,179,794	1,340,092	2,519,886	517,115	3,037,001
Gross Segment Revenue	9,912,868	10,264,385	20,177,253	(3,300,688)	16,876,565
Compensation and Fringe Benefits	(117,795)	(2,492,088)	(2,609,883)	(1,817,851)	(4,427,734)
Depreciation and Amortization	(361)	(228,408)	(228,769)	(275,590)	(504,359)
Other Operating Expenses	(892,859)	(5,734,266)	(6,627,125)	(725,516)	(7,352,641)
Total Direct Operating Expenses	(1,011,015)	(8,454,762)	(9,465,777)	(2,818,957)	(12,284,734)
Operating Profit Before Tax	8,901,853	1,809,623	10,711,476	(6,119,645)	4,591,831
Provision for Income Tax	(1,703,067)	(117)	(1,703,184)	653,964	(1,049,220)
Segment Net Profit for the Year	**7,198,786**	**1,809,506**	**9,008,292**	**(5,465,681)**	**3,542,611**
Segment Assets	**294,263,642**	**734,403,218**	**1,028,666,860**	**13,738,096**	**1,042,404,956**
Segment Liabilities	**111,835,337**	**854,367,866**	**966,203,203**	**11,747,383**	**977,950,586**
Equity					**64,454,370**

Note 42 – Commitments and Contingent Liabilities

In the normal course of the Parent Banks'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:

	2021	2020
Loan Commitments	57,838,853	47,455,092
Credit Lines Available	24,577,070	34,995,656
Letters of Credit	28,976,569	9,708,397
Other Derivatives – Swap/Cross Currency/ Outright Forward Bought/Sold	0	6,723,220
Spot exchange bought/sold	140,744	1,224,096
Inward bills for collection	48,411	95,495
Outward bills for collection	471	290
Others	349	148,064
	111,582,467	**100,350,310**

The Others item includes late deposits/payments received, deficiency claims receivable, written off accounts, and items held for safekeeping/ collaterals.

Note 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, 2021 reached Php34.55 billion which is 9.27 per cent lower from the Php38.09 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, 2021 reached Php98.22 million, while operating expenses and gross receipts tax aggregated Php62.86 million. Trust operations for the year resulted in a net income of Php35.36 million, which is included in the Parent Bank's financial statements.

Government securities with fair value of Php506 million as of December 31, 2021 were deposited with the BSP in compliance with the Basic Security Deposit requirements of the General Banking Law.

Note 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 ten per cent, pursuant to Republic Act No. 9294 (approved by President Gloria M. Arroyo on April 28, 2004).

Note 45 – Other Information

The following are the key financial indicators:

	Group		Parent	
	2021	Restated 2020	2021	2020
Return on Average Equity	5.04%	5.66%	5.26%	5.70%
Return on Average Asset	0.32%	0.39%	0.34%	0.39%
Net Interest Margin	2.03%	2.24%	2.04%	2.25%
CET 1 Ratio	12.25%	11.71%	12.16%	11.62%
Tier 1 Ratio	12.25%	11.71%	12.16%	11.62%
Capital Adequacy Ratio	13.53%	13.29%	13.44%	13.12%

Note 46 – Reconciliation of Operating Cash Flow with Reported Net Income/(Loss)

	Group		Parent	
	2021	**2020**	**2021**	**2020**
Reported Operating Income	3,942,632	4,552,951	4,140,375	4,591,831
Operating cash flows from changes in asset and liability balances	85,810,923	205,549,287	84,961,376	205,524,531
Add/(deduct) non-cash items:				
Depreciation	533,743	422,752	512,453	408,466
Amortization	99,628	98,699	97,492	95,892
Provision for impairment losses	4,624,312	4,047,762	4,514,911	4,037,145
Provision for lawsuit		1,712		1,712
Gain from FVTPL Marking to Market	(16,610)	(130,015)	(16,610)	(130,015)
FX Loss on revaluation	(432,858)	68,194	(432,859)	68,194
Other income/expenses	(2,387,186)	(3,240,201)	(2,189,896)	(3,217,228)
	2,421,028	1,268,903	2,485,491	1,264,166
Income taxes paid	(2,078,271)	(1,771,176)	(2,077,011)	(1,758,200)
Net Cash provided by (used in) operating activities	**90,096,313**	**209,599,965**	**89,510,231**	**209,622,328**

Note 47 – Supplementary Information Required by BIR Revenue Regulation (RR) Nos. 15-2010 and 19-2011

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 04, 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 of 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, 2021.

