



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

ANNUAL AUDIT REPORT

on the

**DEVELOPMENT BANK OF THE PHILIPPINES
TRUST BANKING GROUP
UNLAD PANIMULA MULTI-CLASS
MONEY MARKET FUND**

For the years ended December 31, 2023 and 2022

EXECUTIVE SUMMARY

INTRODUCTION

Under Presidential Decree No. 1461, amending Section 2(g) of the Development Bank of the Philippines (DBP) Charter, the DBP was given additional powers to accept and manage trust funds and properties and carry on the business of a trust corporation.

The Trust Banking Group (TBG) of the DBP has been operating for the past 44 years having started on August 1, 1979. Basically, it performs investment management services, trust and other fiduciary business services such as escrow agency, paying agency, debt servicing and loan agency, facility agency, stock transfer, trusteeship, special purpose trust, retirement fund management, mortgage trust indenture, and unit investment trust fund (UITF).

On June 14, 2016, TBG launched a UITF called the Unlad Panimula Multi-Class Money Market Fund (UPMMMF), herein referred to as the Fund. The Fund was created to generate a steady flow of income with emphasis on capital preservation through investments in a diversified portfolio of low-risk securities issued by the Philippine government and/or Philippine government banks and deposits in Philippine government banks with duration of not more than one year and will cater to the needs of private entities with conservative risk appetite and short-term investment horizon. Participation in the Fund is open to all individuals and institutional investors such as corporations, cooperatives, foundations and non-government organizations with legal capacity to contract and have funds for short-term investments.

UPMMMF has three classes with the following salient features for each class:

Fund	Minimum Initial Participation	Minimum Additional Participation	Trust Fees
Class I	1,000,000	100,000	0.15% p.a.
Class II	100,000	10,000	0.25% p.a.
Class III	10,000	1,000	0.30% p.a.

The number of participations and participants to the Fund as of December 31, 2023 are as follows:

Fund	Number of Participations	Number of Participants
Class I	21	11
Class II	129	20
Class III	398	62
Total	548	93

FINANCIAL HIGHLIGHTS (In Philippine Peso)

I. Financial Position

	2023			2022		
	Class I	Class II	Class III	Class I	Class II	Class III
Assets	30,909,234	11,399,453	5,110,347	29,252,926	11,154,010	4,499,980
Accountabilities	30,909,234	11,399,453	5,110,347	29,252,926	11,154,010	4,499,980

II. Results of Operations

	2023			2022		
	Class I	Class II	Class III	Class I	Class II	Class III
Income	1,578,698	544,374	243,227	522,754	200,856	81,948
Expenses	362,585	135,881	63,816	151,497	71,340	35,099
Net income	1,216,113	408,493	179,411	371,257	129,516	46,849

SCOPE OF AUDIT

Our audit covered examination, on test basis, of the accounts and financial transactions of DBP TBG – UPMMPF for the period January 1 to December 31, 2023 to enable us to express an opinion on the financial statements for the years ended December 31, 2023 and 2022 in accordance with the International Standards of Supreme Audit Institutions. Also, we conducted our audit to assess compliance with pertinent laws, rules and regulations and adherence to prescribed policies and procedures.

AUDITOR'S OPINION

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

AUDITED FINANCIAL STATEMENTS

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**REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Corporate Government Audit Sector
Cluster 1 – Banking and Credit**

INDEPENDENT AUDITOR'S REPORT

**The Trust Committee
Development Bank of the Philippines
Makati City**

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Development Bank of the Philippines Trust Banking Group (DBP TBG) – Unlad Panimula Multi-Class Money Market Fund (UPMMMF), which comprise the statements of financial position as at December 31, 2023 and 2022, and the statements of income and expenses and statements of changes in accountabilities for the years then ended, and notes to the financial statements, including material accounting policy.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the DBP TBG – UPMMMF as at December 31, 2023 and 2022, and its financial performance and its changes in accountabilities for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the DBP TBG – UPMMMF 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.

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, 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 DBP TBG – UPMMMF'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 DBP TBG – UPMMMF or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing DBP TBG – UPMMMF's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of DBP TBG – UPMMMF'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 DBP TBG – UPMMMF's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause DBP TBG – UPMMMF to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

COMMISSION ON AUDIT


NIDA A. SINGSON
OIC, Supervising Auditor

August 30, 2024



DEVELOPMENT BANK OF THE PHILIPPINES

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



August 30, 2024

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of Trust Banking Group (TBG) of the Development Bank of the Philippines is responsible for the preparation and fair presentation of the financial statements of Unlad Panimula Multi-Class Money Market Fund (UPMMMMF), including the schedules attached therein, for the years ended December 31, 2023 and 2022, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing TBG'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 TBG or to cease operations, or has no realistic alternative to do so.

