Republic of the Philippines

COMMISSION ON AUDIT

Commonwealth Ave., Quezon City

ANNUAL AUDIT REPORT

on the

DEVELOPMENT BANK OF THE PHILIPPINES

For the years ended December 31, 2024 and 2023

EXECUTIVE SUMMARY

INTRODUCTION

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

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

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

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

As of December 31, 2024, the Group had 3,268 employees, operated 134 branches with 15 branch lite units, and installed a total of 899 Automated Teller Machines (ATM) nationwide.

SCOPE OF AUDIT

The audit covered the examination, on test basis, of DBP and its subsidiaries transactions and accounts for the period January 1 to December 31, 2024 to enable us to express an opinion on the fairness of presentation of DBP and its subsidiaries (Group) and DBP (Parent Bank) financial statements for the years ended December 31, 2024 and 2023 in accordance with the International Standards of Supreme Audit Institutions. Also, we conducted our audit to assess compliance with pertinent laws, rules and regulations as well as adherence to prescribed policies and procedures.

FINANCIAL HIGHLIGHTS

I. Comparative Financial Position (In thousand pesos)

	Group			Parent		
	2024	2023 As restated	Increase/ (Decrease)	2024	2023 As restated	Increase/ (Decrease)
Total assets	967,980,962	987,140,337	(19,159,375)	964,364,495	984,034,105	(19,669,610)
Total liabilities	871,427,774	899,904,320	(28,476,546)	868,376,223	897,211,889	(28,835,666)
Total Equity	96,553,188	87,236,017	9,317,171	95,988,272	86,822,216	9,166,056

II. Comparative Results of Operations (In thousand pesos)

	Group			Parent		
	2024	2023 As restated	Increase (Decrease)	2024	2023 As restated	Increase/ (Decrease)
Interest Income	48,767,903	46,801,031	1,966,872	48,683,113	46,723,311	1,959,802
Interest expense	(22,315,548)	(23,417,874)	1,102,326	(22,247,990)	(23,341,351)	1,093,361
Provision for Impairment	(7,585,227)	(6,412,460)	(1,172,767)	(7,147,538)	(7,057,529)	(90,009)
Other income	6,767,961	6,834,011	(66,050)	5,349,351	6,248,817	(899,466)
Compensation and fringe benefits	(7,804,900)	(6,048,577)	(1,756,323)	(7,084,387)	(5,700,769)	(1,383,618)
Maintenance and other operating expenses	(9,562,755)	(9,706,756)	144,001	(9,483,837)	(9,628,676)	144,839
Provision for income tax	(857,733)	(578,320)	(279,413)	(801,492)	(602,405)	(199,087)
Net income for the year	7,409,701	7,471,055	(61,354)	7,267,220	6,641,398	625,822
Other comprehensive income/(loss)	990,323	141,485	848,838	992,512	161,526	830,986
Comprehensive income for the year	**8,400,024**	**7,612,540**	**787,484**	**8,259,732**	**6,802,924**	**1,456,808**

III. Budget and Actual Expenditures (In thousand pesos)

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

	2024		2023	
	Budget	Actual Expenditures	Budget	Actual Expenditures
Personal services	6,949,972	7,083,379	7,104,530	6,401,102
Maintenance and other operating expenses	11,298,921	8,746,458	12,783,392	8,957,659
Capital expenditures	3,791,571	309,409	4,619,075	242,485
Total	**22,040,464**	**16,139,246**	**24,506,997**	**15,601,246**

AUDITOR'S OPINION

The Auditor rendered an unmodified opinion with emphasis of matter on the fairness of presentation of the DBP and its subsidiaries (Group) and DBP (Parent Bank) financial statements for the years ended December 31, 2024 and 2023.

SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

1. The Allowance for Credit Losses on loans amounting to P38.076 billion was calculated using the Bank's Expected Credit Loss Model (ECL), which was not recalibrated to reflect current observable data, contrary to Philippine Financial Reporting Standard (PFRS) 9, thus, the faithful representation of the balances of Loans and Receivables, and Provision for Impairment accounts amounting to P503.512 billion and P7.148 billion, respectively, as at December 31, 2024 was not established.

1.1 We recommended and Management agreed to:

a. require the Enterprise Risk Management Group (ERMG) to remeasure the expected credit losses on loan accounts using recalibrated ECL Model; and

b. direct the Loans Administration Department (LAD) to determine whether adjusting entries are necessary based on remeasurement of ECL by ERMG, to ensure the faithful representation of the balances of loan and other affected accounts in the financial statements.

2. Several Real and Other Properties Acquired (ROPA) were (a) not supported with Certificate of Title or proof of ownership; (b) not derecognized after transfer, disposal or title cancellation; (c) not consolidated in the name of DBP; and (d) not regularly appraised, contrary to DBP Circular No. 7 and Philippine Accounting Standards (PAS) 36, 40 and PFRS 5, thus impeding their efficient disposal, and casting doubt on the reliability and faithful representation of the balances of Investment Property, Non-Current Assets Held for Sale and Other Assets – ROPA amounting to P1.868 billion, P177.197 million and P27.761 million, respectively, as at December 31, 2024.

2.1 We recommended and Management agreed to require the:

a. Acquired Assets Department (AAD) to:

a.1 obtain valid proof of ownership for all properties;

a.2 conduct periodic inventory and reconcile ROPA Certificate of Titles to confirm that all ROPAs are properly recorded and accounted for;

a.3 establish specific timelines and targets for the consolidation of ROPAs and to monitor accomplishments towards meeting these targets;

b. AAD and LAD to derecognize both from the ROPA System and the books any properties that have been sold, transferred or cancelled; and

c. AAD and Property Appraisal and Credit Investigation Field Team (PACIFT) to resolve the reasons for the lack of appraisal of ROPAs, ensuring that ROPAs are properly appraised in accordance with DBP Circular No. 7 for proper impairment assessment and efficient property disposal.

3. The reliability and faithful representation of the balance of Accounts Payable (AP) amounting to P2.796 billion in the financial statements as at December 31, 2024 were not established due to a) payables pertaining to contractors/suppliers and other parties, and those collections from loan borrowers and buyers of acquired assets, totaling P687.396 million that remained unapplied to proper accounts or unsettled from over 30 days to 23 years; b) dormant prepaid cash card accounts that were not identified, reclassified and charged with monthly maintenance fee of P30.00 due to system deficiency; and, c) prepaid cash card accounts with negative balances totaling P31,900 not adjusted to proper account, contrary to DBP Circular No. 01 and 05, the 2018 Conceptual Framework and PAS 1.

3.1 We recommended that Management require the Heads of Branches/Units/Departments concerned to:

a. determine whether long outstanding payables are valid obligations of the Bank pursuant to the recognition criteria of liability set forth under the Conceptual Framework for Financial Reporting;

b. expedite the approval/resolution on the disposition of the AP accounts under reconciliation, verification and those affected by system limitation;

c. adhere to paragraphs B.2.4, B.2.5 and B.2.6 of DBP Circular No. 01 in the sending of formal notices to creditors via registered mail, monitoring of the replies and the recording of unclaimed AP to Miscellaneous Income;

d. identify prepaid cash card accounts with no client-initiated transactions for one year or more, reclassify them as dormant, notify the respective cardholders, and impose the monthly maintenance fee in accordance with DBP Circular No. 05;

e. expedite the enhancement of the Card Management System (CMS) within a defined timeframe and conduct a comprehensive reconciliation of all accounts under AP E-Money to ensure the accuracy of the Subsidiary Ledger (SL) Report of AP E-Money;

f. prepare all the necessary adjustments to (i) record the application of APs to proper accounts; (ii) reclassify dormant AP E-Money accounts; (iii) record the imposition of maintenance fee to cardholders of dormant accounts; and (iv) adjust the accounts with negative balances, to correct the balances of the AP account and other affected accounts in the financial statements as at December 31, 2024; and

g. strengthen the Bank's monitoring controls to ensure the timely identification and proper reclassification of dormant prepaid cash card accounts.

SUMMARY OF SUSPENSIONS, DISALLOWANCES AND CHARGES

As of December 31, 2024, total suspensions, disallowances and charges amounted to P306,596,000.00, P1,016,112,875.42 and P1,289,211,506.28, respectively.

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the 10 audit recommendations embodied in the prior year's Annual Audit Report, 3 were implemented, and 7 were not implemented.

TABLE OF CONTENTS

PART I - AUDITED FINANCIAL STATEMENTS

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

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Development Bank of the Philippines
Makati City

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of the **Development Bank of the Philippines** (DBP) and its subsidiaries (the Group), and of DBP (Parent Bank), which comprise the statements of financial position as at December 31, 2024 and 2023, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Group and of the Parent Bank as at December 31, 2024 and 2023, and their financial performance and their cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting reliefs issued by the Bangko Sentral ng Pilipinas (BSP) and approved by the Securities and Exchange Commission (SEC), as described in Note 2.2 to the financial statements.

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 2.2 to the financial statements, which states that the financial statements have been prepared in accordance with the PFRSs, as modified by the application of the financial reporting reliefs issued by the BSP and approved by the SEC in response to the COVID-19 pandemic. The impact of the application of the financial reporting reliefs on the financial statements as at December 31, 2024 and 2023 is discussed in detail in Note 2.2.1 to the financial statements.

Our opinion is not modified in respect of 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 2.2 to the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in accordance with PFRSs, as modified by the application of the financial reporting reliefs issued by the BSP and approved by the SEC, as described in Note 2.2 to the financial statements.

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

Report on Other Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under the Revenue Regulations No. 15-2010 in Note 46 and the BSP Circular No. 1074 in Notes 5, 15, 39 and 44 to the financial statements are presented for purposes of filing with the Bureau of Internal Revenue and the BSP, respectively, and are not a required part of the basic financial statements. Such supplementary information are the responsibility of the management of the Parent Bank and have been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

COMMISSION ON AUDIT

NIDA A. SINGSON
OIC, Supervising Auditor

June 19, 2025

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

BAGONG PILIPINAS

19 June 2025

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, 2024 and 2023, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

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

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

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

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

PHILIP G. LO
Chairman of the Board

MICHAEL O. DE JESUS
President and Chief Executive Officer

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

DEVELOPMENT BANK OF THE PHILIPPINES
STATEMENTS OF FINANCIAL POSITION
As at December 31, 2024 and 2023
(In thousand pesos)

		Group		Parent Bank	
	Note	2024	2023 As restated	2024	2023 As restated
ASSETS					
Cash and other cash items	7	5,078,336	5,999,316	5,057,045	5,980,293
Due from Bangko Sentral ng Pilipinas	8	71,727,159	76,109,867	71,056,847	75,774,099
Due from other banks	9	12,143,334	10,231,396	12,112,452	10,227,868
Interbank loans receivable	10	16,204,727	10,246,972	16,204,727	10,246,972
Securities purchased under agreement to resell	11	4,771,649	42,907,022	4,771,649	42,807,134
Financial assets at fair value through profit or loss (FVTPL)	12	7,185,646	2,664,026	7,185,646	2,664,026
Financial assets at fair value through other comprehensive income (FVOCI)	13	67,292,602	42,207,510	67,261,581	42,172,324
Financial assets at amortized cost (Held to collect)	14	225,611,699	262,892,553	225,488,277	262,771,117
Financial assets at amortized cost (Loans and receivables - net)	15	506,162,193	486,237,941	503,512,069	483,305,972
Bank premises, furniture, fixtures and equipment - net	16	2,407,770	2,392,349	2,400,198	2,383,059
Rights-of-use assets - net	17	842,363	659,417	836,178	649,053
Investment property - net	18	1,932,618	1,902,881	1,867,801	1,838,064
Equity investment in subsidiaries - net	19	0	0	954,238	949,931
Equity investment in associates and joint venture - net	20	25,271,552	215,433	25,049,865	50,531
Non-current assets held for sale - net		177,197	205,175	177,197	205,175
Deferred tax assets	22	10,277,470	7,639,280	10,165,299	7,502,739
Intangible assets - net	23	168,636	190,434	167,452	188,508
Other assets - net	24	10,726,011	34,438,765	10,095,974	34,317,240
TOTAL ASSETS		**967,980,962**	**987,140,337**	**964,364,495**	**984,034,105**
LIABILITIES AND EQUITY					
Liabilities					
Deposit liabilities	25	744,874,725	775,349,348	744,385,115	774,887,033
Bills payable	26				
Official Development Assistance (ODA)		25,903,107	30,276,018	25,903,107	30,276,018
Non-ODA		11,850,323	26,175,849	11,066,363	25,256,626
		37,753,430	56,451,867	36,969,470	55,532,644
Bonds payable	27	40,812,802	32,376,486	40,812,802	32,376,486
Due to Bangko Sentral ng Pilipinas/other banks	28	57	0	57	0
Manager's checks and demand drafts outstanding	29	206,566	193,639	205,693	192,461
Accrued taxes, interests and expenses	30	7,406,190	8,852,114	7,142,534	8,452,409
Deferred credits and other liabilities	31	40,374,004	26,680,866	38,860,552	25,770,856
TOTAL LIABILITIES		**871,427,774**	**899,904,320**	**868,376,223**	**897,211,889**
EQUITY					
Capital stock	32	32,000,000	32,000,000	32,000,000	32,000,000
Retained earnings		64,575,135	56,251,839	64,045,570	55,875,611
Retained earnings reserves	33	270,083	266,498	250,083	246,498
Accumulated other comprehensive income/(loss)	34	(291,619)	(1,281,942)	(307,381)	(1,299,893)
		96,553,599	87,236,395	95,988,272	86,822,216
Non-controlling interest		(411)	(378)	0	0
TOTAL EQUITY		**96,553,188**	**87,236,017**	**95,988,272**	**86,822,216**
TOTAL LIABILITIES AND EQUITY		**967,980,962**	**987,140,337**	**964,364,495**	**984,034,105**

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

DEVELOPMENT BANK OF THE PHILIPPINES
STATEMENTS OF PROFIT OR LOSS
For the years ended December 31, 2024 and 2023
(In thousand pesos)

	Note	Group 2024	Group 2023 As restated	Parent Bank 2024	Parent Bank 2023 As restated
INTEREST INCOME					
Loans and receivables		31,868,485	29,917,818	31,813,187	29,855,939
Financial assets - debt securities		14,025,506	13,355,698	14,021,263	13,352,817
Deposits with banks		909,299	1,253,879	894,698	1,248,250
Interbank loans receivable/Securities purchased under agreement to resell		1,964,613	2,273,636	1,953,965	2,266,305
		48,767,903	46,801,031	48,683,113	46,723,311
INTEREST EXPENSE					
Bills payable and other borrowings					
ODA Borrowings		(1,467,782)	(1,594,014)	(1,467,782)	(1,594,013)
Other Borrowings		(2,808,474)	(2,667,856)	(2,738,923)	(2,590,081)
Deposits		(18,039,292)	(19,156,004)	(18,041,285)	(19,157,257)
		(22,315,548)	(23,417,874)	(22,247,990)	(23,341,351)
NET INTEREST INCOME		26,452,355	23,383,157	26,435,123	23,381,960
Provision for impairment	21	(7,585,227)	(6,412,460)	(7,147,538)	(7,057,529)
NET INTEREST INCOME AFTER PROVISION FOR IMPAIRMENT		18,867,128	16,970,697	19,287,585	16,324,431
OTHER INCOME					
Profits/(loss) from investment and securities trading		465,325	419,096	465,325	419,096
Foreign exchange profit/(loss)		2,296,509	2,722,657	2,296,507	2,722,656
Service charges, fees and commissions	35	2,510,368	1,872,070	1,843,845	1,602,131
Dividends - equity investments		94,617	212,072	100,964	246,854
Miscellaneous income	36	1,401,142	1,608,116	642,710	1,258,080
		6,767,961	6,834,011	5,349,351	6,248,817
OTHER EXPENSES					
Compensation and fringe benefits		(7,804,900)	(6,048,577)	(7,084,387)	(5,700,769)
Taxes and licenses	38,46	(4,653,508)	(4,879,868)	(4,627,929)	(4,845,822)
Occupancy expenses		(83,991)	(74,463)	(74,063)	(67,825)
Other operating expenses	37	(4,825,256)	(4,752,425)	(4,781,845)	(4,715,029)
		(17,367,655)	(15,755,333)	(16,568,224)	(15,329,445)
Net Income before tax		8,267,434	8,049,375	8,068,712	7,243,803
Provision for income tax	38	(857,733)	(578,320)	(801,492)	(602,405)
NET INCOME FOR THE YEAR		**7,409,701**	**7,471,055**	**7,267,220**	**6,641,398**
Attributable to:					
Equity holder of DBP		7,409,734	7,471,097		
Non-controling interest		(33)	(42)		
		7,409,701	**7,471,055**		

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

DEVELOPMENT BANK OF THE PHILIPPINES
STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2024 and 2023
(In thousand pesos)

		Group		Parent Bank	
	Note	2024	2023 As restated	2024	2023 As restated
NET INCOME FOR THE YEAR		7,409,701	7,471,055	7,267,220	6,641,398
Other comprehensive income/(loss)					
Items that may be reclassified subsequently to profit or loss:					
Debt instruments at FVOCI					
Net change in fair value during the year	34	347,026	1,064,784	347,026	1,064,784
Items that will not be reclassified subsequently to profit or loss:					
Equity instruments at FVOCI					
Net change in fair value during the year	34	606,877	(914,133)	611,044	(894,467)
Cumulative foreign currency translation	34	34,442	(8,791)	34,442	(8,791)
Remeasurement gain on pension benefit payable	34	1,978	(375)	0	0
Total Other Comperehensive Income/(Loss)		990,323	141,485	992,512	161,526
TOTAL COMPREHENSIVE INCOME		**8,400,024**	**7,612,540**	**8,259,732**	**6,802,924**
Attributable to:					
Equity Holder of DBP		8,400,057	7,612,583		
Non-controlling interest		(33)	(43)		
		8,400,024	**7,612,540**		

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

DEVELOPMENT BANK OF THE PHILIPPINES
STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2024 and 2023
(In thousand pesos, except per share amounts)

		Group					
		Attributable to the Equity holder of DBP					
	Note	Capital Stock (Note 32)	Retained Earnings	Retained Earnings Reserves (Note 33)	Accumulated Other Comprehensive Income/(Loss) (Note 34)	Non-Controlling Interest	Total
BALANCE AT JANUARY 1, 2023		32,000,000	47,375,556	265,382	(1,423,428)	(461)	78,217,049
Cumulative effect of prior period adjustments	47		1,410,328			126	1,410,454
RESTATED BALANCE AT JANUARY 1, 2023		32,000,000	48,785,884	265,382	(1,423,428)	(335)	79,627,503
Total Comprehensinve income, net of tax							
Net Income for the year, as restated			7,471,097			(42)	7,471,055
Net change in fair value of debt instrument at FVOCI					1,064,784		1,064,784
Net change in fair value of equity instrument at FVOCI					(914,132)	(1)	(914,133)
Cumulative foreign currency translation					(8,791)		(8,791)
Remeasurement of net defined benefit liability/(asset)					(375)		(375)
		0	7,471,097	0	141,486	(43)	7,612,540
Dividends			(4,026)				(4,026)
Reclassification to (from) Surplus Free							
Set up of reserve for Trust Business			(1,116)	1,116			0
		0	(5,142)	1,116	0	0	(4,026)
RESTATED BALANCE AT DECEMBER 31, 2023		32,000,000	56,251,839	266,498	(1,281,942)	(378)	87,236,017
Total Comprehensive income, net of tax							
Net Income for the year			7,409,734			(33)	7,409,701
Net change in fair value of debt instrument at FVOCI					347,026		347,026
Net change in fair value of equity instrument at FVOCI					606,877		606,877
Cumulative foreign currency translation					34,442		34,442
Remeasurement of net defined benefit liability/(asset)					1,978		1,978
		0	7,409,734	0	990,323	(33)	8,400,024
Dividends			0				0
Reclassification to (from) Surplus Free							
Set up of reserve for Trust Business			(3,585)	3,585			0
Adjustments			917,147				917,147
		0	913,562	3,585	0	0	917,147
BALANCE AT DECEMBER 31, 2024		32,000,000	64,575,135	270,083	(291,619)	(411)	96,553,188
		Parent Bank					
BALANCE AT JANUARY 1, 2023		32,000,000	47,841,726	245,382	(1,461,419)		78,625,689
Cumulative effect of prior period adjustments	47		1,393,603				1,393,603
BALANCE AT JANUARY 1, 2023		32,000,000	49,235,329	245,382	(1,461,419)		80,019,292
Total Comprehensinve income, net of tax							
Net Income for the year, as restated			6,641,398				6,641,398
Net change in fair value of debt instrument at FVOCI					1,064,784		1,064,784
Net change in fair value of equity instrument at FVOCI					(894,467)		(894,467)
Cumulative foreign currency translation					(8,791)		(8,791)
		0	6,641,398	0	161,526		6,802,924
Reclassification to (from) Surplus Free							
Set up of reserve for Trust Business			(1,116)	1,116			0
		0	(1,116)	1,116	0	0	0
RESTATED BALANCE AT DECEMBER 31, 2023		32,000,000	55,875,611	246,498	(1,299,893)	0	86,822,216
Total Comprehensinve income, net of tax							
Net Income for the year			7,267,220				7,267,220
Net change in fair value of debt instrument at FVOCI					347,026		347,026
Net change in fair value of equity instrument at FVOCI					611,044		611,044
Cumulative foreign currency translation					34,442		34,442
		0	7,267,220	0	992,512		8,259,732
Reclassification to (from) Surplus Free							
Set up of reserve for Trust Business			(3,585)	3,585			0
Adjustments			906,324				906,324
		0	902,739	3,585	0	0	906,324
BALANCE AT DECEMBER 31, 2024		32,000,000	64,045,570	250,083	(307,381)	0	95,938,272

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

DEVELOPMENT BANK OF THE PHILIPPINES
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2024 and 2023
(In thousand pesos)

	Note	Group		Parent Bank	
		2024	2023 As restated	2024	2023 As restated
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest income received		49,133,347	47,449,369	49,039,379	47,357,049
Interest expense paid		(23,722,291)	(20,416,785)	(23,654,782)	(20,340,284)
Bank commission, service charges and fees received		2,510,554	1,872,099	1,844,031	1,604,942
Profits from investment and securities trading		391,259	393,837	391,259	393,837
Dividend and other income		2,012,363	2,042,654	1,265,373	1,784,949
General and administrative expenses paid		(15,088,785)	(16,740,267)	(16,252,731)	(14,336,465)
Changes in operating assets and liabilities:					
(Increase)/Decrease in operating assets:					
Financial assets - FVTPL		(4,351,006)	109,606	(4,351,006)	109,606
Financial assets at Amortized Cost (Loans and receivables - net)		(27,292,389)	17,771,993	(27,137,597)	17,681,483
Non-current assets held for sale		53,541	27,888	53,541	27,888
Other assets		(1,094,362)	(420,987)	(340,446)	(645,170)
Increase/(Decrease) in operating liabilities:					
Deposit liabilities		(34,104,249)	(50,174,932)	(34,131,544)	(50,166,671)
Due to Bangko Sentral ng Pilipinas/other banks		57	0	57	0
Manager's checks and demand drafts outstandi		12,927	(27,486)	(26,698)	14,777
Accrued taxes, interest and expenses		(1,448,620)	2,230,629	(1,312,571)	2,125,937
Deferred credits and other liabilities		14,036,009	1,696,471	15,434,582	(398,045)
Cash generated from operating activities		(38,951,645)	(14,185,911)	(39,179,153)	(14,786,167)
Income taxes paid		(3,512,544)	(3,561,176)	(3,498,701)	(3,500,866)
Net cash used in operating activities		(42,464,189)	(17,747,087)	(42,677,854)	(18,287,033)
CASH FLOWS FROM INVESTING ACTIVITIES					
(Increase)/Decrease in:					
Financial assets - FVOCI		(22,551,481)	(2,432,644)	(22,551,480)	(2,432,644)
Financial assets at Amortized Cost (HTC)		39,422,733	18,164,836	39,424,702	18,258,152
Equity investment in subsidiaries		0	0	0	(77,000)
Equity investment in associates and joint ventures		(41,655)	15,643	0	0
Bank premises, furnitures, fixtures and equipment		(285,993)	(187,341)	(281,064)	(179,487)
Investment properties		(151,961)	(396,086)	(385,987)	(148,397)
Intangible assets		(17,694)	59	(17,694)	(3,290)
Contribution to the Maharlika Investment Fund		0	(25,000,000)	0	(25,000,000)
Net cash provided by/(used in) investing activities		16,373,949	(9,835,533)	16,188,477	(9,582,666)
CASH FLOWS FROM FINANCING ACTIVITIES					
Increase/(Decrease) in:					
Borrowings		(18,304,391)	(12,055,479)	(18,169,129)	(11,813,936)
Bonds Payable		7,750,000	3,875,000	7,750,000	3,875,000
Payment of matured Unsecured Subordinated		0	(10,000,000)	0	(10,000,000)
Cash dividends paid		0	(4,026)	0	0
Net cash used in financing activities		(10,554,391)	(18,184,505)	(10,419,129)	(17,938,936)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		1,059,637	(482,375)	1,059,637	(482,375)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(35,584,994)	(46,249,500)	(35,848,869)	(46,291,010)
Cash and cash equivalents, beginning of the year		145,474,729	191,724,229	145,016,648	191,307,658
CASH AND CASH EQUIVALENTS, end of the year	7	**109,889,735**	**145,474,729**	**109,167,779**	**145,016,648**

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

DEVELOPMENT BANK OF THE PHILIPPINES
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024 and 2023
(All amounts in thousand pesos unless otherwise stated)

1. General Information

1.1 Incorporation and Operations

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

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

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

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

As of December 31, 2024, the Group had 3,268 employees, operated 134 branches with 15 branch lite units and installed a total of 899 Automated Teller Machines (ATMs) nationwide.

1.2 Approval of Financial Statements

These financial statements have been approved and authorized for issuance by the Board of Directors (BOD) of the Parent Bank on June 19, 2025 under Board Resolution No. 0244.

2. Material Accounting Policies

2.1 Basis of Financial Statement Preparation

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

These financial statements have been prepared on a historical cost basis except for Financial Assets and Financial Liabilities at Fair Value Through Profit or Loss (FVTPL), Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI), derivative financial instruments and real and other properties owned that have been measured at fair value.

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

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

2.2 Statement of Compliance

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

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

2.2.1 Updates on Staggered Booking

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

The Parent Bank recorded the fourth tranche of staggered booking of P656 million in CY 2024, with the remaining unbooked balance amounted to P656 million as at end CY 2024. The Parent Bank's Net Income was registered at P6,641 million in CY 2023 (as restated) and P7,267 million in CY 2024. Had the Parent Bank not availed of the financial reporting relief for the implemented staggered booking of ACL, Net Income would have ended at P7,133 million and P7,759 million in CY 2023 and 2024, respectively.

2.3 New and amended standards adopted by the Group effective January 1, 2024:

- PAS 1 (Amendments), Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current.

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

- PAS 1 (Amendments), Presentation of Financial Statements – Non-current Liabilities with Covenants.

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

- PAS 7 (Amendments), Statement of Cash Flows and PFRS 7 (Amendments), Financial Instruments: Disclosures – Supplier Finance Arrangements.

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

- PFRS 16 (Amendments), Leases – Lease Liability in a Sale and Leaseback.

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

- Philippine Interpretation IFRIC 23, Uncertainty over Income Tax Treatments.

  Philippine Interpretation IFRIC 23 addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:

  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities

- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The IFRIC 23 was already adopted by the Bank but without significant impact on the Bank's current operation. The Bank's compliance with the changes in income tax treatments is always based on the tax regulations set by regulatory bodies such as the Bureau of Internal Revenue.

Adoption of the abovementioned standards did not have any impact on the Group's consolidated financial statements.

2.4 New and amended standards not yet adopted:

- PFRS 9 (Amendments), Financial Instruments and PFRS 7 (Amendments), Financial Instruments: Disclosures – Classification and Measurement of Financial Instruments (effective for annual periods beginning on or after January 1, 2026).

  The amendments seek to improve clarity and consistency in reporting which include guidance for derecognition of a financial liability when it is settled through electronic payment system, and applying the requirements for evaluating contractual cash flow characteristics to financial assets with features related to environmental, social, and governance matters. The entity is also required to apply these amendments retrospectively, but not obliged to restate prior periods unless the entity can clearly demonstrate that hindsight has not been used to make those changes.

- PFRS 18 (New), Presentation and Disclosures in Financial Statements (effective for annual periods beginning on or after January 1, 2027).

