



DEVELOPMENT BANK OF THE PHILIPPINES
ACCOMPLISHMENT REPORT OF PERFORMANCE TARGETS TO GCG
FOR THE YEAR ENDED 2016

Interim PES Form 3

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Components				Baseline	TARGET	ACTUAL ACCOMPLISHMENTS	RR	WEIGHTED	ACTUAL ACCOMPLISHMENTS	RR	WEIGHTED	
Objective / Measure	Description	Weight	Rating Scale	ACTUAL	BANKWIDE	(No GCG approval of renegotiation)	% vs. CY2016 Target	Average	(With GCG approval of renegotiated targets)	% vs. CY2016 Target	Average	
				BANKWIDE FY 2015	FY 2016	CY 2016	CY 2016	CY 2016	CY 2016	CY 2016		
SO 1 Support Government Priority Programs and Inclusive Growth Initiatives												
Percentage Growth of Loan Portfolio to:												
1a. Loan 1												
Priority Areas - Total loan portfolio	Absolute amount	12.5%	Actual / Target x Weight	P96,902 Mn	10% increase from the 2015 actual (Php106,592.20Mn)	P121,116 Mn	114%	12.5%	P121,116 Mn	114%	12.6%	
% increase				4%	10%	25%			25%			
As a % of total loan portfolio				50%	47%	54%			54%			
Total loan to borrowers plusUDSCL&HTM				P193,780 Mn	P228,591 Mn	P222,705 Mn			P222,705 Mn			
1b. Loan 2												
Other Priority Areas - Total loan portfolio	Absolute amount	12.5%	Actual / Target x Weight	P59,703 Mn	10% increase from the 2015 actual (Php65,673Mn - based on actual)	P62,340 Mn	95%	11.9%	P62,340 Mn	95%	11.9%	
% increase				13%	10%	4%			4%			
As a % of total loan portfolio				31%	29%	28%			28%			
Total loan to borrowers plusUDSCL&HTM				P193,780 Mn	P228,591 Mn	P222,705 Mn			P222,705 Mn			
SM 2	Percentage of Satisfactory Customer Rating	No of Satisfactory Ratings over Total Population Surveyed	5%	Actual / Target x Weight	94.6% average bankwide rating using existing internal customer survey system	90% respondents giving "Satisfactory Rating" (based on third-party survey)	Third party survey was not accomplished, the Bank was not able to hire third party research service agency due to failed biddings	0%	0.00%	100%	5.0%	
<p>Actual accomplishment:</p> <p>95.73% average bankwide rating using internal customer survey system as of December 2016</p> <p>Rationale:</p> <ul style="list-style-type: none"> • After two (2) failed biddings in 2014, the Bank's effort for a Negotiated Procurement with DAP under an Agency to Agency Agreement did not materialize. DAP declined the proposal citing its limited resources to undertake a project of such magnitude. • The proposal to hire a 3rd party research service agency to handle the DBP Customer Satisfaction Survey was resubmitted anew to BAC for another public bidding. • A lone eligible bidder submitted its technical proposal on 08 December 2016; however, the BAC found the documents submitted to be unacceptable and not compliant. Thus, a failure of bidding was again declared. • Pending actual implementation of the 3rd party survey project, the Bank continues to implement its Customer Feedback Program. 												
SO 2 Expand Credit Access for the Following Sectors: LGUs, Water Districts And Electric Cooperatives												
SM 3	Total Loan Approvals for LGUs, Water Districts And Electric Cooperatives	Absolute amount	11%	Actual / Target x Weight	P20,953 Mn	P15,000 Mn (to complete the P60 Bn target amount of loans)	P14,104 Mn	94%	10.3%	P14,104 Mn	94%	10.3%

UNSATISFACTORY (S) (A) (N) (F) (U) (L) (D) (E) (R) (S)