The Trust Committee is responsible for overseeing TBG's financial reporting process.

The Trust Committee reviews and approves the financial statement, 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 UPMMMMF of TBG in accordance with the International Standards of the Supreme Audit Institutions, and in its report to the Trust Committee, has expressed its opinion on the fairness of presentation upon completion of such audit.

JEFFREY D. LIGSAY

AVP/Head, Trust Operations Department

CAMILO G. SANCHEZ

VP/Head, Trust Banking Group



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DEVELOPMENT BANK OF THE PHILIPPINES
TRUST BANKING GROUP
UNLAD PANIMULA MULTI-CLASS MONEY MARKET FUND
STATEMENTS OF FINANCIAL POSITION
As at December 31, 2023 and 2022
(In Philippine Peso)

		2023			2022		
	Note	Class I	Class II	Class III	Class I	Class II	Class III
Assets							
Deposits in banks	5	30,909,234	11,399,453	5,110,347	29,252,926	11,154,010	4,499,980
Total Assets		30,909,234	11,399,453	5,110,347	29,252,926	11,154,010	4,499,980
Accountabilities							
Principal	6	28,605,695	10,572,648	4,753,863	27,689,727	10,698,687	4,298,959
Accumulated income	7	2,299,553	824,305	355,171	1,559,426	452,928	199,864
Other accountabilities	8	3,986	2,500	1,313	3,773	2,395	1,157
Total Accountabilities		30,909,234	11,399,453	5,110,347	29,252,926	11,154,010	4,499,980

The Notes on pages 8 to 16 form part of these financial statements.

DEVELOPMENT BANK OF THE PHILIPPINES
TRUST BANKING GROUP
UNLAD PANIMULA MULTI-CLASS MONEY MARKET FUND
STATEMENTS OF INCOME AND EXPENSES
For the years ended December 31, 2023 and 2022
(In Philippine Peso)

		2023			2022		
	Note	Class I	Class II	Class III	Class I	Class II	Class III
Income							
Interest income on deposits	5	1,578,698	544,374	243,227	522,754	200,856	81,948
		1,578,698	544,374	243,227	522,754	200,856	81,948
Expenses							
Administrative fees	8	46,846	27,006	15,171	46,946	31,169	18,710
Tax expense		315,739	108,875	48,645	104,551	40,171	16,389
		362,585	135,881	63,816	151,497	71,340	35,099
Net Income		1,216,113	408,493	179,411	371,257	129,516	46,849

The Notes on pages 8 to 16 form part of these financial statements.

DEVELOPMENT BANK OF THE PHILIPPINES
TRUST BANKING GROUP
UNLAD PANIMULA MULTI-CLASS MONEY MARKET FUND
STATEMENTS OF CHANGES IN ACCOUNTABILITIES
For the years ended December 31, 2023 and 2022
(In Philippine Peso)

	Class I				Class II				Class III			
	Principal (Note 6)	Accumulated Income (Note 7)	Other Accountabilities (Note 8)	Total	Principal (Note 6)	Accumulated Income (Note 7)	Other Accountabilities (Note 8)	Total	Principal (Note 6)	Accumulated income (Note 7)	Other Accountabilities (Note 8)	Total
Balance, December 31, 2021	37,242,909	1,592,096	5,017	38,840,022	13,198,955	424,223	3,031	13,626,209	7,660,363	326,779	2,073	7,989,215
Placements	1,000,150			1,000,150	765,000			765,000	1,674,000			1,674,000
Maturities/closing of accounts/withdrawals	(10,553,332)			(10,553,332)	(3,265,268)			(3,265,268)	(5,035,404)			(5,035,404)
Net income for the year		371,257		371,257		129,516		129,516		46,849		46,849
Income withdrawal - current year		(403,927)		(403,927)		(100,811)		(100,811)		(173,764)		(173,764)
Trust fees accrued - current year			46,796	46,796			31,169	31,169			18,709	18,709
Trust fees paid within the year			(48,040)	(48,040)			(31,805)	(31,805)			(19,625)	(19,625)
Balance, December 31, 2022	27,689,727	1,559,426	3,773	29,252,926	10,698,687	452,928	2,395	11,154,010	4,298,959	199,864	1,157	4,499,980
Placements	12,054,992			12,054,992	1,730,000			1,730,000	1,278,950			1,278,950
Maturities/closing of accounts/withdrawals	(11,139,024)			(11,139,024)	(1,856,039)			(1,856,039)	(824,046)			(824,046)
Net income for the year		1,216,113		1,216,113		408,493		408,493		179,411		179,411
Income withdrawal - current year		(475,986)		(475,986)		(37,116)		(37,116)		(24,104)		(24,104)
Trust fees accrued - current year			46,696	46,696			27,006	27,006			15,021	15,021
Trust fees paid within the year			(46,483)	(46,483)			(26,901)	(26,901)			(14,865)	(14,865)
Balance, December 31, 2023	28,605,695	2,299,553	3,986	30,909,234	10,572,648	824,305	2,500	11,399,453	4,753,863	355,171	1,313	5,110,347