  This new Standard will replace PAS 1 and will be applied by every entity preparing financial statements in accordance with PFRS Accounting Standards. PFRS 18 will significantly impact the preparation of statement of profit and loss as well as the notes to financial statements. For comparability purposes, PFRS 18 introduces two new defined subtotals in the statement of profit or loss: operating profit, and profit before financing and income taxes. All income and expenses, as well as foreign exchange differences, will also be classified into one of five categories, namely: operating, investing, financing, income taxes, and discontinued operations. The Standard has also provided guidance on accounting for income and expenses depending on how an entity investing in assets as its main business activity, account for such underlying assets. In addition, PFRS 18 introduces new requirements that will be disclosed in the notes to financial statements: management-defined performance measures, and specified expenses by nature. It also updates the guidance on aggregation and disaggregation of information, and requires the disclosure of depreciation amount, amortization, employee benefits, impairment losses, and inventory write-downs for present expenses classified by function.

➢ PAS 21 (Amendments), The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability (effective for annual periods beginning on or after January 1, 2025).

  The amendments include both updates and guidance to assist preparers of financial statements in reporting foreign currency transactions, translating foreign operations, or presenting financial statements in a different currency, and there is a long-term lack of exchangeability between the relevant currencies. The amendments provides a definition on the determining whether a currency is exchangeable, the process on assessing this exchangeability, estimating a spot exchange rate on lack of exchangeability, and requirements for additional disclosure.

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

2.5 Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Bank and its subsidiaries which are prepared for the same reporting period as the Parent Bank using consistent accounting policies. The percentage of effective ownership of the Parent Bank in operating subsidiaries as of December 31, 2024 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	- 99.95 per cent owned

Under PFRS 10, Consolidated Financial Statements, an investor is required to consolidate the financial statements of an investee if it exercises control over the investee, is exposed to variable returns, and can influence those returns through its power. Hence, even if the Parent Bank has less than 50 per cent ownership, consolidation of financial statements may still be necessary as it exercises control over the investee.

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

2.6 Investments in Subsidiaries

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

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

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

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

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

2.7 Investments in Associates and Joint Ventures

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

2.8 Investments in Subsidiaries, Associates and Joint Ventures

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

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

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

Investment in subsidiaries or associates or joint ventures are derecognized upon disposal or when no future economic benefits are expected to be derived from the subsidiaries or associates or joint ventures at which time the cost and the related accumulated impairment loss are removed in the statement of financial position. Any gain or loss on disposal is determined by comparing the proceeds with the carrying amount of the investment and recognized in profit or loss.

2.9 Foreign Currency Translation

a. Functional and Presentation Currency

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

b. Transactions and Balances

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

2.10 Cash and Cash Equivalents

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

2.11 Due from BSP

Due from BSP represents the bank's deposits maintained with the BSP, primarily consisting of regulatory reserve requirements. This account is used for transaction settlements, including check clearing, fund transfers, and interbank transactions through the BSP's PhilPaSSplus system. It also helps manage daily liquidity needs and ensure smooth banking operations. Additionally, excess funds may be invested in BSP's monetary facilities, such as the Overnight Deposit Facility (ODF) and Term Deposit Facility (TDF).

2.12 Due from Other Banks

Due from other Banks refers to fund balances deposited with both foreign and local banks. These accounts facilitate settlements, interbank transactions, and branch cash servicing needs. Some balances may accrue interest based on agreements between banks.

2.13 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.

2.14 Initial Measurement of Financial Instruments

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

a. Business Model Assessment

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

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

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

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

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

As a second step of its classification process the Group assesses the contractual terms of financial asset 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.

2.15 Classification and Measurement of Financial Assets

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

a. Financial Assets at FVTPL (Debt and Equity)

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

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

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

- Its value changes in response to a change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit spread, credit rating or credit index, or other variables not prohibited under existing laws, rules and regulations (the 'underlying');
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors; and
- It is settled at a future date.

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

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

b. Financial Assets at FVOCI (Debt and Equity)

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

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

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

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

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

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

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

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

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

d. Financial Asset Reclassification

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

- From amortized cost to FVTPL if the objective of the business model changes so that the amortized cost criteria are no longer met. The fair value of the instrument shall be measured at the reclassification date; and

- From FVTPL to amortized cost if the objective of the business model changes so that the amortized cost criteria start to be met and the instrument's contractual cash flows are solely payments of principal and interest on the principal outstanding. The fair value of the instrument at reclassification date becomes its new gross carrying amount.

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

2.16 Impairment of Assets

a. Financial Assets

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

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

- Stage 1: When financial instruments are first recognized, the Group recognizes an allowance based on 12mECL. Stage 1 financial instruments also include facilities where the credit risk has improved and the financial instruments have been reclassified from Stage 2;

- Stage 2: When a financial instrument has shown a significant increase in credit risk since its origination, the Group records an allowance for the LTECL. Stage 2 financial instruments also include facilities, where the credit risk has improved, and the financial instrument has been reclassified from Stage 3; and

- Stage 3: Financial instruments that have shown objective evidence of impairment (credit-impaired). The bank records an allowance for the LTECL.

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

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

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

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

- Exposure at Default (EAD) – an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments; and

- Loss Given Default (LGD) – an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

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

The mechanics of the ECL method are summarized below:

- Stage 1: The 12mECL is calculated as the portion of LTECL that represent the ECL 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 its origination, the Group records an allowance for the LTECL. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR;

- Stage 3: For financial instruments considered credit-impaired, the Group recognizes the lifetime expected credit losses for these financial instruments. The method is similar to that for Stage 2 assets, with the PD set at 100 per cent; and

- Loan commitments and letters of credit: When estimating LTECL for undrawn loan commitments, the Group estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on three probability-weighted scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

For revolving facilities that include both a loan and an undrawn commitment, ECL 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.

b. 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.

2.17 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.

2.18 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 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 as 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.

2.19 Capitalized Interest and Other Charges (CIOC) on Restructured Loans

For CY 2023, the Group derecognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan or it becomes a restructured loan based on the Bank's existing policy. Any increase in the face amount of the loans resulting from accrued interest and accumulated charges which have been capitalized or made part of the principal or restructured loans are booked under Other Deferred Credits - CIOC and shall be amortized/credited to income using the effective interest method in accordance with BSP's Financial Reporting Package (FRP).

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

For CY 2024, the Group derecognizes a financial asset, such as a loan to a customer, when its terms and conditions are renegotiated that it effectively becomes a new or restructured loan under the Bank's existing policy. Any increase in the face amount of the loans resulting from accrued interest and other accumulated charges that have been capitalized as part of the restructured loans are recognized in profit or loss.

A financial asset is derecognized when either the right to receive cash flows expires or when it is transferred in a way that meets the derecognition criteria.

When a financial asset is fully derecognized, the difference between its carrying amount and the consideration received (including any new assets of liabilities) is recorded in profit or loss.

As at December 31, 2024, for Prudential Reporting, the outstanding balance of Other Deferred Credits – CIOC is P1,812 million.

2.20 Offsetting of Financial Assets and Financial Liabilities

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

2.21 Bank Premises, Furniture, Fixtures and Equipment

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

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

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

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

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

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

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

COA Circular No. 2022-004 was issued by the COA as an implementing guideline on the implementation of Section 23 of the FY 2022 General Appropriations Act. It states that "Tangible items which meet the definition and recognition criteria of PPE (Property, Plant and Equipment) but cost is below P50,000.00 shall be accounted in the books of accounts of the agencies as semi-expendable property". This shall be supported by the issuance of the Inventory Custodian Slip (ICS) to establish accountability of the end-user. ICS shall be issued to the end-user and shall be renewed every three years or every time there is a change in custodianship/user of the property. The threshold shall be applied on an individual asset or per item basis. Each item within the bulk of acquisition such as library books, small equipment, computer peripherals, work animals, and the like, will need to meet the amount of below P50,000.00 to be recognized as semi-expendable property.

2.22 Investment Property (IP)

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

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

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

2.23 Non-Current Assets Held For Sale (NCAHFS)

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

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

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

Assets classified as NCAHFS shall not be depreciated or amortized.

2.24 Leases

a. The Group as a Lessee

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

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

- Right-of-Use (ROU) asset

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

  After the commencement date, the ROU asset is measured at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any remeasurement of the lease liability. The depreciation is computed based on the straight-line method. The details of ROU asset are presented in Note 17.

- Lease liability

  It is measured at the present value of the lease payments that are not paid at reporting date. The lease payments were discounted using the interest rate implicit in the lease if the rate can be readily determined. If the rate cannot be readily determined, the Group uses its incremental borrowing rate or the PHP (Philippine Peso) BVAL (Bloomberg Valuation Service) reference rates as of the commencement date of the lease. Lease payments comprise (a) fixed payments less any lease incentives receivable; (b) variable lease payments that depend on an index or rate, initially measured using the index or rate as at the commencement date;

(c) amounts expected to be payable by the Group under residual value guarantees; (d) the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and (e) payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liability by (a) increasing the carrying amount to reflect interest on the lease liability; (b) reducing the carrying amount to reflect the lease payments made; and (c) remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

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

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

The details of finance lease liability as at December 31, 2024 are presented in Note 31.2.

- Lease modifications

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

i. The modification increases the scope of the lease by adding the right to use one or more underlying assets; and

ii. The consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

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

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

  a. Short-term lease

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

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

  b. Lease of low value underlying asset

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

  An underlying asset can be of low value only if:

  i. The Group can benefit from the use of the underlying asset on its own or together with other resources that are readily available to the Group; and

  ii. The underlying asset is not highly dependent on, or highly interrelated with, other assets.

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

  If the Group subleases an underlying asset, or expects to sublease an asset, the head lease does not qualify as a lease of low value assets.

  Short-term and low value lease contracts are booked under Rent Expense and presented as a separate line item under "Occupancy Expenses" in the Statement of Profit or Loss.

b. The Group as a Lessor

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

2.25 Intangible Assets

a. Computer software

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

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

b. BSP License

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

c. Non-proprietary club shares

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

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

2.26 Employee Benefits

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

To help address the emerging business challenges brought about by the fast-evolving technology and to allow the Parent Bank effectively address the personnel requirements under the DBP Reorganization Plan, the Parent Bank has secured approval of the Governance Commission for GOCCs (GCG) for its Separation and Early Retirement Plan

(SERP). The retirement incentive, based on GCG guidelines, is paid to the SERP availees upon effectivity of their separation.

2.27 Deferred Income Tax

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

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

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

Deferred income tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred Tax Assets is presented in Note 22.

2.28 Borrowing Costs

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

2.29 Bills Payable with FX Risk Cover

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

2.30 Grants

a. World Bank Grant

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

As of December 31, 2024, the outstanding balance of the grant is P7.78 million inclusive of interest earned from deposit.

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

The Financing Energy Services for Small Scale End-Users (FINESSE) fund has a total amount of USD 0.18 million of which, USD 0.04 million was provided by The Netherlands Government and USD 0.14 million by OPEC, administered by United Nations Development Programme (UNDP)/FINESSE.

A principal barrier to the wider development and use of renewable energy for both on-grid and off-grid applications is the lack of innovative financing programs that recognize and exploit the unique characteristics of renewable systems. To encourage the development of renewable energy projects, DBP established the New and Renewable Energy – Project Preparation Revolving Fund (NRE-PPRF) using the FINESSE Fund. The purpose of NRE-PPRF is to finance project preparation activities on renewable energy to ensure the generation of bankable project proposals. The NRE-PPRF is meant to be self-sustaining, with the principal and interest from the loan repayment to flow back to the fund. It is intended to assist entrepreneurs, enterprises, and other organizations (i.e., rural electric cooperatives and Non-Government Organizations) in the identification, design, and packaging of renewable energy for financing. The fund was placed in the DBP Trust under a Directional Trust Agreement between UNDP and DBP.

As of December 31, 2024, the outstanding balance of the FINESSE Fund is P6.09 million (Peso Trust Account) and P3.79 million (Dollar Trust Account).

c. Swedish Government Grant

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

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

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

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

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

The total outstanding balance of TTA Fund grant booked under Miscellaneous Asset was closed on May 10, 2024. As of December 31, 2024, the outstanding fund balance under the designated TTA Fund Savings and Special Savings Accounts amounted to P11.78 million.

2.31 Interest and Other Income and Expense

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

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

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

2.32 Segment Reporting

The Parent Bank's operating segments are reported in a manner consistent with the management reporting provided to the President and Chief Executive Officer who is responsible for allocating resources to the reportable segments and assessing their performance.

Intra-segment transactions are conducted on an arm's length basis, and each segment's income and expenses are included in the evaluation of the segment's performance. In accordance with PFRS 8, the Parent Bank identified the following operating segments: (a) Treasury and Corporate Finance, and (b) Development Lending. Note 40 discusses in length the operations and performance of these segments.

2.33 Dividend Policy

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

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

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

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

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

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

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

3. Significant Accounting Judgments and Estimates

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

3.1 Impairment Losses on Financial Assets

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

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

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

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

3.2 Fair Value of Derivatives

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

3.3 Financial Assets at Amortized Cost

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

3.4 Financial Assets Not Quoted in an Active Market

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

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

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

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

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

3.6 Realization of Deferred Income Tax Assets

The Group reviews at each reporting date the carrying amounts of deferred tax assets. The carrying amount of deferred tax assets is reduced to the extent that the related tax assets cannot be utilized due to insufficient taxable profit against which the deferred tax losses will be applied. The Group believes that sufficient taxable profit will be generated to allow all or part of the deferred income tax assets to be utilized. Details are presented in Note 22.

4. Fair Values of Financial Assets and Liabilities

The table below summarizes the carrying amount and fair value of those significant financial assets and liabilities not presented on the statement of financial position at fair value at December 31, 2024:

	Carrying Amount		Fair Value	
	Group	Parent	Group	Parent
Financial assets:				
Cash and other cash items	5,078,336	5,057,045	5,078,336	5,057,045
Due from Bangko Sentral ng Pilipinas	71,727,159	71,056,847	71,727,159	71,056,847
Due from other banks - net	12,143,334	12,112,452	12,143,334	12,112,452
Interbank loans receivable	16,204,727	16,204,727	16,204,727	16,204,727
Securities purchased under agreement to resell	4,771,649	4,771,649	4,771,649	4,771,649
Financial assets at fair value through profit or loss (FVTPL)	7,185,646	7,185,646	7,185,646	7,185,646
Financial assets at fair value through other comprehensive income (FVOCI)	67,292,602	67,261,581	67,292,602	67,261,581
Amortized cost (Held to collect - net)	225,611,699	225,488,277	325,585,051	325,461,629
Amortized cost (Loans and receivables - net)	506,162,193	503,512,069	506,162,193	503,512,069
Other assets- net	5,041,533	4,456,010	5,041,533	4,456,010
Total	**921,218,878**	**917,106,303**	**1,021,192,230**	**1,017,079,655**
Financial liabilities:				
Deposit liabilities	744,874,725	744,385,115	744,874,725	744,385,115
Bills payable	37,753,430	36,969,470	37,753,430	36,969,470
Bonds payable	40,812,802	40,812,802	40,812,802	40,812,802
Due to Bangko Sentral ng Pilipinas/other banks	57	57	57	57
Manager's checks and demand drafts outstanding	206,566	205,693	206,566	205,693
Accrued taxes, interests and expenses	7,406,190	7,142,534	7,406,190	7,142,534
Total	**831,053,770**	**829,515,671**	**831,053,770**	**829,515,671**

4.1 Fair value measurement

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

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

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

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

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

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

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

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

4.2 Fair value hierarchy

The following table presents the fair value hierarchy of the Group's and Parent Bank's assets, exclusive of accrued interest receivables, at December 31, 2024:

	Group			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
FVTPL				
Debt securities	7,155,140	0	0	7,155,140
Equity securities	30,156	0	0	30,156
	7,185,296	0	0	7,185,296
FVOCI				
Debt securities	66,190,704	0	0	66,190,704
Equity securities	185,301	22,110	276,531	483,942
	66,376,005	22,110	276,531	66,674,646
Held to Collect				
Unquoted debt securities classified as loan	0	12,446,887	0	12,446,887
TOTAL	**73,561,301**	**12,468,997**	**276,531**	**86,306,829**

	Parent			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
FVTPL				
Debt securities	7,155,140	0	0	7,155,140
Equity securities	30,156	0	0	30,156
	7,185,296	0	0	7,185,296

	Parent			
	Level 1	Level 2	Level 3	Total
FVOCI				
Debt securities	66,190,704	0	0	66,190,704
Equity securities	170,280	22,110	260,531	452,921
	66,360,984	22,110	260,531	66,643,625
Held to Collect				
Unquoted debt securities classified as loan	0	12,446,887	0	12,446,887
TOTAL	**73,546,280**	**12,468,997**	**260,531**	**86,275,808**

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

5. Management of Risks

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

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

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

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

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

5.1 Credit Risk

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

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

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

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

5.1.1 Credit Approval Process

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

All credit facilities are deliberated at different levels of approving authorities delegated by the BOD depending on the total amount of exposure and security of the loan. The Parent Bank implements a system of checks and balances such that no person can singly approve a credit facility. Furthermore, independent review of the credit risk and compliance with policies, rules, and regulations are conducted by the Credit Risk Management Department and the Internal Audit Group.

5.1.2 Credit Portfolio Management

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

a. Loans and Advances

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

The Parent Bank assesses the probability of default of individual borrowers/ counterparties using internal rating tools tailored to the various categories of counterparty. In the Parent Bank's rating scale, exposures migrate between classes as the assessment of their probabilities of default changes. The rating tools are reviewed and upgraded as necessary.

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

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

Using the different rating models, the lending units are able to calculate the Credit Risk Rating (CRR), 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 CRR determines the basis for the loan pricing. The ICRRS is also tied up with existing policies on account classification and ECL provisioning. Definition of each rating/tier is described as follows:

CRR	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 • With history of payment delinquency within the last three years with the Bank or any lender, but account is current at the time of review • 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

CRR	Qualitative Rating	Characteristics
		• With history of payment delinquency for at least one year with the Bank or any lender • Account is current at the time of review • Adequate cash flow for debt service; volatile financial performance • Belonging to a vulnerable industry; may be able to traverse unfavorable market or operating environment
6	Start-up	• Company with business operations of less than three years and with no credit track record
	Watchlisted	• Well-defined risk indicators and strong impression of weakened credit worthiness • With record of payment delinquency within the last six months of CRR review with the Bank or with other lenders • Previously restructured and classified as Substandard but already performing for six months or less than one year • Borrowers under cross default with a related account in past due status • Past due for less than 31 days • No updated credit checkings • Three-year net losses • With payment deferment/re-amortization • 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 31-60 days (beyond curing period) or past due with other banks/creditors as reported in the latest Credit Investigation Report • 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) o Documentation risk (adverse developments during releasing, non-compliance with loan covenants, terms and conditions)

CRR	Qualitative Rating	Characteristics
		○ 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 ○ Cash generation insufficient for operations and debt repayment as evidenced by frequent delays or inadequate repayment of principal/ interest with the Bank and/ or other FIs ○ Continuous renewal extension without reduction in principal unless capacity to pay has been re-established • 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 61-120 days for unsecured credit or 61-365 days for secured credit • Well-defined weaknesses that may jeopardize repayment/full repayment as indicated 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 ○ Prolonged breach of financial covenants affecting capacity to pay ○ Classified "Especially Mentioned" in the previous review without adequate correction and/or improvement in the weaknesses identified when the account was classified as loans especially mentioned

CRR	Qualitative Rating	Characteristics
	Doubtful	• Past due for 121-180 days (over one year to five years for secured) • Has recently stopped operations • Bankruptcy proceedings • 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 • With proposed viable restructuring/ payment arrangement notwithstanding the past due aging • Past due for 6 – 12 months unsecured credit but borrower signifies willingness to pay with proof of source of repayment
	Loss	• Considered uncollectible or worthless • Unsecured credit to sole proprietor who passed away and recovery from other risk mitigants proved futile • 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 (S&P), Moody's, Fitch, or their equivalent, are used by the Parent Bank to assess credit risk exposures. Investments in these securities allow the Parent Bank to further diversify its credit portfolio while maintaining considerable liquid assets. The external ratings are made as benchmarks for the Parent Bank's own credit rating systems.

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

5.1.3 Risk Limit Control and Mitigation Policies

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

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

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

a. Collateral

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

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

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

b. Credit – Related Commitments

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

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

5.1.4 Impairment and Provisioning Policies

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

a. Staging Assessment

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

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

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

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

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

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

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

b. Probability of Default (PD)

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

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

As part of the qualitative assessment of whether a customer is in default, the Group considered a variety of instances that indicated 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	Qualitative and quantitative assessment with expert judgment
Electric Cooperatives	Qualitative assessment based on nature of instrument, financial performance and regulatory scorecard
Water Districts	Qualitative assessment based on nature of instrument, financial performance and regulatory scorecard
Salary Loans	Vintage analysis based on historical loss dataset
Universal and Commercial Banks	External rating-based approach
Rural Banks	Qualitative assessment with expert judgment
Cooperatives and Microfinance	Qualitative assessment with expert judgment
Others	Vintage analysis

c. Forward-Looking Information (Overlay)

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

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

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

d. Loss Given Default (LGD)

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

- Cured – Refers to those accounts that have defaulted but were able to pay the installment in arrears and revert to performing loans without any significant actions taken by the Group. An account was deemed cured when there was at least six consecutive months of zero default from the last default date. The month when an account reached the sixth month for the first time was the curing date.

- Restructured – Occurred when the payment schedule of the loan has changed or a new loan has been issued to replace the defaulted facility.
- Liquidated – Refers to those accounts whose loans were paid off through borrower payments, payment in kind (dacion en pago), or foreclosure, as well as accounts whose loans have been written-off or have been undergoing litigation.

e. Exposure at Default (EAD)

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

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

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

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 tables below show the percentage of the Group and Parent Bank's loans and receivables and the related allowance for impairment as of December 31, 2024 and 2023.

	Group			
	2024		2023	
	Credit Exposure	Allowance for Impairment	Credit Exposure	Allowance for Impairment
Pass	79.60%	3.41%	80.00%	2.38%
Especially Mentioned	14.94%	12.72%	14.00%	10.43%
Substandard	2.74%	33.76%	3.25%	30.21%
Doubtful	1.96%	43.38%	1.95%	47.98%
Loss	0.76%	89.20%	0.80%	85.84%
	100.00%		100.00%	

	Parent			
	2024		2023	
	Credit Exposure	Allowance for Impairment	Credit Exposure	Allowance for Impairment
Pass	79.79%	3.42%	80.22%	2.39%
Especially Mentioned	15.03%	12.72%	14.07%	10.45%
Substandard	2.53%	35.44%	3.06%	31.00%
Doubtful	1.92%	43.60%	1.87%	48.20%
Loss	0.73%	88.96%	0.78%	85.48%
	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; and
- Personal surety of major stockholders and/or principal officers

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

An analysis of the maximum exposure to credit risk as of December 31, 2024 and 2023, without taking into account any collateral held or other credit enhancements, is shown below based on net carrying amounts as presented in the statements of financial position.

	Group		Parent	
	2024	2023 As restated	2024	2023 As restated
Due from BSP	71,727,159	76,109,867	71,056,847	75,774,099
Due from other banks	12,143,334	10,231,396	12,112,452	10,227,868
Interbank loans receivable	16,204,727	10,246,972	16,204,727	10,246,972
Securities purchased under agreements to resell	4,771,649	42,907,022	4,771,649	42,807,134
Financial asset at FVTPL - net	7,185,646	2,664,026	7,185,646	2,664,026
Financial assets at FVOCI - net	67,292,602	42,207,510	67,261,581	42,172,324
Financial asset at amortized cost - net (HTC)	225,611,699	262,892,553	225,488,277	262,771,117
Loans and receivables - net	506,162,193	486,237,941	503,512,069	483,305,972
Other assets - net	5,041,533	3,422,669	4,456,010	3,354,238
	916,140,542	**936,919,956**	**912,049,258**	**933,323,750**

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

	Group		Parent	
	2024	2023	2024	2023
Undrawn loan commitments	18,555,732	17,452,858	18,555,732	17,452,858
Others	2,783,885	1,234,285	2,783,884	1,234,285
	21,339,617	**18,687,143**	**21,339,616**	**18,687,143**

5.1.6 Credit Quality

The following table shows the credit quality of financial assets as of December 31, 2024 and 2023:

	Group 2024				
	Loans and receivables	Loans and advances to banks *	Investment securities **	Other assets***	Total
Neither past due nor impaired	430,859,017	104,847,542	300,513,217	5,323,593	841,543,369
Past due but not impaired	2,793,647	0	0	0	2,793,647
Impaired	111,039,337	0	0	0	111,039,337
	544,692,001	104,847,542	300,513,217	5,323,593	955,376,353
Allowance for impairment	(38,529,808)	(673)	(423,270)	(282,060)	(39,235,811)
	506,162,193	**104,846,869**	**300,089,947**	**5,041,533**	**916,140,542**

	Group 2023 As restated				
	Loans and receivables	Loans and advances to banks *	Investment securities **	Other assets***	Total
Neither past due nor impaired	435,483,123	139,495,257	308,130,156	3,688,462	886,796,998
Past due but not impaired	4,546,682	0	0	0	4,546,682
Impaired	77,063,214	0	0	0	77,063,214
	517,093,019	139,495,257	308,130,156	3,688,462	968,406,894
Allowance for impairment	(30,855,078)	0	(366,067)	(265,793)	(31,486,938)
	486,237,941	**139,495,257**	**307,764,089**	**3,422,669**	**936,919,956**

Parent 2024					
	Loans and receivables	Loans and advances to banks *	Investment securities **	Other assets***	Total
Neither past due nor impaired	429,415,948	104,146,348	300,358,774	4,709,314	838,630,384
Past due but not impaired	2,237,223	0	0	0	2,237,223
Impaired	109,934,606	0	0	0	109,934,606
	541,587,777	104,146,348	300,358,774	4,709,314	950,802,213
Allowance for impairment	(38,075,708)	(673)	(423,270)	(253,304)	(38,752,955)
	503,512,069	**104,145,675**	**299,935,504**	**4,456,010**	**912,049,258**

Parent 2023 As restated					
	Loans and receivables	Loans and advances to banks *	Investment securities **	Other assets***	Total
Neither past due nor impaired	433,804,741	139,056,073	307,973,534	3,590,408	884,424,756
Past due but not impaired	4,546,682	0	0	0	4,546,682
Impaired	75,255,538	0	0	0	75,255,538
	513,606,961	139,056,073	307,973,534	3,590,408	964,226,976
Allowance for impairment	(30,300,989)	0	(366,067)	(236,170)	(30,903,226)
	483,305,972	**139,056,073**	**307,607,467**	**3,354,238**	**933,323,750**

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

** Comprise FVTPL, FVOCI and Amortized Cost

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

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

	Group		Parent	
	2024	2023	2024	2023
Past due less than 31 days	604,217	262,795	64,756	262,795
Past due 31 - 60 days	17,467	2,056,711	17,467	2,056,711
Past due 61 - 90 days	6,598	1,244,497	6,598	1,244,497
Over 90 days	2,165,365	982,679	2,148,402	982,679
	2,793,647	**4,546,682**	**2,237,223**	**4,546,682**
Fair value of collateral	**0**	**130,341**	**0**	**130,341**

Credit quality of foreign currency-denominated investments are classified according to the following credit grades which are based on the below-enumerated range of 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 Non-performing Loans (NPL) Ratios throughout the year. The graph below shows the NPL Ratio against the Parent Bank's Total Loan Portfolio and the movement in the NPL Ratio from December 2023 to December 2024. The closing NPL ratio for 2024 was 7.68 per cent with an NPL Ratio high of 8.29 per cent in April 2024.

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 2024			
	FVTPL*	**FVOCI***	**FA at Amortized Cost****	**Total**
High Grade	5,754,858	65,030,378	193,810,192	264,595,428
Standard Grade	1,400,632	1,778,282	32,101,355	35,280,269
Substandard Grade	0	0	0	0
Default	0	0	0	0
Total	**7,155,490**	**66,808,660**	**225,911,547**	**299,875,697**
Stage				
1	7,155,490	66,808,660	225,911,547	299,875,697
2	0	0	0	0
3	0	0	0	0
Total	**7,155,490**	**66,808,660**	**225,911,547**	**299,875,697**

* Exclusive of 483,077 million Investment in Equity Securities (See Notes 12 and 13) as these are not credit exposures.
**Inclusive of Accrued Interest Receivables but exclusive of Allowance for Credit Losses.

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

* Exclusive of P793.829 million Investment in Equity Securities (See Notes 12 and 13) as these are not credit exposures.
**Inclusive of Accrued Interest Receivables but exclusive of Allowance for Credit Losses.