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	Components				Baseline		ACTUAL ACCOMPLISHMENTS (No GCG approval of renegotiation)	RR % vs. CY2016 Target	WEIGHTED Average CY 2016	ACTUAL ACCOMPLISHMENTS (With GCG approval of renegotiated targets)		RR % vs. CY2016 Target	WEIGHTED Average CY 2016	
	Objective / Measure	Description	Weight	Rating Scale	ACTUAL	TARGET				CY 2016	CY 2016			
					BANKWIDE FY 2015	BANKWIDE FY 2016								
SO 3	Intensify Deposit Generation Capabilities													
SM 4	Percent increase in Total CASA Deposits	(CASA Dep. End / CASA Dep. Beg.) - 1	10%	Actual / Target x Weight	30%	15%	20.59%	137.3%	10.0%	20.59%	137.3%	10.0%		
	CASA - Outstanding balance				P110,107 Mn	P126,623 Mn	P132,777 Mn			P132,777 Mn				
	Change				P25,458 Mn	P16,516 Mn	P22,670 Mn			P22,670 Mn				
	CASA as a percentage of total deposits				34%	36%	37%			37%				
	Total Deposits - Outstanding balance				P324,007 Mn	P355,519 Mn	P356,242 Mn			P356,242 Mn				
SM 5	Percent Increase in Total Deposits from the Countryside	(Count Dep. End / Count Dep. Beg.) - 1	10%	Actual / Target x Weight	26%	23%	21%	92.5%	9.2%	21%	92.5%	9.2%		
	Deposits from the countryside - O/S balance				P111,698 Mn	P137,389 Mn	P135,449 Mn			P135,449 Mn				
	Change				P22,930 Mn	P25,691 Mn	P23,751 Mn			P23,751 Mn				
	Deposits from the countryside - as a percentage of total deposits				34%	39%	38%			38%				
	Total Deposits - Outstanding balance				P324,007 Mn	P355,519 Mn	P356,242 Mn			P356,242 Mn				
SO 4	Improve the Quality and Balance of Loan Portfolio													
FINANCE	SM 6	Net Income	Absolute amount	5%	Actual / Target x Weight	P4,711 Mn	P5,000 Mn	P4,202 Mn	84.04%	4.20%	<p>Actual accomplishment: Net Income Php 4,202 Mn</p> <p>Rationale:</p> <ul style="list-style-type: none"> The following items significantly contributed to the lower net income booked in 2016: <ul style="list-style-type: none"> - P250 million in tax assessment by BIR - P533 million additional Allowance for Credit Losses (ACL) which BSP mandated to be set up following Circular 855 (non-cash expense) - P230 million unrealized income due to DoF order in July to temporarily refrain from disposing ROPA and unserviceable Bank-owned assets 		100%	5.0%
	SM 7	Return on Equity	Rate	3%	Actual / Target x Weight	11.67%	11.09%	10.21%	92.06%	2.76%	<p>Actual Accomplishment: ROE of 10.21%</p> <p>Rationale:</p> <p>A lower Return on Equity (ROE) resulted from the actual net income of P4.2 B instead of P5.0 billion.</p>		100%	3.0%
	SM 8	Portfolio Quality - NPL Ratio (Net)	Rate	3%	All or Nothing	1.40%	1.50%	0.16%	100.00%	3.0%	0.16%	100%	3.0%	
SO 5	Strengthen Balance Sheet and Improve Credit Rating													
	SM 9	Maintain Adequate CAR	Percentage	2%	If below 8.5% = 0 score If 8.5% or above = 2% score	16.64%	18% (CET1 8.5%; Total CAR 10% BSP requirement)	15.10%	100.0%	2.00%	15.10%	100%	2.0%	
	SM 10	Credit Rating, i.e. S&P & Fitch	n/a	1%	All or Nothing	BBB/BB+	Maintain current rating BBB/BB+	BBB/BB+	100%	1.00%	BBB/BB+	100%	1.0%	