The Notes on pages 8 to 16 form part of these financial statements.

**DEVELOPMENT BANK OF THE PHILIPPINES
TRUST BANKING GROUP
UNLAD PANIMULA MULTI-CLASS MONEY MARKET FUND
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 and 2022**

(All amounts rounded off to the nearest peso unless otherwise indicated)

1. GENERAL INFORMATION

1.1 Creation and Operations

The Trust Banking Group (TBG) of the Development Bank of the Philippines (DBP) was created under Board Resolution No. 1328 on April 25, 1979 to perform trust, other fiduciary business and investment management activities of DBP. TBG started its operations on August 1, 1979.

On June 14, 2016, TBG launched a Unit Investment Trust Fund (UITF) called the Unlad Panimula Multi-Class Money Market Fund (UPMMMF), herein referred to as the Fund. The UPMMMF was created to generate a steady flow of income with emphasis on capital preservation through investments in a diversified portfolio of low-risk securities with duration of not more than one year and will cater to the needs of individuals and institutional investors with conservative risk appetite and short-term investment horizon. Participation in the Fund is open to all individuals and institutional investors such as corporations, cooperatives, foundations and non-government organizations with legal capacity to contract and have funds for short-term investments.

UPMMMF has three classes with the following salient features for each class:

Fund	Minimum Initial Participation	Minimum Additional Participation	Trust Fees
Class I	1,000,000	100,000	0.15% p.a.
Class II	100,000	10,000	0.25% p.a.
Class III	10,000	1,000	0.30% p.a.

TBG's principal place of business is at 4th floor, DBP Building, Sen. Gil J. Puyat Avenue corner Makati Avenue, Makati City.

The UPMMMF has the following number of participations and participants as of December 31, 2023:

Fund	Number of Participations	Number of Participants
Class I	21	11
Class II	129	20
Class III	398	62
Total	548	93

1.2 Approval of Financial Statements

The financial statements of the UPMMMF have been approved and authorized for issuance by the Trust Committee on August 30, 2024.

2. MATERIAL ACCOUNTING POLICIES

2.1 Basis of Financial Statements Preparation

The financial statements comprise the statements of financial position, the statements of income and expenses, the statements of changes in accountabilities and the notes.

These financial statements are presented in Philippine peso, and all values are rounded off to the nearest peso except when otherwise indicated.

The UPMMMF is a pooled fund, contributions of which is through unit participation, each unit has uniform rights and privileges as any other unit in the same fund. Admission/redemption of unit participation is based on prevailing market value of underlying assets or equivalent Net Asset Value per Unit (NAVPU). Depending on the investment policy of the UPMMMF, funds may be invested or reinvested in Deposits, Fixed Income Securities and/or Equities. However, TBG has limited its investment to fixed income investment outlets which have low probability of deviations from expected returns in the short term. Total assets as of December 31, 2023 amounted to:

	2023		
	Class I	Class II	Class III
Total Assets	P30.909 million	P11.399 million	P5.110 million
NAVPU	1.165099	1.155184	1.146348
Average Return on Investment	2.4659%	2.3251%	2.4136%

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 TBG 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 financial statements are disclosed in Note 3.

2.2 Statement of Compliance

The financial statements of the Fund have been prepared using the accrual basis of accounting, following the applicable accounting principles generally accepted in the Philippines as set forth in the Philippine Financial Reporting Standards (PFRSs) and the BSP Circular No. 609, series of 2008, further amended by Circular No. 641, series of 2009, and Circular 1023 dated December 04, 2018.