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

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

PFRS 9 disclosures pertaining to 2024:

Parent 2024 Gross Carrying Amounts				
	Stage 1	Stage 2	Stage 3	Total
Developmental Loans				
Large Enterprises (L)	290,560,862	70,318,319	34,729,253	395,608,434
Medium Enterprises (M)	5,439,478	2,781,835	5,684,286	13,905,599
Small Enterprises (S)	793,693	287,782	733,378	1,814,853
Micro Enterprises (Mi)	334,203	113,446	258,818	706,467
Local Government Units (LGU)	88,246,337	378,167	0	88,624,504
Financial Institutions (FI)	17,689,875	704,217	119,331	18,513,423
Electric Cooperatives (EC)	4,719,274	875,409	0	5,594,683
Water Districts (WD)	5,022,836	5,620	176	5,028,632
Salary Loans	6,395,756	98,637	496,959	6,991,352
Gross Loans and Receivables	**419,202,314**	**75,563,432**	**42,022,201**	**536,787,947**

Parent 2024 Accrued Interest Receivables				
	Stage 1	Stage 2	Stage 3	Total
Developmental Loans				
Large Enterprises (L)	2,995,698	732,554	193,835	3,922,087
Medium Enterprises (M)	56,061	25,766	19,008	100,835
Small Enterprises (S)	7,719	1,766	375	9,860
Local Government Units (LGU)	1,600	481	7	2,088
Micro Enterprises (Mi)	490,006	1,914	0	491,920
Financial Institutions (FI)	105,865	3,780	0	109,645
Electric Cooperatives (EC)	24,503	7,714	0	32,217
Water Districts (WD)	21,000	33	0	21,033
Salary Loans	49,424	716	8	50,148
Accrued Interest Receivables	**3,751,876**	**774,724**	**213,233**	**4,739,833**

Parent 2024 Expected Credit Losses				
	Stage 1	Stage 2	Stage 3	Total
Developmental Loans				
Large Enterprises (L)	5,544,517	3,942,357	23,051,076	32,537,950
Medium Enterprises (M)	224,676	235,925	3,292,311	3,752,912
Small Enterprises (S)	14,427	10,172	404,868	429,467
Local Government Units (LGU)	5,854	4,206	151,258	161,318
Micro Enterprises (Mi)	887,363	19,004	0	906,367
Financial Institutions (FI)	97,332	8,515	82,549	188,396
Electric Cooperatives (EC)	45,787	44,156	0	89,943
Water Districts (WD)	50,438	283	9	50,730
Salary Loans	64,482	10,977	496,968	572,427
Staggered Booking of Reserves (Note 2.2.1)	0	0	(656,269)	(656,269)
Expected Credit Loss	**6,934,876**	**4,275,595**	**26,822,770**	**38,033,241**

PFRS 9 disclosures pertaining to 2023:

Parent 2023 Gross Carrying Amounts				
	Stage 1	Stage 2	Stage 3	Total
Developmental Loans				
Large Enterprises (L)	282,714,689	54,767,185	28,167,706	365,649,580
Medium Enterprises (M)	6,955,391	3,756,612	5,344,187	16,056,190
Small Enterprises (S)	1,206,730	512,769	850,520	2,570,019
Micro Enterprises (Mi)	481,933	212,205	304,425	998,563
Local Government Units (LGU)	66,354,516	12,733,215	0	79,087,731
Financial Institutions (FI)	25,361,120	89,489	19,250	25,469,859
Electric Cooperatives (EC)	5,218,245	821,845	241,452	6,281,542
Water Districts (WD)	5,280,615	80,192	0	5,360,807
Salary Loans	7,097,393	123,630	497,290	7,718,313
Gross Loans and Receivables	**400,670,632**	**73,097,142**	**35,424,830**	**509,192,604**

Parent 2023 Accrued Interest Receivables				
	Stage 1	Stage 2	Stage 3	Total
Developmental Loans				
Large Enterprises (L)	2,761,223	491,957	268,268	3,521,448
Medium Enterprises (M)	64,487	38,458	22,881	125,826
Small Enterprises (S)	9,122	5,314	5,297	19,733
Local Government Units (LGU)	3,087	1,810	0	4,897
Micro Enterprises (Mi)	311,161	108,669	0	419,830
Financial Institutions (FI)	165,080	785	0	165,865
Electric Cooperatives (EC)	21,024	1,016	844	22,884
Water Districts (WD)	19,579	109	0	19,688
Salary Loans	48,590	663	3	49,256
Accrued Interest Receivables	**3,403,353**	**648,781**	**297,293**	**4,349,427**

Parent 2023 Expected Credit Losses As restated				
	Stage 1	Stage 2	Stage 3	Total
Developmental Loans				
Large Enterprises (L)	6,071,669	5,222,657	14,565,432	25,859,758
Medium Enterprises (M)	287,780	351,174	2,683,282	3,322,236
Small Enterprises (S)	58,182	13,197	203,654	275,033
Local Government Units (LGU)	12,711	9,622	85,834	108,167
Micro Enterprises (Mi)	843,020	128,419	0	971,439
Financial Institutions (FI)	308,729	2,248	18,527	329,504
Electric Cooperatives (EC)	50,240	8,229	2,423	60,892
Water Districts (WD)	53,002	803	0	53,805
Salary Loans	179,685	8,926	400,065	588,676
Staggered Booking of Reserves (See Note 2.2.1)	0	0	(1,312,538)	(1,312,538)
Expected Credit Loss	**7,865,018**	**5,745,275**	**16,646,679**	**30,256,972**

Movements in the Gross Carrying Amounts and Allowance for Expected Credit Losses in 2024:

Parent 2024 Gross Carrying Amounts				
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount at January 1, 2024	400,670,632	73,097,142	35,424,830	509,192,604
New assets originated or purchased	14,384,440	5,669,378	31,504	20,085,322
Assets derecognized or repaid	(9,952,777)	(1,027,043)	(376,837)	(11,356,657)
Transfers to Stage 1	44,142,065	(25,394,151)	(500,777)	18,247,137
Transfers to Stage 2	(27,255,258)	35,034,393	(6,681,306)	1,097,829
Transfers to Stage 3	(2,786,788)	(11,816,287)	14,124,787	(478,288)
At December 31, 2024	**419,202,314**	**75,563,432**	**42,022,201**	**536,787,947**

Parent 2024 Expected Credit Losses				
	Stage 1	Stage 2	Stage 3	Total
ECL amount at January 1, 2024	7,865,018	5,745,275	16,646,679	30,256,972
New assets originated or purchased	417,691	352,899	24,062	794,652
Assets derecognized or repaid	(173,419)	(28,499)	(323,351)	(525,269)
Transfers to Stage 1	22,162	(943,345)	(109,006)	(1,030,189)
Transfers to Stage 2	(1,032,110)	1,714,913	(1,487,545)	(804,742)
Transfers to Stage 3	(164,466)	(2,565,648)	12,728,200	9,998,086
Staggered Booking of Reserves (Note 2.2.1)	0	0	(656,269)	(656,269)
At December 31, 2024	**6,934,876**	**4,275,595**	**26,822,770**	**38,033,241**

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

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

Parent 2023 Expected Credit Loss As restated				
	Stage 1	Stage 2	Stage 3	Total
ECL amount at January 1, 2023	6,189,815	1,145,373	17,249,567	24,584,755
New assets originated or purchased	276,552	61,655	4,133	342,340
Assets derecognized or repaid	(218,526)	(93,338)	(457,866)	(769,730)
Transfers to Stage 1	2,545,949	(264,583)	(346,044)	1,935,322
Transfers to Stage 2	(947,333)	5,147,353	(2,525,781)	1,674,239
Transfers to Stage 3	18,561	(251,185)	4,035,208	3,802,584
Staggered Booking of Reserves (Note 2.2.1)	0	0	(1,312,538)	(1,312,538)
At December 31, 2023	**7,865,018**	**5,745,275**	**16,646,679**	**30,256,972**

5.1.9 Collateral held as security and other credit enhancements

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

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

	2024	2023
A. Against neither past due nor impaired		
Real estate mortgage	99,469,062	96,404,717
Chattel mortgage	14,531,359	14,695,094
Deposits on hold	6,449,439	3,772,824
IRA/Others	116,730,933	265,289,795
	237,180,793	**380,162,430**
B. Against past due but not impaired		
Real estate mortgage	0	68,341
IRA/Others	0	62,000
	0	**130,341**
C. Against impaired loans		
Real estate mortgage	85,614,874	11,127,286
Chattel mortgage	8,364,843	6,302,298
Deposits on hold	52,150	47,140
IRA/Others	10,140,391	4,174,523
	104,172,258	**21,651,247**
	341,353,051	**401,944,018**

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.

5.1.10 Credit Concentration

An analysis of concentrations of credit risk as of December 31, 2024 and 2023 based on the carrying amount is shown below:

Group 2024	Loans and receivables	Loans and advances to banks	Investment securities	Other assets	Total
Financial and insurance activities	35,171,344	104,847,542	279,933,364	0	419,952,250
Electricity, gas and water	165,828,011	0	6,374,570	0	172,202,581
Manufacturing	40,705,731	0	226,086	0	40,931,817
Real estate, renting and business administration	43,644,066	0	3,824,034	0	47,468,100
Wholesale and retail trade	15,909,778	0	2,880,320	0	18,790,098
Transportation and storage	25,059,475	0	7,117,781	0	32,177,256
Information and communication	16,012,235	0	6,321	0	16,018,556
Public administration	89,144,015	0	1,740	0	89,145,755
Education	4,945,744	0	0	0	4,945,744
Human health and social work	23,909,066	0	0	0	23,909,066
Activities of household	7,041,657	0	0	0	7,041,657
Construction	54,104,242	0	0	0	54,104,242
Agriculture, forestry and fishing	19,317,705	0	0	0	19,317,705
Others	3,898,932	0	149,001	5,323,593	9,371,526
	544,692,001	104,847,542	300,513,217	5,323,593	955,376,353
Allowance for impairment	(38,529,808)	(673)	(423,270)	(282,060)	(39,235,811)
	506,162,193	**104,846,869**	**300,089,947**	**5,041,533**	**916,140,542**

Group 2023 As restated	Loans and receivables	Loans and advances to banks	Investment securities	Other assets	Total
Financial and insurance activities	36,490,992	139,495,257	277,217,929	0	453,204,178
Electricity, gas and water	129,647,588	0	13,243,877	0	142,891,465
Manufacturing	34,802,334	0	326,569	0	35,128,903
Real estate, renting and business administration	55,879,565	0	3,553,628	0	59,433,193
Wholesale and retail trade	20,867,458	0	2,935,136	0	23,802,594
Transportation and storage	24,978,373	0	10,412,603	0	35,390,976
Information and communication	21,586,075	0	320,754	0	21,906,829
Public administration	79,619,831	0	1,740	0	79,621,571
Education	5,517,058	0	0	0	5,517,058
Human health and social work	24,862,499	0	0	0	24,862,499
Activities of household	7,767,667	0	0	0	7,767,667
Construction	50,339,459	0	0	0	50,339,459
Agriculture, forestry and fishing	19,928,256	0	0	0	19,928,256
Others	4,805,864	0	117,920	3,688,462	8,612,246
	517,093,019	139,495,257	308,130,156	3,688,462	968,406,894
Allowance for impairment	(30,855,078)	0	(366,067)	(265,793)	(31,486,938)
	486,237,941	**139,495,257**	**307,764,089**	**3,422,669**	**936,919,956**

Parent 2024	Loans and receivables	Loans and advances to banks	Investment securities	Other assets	Total
Financial and insurance activities	35,171,344	104,146,348	279,778,921	0	419,096,613
Electricity, gas and water	165,828,011	0	6,374,570	0	172,202,581
Manufacturing	40,162,390	0	226,086	0	40,388,476
Real estate, renting and business administration	43,644,066	0	3,824,034	0	47,468,100
Wholesale and retail trade	15,583,783	0	2,880,320	0	18,464,103
Transportation and storage	23,648,963	0	7,117,781	0	30,766,744
Information and communication	15,792,710	0	6,321	0	15,799,031
Public administration	89,116,427	0	1,740	0	89,118,167
Education	4,909,594	0	0	0	4,909,594

Parent 2024					
	Loans and receivables	Loans and advances to banks	Investment securities	Other assets	Total
Human health and social work	23,909,066	0	0	0	23,909,066
Activities of household	7,041,657	0	0	0	7,041,657
Construction	53,758,042	0	0	0	53,758,042
Agriculture, forestry and fishing	19,313,204	0	0	0	19,313,204
Others	3,708,520	0	149,001	4,709,314	8,566,835
	541,587,777	104,146,348	300,358,774	4,709,314	950,802,213
Allowance for impairment	(38,075,708)	(673)	(423,270)	(253,304)	(38,752,955)
	503,512,069	**104,145,675**	**299,935,504**	**4,456,010**	**912,049,258**

Parent 2023 As restated					
	Loans and receivables	Loans and advances to banks	Investment securities	Other assets	Total
Financial and insurance activities	36,490,992	139,056,073	277,061,307	0	452,608,372
Electricity, gas and water	129,647,588	0	13,243,877	0	142,891,465
Manufacturing	34,137,719	0	326,569	0	34,464,288
Real estate, renting and business administration	55,879,565	0	3,553,628	0	59,433,193
Wholesale and retail trade	20,474,084	0	2,935,136	0	23,409,220
Transportation and storage	23,679,489	0	10,412,603	0	34,092,092
Information and communication	21,235,553	0	320,754	0	21,556,307
Public administration	79,506,262	0	1,740	0	79,508,002
Education	5,464,822	0	0	0	5,464,822
Human health and social work	24,862,499	0	0	0	24,862,499
Activities of household	7,767,667	0	0	0	7,767,667
Construction	49,921,449	0	0	0	49,921,449
Agriculture, forestry and fishing	19,923,749	0	0	0	19,923,749
Others	4,615,523	0	117,920	3,590,408	8,323,851
	513,606,961	139,056,073	307,973,534	3,590,408	964,226,976
Allowance for impairment	(30,300,989)	0	(366,067)	(236,170)	(30,903,226)
	483,305,972	**139,056,073**	**307,607,467**	**3,354,238**	**933,323,750**

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

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

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

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

Outstanding investments in MRTC bonds have a book value of USD10.21 million booked under Financial Assets at Amortized Cost – Held to Collect under Note 14, while investment in common and preference shares are shown in Note 13 under private equity securities.

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

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

5.1.11 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 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 and set based on industry-accepted methodologies. Market risk is primarily controlled by restricting trading operations to a list of permissible instruments within authorized limits set by the BOD. These limits are monitored on a regular basis. The monitoring of market risk is enabled by an integrated, multi-platform treasury and risk management system that streamlines control and monitoring processes.

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

5.2.1 The Value-at-Risk

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

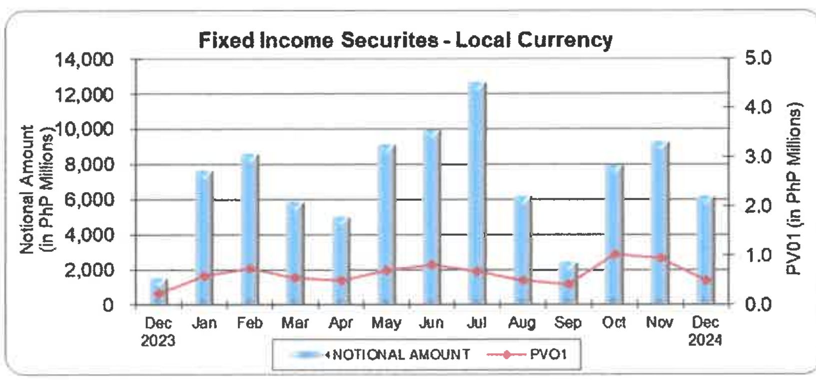
The table below provides a summary of Parent Bank's VaR profile, by risk class for 2024 and 2023:

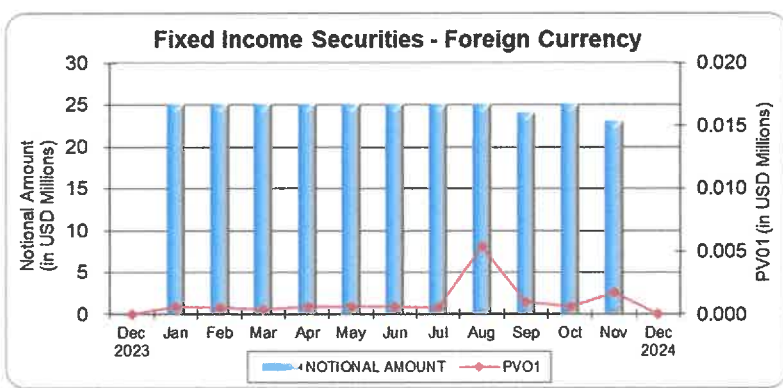
	2024	December 2023 - December 2024			2023
	Year end	Avg	Min	Max	Year end
In PHP Millions					
Fixed Income Trading	69.41	86.44	15.99	201.83	16.59
Equities Trading	1.20	1.58	0.32	4.72	4.88
Foreign Exchange Trading	3.12	7.52	0.06	39.26	4.88

The Parent Bank's VaR for Fixed Income Trading by year-end of 2024 is higher by 318.38 per cent 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 and a higher outstanding position by end-December 2024. Moreover, a P3.12 Million VaR is noted for the Parent Bank's Foreign Exchange Trading position as of end-2024. Meanwhile, Equities Trading ended the year with a VaR amounting to P1.20 Million.

5.2.2 Sensitivity Analysis

Interest rate sensitive positions in the trading book are measured using a single rate-duration based calculation of interest rate risk. The graph below shows the movement in Present Value (PV01) terms of the Parent Bank's debt securities portfolio from December 2023 to December 2024.





5.3 Liquidity Risk

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

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

5.3.1 Maximum Cumulative Outflow (MCO)

The liquidity risk tolerance from mismatch of assets and liabilities is reflected and monitored through the MCO model, which computes for varied level of gaps per tenor bucket on a per book and currency basis. As of December 2024, liquidity gap for the first six months posted net positive P4.6 billion.

5.3.2 Liquidity Coverage Ratio (LCR)

In compliance with Basel III standards, the LCR is monitored to determine if there is a sufficient stock of high-quality liquid assets (HQLA) to cover for the next 30-day's net outflows. This ratio is maintained at more than 100 per cent which is the prescribed level by the BSP. Below are details of the LCR in Single Currency, both in consolidated basis (for the Group) and solo basis (for the Parent Bank), presented in average of the four quarterly observations for the year 2024:

Group 2024 LCR Disclosure (In Single Currency, Absolute Amount)		
	Total Unweighted Value (Average)1/	**Total Weighted Value (Average)2/**
STOCK OF HQLA		
Total Stock of HQLA		**311,339,242,211.16**
EXPECTED CASH OUTFLOWS		
Deposits, of which:	**738,146,441,403.19**	**263,919,696,271.15**
Retail Funding	38,419,365,481.25	3,461,460,314.27
Wholesale Funding, of which:	699,727,075,921.94	260,458,235,956.88
Operational Deposits	327,614,482,471.36	98,284,344,741.41
Non-operational Deposits (all counterparties)	372,112,593,450.58	162,173,891,215.47
Unsecured Wholesale Funding (all counterparties)	**1,263,053,370.67**	**752,252,006.24**
Secured Funding	**2,425,641,408.32**	**0**
Derivatives contracts, of which:	**6,450,246,761.55**	**6,450,246,761.55**
Outflows Related to Derivatives Exposures (net)	6,450,246,761.55	6,450,246,761.55

Group		
2024 LCR Disclosure (In Single Currency, Absolute Amount)		
	Total Unweighted Value (Average)[1/]	Total Weighted Value (Average)[2/]
Outflows Related to Collateral Requirements	0	0
Structured Financing Instruments	**0**	**0**
Committed Business Facilities (all counterparties)	**62,243,413,243.08**	**9,813,922,067.49**
Other Contractual Obligations within a 30-day period	**18,130,928,452.11**	**18,130,928,452.11**
Other Contingent Funding Obligations	**11,020,015,807.22**	**1,108,359,117.90**
TOTAL EXPECTED CASH OUTFLOWS		**300,175,404,676.44**
EXPECTED CASH INFLOWS		
Secured Lending	**480,883.36**	**0**
Fully Performing Exposures (all counterparties)	**49,952,640,009.88**	**36,878,767,972.44**
Other Cash Inflows	**16,698,325,920.72**	**16,698,325,920.72**
TOTAL EXPECTED CASH INFLOWS	**66,651,446,813.96**	**53,577,093,893.16**
TOTAL STOCK OF HQLA		**311,339,242,211.16**
TOTAL EXPECTED NET CASH OUTFLOWS		**246,598,310,783.28**
LIQUIDITY COVERAGE RATIO (%)		**132.52%**

[1/] Average of quarterly outstanding balances for the year 2024
[2/] Average of quarterly weighted balances (applied with haircut or inflow/outflow rates) for the year 2024

Parent		
2024 LCR Disclosure (In Single Currency, Absolute Amount)		
	Total Unweighted Value (Average)[1/]	Total Weighted Value (Average)[2/]
STOCK OF HQLA		
Total Stock of HQLA		**310,673,734,611.09**
EXPECTED CASH OUTFLOWS		
Deposits, of which:	**737,655,281,449.34**	**263,870,566,673.80**
Retail Funding	37,831,287,219.08	3,401,713,052.37
Wholesale Funding, of which:	699,823,994,230.26	260,468,853,621.43
Operational Deposits	327,737,769,105.33	98,321,330,731.60
Non-operational Deposits (all counterparties)	372,086,225,124.93	162,147,522,889.83
Unsecured Wholesale Funding (all counterparties)	**968,517,438.71**	**460,875,782.45**
Secured Funding	**2,425,220,975.05**	**0**
Derivatives contracts, of which:	**6,450,246,761.55**	**6,450,246,761.55**
Outflows Related to Derivatives Exposures (net)	6,450,246,761.55	6,450,246,761.55
Outflows Related to Collateral Requirements	0	0
Structured Financing Instruments	**0**	**0**
Committed Business Facilities (all counterparties)	**62,243,413,243.08**	**9,813,922,067.49**
Other Contractual Obligations within a 30-day period	**17,669,227,761.54**	**17,669,227,761.54**
Other Contingent Funding Obligations	**11,020,015,807.22**	**1,108,359,117.90**
TOTAL EXPECTED CASH OUTFLOWS		**299,373,198,164.73**

Parent		
2024 LCR Disclosure (In Single Currency, Absolute Amount)		
	Total Unweighted Value (Average)[1/]	**Total Weighted Value (Average)[2/]**
EXPECTED CASH INFLOWS		
Secured Lending	**0**	**0**
Fully Performing Exposures (all counterparties)	**34,913,830,954.15**	**36,771,611,956.33**
Other Cash Inflows	**17,191,673,537.31**	**16,396,673,549.08**
TOTAL EXPECTED CASH INFLOWS	**52,105,504,491.46**	**53,168,285,505.41**
TOTAL STOCK OF HQLA		**310,673,734,611.09**
TOTAL EXPECTED NET CASH OUTFLOWS		**246,204,912,659.32**
LIQUIDITY COVERAGE RATIO (%)		**132.46%**

[1/] Average of quarterly outstanding balances for the year 2024
[2/] Average of quarterly weighted balances (applied with haircut or inflow/outflow rates) for the year 2024

In addition, below is the actual LCR as of December 31, 2024:

LCR as of December 31, 2024 (In Single Currency, Absolute Amount)		
	Group	**Parent**
Total Stock of HQLA	308,326,434,912.95	307,512,474,762.25
Total Net Cash Outflows	241,307,642,371.69	241,158,480,298.03
LCR (HQLA/Net Cash Outflows)	**127.77%**	**127.51%**

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

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

5.3.3 Net Stable Funding Ratio (NSFR)

NSFR as of December 31, 2024 (In Single Currency, Absolute Amount)		
	Group	**Parent**
Available Stable Funding (ASF)	549,839,854,708.72	548,716,000,151.67
Required Stable Funding (RSF)	508,850,336,208.84	507,426,208,057.87
NSFR (ASF/RSF)	**108.06%**	**108.14%**

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	13%	11%
Liquid Assets vs. Volatile Funding	21%	30%
Liquid & Less Liquid Assets vs. Volatile Funding	26%	32%
Key Liquidity Provider Sourced Funding vs. Total Liabilities	4%	3%
Liquid Assets Ratio	16%	24%

1/ DBP ratios as of December 31, 2024
2/ Top 10 universal banks in terms of assets excluding DBP as of September 30, 2024

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

5.3.5 Liquidity Risk Limits

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

5.3.6 Early Warning Signals

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

5.4 Foreign Currency Risk

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

BSP caps the Parent Bank's consolidated net open foreign exchange (FX) position (either overbought or oversold) at 25 per cent of its Qualifying Capital or USD150 million, whichever is lower. The consolidated net open FX position is the higher of the absolute value of the sum of the net long positions ("positive" or "overbought") or the sum of the net short positions ("negative" or "oversold") in individual currencies.

The Group's consolidated net open FX position as of December 31, 2024 reported a net short position of USD18.29 million or 1.21 per cent of its Qualifying Capital. Also, the Group is required to fully cover foreign currency liabilities with foreign currency assets held in the FCDU books.

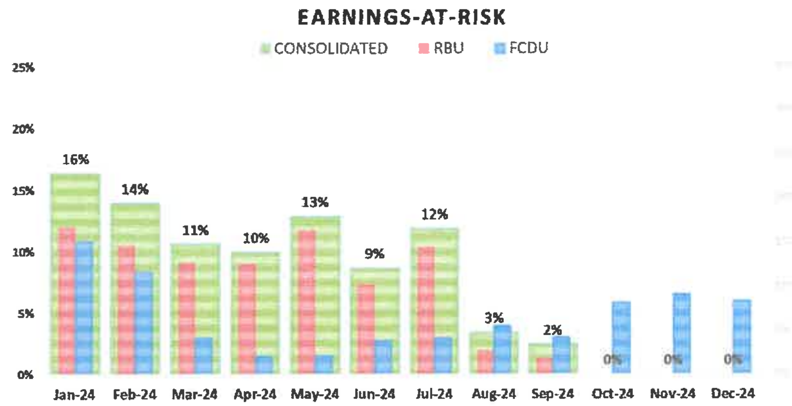
The table summarizes the Parent Bank's exposure to foreign exchange risk as of December 31, 2024. Included in the table are the Parent Bank's assets and liabilities at carrying amounts, categorized by currency:

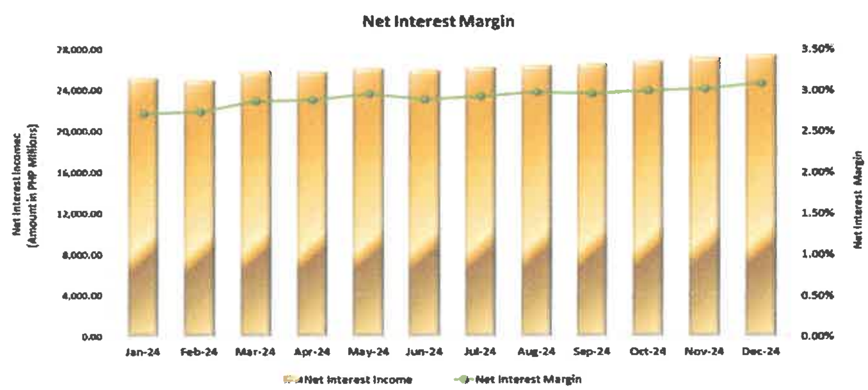
	Foreign Currency	Regular Foreign	Total
Assets			
Due from other banks	7,238,255	4,078,305	11,316,560
Interbank loans receivable	13,304,350	2,892,250	16,196,600
Financial assets at fair value through profit and loss (FVTPL)	0	1,214,107	1,214,107
Financial assets at fair value through other comprehensive income (FVOCI)	13,841,692	20,812,916	34,654,608
Financial assets at amortized cost	51,388,756	15,080,451	66,469,207
Loans and advances (net)	12,350,448	39,610	12,390,058
Other resources	99,137,692	48,050,512	147,188,204
Total Assets	**197,261,193**	**92,168,151**	**289,429,344**
Liabilities			
Deposit liabilities	76,156,254	0	76,156,254
Bills payable	3,347,728	7,524,927	10,872,655
Bonds payable, net	17,306,420	0	17,306,420
Accrued taxes, interest and other expenses	639,636	165,251	804,887
Other liabilities	1,046,461	29,886,557	30,933,018
Total Liabilities	**98,496,499**	**37,576,735**	**136,073,234**
Net Exposure	**98,764,694**	**54,591,416**	**153,356,110**
Total contingent accounts			**0**
Consolidated net open FX position (in USD millions)			**(18,289)**

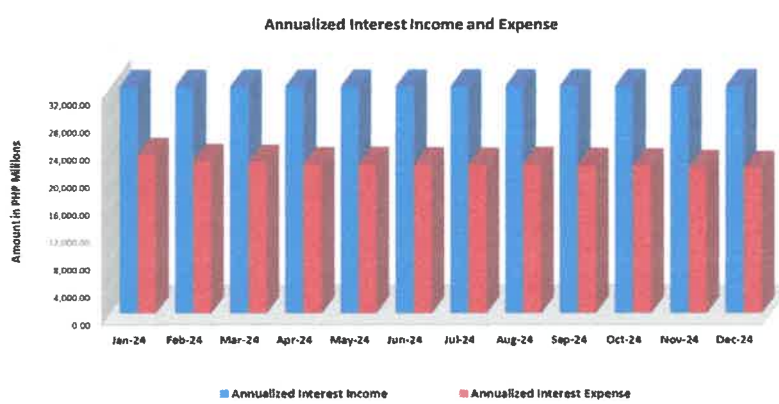
5.5 Interest Rate Risk in the Banking Book

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), is 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 2024 for both the RBU and FCDU books.