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 Php1.39 billion as percentage tax pursuant to RA 9238 law/regulations and based on the amount reflected in the Sales/Gross Income Received account of Php32.82 billion.

47.2 Documentary Stamp Taxes (DST)

Summary transactions for documentary stamp tax purchased/utilized:

	Tax Base	Tax Due
DST on Loan Instruments	24,064,653	194,383
DST on Shares of Stocks	12,500,000	125,000
DST on Deposits and Other Cash Transactions	3,359,722,506	3,886,681
Other Transactions subject thereto and other adjustments	67,832	3,429
Total	**3,396,354,991**	**4,209,493**

47.3 Withholding Taxes

Withholding taxes paid/accrued:

	Paid	Accrued	Total
Tax on compensation and benefits	346,835	183,288	530,123
Creditable withholding taxes	127,086	14,928	142,014
Final withholding taxes	1,399,900	103,769	1,503,669
Total	**1,873,821**	**301,985**	**2,175,806**

47.4 All Other Local and National Taxes

Local and national taxes paid/accrued:

	Paid	Accrued	Total
Gross receipts tax			
National	999,885	385,670	1,385,555
Local	56,494	2	56,496
Sub-total	1,056,379	385,672	1,442,051
Real property tax	13,240	0	13,240
Municipal tax	11,690	0	11,690
Others	26,736	13,735	40,471
Total	**1,108,045**	**399,407**	**1,507,452**

47.5 Deficiency Tax Assessments

The Parent Bank has received a final assessment notice from the Bureau of Internal Revenue covering the taxable year 2017 amounting to Php160 million, inclusive of penalties for deficiency income, VAT, percentage and withholding taxes which has been agreed upon and settled last June 28, 2021.

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 January 30, 2019 RMC No. 19-2019, which prescribes the revised annual income tax forms to be used effective taxable year 2018. However, since the revised forms are not yet available in the EFPS, the Parent Bank continued to use the 2013 version of the 1702-RT until taxable year 2019. Starting taxable year 2020 and onwards, the Parent Bank uses the eBIR forms for the remittance of its corporate income tax using the new rate provided under the CREATE Act as the EFPS has yet to be updated.

Specifically, companies are required to disclose certain tax information in their respective notes to financial statements. For the taxable year December 31, 2021, the Parent Bank reported the following audited revenues and expenses for income tax purposes:

Revenues	
Services/operations:	10,900,250
Non-operating and taxable other income:	
Gain/(loss) from sale/derecognition of non-financial assets	(67,656)
Recovery from charged-off assets	18,915
	(48,741)
Total revenues	**10,851,509**
Expenses	
Cost of Services:	
Compensation & fringe benefits	5,784,035
Others	3,120,699
	8,904,734
Itemized deductions:	
Compensation & fringe benefits	2,016,201
Taxes & licenses	1,996,372
Depreciation/amortization	175,801
Securities, messengerial & janitorial services	179,108
Communication, light & water	123,949
Management and other professional fees	38,459
Fees and commission	97,509
Bad debts	13,825
Rentals	139,292
Repairs & maintenance	38,101
Travelling/fuel lubricants	19,857
Stationery and Supplies	43,644
Others	318,810
Total itemized deduction	5,200,928
Total expenses	**14,105,662**
Net taxable income/(loss)	**(3,254,153)**

Note 48 – Reclassification/Reversal/Adjustments

The following are the significant transactions adjusted by the Parent Bank:

	Particulars	Accounts	Amount
a.	To take-up ACL on loans in compliance to PFRS 9 and BSP Cir. 1011.	Provision for Credit Losses	1,200,000
		General Loan Loss Provision	(1,200,000)
b.	To take-up corresponding DTA on ACL.	Deferred Tax Asset	300,000
		Income Tax Expense - Deferred	(300,000)
c.	To book payment of merit increase differential.	Fringe Benefits - Officers & Employees - Merit Increase	15,826
		Retained Earnings	111
		Deposit Liabilities - SD	(15,937)
d.	To adjust booked reserves on Loans - Principal and AIR.	General Loan Loss Provision	285,643
		Allowance for Credit Losses - Loans & Receivables	(283,591)
		Allowance for Credit Losses - Accrued Interest Receivables	(2,052)
e.	To adjust booked reserves on Investments.	General Loan Loss Provision	3,116
		Net Unrealized Gains/(Losses) - FVOCI	(1,669)
		Allowance for Credit Losses – AC -HTC	(1,447)
f.	To reclass AR Brinks on treatment of Cash in Service Provider's Cash Hub.	Cash on Hand - Service Provider	535,591
		Accounts Receivable - Cash - Service Provider	(535,591)
g.	To adjust ROU-Assets.	Right-Of-Use Assets - Building	50,586
		Finance Lease Liability	(50,586)
h.	To book finance lease payments.	Finance Lease Liability	3,624
		Interest Expense - Leases	137
		Rent Expense	(3,761)
i.	To book depreciation for ROU-A Bank Premises.	Depreciation/Amortization Expense - Lease	2,906
		Accumulated Depreciation - ROU-Assets	(2,906)
j.	To reverse set-up of amortization expense on ICBS software.	Accumulated Amortization - Software - CORE Banking	103,110
		Depreciation/Amortization Expense - Other Intangibles, Software	(103,110)
k.	To derecognize the ICBS software.	Gain/(Loss) on Derecognition of Non-Financial Assets	103,110
		Accounts Payable - Others - Suppliers	35,546
		Other Intangible Assets - Software Licenses - CORE Banking	(138,656)
l.	To reclassify payroll software to expense.	Advertising and Publicity - Traditional, Promotional	1,200
		Other Intangible Assets - Software Licenses – Others	(1,200)
m.	To book deficiency tax for CY 2017.	Fines, Penalties and Other Charges - BIR	315
		Taxes and Licenses - Deficiency Tax	113,731
		Taxes and Licenses - Interest on Deficiency Tax	45,956
		Retained Earnings	(114,046)
		Miscellaneous Expense Others	(45,956)

Note 49 – Events After the Reporting Period

49.1 Adjustment of Dividend Rate

Pursuant to Section 5 of RA No. 7656, the percentage of net earnings to be declared and remitted by the Parent Bank to the National Government (NG) for CYs 2018, 2019 and 2020 is adjusted from fifty per cent (50%) of its annual earnings to zero per cent (0 %) per Executive Order No. 160 dated January 17, 2022.

49.2 Request for Dividend Relief

On May 11, 2022, the Parent Bank requested for dividend relief covering CY 2021 Net Earnings from the NG through the Department of Finance (DOF). The grant of the dividend relief is to ensure a resilient capital position that will enable the Parent Bank to sustain its proactive assistance to the NG in its economic recovery efforts. This will also provide the necessary cushion to withstand capital and liquidity shocks as it further accelerates its lending interventions for industries still reeling from the negative impacts of the COVID-19 pandemic.

As of publication of this report, the request is still under evaluation by DOF.

49.3 Loss/Damage Due to Fire in DBP Head Office

On April 19, 2022, a fire broke at the 8th floor of the DBP Head Office Building, Makati City. The fire incident caused damages to the physical properties and to the network connections which resulted in financial losses estimated at Php62 million.

Rewiring of communication cables, electrical cables, and outlets are being undertaken in the affected floors of the building. Continuous cleaning and decontamination are being conducted. Preparatory works are in progress for the hiring of a consultant to conduct structural investigation to determine the stability of the building and the affected areas. The Bank has yet to receive the result of the investigation which was conducted by the Bureau of Fire Protection.

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