2.3 Financial Assets

Classification, Measurement and Reclassification of Financial Assets in Accordance with PFRS 9

The classification and measurement of financial assets of UPMMMF fall under the Third Category – accounts with different accounting treatment per regulations (i.e., Retirement Plans, UITFs) when TBG had to classify its clients to different categories to determine the entity's business model. The accounts falling in the third category are those for which regulations have expressly stated a specific accounting standard. Under PFRS 9, BSP mandates that the Classification and Measurement of UITF is Fair Value Through Profit and Loss (FVTPL).

As of December 31, 2023, financial asset of UPMMMF consist only of Deposits in Banks which is measured at face value.

Expected Credit Losses (ECL)

TBG applies the minimum requirement in setting up allowance for credit losses prescribed under the revised Appendix 18/Q-10/N-11 of the Manual of Regulations for Banks/Manual of Regulations for Non-Bank Financial Institutions. As of December 31, 2023, provision for credit losses was determined to be not necessary.

2.4 Accrued expenses and other accountabilities

Accrued expenses and other accountabilities are financial liabilities that are not held-for-trading or not designated as at FVTPL at the inception of the liability. They are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying effective interest method for any related premium, discount and any directly attributable transaction costs.

2.5 Net asset value (NAV) per unit

NAV per unit is computed by dividing net assets (total assets less total liabilities) by the total number of units issued and outstanding as of the reporting date.

2.6 Revenue and Expense Recognition

Revenue Recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the unit-holders and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Interest Income

Interest on financial instruments is recognized based on the effective interest method.

Expense Recognition

Expenses are recognized when it is probable that a decrease in future economic benefits related to a decrease in an asset or an increase in a liability has occurred, and that decrease in economic benefits can be measured reliably.

Trust fee expense represent trust fees which are being charged against the Fund based on daily NAV of the Fund. Trust fees are recognized based on accrual method of accounting.

3. SIGNIFICANT ACCOUNTING JUDGMENTS

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:

Judgments

Classification of financial instruments

TBG, on behalf of the unit-holders, exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset or a financial liability in accordance with the substance of the contractual arrangement and the definitions of a financial asset or a financial liability. The substance of a financial instrument, rather than its legal form, governs its classification in the statement of financial position.

4. MANAGEMENT OF RISKS RELATED TO FINANCIAL INSTRUMENTS

4.1 Risk Management Structure

Consistent with the requirements of BSP Circular No. 766, risk management for the TBG is handled by the Market Risk Management Department – Trust and Subsidiaries Risk Unit (MRMD-TSRU). Results of risk management initiatives are reported to the Risk Oversight Committee, Trust Committee, TBG Head and Department Heads, if necessary.

To sustain its viability and stability, TBG and MRMD-TSRU focus on establishment of risk management system through formulation of risk policies and procedures to include a comprehensive risk management approach, detailed limits structure; guidelines and other parameters used to govern the extent to which risks are acceptable; a clear delineation of lines of responsibilities for managing risk; an adequate system for measuring risk and effective internal controls; and a comprehensive risk reporting process.

4.2 Trust Committee

The overall conduct of the business of TBG is directed by a Trust Committee which functions as the policy-making body with powers and duties of overseeing TBG's

investment activities and formulating broad investment strategies. Specifically, the Trust Committee sets broad investment policies and guidelines, and decides on major investment recommendation presented by the Trust Portfolio Department of TBG. The Trust Committee periodically reviews the operating policies and procedures, establishes major criteria for investment decisions, determines areas of investment of trust funds, reviews overall assets held in trust to determine the safety, value and advisability of retaining and disposing such assets, and makes effective management of risk to retain its long-term competitiveness by maintaining an appropriate balance between risk and return.

4.3 Investment Risk

Investment risk is the current and prospective risk to client's earnings or principal contribution arising from the uncertainty or volatility of potential returns from investment over time. Sources of investment risk include financial exposure to changes in interest rates, equity and debt markets, inflation, foreign exchange rates, commodity prices, and other global economic and political conditions.

4.4 Credit/Counterparty Risk

Credit/counterparty risk is the current and prospective risk to the client's earnings or principal contribution arising from an obligor's failure to meet the terms of any contract with TBG or otherwise perform as agreed. Credit risk is found in all activities where success depends on counterparty, issuer, or borrower performance. It arises anytime fiduciary funds are extended, committed, invested or otherwise exposed through actual or implied contractual agreements, and reflected in the client's financial statements. Credit/counterparty risk exists in the loan portfolio and other forms of credit accommodations.