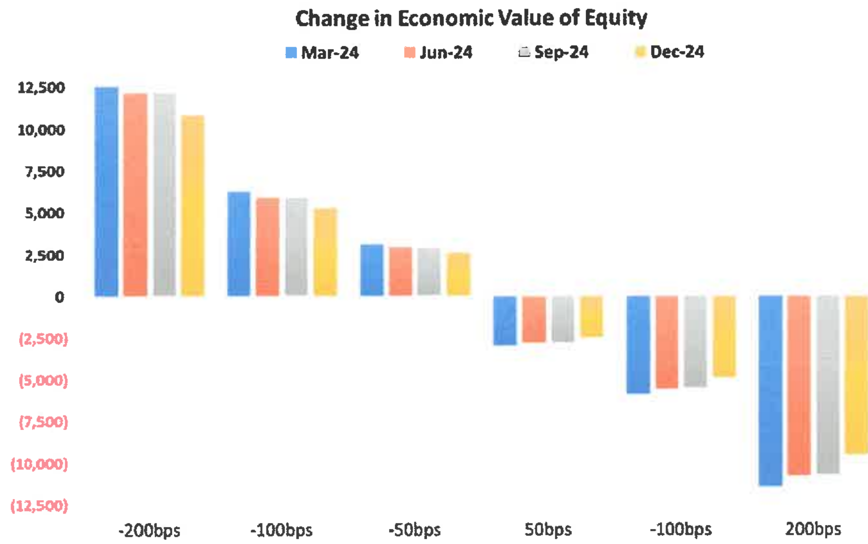






The Parent Bank also manages IRRBB through the EVE methodology. This approach focuses on the economic value of accounts sensitive to interest rate change covering short-, medium-, and long-term vulnerabilities. Applying various interest rate shocks from the computed EVE, the Change in EVE is then determined,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

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



5.6 Operational Risk Management (ORM)

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

As the Parent Bank continuously manages operational risk by identifying, assessing, monitoring, controlling and mitigating the risk, the institution is moving towards integrating operational resilience in its risk management approach. Such integration will ensure that the Parent Bank can continue rendering its critical operations through significant disruption, reducing the impact on its customers and the financial system.

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

ORMD is composed of the Business Continuity Management Unit (BCMU) and Operational Risk Monitoring Unit (ORMU). These two units implement their respective risk management tools and processes, upon which the Parent Bank will build on as the institution integrates operational resilience in these tools and processes. BCMU improves and strengthens the Parent Bank's business continuity management (BCM), which includes the conduct of the Business Impact Analysis (BIA); development, review, update, and testing of Business Continuity Plans (BCP); and monitoring and compliance with regulatory requirements for BCM. ORMU improves and strengthens the Parent Bank's operational risk management, which includes risk assessment integrated in the Internal Capital Adequacy Assessment Process (ICAAP); conduct of the Risk and Control Self-Assessment (RCSA); and implementation of the Integrated Incident Management Framework (IIMF).

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 (BCM)

Recognizing the Parent Bank's vulnerability to losses resulting from operational disruptions due to internal factors such as power outages, 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 and response. The Parent Bank also established a Cybersecurity Policy and Guidelines to preserve the confidentiality, integrity, and availability of information assets in cyberspace and support its effort to maintain the resiliency of its business operations.

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

Complementing the detailed contingency measures, the Parent Bank's recovery facilities are regularly assessed and maintained with a view towards the Parent Bank's recovery requirements, including application systems, equipment and supplies. The Parent Bank is also dedicated to continuing investing in technology and employee training to strengthen its operational resilience. Furthermore, the Parent Bank holds insurance policies to cover potential business interruptions caused by unforeseen events.

5.6.3 Business Impact Analysis (BIA)

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

5.6.4 Risk and Control Self-Assessment (RCSA)

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

5.6.5 Operational Risk Information System (ORIS)

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

5.6.6 Enhanced Operational Loss Monitoring Module (eOLMM) System

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

5.6.7 Operational Loss Incident Reporting

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

5.6.8 Operational Risk Awareness (ORW)

The Parent Bank integrates ORW through the issuance of infographics on BCM, operational risk-related trainings, and close coordination with business units regarding their operational risk concerns.

5.6.9 Operational Risk Coordinators

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

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

5.6.10 Operational Risk and Capital Efficiency

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

5.7 Information Security Risk Management

The management of information technology (IT), information security (IS), and cyber-related risks form part of the Parent Bank's overall enterprise risk management initiative, adhering to the standard risk management process of risk identification, assessment, response, and monitoring.

5.7.1 IS and IT Risk Oversight Mechanism

As owners of business processes and as part of first line of defense against risks, business unit heads manage information security and technology risks at the operational level through prudential conduct of risk-taking activities, ensuring that risk thresholds are adhered to and that mandated security controls are complied with while achieving their respective business objectives. Each business unit head concurrently serves as the Associate Information Security Officer (AISO) who ensures that risk exposures arising from their business activities are periodically assessed and that reinforcing controls and mechanisms are in place and maintained to continuously reduce risks that are beyond the BOD's appetite.

The Information Security Risk Management Department (ISRMD), forming part of the second line of defense, assists the BOD in overseeing Management and business units' IS and IT risk-taking activities by monitoring risk indicators, assessed risk exposures, and related operational losses in a periodic basis, following the Enterprise IS and IT Risk Management Framework. The ISRMD serves as business units' partner and internal resource in driving business line managers and personnel in adopting risk management measures in their respective processes. ISRMD also provides a constructive validation or challenge on business units' assessment of risks and retention of controls, as part of its oversight function and independent advisory services.

Results of risk assessments and monitoring conducted all throughout the fiscal year enable ISRMD to produce the Parent Bank's annual IS and IT Risk Profile Report, which provides the BOD and Management with an overview of the Parent Bank's risk management activities for the reported period and allows the same in setting mitigating measures to address exposures in excess of their risk appetite. The resultant risk profile also allows the Bank in calibrating its subsequent risk monitoring activities when warranted.

5.7.2 Information Security Governance

Consistent with the IS and IT Risk Management Framework, the Parent Bank's governance of IS (covering both technology and non-technology related control domains) leverages the existing governance structure and risk management mechanisms defined in the current IS and IT Risk Management Framework.

The BOD of the Parent Bank sets the overall tone and strategic direction in achieving the Parent Bank's ideal state of information security. Senior Management, consequently, provides leadership and support for achieving the ideal state and ensures that the needed intervention and resources for such are adequately provisioned. To ensure that these are undertaken in a systematic manner and is cascaded to all business units concerned, the IS Risk Management (ISRM) Strategy and the corollary IS Program is formulated and maintained by the Head of ISRMD, acting as the Parent Bank's Chief Information Security Officer. The ISRM Strategy serves as a roadmap for improving the Parent Bank's capabilities and its state in managing risks to its information assets' confidentiality, integrity, and availability. The IS Program, correspondingly, supports and sets in motion detailed guidance and processes in operationalizing the necessary security controls and processes to be able to achieve the end-goal of the ISRM Strategy.

The ISRM Strategy and IS Program are complemented with the following IS governance activities spearheaded or overseen by ISRMD: (a) the formulation and maintenance of IS documentation, such as the Main IS Policy and other subordinate policies and guidelines that include but are not limited to information asset management, access control, operations security, incident management, etc., (b) the conduct of the Parent Bank's IS Awareness and Training Program, (c) the supervision and steering of the IS Incident Response Team, among others as defined by regulations and internal requirements.

5.8 Capital Management

5.8.1 Approach to Capital Management

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

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

5.8.2 Capital Adequacy Framework

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

5.8.3 Basel II to Basel III

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

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

5.8.4 Enterprise Risk Management and Internal Capital Adequacy Assessment Process

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

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

5.8.5 Capital Management

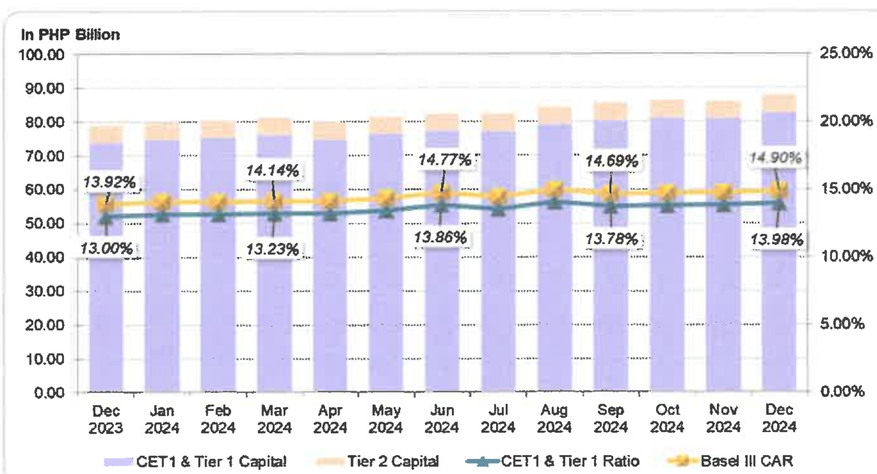
The Parent Bank and its subsidiaries continuously complies with BSP Circular No. 781 s.2013, which provides the implementing guidelines on the revised risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for U/KBs, as well as their subsidiary banks and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

In addition to the Minimum Capital Requirements, the Parent Bank and its subsidiaries comply with BSP Circular No. 881, s. 2015 or the Implementing Guidelines on the Basel III Leverage Ratio (LR) 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 an LR requirement of not less than five per cent computed on both solo and consolidated bases.

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

The Parent Bank maintains a sufficient capital base to support its risk-taking and fund-raising activities resulting in a CAR of 14.90 per cent and a LR of 8.31 per cent as of December 2024. These above-minimum ratios reflect the Parent Bank's ability to absorb significant market shocks, its low vulnerability to external disruptions, and its sufficient capital buffer to support business growth and expansion. It is also in the Parent Bank's interest to consistently maintain a healthy capital position whilst the fulfillment of its development mandate, more so in conditions where banks, in general, tend to be risk averse.

The Parent Bank's CAR and LR from December 2023 to December 2024 are 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	55,158	55,023
Undivided profits	7,581	7,568
Net unrealized gains / (losses) on FVOCI securities	(535)	(545)
Cumulative foreign currency translation	238	238
Minority interest in subsidiary banks which are less than wholly owned	0	0
Gross CET1 Capital	**94,442**	**94,284**
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)	(35)	(35)
Deferred tax assets	(10,210)	(10,069)
Other intangible assets	(168)	(167)
Investments in equity of unconsolidated subsidiary banks and quasi-banks, and other financial allied undertakings (excluding subsidiary securities dealers/brokers and insurance companies), after deducting related goodwill, if any	0	(852)
Investments in equity of unconsolidated subsidiary securities dealers/brokers and insurance companies after deducting related goodwill, if any	0	0
Significant minority investments (10%-50% of voting stock) in banks and quasi-banks, and other financial allied undertakings after deducting related goodwill, if any (for both solo and consolidated bases)	(50)	(50)
Minority investments (below 10% of voting stock) in subsidiary banks and quasi-banks, and other financial allied undertakings (excluding subsidiary	(261)	(261)

COMMON EQUITY TIER 1 (CET1) CAPITAL *(In PHP Millions)*	Group	Parent
securities dealers/brokers and insurance companies), after deducting related goodwill, if any (for both solo and consolidated bases)		
Other equity investments in non-financial allied undertakings and non-allied undertakings	(355)	(355)
Total Regulatory adjustments to CET1 Capital	**(11,079)**	**(11,789)**
TOTAL CET1 CAPITAL	**83,363**	**82,495**
CET 1 Capital Requirements (6.00% of RWA)		
Credit Risk	32,233	32,067
Market Risk	183	183
Operational Risk	3,168	3,143
CAPITAL CONSERVATION BUFFER (2.50% of RWA)	14,826	14,747
COUNTERCYCLICAL CAPITAL BUFFER (0.00% of RWA)	0	0
TOTAL CET 1 CAPITAL REQUIREMENT	**50,410**	**50,140**
SURPLUS/(SHORTFALL) CET1 CAPITAL (Total CET1 Capital less Total CET1 Capital Requirement)	**32,953**	**32,355**

Under Executive Order No. 81, s. 1986, as revised by RA No. 8523 series of 1998, DBP's authorized share capital is P35 billion divided into 350 million common shares with a par value of P100 per share, of which 320 million shares are fully paid-up and subscribed by the Government as of December 2024. 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 distribution is not in any way tied or linked to the amount paid in at issuance and is not subject to a contractual cap, but not beyond the level of distributable items. Distributions are obligatory pursuant to the provisions of RA No. 7656, with the Parent Bank mandated to remit at least 50 per cent of their annual net earnings (plus provisions less write-offs and other deductions/additions stated in the National Internal Revenue Code of 1997, as amended), as cash, stock, or property dividends to the Government. RA No. 7656 provides a flexibility clause, whereby in the interest of national economy and general welfare, the percentage of annual net earnings that shall be declared may be adjusted by the President of the Philippines upon the recommendation of the Secretary of Finance. Any adjustment in the percentage of annual net earnings that shall be declared by the Parent Bank as dividends to the National Government may take into account, among other financial and fiscal considerations, the need for revenues by the National Government, the level of the Parent Bank's liquidity and implementation of critical capital projects and statutory obligations.

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

TOTAL TIER 1 CAPITAL *(In PHP Millions)*	**Group**	**Parent**
Gross Tier 1 Capital		
Gross CET1 Capital	94,442	94,284
Instruments issued by the bank that are eligible as Additional Tier 1 (AT1) capital	0	0
Gross Tier 1 Capital	**94,442**	**94,284**
Regulatory adjustments to Tier 1 Capital increase / (decrease)		
Total Regulatory adjustments to CET1 Capital	(11,079)	(11,789)
Regulatory adjustments to AT1 Capital	0	0
Total Regulatory adjustments to Tier 1 Capital	**(11,079)**	**(11,789)**
TOTAL TIER 1 CAPITAL	**83,363**	**82,495**
Tier 1 Capital Requirements (7.50% of RWA)		
Credit Risk	40,290	40,084
Market Risk	229	229
Operational Risk	3,960	3,928
TOTAL TIER 1 CAPITAL REQUIREMENT	**44,479**	**44,241**

The other component of regulatory capital is Tier 2 (supplementary) Capital, which includes unsecured subordinated debt and general loan loss provision. As of December 2024, Tier 2 Capital is solely composed of general loan loss provision equivalent to up to one percent of Credit RWA.

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	0	0
General loan loss provision, limited to a maximum of 1.00% of credit risk-weighted assets, and any amount in excess thereof shall be deducted from the credit risk-weighted assets in computing the denominator of the risk-based capital ratio	5,414	5,386
Gross Tier 2 Capital	**5,414**	**5,386**
Regulatory adjustments to Tier 2 Capital increase / (decrease)	0	0
Total Regulatory adjustments to Tier 2 Capital	**0**	**0**
TOTAL TIER 2 CAPITAL	**5,414**	**5,386**

Total RWA is derived from the sum of Credit RWA, Market RWA, and Operational RWA, to wit:

RISK-WEIGHTED ASSETS	**2024**		**2023**	
In PHP Millions	**Group**	**Parent**	**Group**	**Parent**
Credit Risk-Weighted Assets	537,207	534,451	519,098	516,561
Market Risk-Weighted Assets	3,056	3,056	2,385	2,385
Operational Risk-Weighted Assets	52,794	52,376	47,812	47,633
TOTAL RISK-WEIGHTED ASSETS	**593,057**	**589,883**	**569,295**	**566,579**

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, as follows:

EXPOSURE MEASURE *In PHP Millions*	**Group**	**Parent**
On-Balance Sheet Exposures		
On-Balance Sheet Items	971,169	968,501
(Asset amounts deducted in determining Basel III Tier 1 Capital)	(11,079)	(11,789)
Total On-Balance Sheet Exposures (excluding Derivatives and SFTs)	960,090	956,712
Derivative Exposures		
Replacement Cost associated with all derivatives transactions	0	0
Add-on amounts for potential future exposure associated with all derivative transactions	0	0
Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	0	0
(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0	0
(Exempted CCP leg of client-cleared trade exposures)	0	0
Adjusted effective notional amount of written credit derivatives	0	0
(Adjusted effective offsets and add-on deductions for written credit derivatives)	0	0
Total Derivative Exposures	0	0
SFT Exposures		
Gross SFT assets (with no recognition of netting)	4,665	4,665
(Netted amounts of cash payables and cash receivables of gross SFT assets)	0	0
CCR Exposures for SFT Assets	0	0
Agent Transaction Exposures	0	0
Total SFT Exposures	4,665	4,665
Off-Balance Sheet Exposures		
Off-Balance Sheet Exposure at Gross Notional Amount	102,102	102,095
(Adjustments for conversion to Credit Equivalent Amounts)	(70,711)	(70,705)
Total Off-Balance Sheet Exposures	31,391	31,390
TOTAL EXPOSURE MEASURE	**996,146**	**992,767**

The following tables provide summary comparisons of the total accounting assets amounts and LR 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	966,269	963,605
Adjustment for Investments in Banking, Financial, Insurance or Commercial Entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	0	0

ACCOUNTING ASSETS VS LEVERAGE RATIO EXPOSURES *In PHP Millions*	Group	Parent
Adjustment for Fiduciary Assets recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	0	0
Adjustments for Derivative Financial Instruments	0	0
Adjustments for Securities Financial Transactions (i.e. Repos and similar secured lending)	0	0
Adjustments for Off-Balance Sheet Items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	31,391	31,390
Other adjustments	(1,515)	(2,228)
LEVERAGE RATIO EXPOSURE	**996,145**	**992,767**

BALANCE SHEET ASSETS VS ON-BALANCE SHEET EXPOSURES *In PHP Millions*	Group	Parent
Total Assets (per Published Financial Statements)	966,269	963,605
Add: General Loan Loss Provision	9,565	9,561
Less: Derivatives Exposure (Replacement Cost)	0	0
Less: Loans and Receivables arising from RRP	4,665	4,665
On-Balance Sheet Items	971,169	968,501
Regulatory Adjustments	(11,079)	(11,789)
ON-BALANCE SHEET EXPOSURES	**960,090**	**956,712**

5.8.6 Risk Limit Structure

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

5.9 Stress Testing

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

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

The IST aims to provide a comprehensive enterprise-wide assessment of Parent Bank's vulnerabilities in quantitative terms under various scenarios. Identification and assessment of stress scenarios and their impact involve both qualitative judgement and empirical analysis of past crisis events. Further, the IST assists the Parent Bank in the following efforts:

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

Meanwhile, RST determines enterprise-wide vulnerabilities that could negatively affect compliance with minimum capital and liquidity requirements. It is defined as the analysis of scenarios that render the business model unviable. While both IST and RST involve scenarios and scenario-related impacts, they differ in two key aspects:

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

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					
	2024					
	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	5,078,336	0	0	0	0	5,078,336
Due from BSP	71,727,159	0	0	0	0	71,727,159
Due from other banks	11,872,317	68,635	202,382	0	0	12,143,334
Loans – net	49,156,001	54,531,293	27,718,296	184,492,767	211,240,212	527,138,569
Investment securities	18,762,537	28,822,144	38,208,243	140,503,961	73,793,062	300,089,947
Other assets	7,154,515	98,896	19,695	266,399	44,264,112	51,803,617
Total assets	**163,750,865**	**83,520,968**	**66,148,616**	**325,263,127**	**329,297,386**	**967,980,962**
Liabilities						
Due to BSP/other banks	57	0	0	0	0	57
Deposits	578,152,494	146,032,585	20,670,680	18,966	0	744,874,725
Borrowings	4,132,501	6,721,268	13,132,573	11,506,851	43,073,039	78,566,232
Other liabilities	24,249,400	3,461,345	2,757,301	17,252,849	265,865	47,986,760
Total liabilities	**606,534,452**	**156,215,198**	**36,560,554**	**28,778,666**	**43,338,904**	**871,427,774**
Asset-liability gap	**(442,783,587)**	**(72,694,230)**	**29,588,062**	**296,484,461**	**285,958,482**	**96,553,188**

Group 2023 As restated						
	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	5,999,316	0	0	0	0	5,999,316
Due from BSP	76,109,867	0	0	0	0	76,109,867
Due from other banks	10,021,869	57,591	151,936	0	0	10,231,396
Loans – net	75,288,035	72,607,969	16,771,724	161,284,586	213,439,621	539,391,935
Investment securities	17,485,850	25,755,733	29,561,064	146,664,939	88,296,503	307,764,089
Other assets	5,958,533	67,142	496	187,676	41,429,887	47,643,734
Total assets	**190,863,470**	**98,488,435**	**46,485,220**	**308,137,201**	**343,166,011**	**987,140,337**
Liabilities						
Deposits	583,050,589	158,444,999	33,823,423	30,337	0	775,349,348
Borrowings	1,918,632	9,899,193	26,384,548	4,697,223	45,928,757	88,828,353
Other liabilities	16,658,433	5,662,887	4,873,766	6,900,039	1,631,494	35,726,619
Total liabilities	**601,627,654**	**174,007,079**	**65,081,737**	**11,627,599**	**47,560,251**	**899,904,320**
Asset-liability gap	**(410,764,184)**	**(75,518,644)**	**(18,596,517)**	**296,509,602**	**295,605,760**	**87,236,017**

Parent 2024						
	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	5,057,045	0	0	0	0	5,057,045
Due from BSP	71,056,847	0	0	0	0	71,056,847
Due from other banks	11,910,070	0	202,382	0	0	12,112,452
Loans – net	48,549,586	54,438,738	27,468,360	182,817,757	211,214,004	524,488,445
Investment securities	18,749,623	28,744,505	38,208,243	140,464,234	73,768,899	299,935,504
Other assets	7,276,883	96,894	18,897	137,351	44,184,177	51,714,202
Total assets	**162,600,054**	**83,280,137**	**65,897,882**	**323,419,342**	**329,167,080**	**964,364,495**
Liabilities						
Due to BSP/other banks	57	0	0	0	0	57
Deposits	577,728,327	145,967,142	20,670,680	18,966	0	744,385,115
Borrowings	3,874,070	6,566,695	13,032,573	11,235,895	43,073,039	77,782,272
Other liabilities	23,412,041	3,452,664	2,640,147	16,438,309	265,618	46,208,779
Total liabilities	**605,014,495**	**155,986,501**	**36,343,400**	**27,693,170**	**43,338,657**	**868,376,223**
Asset-liability gap	**(442,414,441)**	**(72,706,364)**	**29,554,482**	**295,726,172**	**285,828,423**	**95,988,272**

Parent 2023 As restated						
	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	5,980,293	0	0	0	0	5,980,293
Due from BSP	75,774,099	0	0	0	0	75,774,099
Due from other banks	10,075,932	0	151,936	0	0	10,227,868

Parent						
2023 As restated						
	Up to 3 months	Over 3 – 6 months	Over 6 months – 1 year	Over 1 – 5 years	Over 5 years	Total
Loans – net	74,435,852	72,503,304	16,569,682	159,536,897	213,314,343	536,360,078
Investment securities	17,397,178	25,755,733	29,561,064	146,611,215	88,282,277	307,607,467
Other assets	6,643,171	65,106	80	21,831	41,354,112	48,084,300
Total assets	**190,306,525**	**98,324,143**	**46,282,762**	**306,169,943**	**342,950,732**	**984,034,105**
Liabilities						
Deposits	582,640,748	158,392,525	33,823,423	30,337	0	774,887,033
Borrowings	1,513,907	9,724,193	26,334,548	4,407,725	45,928,757	87,909,130
Other liabilities	16,131,146	5,662,346	4,866,774	6,174,589	1,580,871	34,415,726
Total liabilities	**600,285,801**	**173,779,064**	**65,024,745**	**10,612,651**	**47,509,628**	**897,211,889**
Asset-liability gap	**(409,979,276)**	**(75,454,921)**	**(18,741,983)**	**295,557,292**	**295,441,104**	**86,822,216**

7. Cash and cash equivalents

This account consists of:

	Group		Parent	
	2024	2023 As restated	2024	2023
Cash and other cash items	5,078,336	5,999,316	5,057,045	5,980,293
Due from Bangko Sentral ng Pilipinas* (Note 8)	71,713,248	76,107,671	71,043,465	75,771,993
Due from other banks* (Note 9)	12,140,952	10,229,460	12,110,070	10,225,932
Interbank loans receivable* (Note 10)	16,196,600	10,243,450	16,196,600	10,243,450
Securities purchased under agreement to resell *(Note 11)	4,760,599	42,894,832	4,760,599	42,794,980
	109,889,735	**145,474,729**	**109,167,779**	**145,016,648**
Allowance for impairment and credit losses (Note 9)	(673)	0	(673)	0
	109,889,062	**145,474,729**	**109,167,106**	**145,016,648**

*Exclusive of accrued interest receivable as follows:

	Group		Parent	
	2024	2023	2024	2023
Due from Bangko Sentral ng Pilipinas (Note 8)	13,911	2,196	13,382	2,106
Due from other banks (Note 9)	3,055	1,936	3,055	1,936
Interbank loans receivable (Note 10)	8,127	3,522	8,127	3,522
Securities purchased under agreement to resell (Note 11)	11,050	12,190	11,050	12,154
	36,143	**19,844**	**35,614**	**19,718**

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 Group's Trust Services with maturity of three months or less from the date of acquisition.

The undrawn borrowing facilities of the Parent Bank that may be available for future operating activities and to settle capital commitments as of December 31, 2024 is nil.

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

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

8. Due from Bangko Sentral ng Pilipinas

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

	Group		Parent	
	2024	**2023**	**2024**	**2023**
Demand deposit	47,920,248	67,940,671	47,855,465	67,874,993
Overnight deposit	21,793,000	8,167,000	21,188,000	7,897,000
Term deposit	2,000,000	0	2,000,000	0
	71,713,248	76,107,671	71,043,465	75,771,993
Accrued interest receivable	13,911	2,196	13,382	2,106
	71,727,159	**76,109,867**	**71,056,847**	**75,774,099**

9. Due from other banks

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

	Group		Parent	
	2024	**2023**	**2024**	**2023**
Deposit with foreign banks	6,956,560	5,924,748	6,956,560	5,924,748
Deposit with local banks	5,184,392	4,304,712	5,153,510	4,301,184
	12,140,952	10,229,460	12,110,070	10,225,932
Allowance for Credit Losses	(673)	0	(673)	0
	12,140,279	10,229,460	12,109,397	10,225,932

	Group		Parent	
	2024	**2023**	**2024**	**2023**
Accrued interest receivable	3,055	1,936	3,055	1,936
	12,143,334	**10,231,396**	**12,112,452**	**10,227,868**

As of December 31, 2024, the Parent Bank maintained 25 NOSTRO accounts, 19 in RBU books and six in FCDU books. NOSTRO accounts are used to settle transactions in currencies other than the Parent Bank's local currency for the purpose of clearing and settling payments.