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Components					Baseline	ACTUAL ACCOMPLISHMENTS		RR	WEIGHTED Average	ACTUAL ACCOMPLISHMENTS		RR	WEIGHTED Average
Objective / Measure		Description	Weight	Rating Scale	ACTUAL	TARGET	(No GCG approval of renegotiation)			(With GCG approval of renegotiated targets)	RR		
					BANKWIDE FY 2015	BANKWIDE FY 2016	CY 2016	% vs. CY2016 Target	CY 2016	CY 2016	% vs. CY2016 Target	CY 2016	
SO 6 Streamline And Update Existing Credit and Other Operating Processes													
SM 11	TAT in Processing of Loan Applications (Priority sector loans)	Reduction in TAT based on actual TAT as baseline	5%	Actual / Target x Weight	44.8% reduction in TAT based on actual 87.5 working days as baseline	80% processed loan applications within 45 days TAT	73% of the total completed loan applications processed within 45 days TAT	91.25%	4.56%	73% of the total completed loan applications processed within 45 days TAT	91.25%	4.56%	
SO 7 Develop and Utilize ICT Toward Improved and Diversified Services													
SM 12	Percentage of Completion of Integration of DBP Core Systems	No. of projects Implemented	5%	Actual / Target x Weight	100% completed and implemented: a) Integrated Central Disbursement System b) Centralized Procurement System c) Signature Verification System 97% completed: d) Credit Appraisal System	Full implementation of the following systems: 1. Vendor Mgmt System 2. Insurance Mgmt System 3. Westpac (Australian Remittance System) 4. Cash Mgmt System 5. Card Mgmt System 6. Check Truncation	1. Vendor Mgmt System - 100% completed and implemented on July 20, 2016 2. Insurance Mgmt System- 100% complete: implemented December 28, 2016 3. Westpac (Australian Remittance System-100% completed and implemented on July 22, 2016 4. Cash Mgmt System-90% complete: Implementation date moved to February 2017 due to priority resources shift towards the EMV project (not committed to GCG) 5. Card Mgmt System -100% complete: implemented December 1, 2016. 6. Check Truncation-95% complete:	97.50%	4.88%	1. Vendor Mgmt System - 100% completed and implemented on July 20, 2016 2. Insurance Mgmt System- 100% complete: implemented December 28, 2016 3. Westpac (Australian Remittance System-100% completed and implemented on July 22, 2016 4. Cash Mgmt System-90% complete: Implementation date moved to February 2017 due to priority resources shift towards the EMV project (not committed to GCG) 5. Card Mgmt System -100% complete: Implemented December 1, 2016. 6. Check Truncation-95% complete: implementation date moved to January 16, 2017 by the Phil Clearing House Corp due to additional requirements late in the project	97.50%	4.88%	
SO 8 Strengthen Risk Management and Regulatory Compliance													
SM 13	Automation of Risk Management System DBP Proposal: Replace measure to 1. Validation of ICRRS model by third party expert, and 2. Knowledge transfer to enable Internal ICRRS validation	Absolute number	5%	All or Nothing	-ICRRS integrated with the core banking system -100% Completed: ICRRS Validation by the third party expert/external consultant - training completed	Successful bidding out of the Risk Model Application with consultancy services.	Risk Model Application was not bidded out. - RiskModel Application for bidding In 2017 - Consultancy Services - negotiated bidding was successfully done in October 2016	0%	0.00%	<u>Actual Accomplishment:</u> • Part 1 - The recommendation for hiring of the consultancy service for classification and measurement (C&M) and the acquisition of a software solution for the Expected Credit Losses (ECL) model was approved by ManCom on 22 November 2016 per Resolution No. 0209 and subsequently approved by the Board on 25 January 2017. • Part 2- DBP's request to adopt its own Loan Loss Methodology (LLM) that is initially based on probability of default was noted by BSP in its letter dated 21 December 2016. <u>Rationale:</u> • The DBP-BSP merger discussions during the first half of 2016 put on hold the acquisition of the system as BSP has already a Risk Management System. Had said merger been pursued, the planned procurement would have been cancelled. • IFRS9 adoption effective January 2018 as required under BSP Circulars 708, 733 and 761. ECL and IFRS9 are interrelated and both have common requirements. Also, the same business units are involved and bundling them was deemed efficient in terms of resources, budget, time and manpower. • Recent feedback from prospective vendors indicated that an automated system may not immediately be necessary given the Bank's portfolio size and structure. In addition, there is available freeware on the which may be used until the need for the more expensive and sophisticated ECL model is established.	100%	5.00%	



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ORGANIZATION (LEARNING & GROWTH)