TBG manages and controls credit/counterparty risk exposure by setting limits on the amount of risk it is willing to accept for individual counterparties by monitoring exposures within acceptable limits. TBG investments are limited to investments through TBG's credit process, and individual approval of the Trust Committee for investment outlets other than banks and investments in commercial papers and other debt instruments other than government securities.

Credit/counterparty risk exposures relating to financial assets are as follows:

	2023			2022		
	Class I	Class II	Class III	Class I	Class II	Class III
Deposits in banks	30,909,234	11,399,453	5,110,347	29,252,926	11,154,010	4,499,980

The above table represents the maximum credit/counterparty risk exposure of TBG-UPMMMF as at December 31, 2023 and 2022 without taking into account any collateral held.

4.5 Liquidity Risk

Liquidity risk is the possibility for an investor to experience losses due to the inability to sell or convert assets into cash immediately or in instances where conversion to cash is

possible but at a loss. These may be caused by different reasons such as trading in securities with small or few outstanding issues, absence of buyers, limited buy/sell activity or underdeveloped capital market.

Liquidity risk occurs when certain securities in the Fund's portfolio may be difficult or impossible to sell at a particular time which may prevent the redemption of investments until its assets can be converted to cash.

TBG shall determine and maintain an adequate level of liquidity in each account based on client-defined constraints/circumstances or product specifications.

TBG ensures availability of funds to cover withdrawals/closing of accounts by trustors by investing in highly liquid investment instruments such as savings deposits and time deposits.

4.6 Operational Risk

Operational risk is the current and prospective risk to the bank's/non-bank financial institution's earnings or capital arising from fraud or error, and the inability of TBG to deliver products or services, maintain a competitive position and manage information. Operational risk is evident in each fiduciary product and service offered. As the fiduciary products and services become sophisticated or volume of activities expands, so does the level of operational risk. This risk encompasses product development and delivery, operational processing, systems development, and the internal control environment. Operational risk is present in the day-to-day operations of TBG and in all aspects of fiduciary activities.

A part of operational risk is legal risk which arises from non-adherence with the terms of the fiduciary agreement and potential that unenforceable contracts, lawsuits, or adverse judgments can disrupt or otherwise negatively affect the operations of the TBG.

For UITFs, TBG strictly adheres to relevant provisions of Section X410 of the BSP MORB and BSP Circular No. 447, series of 2004 to address this particular risk.

4.7 Strategic Risk

Strategic risk is the current and prospective risk to the bank's/non-bank financial institution's earnings and capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. Strategic risk is a function of the compatibility of a financial institution's strategic goals, the business strategies developed to achieve those goals, the resources deployed in support of these goals, and the quality of implementation. The TBG's internal characteristics must be evaluated against the impact of economic, technological, competitive, regulatory, and other environmental changes. Financial success requires a sound strategic planning process embraced by the board and senior management.

TBG lays down its business plans, targets, strategies and budget during the annual plan and budget call. These targets and strategies are approved by the Trust Committee. In addition, financial performance is periodically reported to the Trust Committee.

4.8 Reputational Risk

Reputational risk is the current and prospective risk to the bank's/non-bank financial institution's earnings and capital arising from negative publicity regarding the financial institution's fiduciary business practices. The negative public opinion can cause (a) clients to question or doubt TBG's integrity to engage in fiduciary activities which can result in the termination of fiduciary relationships, (b) litigation costs to increase, or (c) revenues to decline. Reputational risk affects TBG's ability to establish new fiduciary relationships or services or continue servicing existing relationships. Considering that public's perception is critical in the fiduciary business, TBG should exercise an abundance of caution in dealing with clients and the public in general.

TBG implements know-your-client (KYC) policies and procedures that are aligned with regulatory requirements. In addition, TBG utilizes feedback received from its clients, as provided by Corporate Affairs, to enhance its delivery and execution of trust, other fiduciary business and investment management activities.

4.9 Compliance Risk

Compliance risk is the current and prospective risk to the bank's/non-bank financial institution's earnings or capital arising from violation of laws, rules and regulations of regulatory authorities, prescribed practices or sound fiduciary principles, internal policies and prudent ethical standards. Compliance risk also arises in situations where the laws or rules governing certain fiduciary products or activities of the TBG may be ambiguous or untested. This risk exposes the TBG to fines, payment of damages, and the voiding of contracts. Compliance risk can lead to limited business opportunities, reduced expansionary potential, unenforceability of contract or even adversely affects TBG's reputation.

To manage compliance risk, the Office of the Chief Compliance Officer (OCCO) spearheads the implementation of the Bank's Compliance Program, which covers all business units, including the Trust Banking Group. The Compliance Program contains the processes involved in the implementation of the Bank's compliance system 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.