10. Interbank loans receivable

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

	Group		Parent	
	2024	**2023**	**2024**	**2023**
Domestic	0	0	0	0
Foreign	16,196,600	10,243,450	16,196,600	10,243,450
	16,196,600	10,243,450	16,196,600	10,243,450
Accrued interest receivable	8,127	3,522	8,127	3,522
	16,204,727	**10,246,972**	**16,204,727**	**10,246,972**

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

	2024	**2023**
Domestic	0.000%	0.000%
Foreign	4.200% to 4.540%	5.180% to 5.700%

11. Securities purchased under agreement to resell (SPUAR)

This account consists of transactions with:

	Group		Parent	
	2024	**2023**	**2024**	**2023**
BSP	0	42,598,834	0	42,498,982
Other banks	4,760,599	295,998	4,760,599	295,998
	4,760,599	42,894,832	4,760,599	42,794,980
Accrued interest receivable	11,050	12,190	11,050	12,154
	4,771,649	**42,907,022**	**4,771,649**	**42,807,134**

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

	2024	**2023**
BSP	0.000%	6.388%
Other banks	4.400%	5.390%

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

This account consists of:

	Group		Parent	
	2024	2023	2024	2023
Debt securities purchased				
Government	5,754,849	1,436,316	5,754,849	1,436,316
Private	1,400,291	1,110,474	1,400,291	1,110,474
	7,155,140	2,546,790	7,155,140	2,546,790
Equity securities purchased				
Private	30,156	113,545	30,156	113,545
	7,185,296	2,660,335	7,185,296	2,660,335
Accrued interest receivable	350	3,691	350	3,691
	7,185,646	**2,664,026**	**7,185,646**	**2,664,026**

The movement of this account is summarized as follows:

	Group	Parent
At December 31, 2023, as restated	2,664,026	2,664,026
Additions	234,118,944	234,118,944
Disposals	(216,653,819)	(216,653,819)
Fair value adjustments	(13,053,745)	(13,053,745)
Exchange differences	113,582	113,582
Net change in accrued interest receivable	(3,342)	(3,342)
At December 31, 2024	**7,185,646**	**7,185,646**

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

	2024	2023
Peso denominated	5.750% to 8.008%	2.625% to 6.250%
Foreign currency denominated	0.000%	0.000%

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

This account consists of:

	Group		Parent	
	2024	2023	2024	2023
Debt securities:				
Government				
Treasury notes	17,637,138	8,352,586	17,637,138	8,352,586
Retail treasury bonds	14,521,689	10,412,668	14,521,689	10,412,668
Treasury bonds – ROP	3,650,758	4,803,965	3,650,758	4,803,965
Treasury bonds – US	16,229,649	9,781,171	16,229,649	9,781,171
Treasury Bills – USD	4,898,484	0	4,898,484	0
Other Gov't Guaranteed Securities	2,408,072	3,960,291	2,408,072	3,960,291
	59,345,790	37,310,681	59,345,790	37,310,681
Private – Quoted	6,844,914	3,822,131	6,844,914	3,822,131
	66,190,704	**41,132,812**	**66,190,704**	**41,132,812**

	Group		Parent	
	2024	**2023**	**2024**	**2023**
Equity securities:				
Government	180,576	180,576	180,576	180,576
Private – Quoted	201,272	175,755	170,280	140,597
Private – Unquoted	102,094	359,139	102,065	359,111
	483,942	715,470	452,921	680,284
Accrued interest receivable	617,956	359,228	617,956	359,228
	67,292,602	**42,207,510**	**67,261,581**	**42,172,324**

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

	Group	Parent
At December 31, 2023	42,207,510	42,172,324
Additions	182,108,405	182,108,405
Disposals	(99,827,867)	(99,827,867)
Fair value adjustments	(58,739,603)	(58,735,438)
Exchange differences	1,285,429	1,285,429
Net change in accrued interest receivable	258,728	258,728
At December 31, 2024	**67,292,602**	**67,261,581**

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

	2024	2023
Peso denominated	2.625% to 8.000%	2.375% to 13.750%
Foreign currency denominated	0.500% to 10.625%	0.500% to 10.625%

The Group's financial assets at FVOCI are carried at inclusive/net of accumulated unrealized loss of P532 million and P1,484 million as of December 31, 2024 and 2023, respectively.

As of December 31, 2024, the net fair value of unquoted MRTC securities is P22.11 million, net of accumulated market losses of P57.29 million; and the outstanding number of PAL Holdings Inc. shares remain at P4.473 million at P0.45 par value per share with fair value of P22.140 million or P4.95 per share.

13.1 Fair value measurement of Proprietary Golf Shares

The FVOCI equity securities were inclusive of proprietary shares held by the Parent Bank in eight Golf and Country Club companies which were reclassified from Miscellaneous Assets-Other Investments to FVOCI in CY 2022. As of December 31, 2024, the net fair value of FVOCI Golf Shares is P148.140 million net of accumulated market gain of P102.475 million.

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

The following are the breakdown of proprietary golf shares as of December 31, 2024:

	Amount	Accumulated Market Gains/ (Losses)	Fair Value
Baguio Country Club Corp	1,400	4,600	6,000
Canlubang Golf & Country Club (Two shares)	7,000	7,000	14,000
The Manila Southwoods Golf & Country Club, Inc. (Class A)	3,100	2,700	5,800
The Manila Southwoods Golf & Country Club, Inc. (Class B)	744	5,256	6,000
Mount Malarayat Golf and Country Club, Inc. (Class C)	2,401	99	2,500
Pueblo de Oro Golf & Country Club (Two shares)	800	700	1,500
Iloilo Golf & Country Club, Inc. (Two shares)	220	120	340
Sta Elena Golf Club, Inc. (Class A)	5,000	22,000	27,000
Wack Wack Golf and Country Club, Inc.	25,000	60,000	85,000
Total	**45,665**	**102,475**	**148,140**

13.2 Fair value measurement of Investment in Non-Marketable Equity Securities

The Parent Bank 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, 2024:

	Amount	Accumulated Market Gains/ (Losses)	Fair Value	Dividends
Government				
Small Business Guarantee Fund Corporation	200,000	(21,163)	178,837	0
Philippine International Trading Corporation	1,000	740	1,740	0
Private				
Society for Worldwide Interbank Financial Telecommunications (SWIFT)	2,324	0	2,324	0
Philippine Dealings System Holding Corporation	19,278	2,367	21,645	9,253
Philippine Clearing House	7,200	22,361	29,561	0
BancNet Incorporated	16,073	15,049	31,122	0
La Union Development Bank	900	598	1,498	0
Lipa City Development Bank	2,038	5,318	7,356	0
Luzon Development Bank	55	6	61	0
Marawi Resort Hotel Inc.	550	0	550	0
	249,418	**25,276**	**274,694**	**9,253**

In CY 2024, the investment in SWIFT amounting to P2.324 million has been recognized as an INMES and is yet to be valuated for any change in fair value.

The net fair value of the 10 INMES accounts is P274.694 million, net of accumulated market gain of P25.276 million.

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

This account consists of debt securities at amortized cost:

	Group		Parent	
	2024	2023	2024	2023
Domestic				
Government				
Treasury bills and notes	92,105,120	108,711,583	91,981,954	108,590,382
BSP bills	6,799,371	13,660,058	6,799,371	13,660,058
Retail treasury bonds	42,843,068	49,490,126	42,843,068	49,490,126
Treasury Bonds- ROP	15,655,676	17,145,830	15,655,676	17,145,830
ROP-GPN	314,092	316,835	314,092	316,835
PSALM	40,520	1,001,746	40,520	1,001,746
Land Bank bonds	10,093	11,295	10,093	11,295
Private	24,097,612	32,198,569	24,097,612	32,198,569
	181,865,552	222,536,042	181,742,386	222,414,841
Foreign	41,933,388	38,255,806	41,933,388	38,255,806
	223,798,940	260,791,848	223,675,774	260,670,647
Accrued interest receivable	2,236,029	2,466,772	2,235,773	2,466,537
Allowance for impairment losses (Note 21)	(423,270)	(366,067)	(423,270)	(366,067)
	225,611,699	**262,892,553**	**225,488,277**	**262,771,117**

Government securities with fair value of P838 million were deposited with BSP as security for trust duties (see Note 42).

The movement of this account is summarized as follows:

	Group	Parent
At December 31, 2023	262,892,553	262,771,117
Additions	245,191,472	245,101,175
Disposals	(176,034,112)	(175,945,675)
(Amortization)/accretion of premium/discount	(106,722,340)	(106,722,340)
Exchange differences	572,072	571,967
Net change in accrued interest receivable	(230,743)	(230,764)
Net change in allowance for credit losses	(57,203)	(57,203)
At December 31, 2024	**225,611,699**	**225,488,277**

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

	2024	2023
Peso denominated	2.625% to 12.500%	2.3750% to 13.750%
Foreign currency denominated	0.500% to 10.625%	0.2500% to 10.625%

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

This account consists of:

	Group		Parent	
	2024	2023	2024	2023
Loans and discounts	539,666,759	512,322,253	536,787,947	509,192,604
Accounts receivable (AR) – advances on loans	50,264	55,192	50,264	55,192
Sales contract receivables (SCR)	229,421	360,423	9,896	9,901
	539,946,444	512,737,868	536,848,107	509,257,697
Accrued interest receivable	4,745,720	4,355,314	4,739,833	4,349,427
	544,692,164	517,093,182	541,587,940	513,607,124
Discount (SCR)	(163)	(163)	(163)	(163)
Allowance for impairment and credit losses (Note 21)	(38,529,808)	(30,855,078)	(38,075,708)	(30,300,989)
	506,162,193	**486,237,941**	**503,512,069**	**483,305,972**

The Parent Bank's total loans classified as to type of interest rate as of December 31, 2024 and 2023 are P363,868 million and P315,357 million (variable interest rates) and P172,920 million and P193,836 million (fixed interest rates), respectively. Majority of Loans and other receivables in the Parent Bank's financial statements bear annual interest rates of 10 per cent or less both in 2024 and 2023.

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

	Group	Parent
At December 31, 2023	486,237,941	483,305,972
Releases	284,046,236	283,861,550
Collections	(262,383,391)	(261,737,575)
Adjustments	5,681,661	5,471,368
Net change in Sales Contract Receivable	(131,002)	(5)
Net change in Advances on Loans & Investments	(4,928)	(4,928)
Net change in Accrued Interest Receivable	390,406	390,406
Net change in Allowance for Credit Losses	(7,674,730)	(7,774,719)
At December 31, 2024	**506,162,193**	**503,512,069**

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, 2024 are as follows:

Total future minimum lease payments	758,950
Unearned finance income	(100,634)
Present value of future minimum lease payments	**658,316**

Maturity of future minimum lease payments as of December 31, 2024 follows:

	Not later than one year	Later than one year but not later than five years	Later than five years	Total
Finance lease receivable	226,133	532,817	0	758,950
Unearned finance income	(10,277)	(90,357)	0	(100,634)
Total	**215,856**	**442,460**	**0**	**658,316**

15.2 Non-performing loans

Non-performing loans included in the total loan portfolio, both net of Capitalized Interest and Other Charges (CIOC), of the Group and the Parent Bank as of December 31, 2024 and 2023 are presented below as net of specific allowance for impairment in compliance with BSP Circular No. 772:

	Group		Parent	
	2024	**2023**	**2024**	**2023**
Non-Performing Loans (NPL)				
Gross NPL	43,648,081	41,526,379	42,679,892	40,299,373
Less: Allowance for impairment loss	(23,378,861)	(20,428,574)	(23,030,784)	(19,958,784)
Net NPL	**20,269,220**	**21,097,805**	**19,649,108**	**20,340,589**
NPL Rates				
Gross NPL	**7.81%**	**7.37%**	**7.68%**	**7.19%**
Net NPL	**3.63%**	**3.74%**	**3.53%**	**3.63%**

15.3 Wholesale lending portfolio

The wholesale lending portfolio the Parent Bank represents two per cent and three per cent of its total loan portfolio as of December 31, 2024 and 2023, 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	
	Total Loan Portfolio	**Tier 1 Capital**	**Total Loan Portfolio**	**Tier 1 Capital**
Electricity, Gas and Water	30.36%	196.53%	30.52%	198.60%
Wholesale & Retail Trade	2.93%	18.98%	2.89%	18.79%
Construction	9.96%	64.48%	9.95%	64.74%
Real Estate Activities	8.04%	52.07%	8.09%	52.61%
Public Administration	16.43%	106.34%	16.51%	107.43%
Financial and Insurance Activities	6.48%	41.96%	6.52%	42.40%
Information and Communication	2.91%	18.83%	2.92%	19.02%
Manufacturing	7.49%	48.51%	7.43%	48.36%
Transportation and Storage	4.56%	29.53%	4.33%	28.14%

	Group		Parent	
	Total Loan Portfolio	Tier 1 Capital	Total Loan Portfolio	Tier 1 Capital
Human Health and Social Work	4.37%	28.28%	4.39%	28.58%
Agriculture, Forestry and Fishing	3.55%	23.00%	3.57%	23.23%
Activities of Household as Employers	1.30%	8.39%	1.30%	8.47%
Education	0.90%	5.85%	0.90%	5.87%
Others	0.72%	4.63%	0.68%	4.44%

Significant credit exposure exceeds 30 per cent of the total loan portfolio or 10 per cent of Tier 1 capital as to industry/economic sector.

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:

	2024		2023	
Collateral Type				
Secured Loans:				
Secured by Specified Rights	252,013		7,330,663	
Real Estate	63,289,582		70,314,421	
Machinery & Equipment	16,462,653		15,745,005	
Deposit/Deposit Substitutes	5,725,270		5,640,000	
Inventories	10,017		27,730	
Banks or Non-Bank Fin. Inst. Guarantee/Stand-by	52,234		29,593,354	
Government Bonds	112,219,545		50,843,700	
Unclassified Collateral	9,334,197		2,855,269	
Total Secured Loans	207,345,511	39%	182,350,142	36%
Unsecured Loans:				
Deposit/Deposit Substitutes	0		36,000	
Unclassified Collateral	329,442,436	61%	326,806,462	
Total Unsecured Loans	329,442,436		326,842,462	64%
Total Gross Loan Portfolio	**536,787,947**	**100%**	**509,192,604**	**100%**

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

The Parent Bank's classification of 2024 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	109,248,002	176	109,248,178
Loans to Individuals	6,428,258	564,220	6,992,478
Loans to LGU/NG	88,649,963	9,755	88,659,718
Loans to Private Corporation	245,267,115	32,507,120	277,774,235
Agrarian Reform & Other Agri Loans	14,579,525	2,958,299	17,537,824
Interbank Loans Receivable	8,000,000	0	8,000,000
Microfinance Loans	572,441	502,953	1,075,394

	Performing	Non-Performing	Total
SME Loans – Medium Scale Enterprise	8,982,814	6,152,382	15,135,196
SME Loans – Small Scale Enterprise	2,147,171	1,516,502	3,663,673
Total	**483,875,289**	**44,211,407**	**528,086,696**

Wholesale			
Interbank Term Loan Receivable	4,959,681	0	4,959,681
Loans to Private Corporation	3,725,319	16,251	3,741,570
Total	8,685,000	16,251	8,701,251
Total Gross Loan Portfolio	**492,560,289**	**44,227,658**	**536,787,947**

16. Bank premises, furniture, fixtures and equipment

This account represents the book value of the following assets:

	Group		**Parent**	
	2024	**2023 As restated**	**2024**	**2023 As restated**
Land	728,749	728,749	728,749	728,749
Construction in Progress	139,662	110,554	139,662	110,554
Building	667,157	688,454	665,659	686,888
Leasehold improvements	147,607	146,491	146,379	145,173
Computer Equipment	377,995	298,837	375,294	295,435
Office equipment, furniture and fixtures	228,547	268,051	227,161	265,935
Transportation equipment	118,053	151,213	117,294	150,325
Total	**2,407,770**	**2,392,349**	**2,400,198**	**2,383,059**

The appraised value of the Parent Bank's Bank premises, furniture, fixtures and equipment amounted to P14.725 billion in 2024.

Details are as follows:

Group	Land	Construction in Progress	Building	Leasehold Improvements	Computer Equipment	Office Equipment, Furniture and Fixtures	Transportation Equipment	Total
At December 31, 2023								
Cost	728,749	110,554	1,562,167	584,901	1,347,479	956,153	487,192	5,777,195
Accumulated depreciation	0	0	(867,359)	(438,410)	(1,048,642)	(688,102)	(335,979)	(3,378,492)
Allowance for probable losses – impairment	0	0	(6,354)	0	0	0	0	(6,354)
Net book value, as restated	**728,749**	**110,554**	**688,454**	**146,491**	**298,837**	**268,051**	**151,213**	**2,392,349**
CY 2024 transactions								
Additions	0	67,640	6,079	36,532	168,082	30,569	1,857	310,759
Disposals – cost	0	0	0	0	(9,355)	(7,722)	(4,632)	(21,709)
Disposals – accumulated depreciation	0	0	0	0	0	388	0	388
Depreciation /Amortization	0	0	(36,823)	(41,223)	(99,028)	(68,634)	(31,022)	(276,730)
Adjustments – cost	0	(38,532)	245	9,188	(25,743)	(17,060)	(32,344)	(104,246)
Adjustments – accumulated depreciation	0	0	9,202	(3,381)	45,202	22,955	32,981	106,959
	0	**29,108**	**(21,297)**	**1,116**	**79,158**	**(39,504)**	**(33,160)**	**15,421**
Total	**728,749**	**139,662**	**667,157**	**147,607**	**377,995**	**228,547**	**118,053**	**2,407,770**
At December 31, 2024								
Cost	728,749	139,662	1,568,491	630,621	1,480,463	961,940	452,073	5,961,999
Accumulated depreciation/amortization	0	0	(894,980)	(483,014)	(1,102,468)	(733,393)	(334,020)	(3,547,875)
Allowance for probable losses – impairment	0	0	(6,354)	0	0	0	0	(6,354)
Net book amount	**728,749**	**139,662**	**667,157**	**147,607**	**377,995**	**228,547**	**118,053**	**2,407,770**

Parent	Land	Construction in Progress	Building	Leasehold Improvements	Computer Equipment	Office Equipment, Furniture and Fixtures	Transportation Equipment	Total
At December 31, 2023								
Cost	728,749	110,554	1,560,067	566,574	1,336,493	943,026	480,963	5,726,426
Accumulated depreciation	0	0	(866,825)	(421,401)	(1,041,058)	(677,091)	(330,638)	(3,337,013)
Allowance for probable losses – impairment	0	0	(6,354)	0	0	0	0	(6,354)
Net book value, as restated	**728,749**	**110,554**	**686,888**	**145,173**	**295,435**	**265,935**	**150,325**	**2,383,059**
CY 2024 transactions								
Additions	0	67,640	6,079	35,964	167,723	30,146	1,857	309,409
Disposals – cost	0	0	0	0	(9,355)	(7,290)	(4,632)	(21,277)
Disposals – accumulated depreciation	0	0	0	0	0	0	0	0
Depreciation /Amortization	0	0	(36,755)	(40,565)	(97,968)	(67,543)	(30,893)	(273,724)
Adjustments – cost	0	(38,532)	245	9,188	(25,743)	(16,930)	(32,344)	(104,116)
Adjustments – accumulated depreciation	0	0	9,202	(3,381)	45,202	22,843	32,981	106,847
	0	**29,108**	**(21,229)**	**1,206**	**79,859**	**(38,774)**	**(33,031)**	**17,139**
Total	**728,749**	**139,662**	**665,659**	**146,379**	**375,294**	**227,161**	**117,294**	**2,400,198**
At December 31, 2024								
Cost	728,749	139,662	1,566,391	611,726	1,469,118	948,952	445,844	5,910,442
Accumulated depreciation/amortization	0	0	(894,378)	(465,347)	(1,093,824)	(721,791)	(328,550)	(3,503,890)
Allowance for probable losses – impairment	0	0	(6,354)	0	0	0	0	(6,354)
Net book amount	**728,749**	**139,662**	**665,659**	**146,379**	**375,294**	**227,161**	**117,294**	**2,400,198**

The Parent Bank's impairment loss amounting to P6.354 million pertains to the DBP Storage Center located in Antipolo City. The Parent Bank does not maintain temporary idle equipment, furniture and fixtures (FFE). Unserviceable FFEs are reclassified to Miscellaneous Assets – Unserviceable Property for disposal.

17. Right-of-use assets

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

	Group		Parent	
	2024	2023 As restated	2024	2023 As restated
Buildings	463,668	414,588	457,483	404,224
Transportation equipment	378,695	244,829	378,695	244,829
Total	**842,363**	**659,417**	**836,178**	**649,053**

Details are as follows:

Group	Buildings	Transportation Equipment	Total
At December 31, 2023			
Cost	702,469	587,377	1,289,846
Accumulated Depreciation	(287,881)	(342,548)	(630,429)
Net Book Value, as restated	414,588	244,829	659,417
Cost – Additions	134,673	249,492	384,165
Cost – Adjustments	45,566	58,445	104,011
Cost – Contract Expiration	(82,936)	(321,588)	(404,524)
Depreciation/Amortization	(136,408)	(174,071)	(310,479)
Accumulated Depreciation – Adjustments	5,249	0	5,249
Accumulated Depreciation – Contract Expiration	82,936	321,588	404,524
	49,080	133,866	182,946
At December 31, 2024	**463,668**	**378,695**	**842,363**

Parent	Buildings	Transportation Equipment	Total
At December 31, 2023			
Cost	665,467	587,377	1,252,844
Accumulated Depreciation	(261,243)	(342,548)	(603,791)
Net Book Value, as restated	404,224	244,829	649,053
Cost – Additions	133,130	249,492	382,622
Cost – Adjustment	50,814	58,445	109,259
Cost – Contract Expiration	(82,936)	(321,588)	(404,524)
Depreciation / Amortization	(130,685)	(174,071)	(304,756)
Accumulated Depreciation - Contract Expiration	82,936	321,588	404,524
	53,259	133,866	187,125
At December 31, 2024	**457,483**	**378,695**	**836,178**

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

Right-of-Use Asset	No. of Right-of-Used Leased (Per Contract)	Range of Remaining Terms (Years)	Average of Remaining Terms (Years)
Buildings	105	3 to 15	7
Transportation Equipment	11	1 to 2	2

18. Investment property

The movement is summarized as follows:

	Group		Parent	
	2024	**2023**	**2024**	**2023**
Beginning Balance				
Cost	2,251,953	1,867,584	2,187,136	1,833,281
Accumulated Depreciation	(215,672)	(173,741)	(215,672)	(173,741)
Allowance for Impairment	(133,400)	(109,294)	(133,400)	(109,294)
Net book amount	**1,902,881**	**1,584,549**	**1,838,064**	**1,550,246**
Acquisition	131,870	579,092	131,870	548,578
Disposal				
Cost	(22,854)	(214,971)	(22,854)	(214,971)
Accumulated Depreciation	676	5,786	676	5,786
Allowance for Impairment	181	7,006	181	7,006
Reclassification				
Cost	31,020	(22,267)	31,020	(22,267)
Accumulated Depreciation	0	5,727	0	5,727
Allowance for Impairment	(23,340)	57	(23,340)	57
Adjustments – Cost	0	42,515	0	42,515
Reversal/Set-up				
Accumulated Depreciation	(104,077)	(53,444)	(104,077)	(53,444)
Allowance for Impairment	16,261	(31,169)	16,261	(31,169)
Total	**1,932,618**	**1,902,881**	**1,867,801**	**1,838,064**
Ending Balance				
Cost	2,391,989	2,251,953	2,327,172	2,187,136
Accumulated Depreciation	(319,073)	(215,672)	(319,073)	(215,672)
Allowance for Impairment	(140,298)	(133,400)	(140,298)	(133,400)
Net book amount	**1,932,618**	**1,902,881**	**1,867,801**	**1,838,064**

Fair value of the account is estimated at P4.54 billion for the Parent Bank.

19. Equity investment in subsidiaries

This account consists of:

	Parent	
	2024	2023
Investments in subsidiaries		
Acquisition cost:		
Al-Amanah Islamic Investment Bank of the Philippines	1,267,000	1,267,000
DBP Leasing Corporation	1,132,000	1,132,000
DBP Management Corporation	37,500	37,500
DBP Data Center, Inc.	1,530	1,530
	2,438,030	2,438,030
Allowance for impairment (Note 21)	(1,483,792)	(1,488,099)
	954,238	**949,931**

20. Equity investment in associates and joint venture

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

	Group		Parent	
	2024	2023	2024	2023
Associates:				
Maharlika Investment Corporation (20.00% owned)	25,564,704	0	25,000,000	0
DBP Service Corporation (28.04% owned)	138,427	107,358	856	856
	25,703,131	107,358	25,000,856	856
Joint Venture:				
DBP Insurance Brokerage, Inc. (40.00% owned)	29,327	12,407	4,000	4,000
DBP Daiwa Securities (17.06% owned)	76,490	95,668	45,675	45,675
	105,817	108,075	49,675	49,675
	25,808,948	215,433	25,050,531	50,531
Allowance for impairment loss (Note 21)	(537,396)	0	(666)	0
	25,271,552	**215,433**	**25,049,865**	**50,531**

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:

	2024			
	Statement of Financial Position		Statement of Profit/(Loss)	
	Total Assets	Total Liabilities	Gross Income	Net Income/ (Loss)
Maharlika Investment Corporation	127,244,135	668,139	2,772,441	2,679,011
DBP Daiwa Securities	2,185,775	1,695,161	3,724,941	67,901
DBP Service Corporation	191,527	118,561	63,034	15,031
DBP Insurance Brokerage, Inc.	274,921	8,411	12,514	(22,517)

	2023			
	Statement of Financial Position		Statement of Profit/(Loss)	
	Total Assets	Total Liabilities	Gross Income	Net Income/ (Loss)
Maharlika Investment Corporation	125,144,511	1,250,000	144,511	144,511
DBP Daiwa Securities	2,223,689	1,781,879	3,800,407	58,700
DBP Service Corporation	156,702	112,334	55,943	13,702
DBP Insurance Brokerage, Inc.	329,798	20,771	140,793	(71,597)

DBP Daiwa Securities

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

Effective November 30, 2024, DBP Daiwa Securities was dissolved. The liquidation process will be completed by December 31, 2027.

Maharlika Investment Corporation (MIC)

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

Under the law, the National Government, the DBP, and Landbank of the Philippines are mandated to provide the initial capital of the Maharlika Investment Corporation (MIC). DBP's share of P25 billion in the initial capital of MIC equivalent to 250 million common shares, was remitted to the Bureau of Treasury in September 2023. The MIC investment was initially booked under Miscellaneous Assets – Others, but reclassified to Equity Investment in Associate as of December 31, 2024.

