



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

Interim PES Form 3

	Components				Baseline		ACTUAL ACCOMPLISHMENTS	RR	WEIGHTED Average					
	Objective / Measure	Description	Weight	Rating Scale	ACTUAL	TARGET								
					BANKWIDE FY 2015	BANKWIDE FY 2016	CY 2016	% vs. CY2016 Target	CY 2016					
CONSTITUENCY (STAKEHOLDERS)	SO 1	Support Government Priority Programs and Inclusive Growth Initiatives												
	SM 1	Percentage Growth of Loan Portfolio to:												
		1a. Loan 1	Priority Areas - Total loan portfolio	Absolute amount	12.5%	Actual / Target x Weight	₱96,902 Mn	10% increase from the 2015 actual (Php106,592.20Mn)	₱121,116 Mn	114%	12.5%			
		% increase										4%	10%	25%
		As a % of total loan portfolio										50%	47%	54%
		Total loan to borrowers plusUDSCL&HTM										₱193,780 Mn	₱228,591 Mn	₱222,705 Mn
		1b. Loan 2	Other Priority Areas - Total loan portfolio	Absolute amount	12.5%	Actual / Target x Weight	₱59,703 Mn	10% increase from the 2015 actual (Php65,673Mn - based on actual)	₱62,340 Mn	95%	11.9%			
		% increase										13%	10%	4%
		As a % of total loan portfolio										31%	29%	28%
	Total loan to borrowers plusUDSCL&HTM	₱193,780 Mn										₱228,591 Mn	₱222,705 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)	<u>Actual accomplishment:</u> 95.73% average bankwide rating using internal customer survey system as of December 2016 <u>Rationale:</u> <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. 	100%	5.0%				
	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	₱20,953 Mn	₱15,000 Mn (to complete the ₱60 Bn target amount of loans)	₱14,104 Mn	94%	10.3%					



	Components				Baseline		ACTUAL ACCOMPLISHMENTS	RR % vs. CY2016 Target	WEIGHTED Average CY 2016	
	Objective / Measure	Description	Weight	Rating Scale	ACTUAL	TARGET				
					BANKWIDE FY 2015	BANKWIDE FY 2016	CY 2016			
FINANCE	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%
		CASA - Outstanding balance				₱110,107 Mn	₱126,623 Mn	₱132,777 Mn		
		Change				₱25,458 Mn	₱16,516 Mn	₱22,670 Mn		
		CASA as a percentage of total deposits				34%	36%	37%		
		Total Deposits - Outstanding balance				₱324,007 Mn	₱355,519 Mn	₱356,242 Mn		
	SM 5	Percent Increase in Total Deposits from the Countryside	(CASA Dep. End less CASA Dep. Beg.) - 1	10%	Actual / Target x Weight	26%	23%	21%	92.5%	9.2%
		Deposits from the countryside - O/S balance				₱111,698 Mn	₱137,389 Mn	₱135,449 Mn		
		Change				₱22,930 Mn	₱25,691 Mn	₱23,751 Mn		
		Deposits from the countryside - as a percentage of total deposits				34%	39%	38%		
		Total Deposits - Outstanding balance				₱324,007 Mn	₱355,519 Mn	₱356,242 Mn		
	SO 4	Improve the Quality and Balance of Loan Portfolio								
	SM 6	Net Income	Absolute amount	5%	Actual / Target x Weight	₱4,711 Mn	₱5,000 Mn	Actual accomplishment: Net Income Php 4,202 Mn Rationale: <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%	Actual Accomplishment: ROE of 10.21% Rationale: A lower Return on Equity (ROE) resulted from the actual net income of P4.2 B instead of P5.0 billion.	100%	3.0%
	SM 8	Portfolio Quality - NPL Ratio (Net)	Rate	3%	Weight - [(Target - Actual) / Target] x Weight but not to exceed weight	1.40%	1.50%	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%	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%	1.0%	



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

Interim PES Form 3

	Components				Baseline		ACTUAL ACCOMPLISHMENTS	RR % vs. CY2016 Target	WEIGHTED Average CY 2016	
	Objective / Measure		Description	Weight	Rating Scale	ACTUAL	TARGET			
						BANKWIDE FY 2015	BANKWIDE FY 2016			CY 2016
INTERNAL PROCESS	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%
	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) Integreated 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 Magmt 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 Magmt 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.	Actual Accomplishment: • 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. Rationale: • The DBP-LBP merger discussions during the first half of 2016 put on hold the acquisition of the system as LBP 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 line which may be used until the need for the more expensive and sophisticated ECL model is established.	100%	5.00%



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

Interim PES Form 3

	Components				Baseline		ACTUAL ACCOMPLISHMENTS	RR % vs. CY2016 Target	WEIGHTED Average CY 2016	
	Objective / Measure	Description	Weight	Rating Scale	ACTUAL	TARGET	CY 2016			
					BANKWIDE FY 2015	BANKWIDE FY 2016				
ORGANIZATION (LEARNING & GROWTH)	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	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%
TOTAL OF WEIGHTS				100%					97.39%	