4.10 Market Risk

Market/Price Risk is the possibility for an investor to experience losses due to changes in market prices of securities. It is the exposure to the uncertain market value of a portfolio due to price fluctuations.

It is the risk of the Fund to lose value due to a decline in securities prices, which may sometimes happen rapidly or unpredictably. The value of investments fluctuates over a given time period because of general market conditions, economic changes or other events that impact large portions of the market such as political events, natural calamities, etc. As a result, particularly for UITFs, the Net Asset Value per Unit (NAVPU) may increase to make profit or decrease to incur loss.

Market risks are controlled by restricting trading operations to a list of permissible instruments within authorized limits set by the Trust Committee.

5. DEPOSITS IN BANKS

This account pertains to peso-denominated deposits which earned annual interest as follows:

	2023			2022		
	Class I	Class II	Class III	Class I	Class II	Class III
Time deposit	30,753,429	11,218,118	4,853,772	25,433,261	9,260,206	3,878,474
Special/Option	88,439	151,797	245,758	3,751,771	1,868,000	612,486
	30,841,868	11,369,915	5,099,530	29,185,032	11,128,206	4,490,960
Accrued interest receivable	67,366	29,538	10,817	67,894	25,804	9,020
	30,909,234	11,399,453	5,110,347	29,252,926	11,154,010	4,499,980

	2023			2022		
	Class I	Class II	Class III	Class I	Class II	Class III
Interest income	1,578,698	544,374	243,227	522,754	200,856	81,948
Interest rates	0.11% –6.25%			0.11% –5.75%		

6. PRINCIPAL

This account refers to participations and redemptions from the fund by the trustors. The movement of Principal is summarized as follows:

	Class I		Class II		Class III	
	Amount	Units	Amount	Units	Amount	Units
Balance, January 1, 2022	37,242,909	35,114,523	13,198,955	12,392,245	7,660,363	7,292,380
Subscriptions	1,000,150	902,009	765,000	694,539	1,674,000	1,525,348
Redemptions	(10,553,332)	(9,898,265)	(3,265,268)	(3,055,923)	(5,035,404)	(4,748,440)
Balance, December 31, 2022	27,689,727	26,118,267	10,698,687	10,030,861	4,298,959	4,069,288
Subscriptions	12,054,992	10,511,706	1,730,000	1,514,691	1,278,950	1,137,693
Redemptions	(11,139,024)	(10,104,118)	(1,856,039)	(1,679,636)	(824,046)	(750,191)
Balance, December 31, 2023	28,605,695	26,525,855	10,572,648	9,865,916	4,753,863	4,456,790

7. ACCUMULATED INCOME

This account pertains to revenues, net of expenditures and income withdrawal.

	2023			2022		
	Class I	Class II	Class III	Class I	Class II	Class III
At January 1	1,559,426	452,928	199,864	1,592,096	424,223	326,779
Net Income	1,216,113	408,493	179,411	371,257	129,516	46,849
Income Withdrawal	(475,986)	(37,116)	(24,104)	(403,927)	(100,811)	(173,764)
Accumulated Income	2,299,553	824,305	355,171	1,559,426	452,928	199,864

8. OTHER ACCOUNTABILITIES

This account consists of:

	2023			2022		
	Class I	Class II	Class III	Class I	Class II	Class III
Accrued expenses	3,986	2,500	1,313	3,773	2,395	1,157

Accrued expenses represent unpaid trust fees. Trust fees are service fees charged to Administrative Fees by TBG against the Fund based on the Net Asset Value (NAV) of the Fund which are accrued daily and payable monthly in arrears.

Trust fees charged to the Fund are as follows:

	2023			2022		
	Class I	Class II	Class III	Class I	Class II	Class III
Trust fees	46,846	27,006	15,171	46,946	31,169	18,710
Trust fee rate	0.15%	0.25%	0.30%	0.15%	0.25%	0.30%

9. NET ASSET VALUE (NAV) PER UNIT

The NAV per unit of the Fund is computed as follows:

	2023			2022		
	Class I	Class II	Class III	Class I	Class II	Class III
NAV	30,905,249	11,396,953	5,109,034	29,249,153	11,151,616	4,498,822
Outstanding Units	26,525,855	9,865,916	4,456,790	26,118,267	10,030,861	4,069,288
NAV per Unit	1.165099	1.155184	1.146348	1.119873	1.111731	1.105555