21. Allowance for impairment and credit losses

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

	Group		Parent	
	2024	2023 As restated	2024	2023 As restated
Beginning balance	31,693,604	25,552,434	32,590,902	25,804,662
Provision for impairment and credit losses	7,578,086	6,237,523	7,140,397	6,882,593
Charges against reserves:				
Write-off	(19,797)	(33,099)	(19,797)	(33,099)
Sale of acquired assets	0	(223)	0	(223)
Revaluation	5,874	(1,908)	5,874	(1,908)
Other transactions	713,398	(61,123)	717,995	(61,123)
Total Allowance for impairment and credit losses	**39,971,165**	**31,693,604**	**40,435,371**	**32,590,902**

The Parent Bank's total provision for impairment as of December 31, 2024 and 2023 were inclusive of the provisions for contingent accounts and lawsuits, as follows:

	Parent	
	2024	2023
Impairment and credit losses	7,140,397	6,882,593
Contingent accounts	7,141	3,563
Lawsuits	0	171,373
Total Provision for Impairment	**7,147,538**	**7,057,529**

Details per account follow:

	Group		Parent	
	2024	2023 As restated	2024	2023 As restated
Due from other banks				
Beginning balance	0	0	0	0
Provision for impairment and credit losses	673	0	673	0
Ending balance (Note 9)	673	0	673	0
Financial assets at amortized cost (Held to collect)				
Beginning balance	366,067	197,250	366,067	197,250
Revaluation	3,364	(1,518)	3,364	(1,518)
Other Transactions	53,839	170,335	53,839	170,335
Ending balance (Note 14)	423,270	366,067	423,270	366,067
Financial assets at amortized cost (Loans and receivable)				
Beginning balance	30,855,078	24,909,805	30,300,989	24,646,787
Provision for impairment and credit losses	6,995,523	6,206,091	7,094,564	5,914,427
Charges against reserves:				
Write-off	(19,034)	(24,944)	(19,034)	(24,944)
Revaluation	2,509	(390)	2,509	(390)
Other transactions	695,732	(235,484)	696,680	(234,891)

	Group		Parent	
	2024	2023 As restated	2024	2023 As restated
Ending balance (Note 15)	38,529,808	30,855,078	38,075,708	30,300,989
Equity investments in subsidiary				
Beginning balance	0	0	1,488,099	550,177
Provision for impairment and credit losses	0	0	0	937,922
Other Transactions	0	0	(4,307)	0
Ending balance (Note 19)	0	0	1,483,792	1,488,099
Equity investments in associates and joint venture				
Beginning balance	0	0	0	0
Provision for impairment and credit losses	537,396	0	666	0
Ending balance (Note 20)	537,396	0	666	0
Non-current assets held for sale				
Beginning balance	54,798	48,392	54,798	48,392
Provision for impairment and credit losses	11,313	21,225	11,313	21,225
Charges against reserves:				
Write-off	0	(11)	0	(11)
Other transactions	(25,563)	(14,808)	(25,563)	(14,808)
Ending balance	40,548	54,798	40,548	54,798
Investment property				
Beginning balance	133,400	109,294	133,400	109,294
Provision for impairment and credit losses	30,417	8,494	30,417	8,494
Charges against reserves:				
Write-off	0	(5,013)	0	(5,013)
Other transactions	(23,519)	20,625	(23,519)	20,625
Ending balance (Note 18)	140,298	133,400	140,298	133,400
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
Intangible Assets				
Beginning balance	4,000	4,000	4,000	4,000
Ending balance (Note 23)	4,000	4,000	4,000	4,000
Other assets				
Beginning balance	273,907	277,339	237,195	242,408
Provision for impairment and credit losses	2,764	1,713	2,764	525
Charges against reserves:				
Write-off	(763)	(3,131)	(763)	(3,131)
Sale of acquired assets	0	(223)	0	(223)
Revaluation	1	0	1	0
Other transactions	12,909	(1,791)	20,865	(2,384)
Ending balance (Note 24)	288,818	273,907	260,062	237,195
Total Allowance	**39,971,165**	**31,693,604**	**40,435,371**	**32,590,902**

22. Deferred tax assets

Components of the deferred tax assets are as follows:

	Group		Parent	
	2024	2023	2024	2023
Deferred tax assets on:				
Allowance for impairment	10,071,888	8,102,513	9,959,717	7,965,972
Gratuity pay	576,816	25,657	576,816	25,657
Provision for lawsuit	85,262	87,474	85,262	87,474
Trading loss/(gain) revaluation	(18,516)	(6,315)	(18,516)	(6,315)
Unrealized foreign exchange loss/(gain) - net	(437,980)	(570,049)	(437,980)	(570,049)
Net deferred tax assets	**10,277,470**	**7,639,280**	**10,165,299**	**7,502,739**

23. Intangible assets

It represents the book value of the following intangible assets:

	Group		Parent	
	2024	2023	2024	2023
Software	49,336	67,934	48,152	66,008
BSP License	118,800	122,000	118,800	122,000
Non-Proprietary shares	500	500	500	500
Total	**168,636**	**190,434**	**167,452**	**188,508**

Details are as follows:

	Group			
	Software	BSP License	Non-Proprietary Shares	Total
At January 1, 2024				
Cost	693,578	160,000	4,500	858,078
Accumulated Amortization	(625,644)	(38,000)	0	(663,644)
Allowance for Impairment	0	0	(4,000)	(4,000)
Net Book Amount	**67,934**	**122,000**	**500**	**190,434**
Additions/Disposal	17,694	0	0	17,694
Amortization	(36,292)	(3,200)	0	(39,492)
	(18,598)	(3,200)	0	(21,798)
Total	**49,336**	**118,800**	**500**	**168,636**
At December 31, 2024				
Cost	711,272	160,000	4,500	875,772
Accumulated Amortization	(661,936)	(41,200)	0	(703,136)
Allowance for Impairment	0	0	(4,000)	(4,000)
Net Book Amount	**49,336**	**118,800**	**500**	**168,636**

Parent				
	Software	BSP License	Non-Proprietary Shares	Total
At January 1, 2024				
Cost	685,997	160,000	4,500	850,497
Accumulated Amortization	(619,989)	(38,000)	0	(657,989)
Allowance for Probable Loss	0	0	(4,000)	(4,000)
Net Book Amount	**66,008**	**122,000**	**500**	**188,508**
Additions/Disposal	17,694	0	0	17,694
Amortization	(35,550)	(3,200)	0	(38,750)
	(17,856)	(3,200)	0	(21,056)
Total	**48,152**	**118,800**	**500**	**167,452**
At December 31, 2024				
Cost	703,691	160,000	4,500	868,191
Accumulated Amortization	(655,539)	(41,200)	0	(696,739)
Allowance for Probable Loss	0	0	(4,000)	(4,000)
Net Book Amount	**48,152**	**118,800**	**500**	**167,452**

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

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

In CY 2024, the Parent Bank's adjustment on software cost and accumulated amortization pertains to the derecognition of fully amortized intangible assets which are already not in use and have been replaced with an upgraded/newer version. As of December 31, 2024, the Parent Bank has six fully amortized intangible assets (software) which are still in use.

24. Other assets

This account consists of:

	Group		Parent	
	2024	2023 As restated	2024	2023 As restated
Other Investments – Maharlika Investment Fund*	0	25,000,000	0	25,000,000
Accounts receivable	4,315,144	3,120,447	3,710,801	3,023,731
Creditable Withholding Taxes/Expanded Withholding Taxes/Gross Receipts Tax	4,125,789	4,170,607	4,125,789	4,170,607
Dividends and interest receivable	886,065	768,967	886,065	768,967
Employee benefits	376,246	356,876	376,246	356,875
Prepaid expenses	369,116	346,725	359,179	345,410

	Group		Parent	
	2024	2023 As restated	2024	2023 As restated
ROPA	118,899	92,492	107,210	65,230
Inter-office float items	3,329	2,750	(8)	2,203
Miscellaneous assets	903,651	923,273	863,570	878,666
	11,098,239	34,782,137	10,428,852	34,611,689
Accumulated depreciation	(83,410)	(69,465)	(72,816)	(57,254)
Allowance for impairment (Note 21)	(288,818)	(273,907)	(260,062)	(237,195)
	10,726,011	**34,438,765**	**10,095,974**	**34,317,240**

*Reclassified to Equity Investment in Associates

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

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

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

- Dividends Receivable – MRTC

This represents a portion of monthly ERP as dividend income earned but not yet received. Dividend Receivable from FVOCI equity securities as of December 31, 2024 and 2023 amounted to P885.75 million and P768.65 million, respectively.

- Accounts Receivable – MRTC

This represents a portion of monthly ERP accrued as return of investment, but not yet received. Accounts Receivable from FVOCI equity securities as of December 31, 2024 and 2023 amounted to P2,771.81 million and P1,809.08 million, respectively.
The Parent Bank's MRTC Portfolio as of December 31 consists of: (In millions)

	2024		2023	
	USD	PHP	USD	PHP
Bonds - HTC	10.29	595.20	72.03	3,988.18
Shares – FVTPL/FVOCI				
Securitized	20.99	1,214.11	20.05	1,110.47
Unsecuritized	1.37	79.39	16.62	920.13
	22.36	1,293.50	36.67	2,030.60
	32.65	**1,888.70**	**108.70**	**6,018.78**

- Bonds – MRTC

As of December 31, 2024, the Parent Bank's total outstanding investment in MRTC bonds amounted to USD10.29 million or P595.20 million with face value of USD632.86 million, as reflected in custodian bank, Clearstream (Cedel) and the total amounts received for the monthly payment of Tranche 3 Notes amounted to USD622.57 million equivalent to P36.01 billion.

24.2 Miscellaneous Assets - Inventories

Stationery & supplies (SOS) and semi-expendable items (SEI) are recognized using the asset method of accounting. SOS are booked as "SOS On-Hand" and SEIs are booked as "SEI-On Hand". Both are reported under Miscellaneous Assets and recognized only as expense upon issuance to the end-users.

25. Deposit liabilities

This account consists of:

	Group		Parent	
	2024	**2023 As restated**	**2024**	**2023 As restated**
Demand	299,792,044	279,035,691	299,670,666	278,889,312
Savings	298,823,339	372,411,772	298,452,106	372,090,837
Time	146,259,342	123,901,885	146,262,343	123,906,884
	744,874,725	**775,349,348**	**744,385,115**	**774,887,033**

The total liquidity and statutory reserves as reported to BSP of the Parent Bank as of December 31, 2024 and 2023 are as follows:

	Parent			
	2024		**2023**	
	Rate	**Amount**	**Rate**	**Amount**
Statutory/Legal Reserves on Deposits:				
Available Reserves		46,618,966		67,701,073
Required Reserves				
Deposit Liabilities	7.00%	45,899,942	9.5%	67,061,897
Bonds Payable	3.00%	708,750	3%	476,250
		46,608,692		67,538,147
Excess/(Deficiency)		**10,274**		**162,926**

The rates of required reserves against deposit and deposit substitute liabilities in local currency of banks were reduced to 7.00 per cent from 9.50 per cent effective reserve week October 25, 2024 per BSP Circular No. 1201 s. 2024.

26. Bills payable

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

	Group		Parent	
	2024	2023	2024	2023
Official Development Assistance (ODA)	25,903,107	30,276,018	25,903,107	30,276,018
Non-ODA	11,850,323	26,175,849	11,066,363	25,256,626
	37,753,430	**56,451,867**	**36,969,470**	**55,532,644**

As to remaining maturity:

	Group		Parent	
	2024	2023	2024	2023
Domestic:				
Within 1 year	520,335	631,963	7,331	6,491
Beyond 1 year	457,333	617,569	186,377	323,818
	977,668	1,249,532	193,708	330,309
Foreign:				
- with FX risk cover				
Within 1 year	0	674,927	0	674,927
Beyond 1 year	25,903,107	29,601,091	25,903,107	29,601,091
	25,903,107	30,276,018	25,903,107	30,276,018
- without FX risk cover				
Within 1 year	10,872,655	24,926,317	10,872,655	24,926,317
	36,775,762	**55,202,335**	**36,775,762**	**55,202,335**
	37,753,430	**56,451,867**	**36,969,470**	**55,532,644**

As to original term:

	Group		Parent	
	2024	2023	2024	2023
Domestic:				
1 Year or Less	513,004	484,610	0	0
More than 1 Year to 5 Years	270,956	434,613	0	0
More than 5 Years	193,708	330,309	193,708	330,309
	977,668	1,249,532	193,708	330,309
Foreign:				
-with FX risk cover				
More than 5 Years	25,903,107	30,276,018	25,903,107	30,276,018
-without FX risk cover				
1 Year or Less	10,872,655	22,479,810	10,872,655	22,479,810
More than 5 Years	0	2,446,507	0	2,446,507
	10,872,655	24,926,317	10,872,655	24,926,317
	36,775,762	**55,202,335**	**36,775,762**	**55,202,335**
	37,753,430	**56,451,867**	**36,969,470**	**55,532,644**

The 2024 year-end balances of foreign borrowings were revalued using the month-end PDS rate in accordance with the PAS 21. The total amount of Bills Payable resulting from Repurchase Agreement amounted to P10.78 billion with collateral securities under the FVOCI and Debt Securities at Amortized Cost which amounted to P6.17 billion and P2.05 billion, respectively.

The foreign currency denominated Bills Payable amounting to P25.90 billion and P30.28 billion in 2024 and 2023, respectively, were all subject to FX risk cover and guaranteed by the National Government. The foreign exchange revaluation gains for CY 2024 and 2023 amounted to P1,290 million and P2,206 million, respectively. The AR-NG FX Differential as of December 31, 2024 and 2023, totaled P94.45 million and P399.90 million, respectively.

Other information about bills payable as of December 31, 2024, are as follows:

	Bills Payable	
	Wholesale	**Retail**
a. Maturities		
Maximum		
Domestic		12 years
Foreign	40 years	40 years
Average		
Domestic		8.55 years
Foreign	40 years	36.29 years
b. Average rate (interest rate to funders)		
Domestic	0.00%	2.39%
Foreign	0.75%	0.98%
c. Balance		
Maximum month-end balance	819,929	29,044,620
Average monthly balance	671,294	27,713,656

27. Bonds payable

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

	Group		Parent	
	2024	**2023**	**2024**	**2023**
Senior Notes	17,306,420	16,559,476	17,306,420	16,559,476
ASEAN Sustainability Bonds	23,506,382	15,817,010	23,506,382	15,817,010
	40,812,802	**32,376,486**	**40,812,802**	**32,376,486**

The statutory/legal reserves on bonds payable amounts to P708.75 million as of December 31, 2024 (see Note 25).

27.1 Senior Notes

On March 11, 2021, the Parent Bank issued USD300.00 million notes (the "Senior Notes") with an annual coupon rate of 2.375 per cent due on March 11, 2031 as approved by the Monetary Board of the BSP. The Senior 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 referred 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 Senior Notes in whole, but not in part, at their principal amount together with accrued but unpaid interest, in the event of certain tax changes. Further, upon the occurrence of a Change in Control of the Parent Bank (as defined in the Terms and Conditions of the Senior Notes), each noteholder shall have the right, at its option, to require DBP to repurchase all (but not only some) of its notes at a redemption price equal to 101 per cent of their principal amount plus accrued and unpaid interest, if any, to the date or repurchase.

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

The Parent Bank issued on December 13, 2024 a multi-tranche bond via private placement thru its fixed-rate series 6A bonds (the "Series 6A Bonds") in the amount of P3.756 billion with a coupon rate of 6.0503 per cent per annum, and fixed-rate series 6B bonds (the "Series 6B Bonds") in the amount of P7.244 billion with a coupon rate of 6.0503 per cent per annum, both series payable quarterly. The Series 6A Bonds has a tenor of one and a half year and will mature on June 13, 2026 while the Series 6B Bonds has a tenor of three years and will mature on December 13, 2027.

On February 12, 2024, the Parent Bank issued its fixed-rate series 5 bonds (the "Series 5 Bonds") via private placement in the amount of P8.750 billion with a coupon rate of 6.1020 per cent per annum payable quarterly, with a one and half tenor to mature on August 12, 2025.

On July 27, 2023, the Parent Bank issued its fixed-rate series 4 bonds (the "Series 4 Bonds") via private placement in the amount of P3.785 billion with a coupon rate of 6.4126 per cent per annum payable quarterly, with a one and a half year tenor to mature on January 27, 2025. This completed the issuance of the Parent Bank's original P55.0 billion bond program that was approved by the Monetary Board in 2019.

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

All bond issuances under of the Parent Bank's constitute, unconditional, unsecured, and unsubordinated obligations of the Parent Bank. Subsequently, it will at all times rank pari passu and without any preference among themselves and at least equally with all other direct, unconditional, unsecured and unsubordinated Peso-denominated obligations of the Parent Bank other than obligations mandatorily preferred by law.

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

28. Due to Bangko Sentral ng Pilipinas (BSP)/other banks

This refers to the estimated liability for the Parent Bank's share in the cost of maintaining the appropriate supervision and examination department of the BSP monthly set-up against current operations. Also included are items/transactions which cannot be appropriately classified under any of the foregoing "Due to BSP" accounts. The Due to BSP account has minimal balance and nil in 2024 and 2023, respectively. On the other hand, the Due to Other Banks account has no outstanding balance as of year-end 2024 and 2023.

29. Manager's checks and demand drafts outstanding

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

30. Accrued taxes, interests and expenses

These refer to the following estimated liabilities:

	Group		Parent	
	2024	2023 As restated	2024	2023 As restated
Interest	3,066,275	4,421,086	3,065,986	4,420,846
Income Tax	19,391	57,862	1,430	4,773
Other Taxes/Licenses	528,678	516,512	524,314	512,206
Salaries and Other Administrative Expense	3,791,846	3,856,654	3,550,804	3,514,584
	7,406,190	**8,852,114**	**7,142,534**	**8,452,409**

31. Deferred credits and other liabilities

This account consists of:

	Group		Parent	
	2024	2023 As restated	2024	2023 As restated
Cash letters of credit	29,900,008	18,334,909	29,900,008	18,334,909
Accounts payable	3,293,914	3,520,523	2,796,348	3,488,983
Provisions liability	2,326,364	406,534	2,317,969	394,385
Finance lease liability	855,696	670,048	849,280	659,287
Miscellaneous liability – Lawsuits	341,047	341,047	341,047	341,047
Unearned income/deferred credits	339,634	2,092,969	41,006	1,798,844
Withholding taxes payable	275,793	283,859	242,791	280,776
Due to Treasury of the Philippines	135,838	135,799	133,478	133,439
Other miscellaneous liabilities	2,905,710	895,178	2,238,625	339,186
	40,374,004	**26,680,866**	**38,860,552**	**25,770,856**

31.1 Cash letters of credit

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

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

From December 31, 2023, the total amount of P18.33 billion increased to P29.90 billion as of December 31, 2024. The bulk pertains to LC issued by the Parent Bank for the account of various local government units and government agencies.

31.2 Details on Finance Lease Liability Account

The maturity details of the Parent Bank's Finance Lease Liability as of December 31, 2024 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	1,097	648,615	199,568	849,280
Interest Expense	2	45,916	58,398	104,316
Total	**1,099**	**694,531**	**257,966**	**953,596**

31.3 Miscellaneous liability – lawsuits

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

31.4 Other miscellaneous liabilities

Other miscellaneous liabilities primarily consist of the P1.97 billion DBP's share on the collection of non/under compliance with Agriculture, Fisheries and Rural Development (AFRD) financing under Republic Act No.11901 or "The Agriculture, Fisheries and Rural Development Financing Enhancement Act of 2022".

32. Capital Stock

Capital stock consists of the following:

	Parent	
	2024	**2023**
Common shares, P100 par value		
Authorized, 350,000,000 shares		
Issued, paid and outstanding,		
Number of shares	320,000,000	320,000,000
Amount (In thousand pesos)	**32,000,000**	**32,000,000**

33. Retained earnings reserves

This account consists of:

	Group		Parent	
	2024	2023	2024	2023
Reserve for trust business	143,874	140,289	143,874	140,289
Reserve for contingencies	35,199	35,199	35,199	35,199
Other surplus reserves				
Loans – Japan Exim Special Facility	4,938	4,938	4,938	4,938
Fund – Japan Training & Technical Assistance	66,026	66,026	66,026	66,026
Expense – Japan Exim Special Facility	46	46	46	46
Appropriated General Reserves Fund for the proposed increase in capitalization – DBPMC	20,000	20,000	0	0
	91,010	91,010	71,010	71,010
	270,083	**266,498**	**250,083**	**246,498**

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.

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

33.1 Other surplus reserves

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

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

34. Accumulated other comprehensive income/(loss)

This account consists of:

	Group		Parent	
	2024	2023	2024	2023
Net unrealized gain/(loss) on securities at FVOCI	(533,076)	(1,486,979)	(545,110)	(1,503,180)
Cumulative Foreign Currency Translation	237,729	203,287	237,729	203,287

	Group		Parent	
	2024	2023	2024	2023
Remeasurement of Net Defined Benefit Liability/(Asset)	3,728	1,750	0	0
	(291,619)	**(1,281,942)**	**(307,381)**	**(1,299,893)**

The movement of this account is summarized as follows:

	Group	Parent
Net unrealized gain/(loss) on securities at FVOCI		
At December 31, 2023	(1,486,979)	(1,503,180)
Net change in fair value of debt instrument at FVOCI	347,026	347,026
Net change in fair value of equity instrument at FVOCI	606,877	611,044
Net change in fair value during the year	953,903	958,070
At December 31, 2024	(533,076)	(545,110)
Cumulative foreign currency translation		
At December 31, 2023	203,287	203,287
Translation adjustments	34,442	34,442
At December 31, 2024	237,729	237,729
Remeasurement of Net Defined Benefit Liability/(Asset)		
At December 31, 2023	1,750	0
Translation Adjustments	1,978	0
At December 31, 2024	3,728	0
	(291,619)	**(307,381)**

35. 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:

	2024			
	Reportable Segments		Total Non-Reportable Segments	Bankwide Financial Statements
	Treasury and Corporate Finance	Development Lending		
Fees income earned from services that are provided over time:				
Payment Services	0	56	0	56
Various Service Charges	0	1,558,945	0	1,558,945
	0	1,559,001	0	1,559,001
Fees income earned from services that are provided at a point in time:				
Underwriting	99,925	0	0	99,925
Brokerage	31,011	0	0	31,011
Various Service Charges	25,752	112,668	15,488	153,908
	156,688	112,668	15,488	284,844

2024				
	Reportable Segments		Total Non-Reportable Segments	Bankwide Financial Statements
	Treasury and Corporate Finance	Development Lending		
Total revenue from contracts with customers	**156,688**	**1,671,669**	**15,488**	**1,843,845**

2023 As restated				
	Reportable Segments		Total Non-Reportable Segments	Bankwide Financial Statements
	Treasury and Corporate Finance	Development Lending		
Fees income earned from services that are provided over time:				
Payment Services	0	99	0	99
Various Service Charges	0	1,446,840	0	1,446,840
	0	1,446,939	0	1,446,939
Fees income earned from services that are provided at a point in time:				
Underwriting	17,535	0	0	17,535
Brokerage	25,190	0	0	25,190
Various Service Charges	13,288	87,127	12,052	112,467
	56,013	87,127	12,052	155,192
Total revenue from contracts with customers	**56,013**	**1,534,066**	**12,052**	**1,602,131**

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.

36. Miscellaneous income

This account consists of:

	Group		Parent	
	2024	2023 As restated	2024	2023 As restated
Share in net income - equity investment	585,887	26,672	0	0
Additional interest and penalty charges (AIPC)	334,973	215,575	334,973	215,575
Rental/lease income	119,228	133,528	43,110	41,614
Income/(loss) - Trust	118,420	87,800	118,420	87,800
Recovery on charged-off assets	59,346	32,080	57,531	31,214
Gain/(loss) from sale/derecognition of non-financial assets	40,330	839,260	38,391	839,238
Income from assets acquired	302	0	0	0
Miscellaneous Income	142,656	273,201	50,285	42,639
	1,401,142	**1,608,116**	**642,710**	**1,258,080**

37. Other operating expenses

This account consists of:

	Group		Parent	
	2024	2023 As restated	2024	2023 As restated
Insurance	1,600,590	1,663,280	1,595,691	1,658,602
Depreciation and amortization	739,868	665,657	726,681	648,987
Information technology	488,139	353,313	502,016	372,017
Fees and commission/Supervision	439,006	505,936	438,584	505,635
Security, clerical, messengerial and janitorial	359,867	399,674	346,097	387,451
Utilities	329,845	366,834	321,836	360,089
Repairs and maintenance	146,636	86,364	145,388	85,261
Stationery and supplies used	98,535	62,562	96,483	60,708
Management and other professional fees	94,085	89,251	92,998	87,581
Fuel and lubricants/Traveling	87,039	79,377	79,980	74,674
Trainings	52,684	43,515	51,621	42,399
Interest Expense - Finance Lease Payment Payable	41,163	32,670	41,058	32,417
Representation and entertainment	13,130	12,479	10,609	10,021
Miscellaneous expense	334,669	391,513	332,803	389,187
	4,825,256	**4,752,425**	**4,781,845**	**4,715,029**

The Group's training expenses were reclassified from Compensation and Fringe Benefits to Other Operating Expenses.

38. 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 (GRT) and documentary stamp taxes.

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

On March 26, 2021, President Rodrigo R. Duterte signed the Republic Act No. 11534, otherwise known as the "Corporate Recovery and Tax Incentives for Enterprises Act" or CREATE Act, which seeks to reform income tax and rationalize fiscal incentives. The relevant provisions in the said Act include: a) Reduced Regular Corporate Income Tax (RCIT) rate of 25 per cent starting July 1, 2020; and b) Minimum Corporate Income Tax (MCIT) rate shall be one per cent, instead of two per cent for the period beginning July 1, 2020 until June 30, 2023. Due to the reduction in RCIT rate, the interest arbitrage shall likewise be reduced to 20 per cent of interest income subject to final tax. Under National

Internal Revenue Code, final income tax of 20 per cent is imposed on certain passive income of the bank such as interest or yield from bank deposits or deposit substitutes.

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

Provision for income tax consists of:

	Group		Parent	
	2024	2023 As restated	2024	2023 As restated
Current				
Final Taxes	2,308,952	2,435,242	2,308,900	2,434,814
RCIT – FCDU	15,085	14,368	15,085	14,369
RCIT – RBU	1,153,858	407,433	1,140,066	347,552
	3,477,895	2,857,043	3,464,051	2,796,735
Deferred Tax Benefit	(2,620,162)	(2,278,723)	(2,662,559)	(2,194,330)
	857,733	**578,320**	**801,492**	**602,405**

In 2024, the Parent Bank was subjected to RCIT totaling P1.155 billion for all quarters. The balance of NOLCO from 2021 was utilized and applied to the Parent Bank's taxable income for 2022. Meanwhile, the excess MCIT from 2021 until 2022 was used as tax credit in the filing of the amended Income Tax Return (ITR) for 2023.

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

Inception Year	Amount	Used	Balance	Expiry Year
NOLCO				
2021	3,066,434	3,066,434	0	2026
2022	0	0	0	2027
2023	0	0	0	2028
2024	0	0	0	2029
	3,066,434	**3,066,434**	**0**	

Inception Year	Amount	Used	Balance	Expiry Year
Excess MCIT				
2021	21,139	21,139	0	2024
2022	77,966	77,966	0	2025
2023	0	0	0	2026
2024	0	0	0	2027
	99,105	**99,105**	**0**	

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:

	2024		2023	
	Amount	Rate (%)	Amount	Rate (%)
Statutory income tax	2,017,178	25.00	1,634,002	25.00
Effect of items not subject to statutory tax rate:				
Income subjected to lower tax rates	(2,306,281)	(28.58)	(2,430,604)	(37.19)
Tax-exempt income	(882,842)	(10.94)	(973,988)	(14.90)

	2024		2023	
	Amount	Rate (%)	Amount	Rate (%)
Non-deductible expenses	2,321,364	28.77	2,291,696	35.06
Others	(347,927)	(4.31)	81,299	1.24
Tax expense	**801,492**	**9.94**	**602,405**	**9.21**

39. 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 RPT Committee shall be composed of at least three members of the BOD, 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, the concerned director 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 on the RPT Committee.

39.1 Directors, Officers, Stockholders and their Related Interests

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

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

BSP regulations limit the amount of the loans granted by a Parent Bank to a single borrower to 25 per cent of the unimpaired capital for retail and 35 per cent for wholesale. The amount of individual loans to DOSRI, of which at least 70 per cent must be secured, should not exceed the amount of the unencumbered deposits and book value of their paid in capital in the Parent Bank. In the aggregate, loans to DOSRI should not exceed the total capital funds or 15 per cent of the total loan portfolio of the Parent Bank, whichever is lower. Pursuant to MORB Section 350.a, agencies/departments/bureaus of the Republic of the Philippines (ROP) are considered (1) non-risk and (2) not subject to any ceilings and per MORB Section 350.c, State Universities and Colleges (SUCs) loans shall be excluded from the 30 per cent ceiling on unsecured loans.

BSP Circular No. 547 dated September 21, 2006 prescribed the DOSRI rules for government borrowings in government owned or controlled banks. Said circular considered as indirect borrowing of the ROP, loans, and other credit accommodation and guarantees to: (a) Government Owned and Controlled Corporations (GOCCs); and (b)

Corporations where the ROP, its agencies/departments/bureaus, and/or GOCCs own at least 20 per cent of the subscribed capital stock.

The outstanding DOSRI loans of the Parent Bank as of December 31, 2024 of P104,255 million are all government borrowings covered by BSP Circular No. 547.

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

	2024	2023
Total DOSRI loans	104,254,760	75,405,269
Unsecured DOSRI loans	35,215	45,948
Total RPT Loans (inclusive of DOSRI)	104,254,760	86,301,277
Total Loan Portfolio	555,932,922	560,501,766
Per cent of DOSRI Loans to Total Loan Portfolio	18.75%	13.45%
Per cent of Unsecured DOSRI Loans to Total DOSRI Loans	0.03%	0.06%
Per cent of RPT Loans (inclusive of DOSRI) to Total Loan Portfolio	18.75%	15.40%
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%

39.2 Key Management Remuneration

The compensation of key management are as follows (excluding Provident Fund benefits): (In millions)

	Group		Parent	
	2024	2023	2024	2023
a) Short-term employee benefits	114.65	118.10	92.05	99.17
b) Post-employment benefits	53.23	55.88	51.37	50.53
	167.88	**173.98**	**143.42**	**149.70**

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

	Group		Parent	
	2024	2023	2024	2023
a) Per Diem/honorarium	22.29	20.71	18.44	17.40

39.3 Subsidiaries and Affiliates

The following are the RPTs and account balances of Parent Bank with its Subsidiaries and Affiliates: (In millions)

Subsidiaries	Accounts and nature of the transaction	2024	2023
AAIIBP	Cash In Bank - Deposit account with Parent Bank	15.72	9.13
	Rent Expenses - Rent of office space	0	0.28

Subsidiaries	Accounts and nature of the transaction	2024	2023
	Travelling Expense - for seminar of security personnel	0	0.06
	Utilities	0	0.01
DBPLC	Cash In Bank - Deposit account with Parent Bank	329.43	181.24
DCI	Cash In Bank - Deposit account with Parent Bank	39.05	12.11
	Receivables from Parent Bank – Professional Service Agreement	2.42	4.07
	Short-Term Investment - Retirement Fund held in trust with DBP Trust Banking Group	3.09	1.55
	Accounts Payable to Parent Bank – Rent of office space	1.72	1.11
	Rent Expense – Rent of office space	4.35	4.54
	Utilities Expenses	0.12	0.00
	Income earned for the professional service agreement	13.99	18.76
DBPMC	Cash In Bank - Deposit account with Parent Bank	69.51	65.98

Affiliates	Related Counterparty	Type of Transaction	Amount/Contract Price
DEVELOPMENT BANK OF THE PHILIPPINES			
Others	Bancnet, Inc.	Transaction fees	P12.03 million
LIPA BANK			
Subsidiaries and Affiliates	Vimland Realty Development Corporation	Credit Transaction	P10.77 million

40. 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

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.