Components					Baseline	ACTUAL ACCOMPLISHMENTS		RR	WEIGHTED Average	ACTUAL ACCOMPLISHMENTS		RR	WEIGHTED Average
Objective / Measure	Description	Weight	Rating Scale	ACTUAL	TARGET	(No GCG approval of renegotiation)				CY 2016	CY 2016		
				BANKWIDE FY 2016	BANKWIDE FY 2016			CY 2016				% vs. CY2016 Target	% vs. CY2016 Target
SO 9	Grow Capable, Motivated, Committed and Results-Oriented Professionals												
SM 14	Establish Competency Framework GCG proposal: Improve Competency Level of Employees	n/a	.5%	All or Nothing	DBP Competency Model approved by the DBP President/CEO	Set baseline for competency level!	Baseline Competency Level/Grid requirements per level completed through the following activities done in the 4th Q: 1) Publication of the DBP Competency Primer and Career Development Plan form through the HR Portal 2)	100%	5.00%	Competency level/grid integrated in the Job Descriptions, used as reference in talent selection/ acquisition.	100%	5.00%	
SO 10	Integrate Certified Management Systems For Streamlined Operations And Decision Making, Wider Participation, And Efficiency in Resource Use												
SM 15	Establish QMS/EMS	n/a	5%	All or nothing	-Recertification of the Integrated Management System signifying compliance to ISO9001:2008 and ISO 14001:2004 as certified by Certification International Philippines Inc. (CIP) covering the following 14 Bank processes for the sites: Head Office, 15 RMCs and 96 Branches: 1) Corporate Governance 2) Remittance Service Operations 3) Deposit and CASA Account Management 4) Electronic Banking 5) ATM Operations 6) Development Banking 7) Investment Banking 8) Capital Markets Development 9) Trust Services Operations 10) Asset Management 11) Treasury Trading Operations 12) Treasury Marketing and Liquidity Management 13) Branch Banking Services 14) Accounting	2016 IMS Target: Re-certification of the Bank's Integrated Management System (IMS) to ISO 9001:2008 (Quality Mgt System) and ISO 14002:2004 (Environment Mgt System) for the 14 Bank processes covering the Head Office, 15 RMCs and 96 Branches.	DBP successfully hurdled, without any major nor minor non-conformity, the surveillance audit conducted by Certification International Philippines for its Integrated Management System, meriting a continued certification covering the following 14 Bank processes for the sites: Head Office, 15 RMCs and 96 Branches. 1. Corporate Governance 2. Remittance Service Operations 3. Deposit and CASA Account Management 4. Electronic Banking 5. ATM Operations 6. Development Banking 7. Investment Banking 8. Capital Markets Development 9. Trust Services Operations 10. Asset Management 11. Treasury Trading Operations 12. Treasury Marketing and Liquidity Management 13. Branch Banking Services 14. Accounting APPROVAL OF CERTIFICATION FOR IMS was received per letter to DBP dated October 19, 2016 (copy attached)	100%	5.00%	DBP successfully hurdled, without any major nor minor non-conformity, the surveillance audit conducted by Certification International Philippines for its Integrated Management System, meriting a continued certification covering the following 14 Bank processes for the sites: Head Office, 15 RMCs and 96 Branches. 1. Corporate Governance 2. Remittance Service Operations 3. Deposit and CASA Account Management 4. Electronic Banking 5. ATM Operations 6. Development Banking 7. Investment Banking 8. Capital Markets Development 9. Trust Services Operations 10. Asset Management 11. Treasury Trading Operations 12. Treasury Marketing and Liquidity Management 13. Branch Banking Services 14. Accounting APPROVAL OF CERTIFICATION FOR IMS was received per letter to DBP dated October 19, 2016 (copy attached)	100%	5.00%	
TOTAL OF WEIGHTS			100%						86.36%			97.39%	

approved by the Board per BR#0200 dated July 5, 2017

Certified Correct:
Marietta M. Fondevilla
 SVP MARIETTA M. FONDEVILLA
 Head, Strategic Planning Group

Susan Z. Prado
 EVP SUSAN Z. PRADO
 Head, Financial Resource Sector

Approved by:
Cecilia C. Borromeo
 CECILIA C. BORROMELO
 President & Chief Executive Officer

Alberto G. Romulo
 ALBERTO G. ROMULO
 Chairman