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 statements of financial position after allocation of resources.

The segment assets, liabilities and results of operations of the reportable segments as of December 31, 2024 and 2023 are as follows:

As of December 31, 2024	Reportable Segments: Treasury and Corporate Finance	Reportable Segments: Development Lending	Total Reportable Segments	Total Non-Reportable Segments	Bankwide Financial Statements
Interest Income	16,118,900	32,564,213	48,683,113	0	48,683,113
Interest Expense	(3,089,910)	(19,158,080)	(22,247,990)	0	(22,247,990)
Net Interest Income	13,028,990	13,406,133	26,435,123	0	26,435,123
Provision for Impairment	(681)	(32,603)	(33,284)	(7,114,254)	(7,147,538)
Net Interest Income After Provision for Impairment	13,028,309	13,373,530	26,401,839	(7,114,254)	19,287,585
Other Income	2,934,273	2,195,224	5,129,497	219,854	5,349,351
Gross Segment Revenue	15,962,582	15,568,754	31,531,336	(6,894,400)	24,636,936
Compensation and Fringe Benefits	(142,089)	(2,987,944)	(3,130,033)	(3,954,354)	(7,084,387)
Depreciation and Amortization	(206)	(251,957)	(252,163)	(474,518)	(726,681)
Other Operating Expenses	(937,835)	(6,440,668)	(7,378,503)	(1,378,653)	(8,757,156)
Total Direct Operating Expenses	(1,080,130)	(9,680,569)	(10,760,699)	(5,807,525)	(16,568,224)
Operating Profit Before Tax	14,882,452	5,888,185	20,770,637	(12,701,925)	8,068,712
Provision for Income Tax	(2,308,235)	(39)	(2,308,274)	1,506,782	(801,492)
Segment Net Profit for the Year	**12,574,217**	**5,888,146**	**18,462,363**	**(11,195,143)**	**7,267,220**
Segment Assets	**326,035,789**	**594,553,308**	**920,589,097**	**43,775,398**	**964,364,495**
Segment Liabilities	**63,102,889**	**796,454,722**	**859,557,611**	**8,818,612**	**868,376,223**
Equity					**95,988,272**

As of December 31, 2023 As restated	Reportable Segments: Treasury and Corporate Finance	Reportable Segments: Development Lending	Total Reportable Segments	Total Non-Reportable Segments	Bankwide Financial Statements
Interest Income	16,079,928	30,643,416	46,723,344	(33)	46,723,311
Interest Expense	(2,739,262)	(20,553,560)	(23,292,822)	(48,529)	(23,341,351)
Net Interest Income	13,340,666	10,089,856	23,430,522	(48,562)	23,381,960
Provision for Impairment	0	(224,601)	(224,601)	(6,832,928)	(7,057,529)
Net Interest Income After Provision for Impairment	13,340,666	9,865,255	23,205,921	(6,881,490)	16,324,431
Other Income	3,329,744	2,601,500	5,931,244	317,573	6,248,817
Gross Segment Revenue	16,670,410	12,466,755	29,137,165	(6,563,917)	22,573,248

As of December 31, 2023 As restated	Reportable Segments: Treasury and Corporate Finance	Reportable Segments: Development Lending	Total Reportable Segments	Total Non-Reportable Segments	Bankwide Financial Statements
Compensation and Fringe Benefits	(137,893)	(2,967,372)	(3,105,265)	(2,595,504)	(5,700,769)
Depreciation and Amortization	(167)	(221,555)	(221,722)	(427,265)	(648,987)
Other Operating Expenses	(1,006,096)	(6,795,345)	(7,801,441)	(1,178,248)	(8,979,689)
Total Direct Operating Expenses	(1,144,156)	(9,984,272)	(11,128,428)	(4,201,017)	(15,329,445)
Operating Profit Before Tax	15,526,254	2,482,483	18,008,737	(10,764,934)	7,243,803
Provision for Income Tax	(2,434,178)	(37)	(2,434,215)	1,831,810	(602,405)
Segment Net Profit for the Year	13,092,076	2,482,446	15,574,522	(8,933,124)	6,641,398
Segment Assets	**361,880,542**	**580,435,876**	**942,316,418**	**41,717,687**	**984,034,105**
Segment Liabilities	**74,576,120**	**801,433,455**	**876,009,575**	**21,202,314**	**897,211,889**
Equity					**86,822,216**

41. Commitments and Contingent Liabilities

In the normal course of the Parent Bank's operations, there are outstanding commitments and contingent liabilities, such as guarantees, commitments to extend credit, forward exchange contracts, 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:

	2024	2023
Loan Commitments	37,111,463	34,905,717
Letters of Credit	34,960,889	21,609,079
Credit Lines Available	29,967,693	30,717,648
Inward bills for collection	4,598	37,693
Spot exchange bought/sold	0	783,803
Outward bills for collection	0	277
Others	50,106	45,711
	102,094,749	**88,099,928**

The Others item includes late deposits/payments received, deficiency claims receivables, written off accounts, and items held for safekeeping/collaterals.

In 2024, the Parent Bank has an outstanding P10.71 million Provisions (liability) on contingent accounts booked under Other Miscellaneous Liability (Note 31).

42. Trust funds

The Parent Bank is authorized under its charter to perform trust and fiduciary activities through the Trust Banking Group. Trust Funds are managed, accounted for and reported individually in accordance with regulatory policies and agreements with trustors. As of December 31, 2024, trust assets amounted to P46.49 billion, reflecting a two per cent decrease from the P47.64 billion recorded in the 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, 2024 amounted to P118.42 million, while operating expenses and gross receipts tax totaled P82.57 million. Trust operations for the year generated a net income of P35.85 million, which is included in the Parent Bank's financial statements.

Government securities with fair value of P838 million as of December 31, 2024 were deposited with the BSP in compliance with the Basic Security Deposit requirements of the General Banking Law.

43. Foreign currency deposit unit

The Parent Bank has been authorized by BSP to operate an Expanded Foreign Currency Deposit Unit (EFCDU) since August 1995.

Income derived under the expanded foreign currency deposit system is exempted from all taxes. Covered under this are foreign currency transactions with non-residents, offshore banking units in the Philippines, local commercial banks including branches of foreign banks that may be authorized by the BSP to transact business with foreign currency deposit units and other depository banks under the expanded foreign currency deposit system.

Interest income from foreign currency loans granted to residents is subject to a final tax of 10 per cent, pursuant to RA No. 9294 (approved by President Gloria M. Arroyo on April 28, 2004).

44. Other information

The following are the key financial indicators:

	Group		Parent	
	2024	2023 As restated	2024	2023 As restated
Return on Average Equity	8.06%	9.03%	7.95%	8.03%
Return on Average Asset	0.76%	0.73%	0.75%	0.65%
Net Interest Margin	3.09%	2.61%	3.10%	2.62%
CET 1 Ratio	14.06%	13.03%	13.98%	13.00%
Tier 1 Ratio	14.06%	13.03%	13.98%	13.00%
Capital Adequacy Ratio	14.97%	13.94%	14.90%	13.92%

45. Reconciliation of Operating Cash Flow with reported net income/(loss)

	Group		Parent	
	2024	2023 As restated	2024	2023 As restated
Reported Operating Income	8,267,434	8,049,375	8,068,712	7,243,803
Operating cash flows from changes in asset and liability balances	(54,188,092)	(28,786,817)	(51,811,682)	(31,250,195)
Add/(deduct) non-cash items:				
Depreciation	393,442	333,141	386,043	322,434
Amortization	39,492	48,655	38,750	47,943
Provision for impairment losses	7,585,228	6,241,087	7,147,538	6,886,156
Provision for lawsuits	0	171,373	0	171,373
Provision for pensions and other post-retirement benefits	1,927,317	400,000	1,927,317	400,000
(Gain)/Loss from Marking to Market - FVTPL	(74,066)	(25,259)	(74,066)	(25,259)
FX (Gain)/Loss on revaluation	(1,769,015)	(2,247,647)	(1,769,015)	(2,247,647)
Other income/expenses	(1,133,385)	1,630,181	(3,092,750)	3,665,225
	6,969,013	6,551,531	4,563,817	9,220,225
Income taxes paid	(3,512,544)	(3,561,176)	(3,498,701)	(3,500,866)
Net Cash used in operating activities	**(42,464,189)**	**(17,747,087)**	**(42,677,854)**	**(18,287,033)**

46. Supplementary information required by BIR Revenue Regulation (RR) No. 15-2010 and Revenue Memorandum Circular (RMC) No. 17-2011

On December 28, 2010, RR No. 15-2010 became effective and amended certain provisions of RR No. 21-2002 prescribing the manner of compliance with any documentary and/or procedural requirements in connection with the preparation and submission of financial statements and income tax returns. Section 2 of RR No. 21-2002 was further amended to include in the notes to financial statements information on taxes, duties and license fees paid or accrued during the year in addition to what is mandated by PFRS.

On April 4, 2011, the Bureau of Internal Revenue (BIR) issued RMC No. 17-2011 which proposes the use of basic standard format in complying with the requirements of the RR No. 15-2010 on the additional notes to financial statements relative to taxpayer's tax compliance.

Below are 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, 2024.

46.1 Parent Bank as Non-VAT Registered Corporation

Being a non-VAT registered corporation engaged in the business of specialized government banking, the Parent Bank paid the amount of P1.82 billion as percentage tax pursuant to RA No. 9238 law/regulations and based on the amount reflected in the Sales/Gross Income Received account of P46.41 billion.

46.2 Documentary Stamp Taxes (DST)

Summary transactions for DST purchased/utilized:

	Tax Base	Tax Due
DST on Loan Instruments	28,188,496	207,156
DST on Deposits and Other Cash Transactions	4,854,557,091	2,387,271
Other Transactions subject thereto and other adjustments	501,195	4,096
Total	**4,883,246,782**	**2,598,523**

46.3 Withholding Taxes

Withholding taxes paid/accrued:

	Paid	Accrued	Total
Tax on compensation and benefits	363,933	38,765	402,698
Creditable withholding taxes	127,989	17,708	145,697
Final withholding taxes	2,069,934	186,318	2,256,252
Total	**2,561,856**	**242,791**	**2,804,647**

46.4 All Other Local and National Taxes

Local and national taxes paid/accrued:

	Paid	Accrued	Total
Gross receipts tax:			
National	1,375,858	524,314	1,900,172
Local	103,488	0	103,488
Sub-total	1,479,346	524,314	2,003,660
Real property tax	14,715	0	14,715
Municipal tax	6,853	0	6,853
Others	175,756	1,431	177,187
Total	**1,676,670**	**525,745**	**2,202,415**

46.5 Deficiency Tax Assessments

The Parent Bank has received a final assessment notice from the BIR covering the taxable year 2020 amounting to P160 million, inclusive of penalties for deficiency income, VAT, percentage and withholding taxes which has been agreed upon and settled on November 29, 2024 and December 27, 2024.

46.6 Revenue and Expenses per Income Tax Return

In relation to the required supplementary information under RR No. 15-2010, the BIR issued on April 12, 2022 the RMC No. 44-2022, which prescribes the guidelines in the filing of Annual Income Tax Returns (AITRs) and informs Electronic Filing and Payment System (eFPS) users that BIR Form 1702-RT January 2018 is now available. The Parent Bank has started to use the updated electronic form for filing its Income Tax Return in 2022.

Specifically, companies are required to disclose certain tax information in their respective notes to financial statements. For the taxable year December 31, 2024, the Parent Bank reported the following revenues and expenses for income tax purposes:

Revenues	
Services/operations	18,011,822
Non-operating and taxable other income:	
Gain/(loss) from sale/derecognition of non-financial assets	38,391
Recovery from charged-off assets	57,531
	95,922
Total revenues	**18,107,744**
Expenses	
Cost of services:	
Compensation and fringe benefits	5,330,718
Others	3,452,108
	8,782,826
Itemized deductions:	
Compensation & fringe benefits	2,180,082
Taxes & licenses	1,175,729
Depreciation/amortization	183,727
Securities, messengerial & janitorial services	150,708
Communication, light & water	140,144
Management and other professional fees	40,496
Fees and commission	77,389
Bad debts	17,233
Rentals	181,586
Repairs & maintenance	63,309
Travelling/fuel lubricants	34,827
Stationery and Supplies	42,013
Others	477,408
Total itemized deduction	4,764,651
Total expenses	**13,547,477**
Net taxable income	**4,560,267**

47. Prior Period Adjustments

The Parent Bank has identified significant prior period adjustments that require re-presentation of certain balances in the statements of financial position, statements of comprehensive income, and statements of changes in equity of CY 2022 and CY 2023. Accordingly, these significant prior period errors have been corrected in the financial statements in accordance with PAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors).

The impact of these changes has required the restatement of the following financial line items as at December 31, 2023:

Account Title	As Previously Reported	Restatement	As Restated
Bank premises, furniture, fixtures and equipment - net	2,384,914	(1,855)	2,383,059
Right-of-use assets - net	632,862	16,191	649,053
Other assets - net	34,321,512	(4,272)	34,317,240

Account Title	As Previously Reported	Restatement	As Restated
Deposit liabilities	774,884,254	2,779	774,887,033
Accrued taxes, interests and expenses	10,547,174	(2,094,765)	8,452,409
Deferred credits and other liabilities	25,769,814	1,042	25,770,856
Retained earnings	53,774,603	2,101,008	55,875,611
Provision for impairment	7,066,380	(8,851)	7,057,529
Foreign exchange profit/(loss)	2,717,372	5,284	2,722,656
Service charges, fees and commissions	1,604,913	(2,782)	1,602,131
Miscellaneous	1,256,134	1,946	1,258,080
Compensation and fringe benefits	6,440,234	(739,465)	5,700,769
Occupancy expenses	51,720	16,105	67,825
Other operating expenses	4,686,164	28,865	4,715,029
Provision for income tax	602,016	389	602,405

Changes on the balance of Retained Earnings as at January 1, 2023 are as follows:

Balance as at January 1, 2023	47,841,726
Restatements/Adjustments:	
Reversal of various payroll accruals	1,396,543
Reversal of accrual of PLDT and SCMJ	2,842
Reversal of accounts payable - RPT for SPV	7,322
Adjustment of Directors fees	(138)
Various adjustments on depreciation and semi-expendable expenses	(7,681)
Reversal of foreign exchange profit/(loss)	(5,285)
	1,393,603
Balance as at January 1, 2023 - Restated	**49,235,329**

48. Events after the reporting date

48.1 Request for Dividend Relief

On April 16, 2025, the Parent Bank requested for dividend relief covering CY 2024 Net Earnings from the National Government through the Department of Finance (DOF). The grant of the dividend relief will afford the Parent Bank the necessary cushion to withstand capital and liquidity disruption as it further accelerates its lending interventions in support of priority projects in the Administration.

In a letter dated June 11, 2025, the DOF endorsed the Parent Bank's request for dividend relief for CYs 2023 and 2024 Net Earnings to the OP for approval.

48.2 Regulatory Relief on Equity Investment in Maharlika Investment Corporation (MIC)

The effectivity of the regulatory relief from the Bangko Sentral ng Pilipinas (BSP) through non-deduction of the P25.0 billion equity investment in MIC from the calculation of the Capital Adequacy Ratio (CAR) and Basel III Leverage Ratio (BLR) was until December 2024, while the Common Equity Tier (CET) 1 Ratio is until December 2028.

On May 19, 2025, the BSP granted the Parent Bank an extension on the regulatory relief from the calculation of CAR until December 31, 2026.

PART II - OBSERVATIONS AND RECOMMENDATIONS

OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL ISSUES

1. The Allowance for Credit Losses on loans amounting to P38.076 billion was calculated using the Bank's Expected Credit Loss Model, which was not recalibrated to reflect current observable data, contrary to PFRS 9, thus, the faithful representation of the balances of Loans and Receivables, and Provision for Impairment accounts amounting to P503.512 billion and P7.148 billion, respectively, as at December 31, 2024 was not established.

1.1 Relevant provisions of PFRS 9 Financial Instruments, on recognition of expected credit losses, are as follows:

> 5.5.1 An entity shall recognize a loss allowance for expected credit losses on a financial asset that is measured in accordance with paragraphs 4.1.2 or 4.1.2A, xxx.
>
> 5.5.3 Subject to paragraphs 5.5.13–5.5.16, at each reporting date, an entity shall measure the allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition.
>
> 5.5.4 The objective of the impairment requirements is to recognize lifetime expected credit losses for all financial instruments for which there have been significant increases in credit risk since initial recognition – whether assessed on an individual or collective basis – considering all reasonable and supportable information, including that which is forward-looking.
>
> 5.5.5 Subject to paragraphs 5.5.13–5.5.16, if, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, an entity shall measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.
>
> 5.5.17 An entity shall measure expected credit losses of a financial instrument in a way that reflects:
>
> (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
>
> (b) the time value of money; and
>
> (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

B5.5.52 Historical information is an important anchor or base from which to measure expected credit losses. However, an entity shall adjust historical data, such as credit loss experience, on the basis of current observable data to reflect the effects of the current conditions and its forecasts of future conditions that did not affect the period on which the historical data is based, and to remove the effects of the conditions in the historical period that are not relevant to the future contractual cash flows. Xxx. An entity shall regularly review the methodology and assumptions used for estimating expected credit losses to reduce any differences between estimates and actual credit loss experience.

1.2 In view of the adoption of PFRS 9, DBP developed its ECL Methodology as documented under Credit Policy (CP) No. 44 dated June 6, 2019, with the subject Loan Loss Methodology (LLM) Documentation – Expected Credit Loss Approach, which provides, among others:

IV. EXPECTED CREDIT LOSS MEASUREMENT METHODOLOGY

DBP shall adopt the Expected Credit Loss (ECL) methodology in measuring credit impairment in accordance with PFRS 9. Under this method, credit impairment shall be recognized even before objective evidence of impairment becomes apparent. The Bank shall consider historical internal data, current conditions and forecasts of future economic developments in assessing impairment. Statistically derived models shall be employed in credit loss estimation.

Expected Credit Loss is a product of the account's Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD), adjusted through Overlays.

12-Month Lifetime

1.3 As at December 31, 2024, DBP's total assets include the Loans and Receivables account amounting to P503,512,068,729.94, detailed as follows:

Particulars	Amount
Loans and discounts	536,787,946,632.16
Accounts receivable - advances on loans	50,263,654.57
Sales contract receivables, net of discount	9,733,446.61
Accrued Interest Receivable	4,739,832,996.29
	541,587,776,729.63
Allowance for impairment and credit losses:	
Loans and discounts	(38,033,240,784.57)
Sales contract receivables	(9,396,293.63)
Accounts receivable - advances on loans	(33,070,921.49)
	(38,075,707,999.69)
	503,512,068,729.94

1.4 In calendar year (CY) 2024, the Bank recognized a total of P7,147,538,244.25 in provision for impairment and credit losses, of which P7,102,183,125.98 was specifically allocated for provision for credit losses on loans and receivables. The ECL on loans is calculated by the Credit Risk Management Department (CRMD) using Credit Risk Rating (CRR) provided by the various lending units and ECL Rates provided by the Risk Management Model Development Unit (RMMDU) under the ERMG.

1.5 Review of the ECL calculation disclosed that the Bank's loan loss methodology documented in CP No. 44 is not recalibrated or updated using current observable data, as discussed below:

a. The existing LGD rates for corporate loans, expressed as percentages of EAD, which approximate the amount of loss incurred from defaulted accounts after considering all recoveries and costs, are as follows:

Portfolio	LGD
Large Enterprise	19.54%
Medium Enterprise	19.78%
Small Enterprise	12.08%
Micro Enterprise	9.77%

The LGD rates were derived from the Bank's historical experience on defaulted loans covering CY 2014 to CY 2017, and have not been updated since. In addition, the documentation showing the LGD model development reveals that the initial calculation did not include loans that were written-off and undergoing litigation at the time, because of the limitations in the Bank's Loan System which was unable to provide the needed information. Also, no segmentation of the loan portfolio was performed due to lack of sufficient number of samples and lack of appropriate variable. As a result, a single LGD was uniformly applied across each loan portfolio without considering the differing characteristics and behavior of borrowers' subgroup within those portfolios.

The following sample loan accounts within the Large Enterprise Portfolio were assigned with the above LGD rates based on reported ECL balances as of December 31, 2024:

Borrower No.	Stage	Outstanding Balance	PD	LGD	EAD	ECL
1	3	2,933,405,000.00	100%	19.54%	2,933,405,000.00	573,181,470.19
2	3	250,000,000.00	100%	19.54%	250,000,000.00	48,849,500.00

Based on the Quarterly Classified Loans Report (QCLR) on Borrower 1, the account has been past due since November 18, 2022, with no mention of any security or collateral, and the proposed account restructuring has still not been finalized as of December 31, 2024. Meanwhile, based on the QCLR of Borrower 2 as of September 30, 2024, the account has been recommended for foreclosure on the collateral, which has an appraised value totaling P106,703,000.00, due to business being non-operational.

Further, the following are sample loan accounts, classified as loss and provided with 100 per cent allowance as of December 31, 2024:

Borrower No.	Balance (Principal + Accrued Interest Receivable)
3	1,999,982,000.00
4	295,124,779.05
5	254,323,611.11
6	300,000,000.00

Based on the QCLR of Borrower 3 as of December 31, 2024, a case under Bouncing Check Law or Batas Pambansa 22 was filed on August 15, 2024, against the borrower, whose loan has been past due since November 30, 2023. The account is secured by a continuing suretyship from the owner and an assignment of contract receivables related to projects that were either terminated or completed with only retention fees remaining, as verified by Property Appraisal and Credit Investigation Department (PACID). Meanwhile, Borrower 4, a joint venture formed to develop a Hydroelectric Power Project in Real, Quezon, has been past due since May 23, 2022, and is secured by Pledge of Shares in the Company held by a Sponsor, Assignment of Project Accounts and Project Contracts, Sponsor's Support and Deed of Trust over the machinery and equipment planned for acquisition. However, in its letter dated May 10, 2022, Borrower 4 informed DBP that the BOD had decided to suspend further development of the project due to the material latest estimated cost to complete the project. Borrower 5, meanwhile, has been past due since January 29, 2022, and is not covered by security or no collateral based on QCLR as of December 31, 2024. On the other hand, Borrower 6, has been past due since June 6, 2020, and is secured by suretyship from the owner. Based on the QCLR as of December 31, 2024, it is recommended that a collection suit be filed with prayer for the preliminary attachment of the unencumbered real estate properties of the sureties.

Moreover, until the LGD rates are recalibrated and proper segmentation is completed, manual adjustments on LGD rates of various loan accounts were observed in the calculation of ECL. For instance, the following sample loan accounts were assigned LGD rates according to the BSP classification and loan loss provisioning under BSP Circular No. 1011, Series of 2018:

Borrower No.	CRR	BSP Classification	Stage	Outstanding Balance	PD	LGD	EAD*	ECL
7	6	Doubtful	3	1,329,338,571.26	100%	50%	1,325,041,458.36	662,520,729.18
8	6	Doubtful	3	727,000,000.00	100%	50%	727,000,000.00	363,500,000.00
9	6	Doubtful	3	3,457,586,776.73	100%	50%	3,000,000,000.00	1,500,000,000.00
10	6	Doubtful	3	554,878,675.46	100%	50%	479,625,000.03	239,812,500.02
11	6	Doubtful	3	477,772,286.44	100%	50%	446,427,769.77	223,213,884.89

Excluding balance of Capitalized Interest and Other Charges (CIOC)

The status of these sample loan accounts and the adjustments made on LGD rates for various loan accounts classified as doubtful indicate that the existing LGD rates may no longer accurately reflect the current market conditions and borrower's behavior.

b. Similarly, the EAD which represents the expected value of the exposure at the time of borrower's default, taking into consideration the portion of the loan commitment expected to be drawn as default approaches, is still anchored on the following Credit Conversion Factor calculated during the initial model development in CY 2018, which was derived from default experience between January 2014 and December 2017, and may no longer accurately reflect the current borrowers' behavior:

Facility Type	Large	Medium	Small	Micro
Revolving Credit Line	41.48%	35.70%	11.90%	16.86%
Multiple Availment Term Loan	35.56%	12.37%	20.57%	33.70%

1.6 Management explained that the primary challenge the ERMG currently faces in completing the redevelopment of ECL models is capacity constraint. The RMMDU, composed of three members, is responsible not only for model development but also for supporting the capital management deliverables of the Bank, which are time sensitive. As a result, the Unit has limited capacity to undertake the comprehensive development of the ECL models without delaying other critical tasks. Moreover, the redevelopment process requires significant data handling – from gathering, cleansing, and analysis of large volumes of historical data. Despite these limitations, the existing RMMDU personnel continue to manually gather and consolidate the data from various sources to ensure the timely completion of its ECL model development activities which is done in phases. The first phase, completed in CY 2022, focused on recalibrating the overlay model to improve the forward-looking aspect of the PD models and the Bank's current ECL estimation.

1.7 Given the effects of the use of uncalibrated ECL rates in calculating the ECL, which does not comply with the requirements of PFRS 9, the reliability and faithful representation of the balances for Loans and Receivables and Provision for Impairment accounts amounting to P503,512,068,729.94 and P7,147,538,244.25, respectively, as at December 31, 2024 were not established.

1.8 **We recommended and Management agreed to:**

a. **require the ERMG to remeasure the ECL on loan accounts using recalibrated ECL Model; and**

b. **direct the LAD to determine whether adjusting entries are necessary based on remeasurement of ECL by ERMG, to ensure the faithful representation of the balances of loan and other affected accounts in the financial statements.**

1.9 Management has committed to address the resource availability concerns. It was informed that ERMG is actively recruiting additional RMMDU personnel who will focus solely on model development. The Group is also exploring the engagement of an external consultant to bring in specialized expertise and advanced techniques, helping ensure that the redevelopment aligns with the industry's best practices.

1.10 Management also informed that the succeeding phases of the ECL model development include: (i) the ongoing redevelopment of the LGD model, expected to be completed by the second quarter of CY 2025 and (ii) the redevelopment of the PD model, which is scheduled for completion by the second quarter of CY 2026.

1.11 The Audit Team acknowledged the commitments of ERMG and will monitor the implementation of the audit recommendations.

2. Several Real and Other Properties Acquired were (a) not supported with Certificate of Title or proof of ownership; (b) not derecognized after transfer, disposal or title cancellation; (c) not consolidated in the name of DBP; and (d) not regularly appraised, contrary to DBP Circular No. 7 and PAS 36, 40 and PFRS 5, thus impeding their efficient disposal, and casting doubt on the reliability and faithful representation of the balances of Investment Property, Non-Current Assets Held for Sale and Other Assets – ROPA amounting to P1.868 billion, P177.197 million and P27.761 million, respectively, as at December 31, 2024.

2.1 Pertinent provisions of DBP Circular No. 7 dated February 4, 2019, containing the Policies and Guidelines on the Handling and Disposal of ROPA are as follows:

I. Policies

A. Handling of ROPA

1. The Bank's ROPAs must be effectively managed to remove any impediments (i.e., court cases, titles pending consolidation, invalid appraisal, non-payment/delinquency in the payment of real property taxes) to make them readily available for sale.

II. Guidelines and Procedures

A. General Guidelines

1. Handling of ROPA

1.2 Transfer of ROPA to Acquired Assets Department

Immediately after foreclosure or dacion en pago and whether such foreclosure or dacion en pago is full or partial, the Lending Unit (LU) or Remedial Management Department (RMD) shall transfer the ROPA to AAD via a transmittal memo for administration and disposal. The transfer shall require strict observance by the Account Officers (AOs) of the LU/RMD of the requirements provided herein (Exhibit 2) to effectively effect the handover of foreclosed and/or via dacion en pago arrangement of non-financial assets to AAD for handling and disposal.

1.5 Redemption, Redemption Period and Monitoring of Expiry of Redemption Period

1.5.3 The following shall be the redemption periods as prescribed by law:

Purpose	Type of Mortgagor	Redemption Period	Reckoning Date
Consolidation of title to the foreclosed property in the name of the Bank; notification of Mortgagor of the expiry of his right to redeem the property	Individual Persons	One (1) year	From the date of the registration of COS.
	Juridical Persons	Three (3) months	From the date of foreclosure until registration of the COS which should be made within 3 months after foreclosure date. The registration of the Sheriff's COS prior to the expiry of the 3-month period reckoned from the date of foreclosure shall bar the mortgagor from redeeming the property.

1.7 Consolidation of Title or Ownership Under the Bank's Name

1.7.1 To enable ROPA disposal, the title to or ownership of all acquired assets must be consolidated under the Bank's name.

1.7.2 The timing to initiate the process of consolidation shall be as follows:

a. Upon the expiration of the redemption period and the borrower/mortgagor/solidary debtor/or their successors-in-interest or TPM has not signified his intention to redeem the assets acquired; or

b. Upon the notarization of the Deed of Dacion in case of dacion en pago.

1.7.3 Consolidation of title/ownership under the Bank's name must be done after the date of the expiration of the prescribed redemption period.

1.9 Appraisal of ROPA

1.9.1 In order to determine the true economic value or current and fair market value of ROPA and for purposes of fixing the price, all ROPA must be appraised prior to disposal and regularly thereafter by the Bank's Credit and Appraisal Management Department (CAMD).

However, if the CA of the ROPA exceeds P5.0 Million, the appraisal of the ROPA shall be done by a third-party appraiser accredited by the Bank.

1.9.2 The frequency of appraisal of all ROPA shall be as follows:

Type of ROPA	Frequency
Real estate property	Every two (2) years
Personal property	Yearly

1.10 Periodic Review, Monitoring, and Re-classification of ROPA

1.10.4 To ensure that ROPAs are not carried at more than their recoverable amounts, all ROPAs are subject to the required impairment provisions under PAS 36.

2.2 On the other hand, Credit Guidelines (CG) Advisory No. 04-2024 was issued on May 14, 2024, setting out the Revised Accounting Guidelines for ROPA. Among its provisions are the following:

B. Subsequent Measurement

1. After initial recognition, the Bank shall use the cost model as its accounting policy for both Prudential and General Purpose Reporting. Under this model, the ROPA shall be measured at cost less any accumulated depreciation and any accumulated impairment losses.

4. The Acquired Assets Department (AAD) shall input the appraised value of the ROPA upon receipt of the appraisal report and shall run the impairment testing every 26th day of the month thru the ROPA Manager System. The report generated after the impairment testing shall be forwarded to the LAD for the setup/reversal of impairment loss, if any. An impairment loss shall be recognized equivalent to the difference between the carrying amount and the fair value of the ROPA.

a. Set Up of Impairment Loss

For purposes of computing impairment loss, the fair value of ROPA is computed as the appraised value of the asset less the allowable discount based on the holding period of the asset.

2.3 Meanwhile, relevant PFRS and PAS provide:

Accounting Standard		Provision
PAS 36 Impairment of Assets	59	If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss.
	60	An impairment loss shall be recognised immediately in profit or loss xxx.
PAS 40 Investment Property	66	An investment property shall be derecognized (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.
PFRS 5 Non-current Assets Held for Sale and Discontinued Operations	20	An entity shall recognise an impairment loss for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell, to the extent that it has not been recognised in accordance with paragraph 19.

2.4 As at December 31, 2024, the ROPA balances of the Bank recorded in the General Ledger are as follows:

Account	Cost	Accumulated Depreciation	Allowance for Impairment	Balance
Investment Property (IP)	2,327,172,210.48	319,073,835.99	140,297,524.36	1,867,800,850.13
Non-Current Assets Held for Sale (NCAHFS)	217,745,156.82	0	40,548,293.33	177,196,863.49
Other Assets – ROPA	107,209,856.97	72,815,764.02	6,633,149.75	27,760,943.20

2.5 On various dates from November to December 2024, the Audit Team conducted an inventory of property Certificate of Titles and other proofs of ownership of ROPAs. These Certificate of Titles are securely held by the Contract and Collateral Management Unit (CCMU), which functions as the administrative support arm of the Legal Services Group (LSG) and serves as the repository for loan and collateral documents ensuring their custody, control and safekeeping. The inventory yielded the following deficiencies:

a. Three hundred twenty-three ROPAs were not supported with Certificate of Titles or proof of ownership

a.1 Of the total 3,557 ROPAs listed in the Schedule of ROPA Outstanding as of December 31, 2024, the Certificate of Titles or other proofs of ownership of 323 ROPAs were not found on file.

a.2 Management provided a breakdown of the 323 ROPA Certificate of Titles as follows:

- 57 Certificate of Titles fall under the Comprehensive Agrarian Reform Program (CARP) and are currently undergoing verification with the Department of Agrarian Reform (DAR)
- 11 Certificate of Titles are with the Registry of Deeds, pending consolidation under the name of DBP
- Two Certificate of Titles are in the process of re-foreclosure
- Five Certificate of Titles are under verification
- 164 Certificate of Titles are held by the different DBP branches, with 32 supported by certifications issued by the branches while the remaining 132 are still awaiting confirmation from the respective branches.
- 84 ROPAs are documented only through Tax Declarations, Assignment of Rights, Chattel Mortgages and similar documents, which are maintained by the AAD.

a.3 The AAD has yet to provide the necessary certifications, confirmations or proof of ownership for these ROPAs for validation by the Audit Team.

b. ROPAs sold, transferred, or with cancelled Certificate of Titles were not yet derecognized in the books

There were 27 ROPAs with carrying amount of P12,822,953.46 as of December 31, 2024, that were already sold, transferred or with cancelled Certificate of Titles, but still recorded in the ROPA System and reflected in the financial statements, resulting in the overstatement of the ROPA accounts and other affected accounts.

c. Three hundred Certificate of Titles of ROPAs were not consolidated under the name of DBP

It was noted that 300 Certificate of Titles of ROPAs are still not consolidated/ transferred under the name of DBP despite the expiration of the redemption period aging from 6 months to 52 years from the date of registration of Certificate of Sale (COS) contrary to item II.A.1.7 of DBP Circular No. 7, thus, impeding the immediate disposal of subject ROPAs.

d. ROPAs were not regularly appraised

Review of the Schedule of Outstanding ROPA as of December 31, 2024 showed that 599 ROPAs with carrying amount of P263,112,532.23 have no updated appraisal.

2.6 Management explained/ informed the following:

a. Several Certificate of Titles are currently held at different branches and are in the process of being consolidated in the name of DBP. These are supported by security receipts and confirmation of custody from the branches.

b. The consolidation of Certificate of Titles takes time due to the tedious process of coordination with other government agencies and gathering documentation requirements as well as the shortage of manpower.

c. The 348 ROPAs are awaiting appraisal from the Bank's PACIFT.

d. No appraisal requests were made for 109 Agricultural-CARP ROPAs while awaiting certification from DAR on their coverage under CARP.

e. PACIFT submitted 34 Appraisal Reports with no assigned values due to issues such as unlocated properties, ongoing court case, peace and order, and classification of properties under Proclamation 414 by the Department of Environment and Natural Resources as non-alienable and non-disposable.

2.7 Without proof of ownership, the Bank's rights to the recorded ROPA cannot be established. According to item nos. II.B.1.7.1 and II.B.2.1.1 of DBP Circular No. 7, AAD is responsible for consolidating foreclosed properties in DBP's name and ensuring their eventual disposal. The lack of title custody or proper accounting of Certificate of Titles undermines the consolidation and disposal. It was also noted that AAD has not been conducting periodic inventory of Certificate of Titles with LSG to verify ROPA records. Considering that the COS date back from six months up to 52 years, there has been ample time for the consolidation of the Certificate of Titles in the name of DBP. Furthermore, the 27 properties were either sold or released according to LSG records, but have not been derecognized in the ROPA System or the accounting records, contrary to paragraph 66 of PAS 40. The continued recognition of these properties despite full payment resulted in the overstatement of the Investment Property account by P12,822,953.46 and other affected accounts by undetermined amounts as of December 31, 2024.

2.8 Also, the lack of an updated appraised value of these properties affects the proper assessment of whether their recoverable amounts are below the carrying amount. This is essential for determining any necessary impairment loss or adjustments to previously recorded impairment loss pursuant to paragraph 59 of PAS 36 or paragraph 20 of PFRS 5. The lack of updated appraisals likewise impedes the disposal process of these properties.

2.9 The noted deficiencies in the recording and handling of ROPAs are contrary to pertinent provisions of DBP Circular No. 7 dated February 4, 2019 and are not compliant with PAS 36, 40 and PFRS 5, thus, impeding the expeditious disposal of ROPAs and casting doubt on the faithful representation of the balances of Investment Property, NCAHFS and Other Assets - ROPA accounts amounting to P1,867,800,850.13, P177,196,863.49 and P27,760,943.20, respectively, as at December 31, 2024.

2.10 **We recommended and Management agreed to require the:**

a. AAD to:

a.1 obtain valid proof of ownership for all properties;

a.2 conduct periodic inventory and reconcile ROPA Certificate of Titles to confirm that all ROPAs are properly recorded and accounted for;

a.3 establish specific timelines and targets for the consolidation of ROPAs and to monitor accomplishments towards meeting these targets;

b. AAD and LAD to derecognize both from the ROPA System and the books any properties that have been sold, transferred or cancelled; and

c. AAD and PACIFT to resolve the reasons for the lack of appraisal of ROPAs, ensuring that ROPAs are properly appraised in accordance with DBP Circular No. 7 for proper impairment assessment and efficient property disposal.

2.11 Management has committed to speed up the consolidation of Certificate of Titles under DBP's name and propose a revision to the Circular to allow ROPA Certificate of Titles to be held at the different branches during consolidation process. It was informed that, starting in 2024, the AAD formed a four-person Consolidation Team, tasked with ensuring that ROPAs are transferred to the Bank's name. Also, AAD has considered the outsourcing services for title transfer for older ROPA accounts and is currently conducting a market feasibility study on this initiative. As of March 31, 2025, a total of 108 ROPAs already have updated appraisal reports. Moreover, the AAD will pursue the execution of the Service Level Agreement between Special Assets Group (SAG) and PACID. Management further informed that AAD is still waiting for confirmation from DAR concerning ROPAs transferred to them.

2.12 The Audit Team acknowledged the commitments of Management and will monitor the implementation of the audit recommendations.

3. The reliability and faithful representation of the balance of Accounts Payable amounting to P2.796 billion in the financial statements as at December 31, 2024 were not established due to a) payables pertaining to contractors/suppliers and other parties, and those collections from loan borrowers and buyers of acquired assets, totaling P687.396 million that remained unapplied to proper accounts or unsettled from over 30 days to 23 years; b) dormant prepaid cash card accounts that were not identified, reclassified and charged with monthly maintenance fee of P30.00 due to system deficiency; and, c) prepaid cash card accounts with negative balances totaling P31,900 not adjusted to proper account, contrary to DBP Circular No. 01 and 05, the 2018 Conceptual Framework and PAS 1.

3.1 Paragraph 15 of PAS 1 states:

> Financial Statement shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transaction, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expense set out in the Framework. xxx.

3.2 The Conceptual Framework for Financial Reporting of PFRS defines a liability as:

> 4.26 A liability is a present obligation of the entity to transfer an economic resource as a result of past events.

4.27 For a liability to exist, three criteria must all be satisfied:
a. The entity has an obligation;
b. The obligation is to transfer an economic resource; and
c. The obligation is a present obligation that exists as a result of past events.

3.3 On the other hand, DBP Circular No. 05, which became effective on February 1, 2019, provides the policies and guidelines for managing dormant accounts and closure of issued cash card. The relevant provisions are as follows:

II. Guidelines and Procedures

B. Procedures

1. Notification letters shall be sent by FC/Branch to account holders 60 days before dormancy, through courier or email, with information that if no feedback within the 60-day period, their account will become dormant and will be charged with monthly maintenance fee of P30.00. Adequate record shall be maintained for the notification made by FC/Branches.

III. Controls

A. Xxx

B. Physical, Environmental and Monitoring Controls

1. E-Channel Operations Department (E-COD) shall:

1.1 Perform regular monitoring of the Bankwide Accounts Payable from Prepaid Cash Card accounts to ensure that accounts without client-initiated transactions for one (1) year or more are reclassified as dormant and maintenance fees are collected.

3.4 The guidelines on handling unclaimed AP accounts under DBP Circular No. 01 (OS-CG-01) dated January 7, 2020, are as follows:

B.2.4 The responsible Bank Units shall send notices to the creditors through registered mail with return card to the office address of the creditors, if known, or the last known address. The Responsible Office shall safekeep the copies of the letters sent and the original copy of the return card of such notices for future litigation purposes.

The notices shall be sent following the interval shown below:

1st Notice	If unclaimed, 30 days after the transaction date
2nd Notice	If unclaimed, 15 days after sending the 1st notice
3rd Notice	If unclaimed, 15 days after sending the 2nd notice

B.2.5 Sending of notices shall be properly recorded and monitored by the responsible Bank Units for reference. The reason for non-payment/remittance shall be indicated.

B.2.6 Unclaimed AP account shall be recognized as "Miscellaneous Income", if it meets all of the following conditions:

a. The account remained unclaimed for more than one (1) year but less than ten (10) years.
b. Three (3) notices have been sent to the creditor through registered mail with return card to the office address of the creditor, if known, or the last known address.

Exceptions to the above are AP accounts which by nature will be settled beyond one (1) year (i.e., retention fee for contractors to be completed beyond one (1) year). Accounts booked as "Miscellaneous Income" shall be subject to 7% Gross Receipts Tax (GRT).

3.5 Section A.200.2 of the Bank's Revised Manual of Procedures states:

Accounts Payable is a temporary account which shall be given prompt attention for reconciliation and for application to the proper accounts preferably within the month but not later than thirty (30) days from transaction date.

3.6 As at December 31, 2024, the Deferred Credits and Other Liabilities account had a balance of P38,860,551,669.94, which includes APs amounting to P2,796,347,531.73 recorded in DBP Head Office (HO) and various DBP Branches. The following observations were noted regarding the Accounts Payable balance:

A. Payables to contractors, suppliers and other third parties, and collections from loan borrowers and buyers of ROPA remained unapplied to proper accounts

3.7 It was noted that certain payables arising from collections at the HO from loan borrowers and buyers of ROPAs totaling P612,658,403.25, and those pertaining to collections from loan borrowers, contractors, suppliers and other parties in various Regional Branches amounting to P74,738,197.19, and adding up to a total of P687,396,600.44, were not applied to proper accounts.

3.8 Upon verification, it was disclosed that of the P937,416,698.96 collections related to loans and sale of ROPAs recorded at the HO, P612,658,403.25 remained unadjusted or outstanding for periods ranging from more than 30 days to 26 years, as follows:

Center Code/ Group/ Department	Age				Total
	31-365 Days	Over 1 Year	Over 3 Years	Over 10 Years	
12-LAD-SAG/ACQUIRED ASSETS-ROPA	23,500,335.37	29,677,151.11	34,521,316.81	16,429,342.53	104,128,145.82
Sub-Total	**23,500,335.37**	**29,677,151.11**	**34,521,316.81**	**16,429,342.53**	**104,128,145.82**
14-LAD-SAG/REMEDIAL MANAGEMENT	129,457,347.32	157,007,452.54	39,925,500.07	0	326,390,299.93
16-LAD-DLS/MIDDLE MARKET I	8,947,060.01	5,357,522.90	0	0	14,304,582.91
17-LAD-DLS/MIDDLE MARKET II	4,188,866.98	0	0	0	4,188,866.98

Center Code/ Group/ Department	Age				Total
	31-365 Days	Over 1 Year	Over 3 Years	Over 10 Years	
27-LAD-DLS-SMALL & MED ENTERPRISE	39,679,142.76	2,705,640.26	1,385,694.36	0	43,770,477.38
29-LAD-DLS/CBG/CORPORATE BANKING II	18,036,394.25	0	0	0	18,036,394.25
32-LAD-DLS/CBG/WHOLESALE BANKING	1,016.51	0	0	0	1,016.51
44-LUZON LENDING GROUPS	23,823,351.80	4,382,525.03	1,600,400.00	0	29,806,276.83
45-VISAYAS & MINDANAO LENDING GROUPS	40,106,454.55	2,629,684.25	1,349.26	0	42,737,488.06
80-LUZON LENDING GROUP II	27,096,164.56	2,198,690.02	0	0	29,294,854.58
Sub-Total	**291,335,798.74**	**174,281,515.00**	**42,912,943.69**	**0.00**	**508,530,257.43**
Total	**314,836,134.11**	**203,958,666.11**	**77,434,260.50**	**16,429,342.53**	**612,658,403.25**

3.9 Review of the AP balances of the HO under the AAD amounting to P104,128,145.82 showed that these represent collections from the sale of or related to the Bank's ROPAs. The AAD provided the following status updates for these accounts:

Particulars	Amount
Accounts already booked to proper accounts in January and February 2025	1,052,178.72
Transactions for booking to proper accounts within first half of CY 2025	19,125,610.71
Disposal in progress	28,215,295.13
For further review	55,735,061.26
Total	**P104,128,145.82**

3.10 As of the first half of CY 2025, the transactions for booking to proper accounts amounting to P19,125,610.71 are aged ranging from 104 days to 23 years. Management explained that these transactions will either be recorded as credits to ROPA accounts, as Miscellaneous Income (in the case of forfeited deposits for purchases of ROPA), or be refunded to clients for unconsummated sale transactions. A sample validation of accounts revealed that P2,676,500.00 consisted of payments from a client from May 2015 to August 2019 for a purchase of ROPA. Based on a Cash Sale Recommendation approved on December 28, 2015, the agreed selling price was P2,510,000.00 with terms that the remaining balance, after deducting the P376,500.00 down payment, must be paid within 30 days of approval. Failure to do so would result in 10 per cent of the selling price being forfeited as liquidated damages to DBP, while the balance of the payments shall be returned to the buyer without interest.

3.11 However, the client was not able to pay the remaining balance within the specified period. The AAD did not immediately enforce the forfeiture clause or return the excess payment. Instead, AAD accepted three additional payments from the client amounting to P1,050,000.00 until July 29, 2016. In CY 2019, the client's heirs informed AAD of the client's death. AAD required them to pay the remaining balance and an extension fee of more than P500,000.00. The heirs paid P1,250,000.00 but failed to pay the extension fee and submit the required documentation. According to AAD, a final letter will be issued to the heirs through the DBP Branch in the area. If there is still no payment, 10 per cent of the total amount will be forfeited as Miscellaneous Income and the remaining collected amount will be refunded to the heirs.

3.12 The APs related to disposals are currently in progress amounting to P28,215,295.13 and have been outstanding for one to four years. These pertain to sale transactions still awaiting approval and proper documentation, including accounts that have been transferred from DBP branches to AAD. According to the respective Acquired Assets Officers, the delays are due to issues such as absence of authorized counterparty signatories, incomplete documentary requirements from counterparties and/or pending approval from the DBP Board. Further, accounts totaling P55,735,061.26 aged 35 days to 26 years are under ongoing review and assessment to determine the appropriate actions needed to settle the outstanding AP accounts.

3.13 APs of the Remedial Management Department and the various Lending Groups/Departments with aggregate amount of P508,530,257.43 are aged 32 days to almost seven years and pertain to collections from loan borrowers pending application to loan balances.

3.14 Review of the Aging of APs as of December 31, 2024, submitted by the Financial Accounting Department (FAD) disclosed that P331,367,072.24 of the P508,530,257.43 pertain to collections aged 32 days to five years and for application to loans upon approval or implementation of proposed restructuring or payment arrangement. Majority of these accounts are already with approved restructuring but remain unimplemented because the borrowers are still in the process of completing the documentary requirements. The respective Account Officers (AO) informed that they have made efforts to make sure the borrowers are notified and are continuously following up on their compliance to the documentary requirements.

3.15 The balance also includes P376,258.73 representing excess payments from loan borrowers aged 32 days to almost four years which remained unrefunded or unapplied to other existing obligations. The AOs explained that the overpayments are due to the clients' inadvertent payments to obligations that have already been settled. If the said borrower has an outstanding balance, the excess payment shall be offset against the outstanding balance, otherwise it shall be refunded. Validation of these accounts revealed that some of the borrowers with excess payments recorded under AP have outstanding loan balances while others have no balances recorded under Loans and Receivables. Further, collections on written-off loan accounts aged three to six years amounting to P441,477.46 remained not recorded to an income account. The concerned AOs explained that some of these accounts were transferred without proper turnover thus there was no proper monitoring.

3.16 The remaining balance totaling P176,345,449.00, aged 32 days to almost seven years are accounts for evaluation of the appropriate recovery action to take, under litigation, and with ongoing negotiation of remedial measures. The AOs informed that assessment as to what appropriate remedial action to be made on a specific loan account, as well as the period of assessment, is dependent on factors such as the borrower's capacity to pay.

3.17 Additionally, the AP accounts of the following DBP Regional Branches revealed a total of P74,738,197.19 that remained outstanding for more than 30 days to over 10 years.

Region	Branch	Age						Total
		31 to 90 Days	91 to 365 Days	Over 1 Year	Over 2 Years	Over 3 to 10 Years	Over 10 years	
I	La Union	1,392,335.99	0	2,086,830.25	3,496,228.53	6,150,296.48	0	13,125,691.25
II	Ilagan	20,000.00	336,875.41	398,839.34	664,000.00	466,472.37	610,000.00	2,496,187.12
II	Solano	0	11,245.27	255,004.37	69,926.24	0	0	336,175.88
II	Tabuk	507,607.28	1,122,117.88	0	0	0	0	1,629,725.16
II	Tuguegarao	150,000.00	47,298.50	27,500.00	300,318.47	0	0	525,116.97
IV-B	Calapan	319,410.22	361,461.46	0	0	0	0	680,871.68
V	Masbate	75,000.00	1,250,178.63	0	0	459,994.48	0	1,785,173.11
V	Placer	0	0	9,107.50	0	484,767.12	0	493,874.62
VII	Cebu	6,932,476.84	17,212,486.02	6,266,504.30	1,340,000.00	7,020,827.81	0	38,772,294.97
VII	Tubigon	0	0	244,775.65	8,334.07	0	0	253,109.72
VIII	Tacloban	0	0	3,000.00	0	3,526,333.08	0	3,529,333.08
IX	Basilan	0	0	0	0	888,249.69	0	888,249.69
IX	Ipil	0	0	493,462.33	0	0	0	493,462.33
IX	Jolo	0	235,328.12	0	0	8,403,370.30	0	8,638,698.42
IX	Zamboanga	37,499.18	24,000.00	0	0	118,540.97	0	180,040.15
IX	Zamboanga EcoZone	0	48,603.00	0	0	0	0	48,603.00
XI	Tagum	0	260,899.13	160,633.86	0	440,057.05	0	861,590.04
Total		**9,434,329.51**	**20,910,493.42**	**9,945,657.60**	**5,878,807.31**	**27,958,909.35**	**610,000.00**	**74,738,197.19**

3.18 APs from the regional branches were verified as follows:

Particulars	Amount
Collections for Application to Loan (CFATL)	61,945,847.79
Payables to suppliers/contractors or other parties	12,792,349.40
Total	**74,738,197.19**

a. Collections for Application to Loan (CFATL)

This account pertains to collections from borrowers on regular and salary loans amounting to P53,098,542.77 and P8,847,305.02, respectively, which were temporarily lodged under AP. Details are as follows:

a.1 AP Others – CFATL - Regular Loan:

Region	Branch	31 days to 1 year	Over 1 year	Over 2 years	Over 3 to 10 years	Over 10 years	Total
I	La Union	1,252,374.15	2,013,891.95	3,400,000.00	4,558,121.57	0	11,224,387.67
II	Ilagan	110,000.00	320,030.00	275,000.00	466,472.37	610,000.00	1,781,502.37
II	Tabuk	1,629,725.16	0	0	0	0	1,629,725.16
VII	Cebu	23,875,595.46	6,266,504.30	1,300,000.00	7,020,827.81	0	38,462,927.57
Subtotal		**26,867,694.77**	**8,600,426.25**	**4,975,000.00**	**12,045,421.75**	**610,000.00**	**53,098,542.77**

The above collections of four branches pertain to the amounts paid by loan borrowers which were temporarily lodged to AP while processing the restructuring of their loans. Once approved and upon the instruction of the concerned lending centers, the loan payments will be applied to the restructured loans.

a.2 AP Others – CFATL – Salary Loan:

Region	Branch	31 days to 1 year	Over 1 year	Over 2 years	Over 3 to 10 years	Total
I	La Union	128,978.82	19,352.87	16,721.44	1,364,225.78	1,529,278.91
II	Ilagan	246,875.41	78,809.34	389,000.00	0	714,684.75
II	Solano	11,245.27	255,004.37	69,926.24	0	336,175.88
II	Tuguegarao	197,298.50	27,500.00	300,318.47	0	525,116.97
IV-B	Calapan	680,871.68	0	0	0	680,871.68
V	Masbate	1,061,520.91	0	0	459,994.48	1,521,515.39

Region	Branch	31 days to 1 year	Over 1 year	Over 2 years	Over 3 to 10 years	Total
VII	Cebu	269,367.40	0	40,000.00	0	309,367.40
VII	Tubigon	0	244,775.65	0	0	244,775.65
VIII	Tacloban	0	0	0	2,210,779.53	2,210,779.53
IX	Ipil	0	493,462.33	0	0	493,462.33
IX	Jolo	52,633.38	0	0	0	52,633.38
IX	Zamboanga	61,499.18	0	0	118,540.97	180,040.15
IX	Zamboanga EcoZone	48,603.00	0	0	0	48,603.00
	Total	**2,758,893.55**	**1,118,904.56**	**815,966.15**	**4,153,540.76**	**8,847,305.02**

The above-mentioned AP Others – CFATL – Salary Loan include:

- Partial payment from borrowers totaling P2,264,198.76 which will be posted in the appropriate loan account upon full payment of the amortization;
- Excess/Overpayment from borrowers requiring manual reconciliation which the branch concerned will refund to the borrowers totaling P2,914,269.91;
- Initial payment of loan from borrower who requested condonation amounting to P1,025,000.00;
- One account amounting P22,217.34 is an insurance death claim for a minor beneficiary waiting for complete requirements to be submitted or when the beneficiary turns 18;
- Payment from borrowers totaling P487,722.37 whose loans already matured and cannot be posted due to the system limitation of the Loan Management System, such as discrepancy of penalty charges computed. The Branch Servicing Officer of one branch explained that they have submitted an incident report to the HO's IT department, and while they received several recommendations for account closure, these have been unsuccessful. The IT department is actively working to resolve this matter, with monthly updates and consistent communication to ensure that the issue is adequately addressed;
- Payment from borrowers with pending loan restructuring amounting to P309,367.40; and
- Accounts for further reconciliation totaling P1,824,529.24.

b. APs to suppliers/contractors and other parties

b.1 The payables to suppliers/contractors and other parties are aged as follows:

Region	Branch	31 days to 1 year	Over 1 year	Over 2 years	Over 3 to 10 years	Total
I	La Union	10,983.03	53,585.42	79,507.09	227,949.13	372,024.67
V	Masbate	263,657.72	0	0	0	263,657.72
V	Placer	0	9,107.50	0	484,767.12	493,874.62
VII	Tubigon	0	0	8,334.07	0	8,334.07
VIII	Tacloban	0	5,000.00	0	1,313,553.55	1,318,553.55
IX	Basilan	0	0	0	888,249.69	888,249.69
IX	Jolo	182,694.74	0	0	8,403,370.30	8,586,065.04
XI	Tagum	253,124.60	0	168,408.39	440,057.05	861,590.04
Total		**710,460.09**	**67,692.92**	**256,249.55**	**11,757,946.84**	**12,792,349.40**

Details of the above-mentioned APs due to suppliers/contractors and other parties are:

- The amount of P132,579.52 aging between 91 days to over 3 years from La Union Branch pertains to the uncredited amount due to an incorrect account number provided by the government agencies concerned.

  It was explained that the Branch is coordinating with the respective agencies of the payees to submit a correction memorandum on the incorrect account number they have provided. Follow-ups/reminders were made but no response yet from the government agencies.

- An amount of P4,365.00 aging between 31 to 365 days pertains to the cost of checkbook requisitions of clients which will be reversed when the clients claim the requested checks.

- Amount due to suppliers/vendors and other parties for the delivery of goods and/or services, including retention fees and payment for variation orders (VOs) totaling P3,796,925.62 aging as follows:

Regions	31 days to 1 year	Over 2 years	Over 3 to 10 years	Total
Masbate	263,657.72	0	0	263,657.72
Placer	9,107.50	0	460,767.12	469,874.62
Basilan	0	0	888,249.69	888,249.69
Tacloban	3,000.00	0	1,310,553.55	1,313,553.55
Tagum	260,899.13	160,633.86	440,057.05	861,590.04
Total	**536,664.35**	**160,633.86**	**3,099,627.41**	**3,796,925.62**

  The P460,767.12 pertains to the retention fee related to the construction/fit-out of DBP Placer Branch, claimable only upon final acceptance of the project. The Branch explained that letters were already sent to the contractor to request completion of pending work and subsequently claim the retention fee upon inspection by the Construction and Facilities Management Department (CFMD). The Branch will again inform the contractor regarding the pending works to be done.

  The retention fee of contractor reported by the Basilan Branch totaling P888,249.69 on a branch fit-out project, the Branch forwarded the Statement of Work Accomplishment and As-built Plan to CFMD on March 9, 2023, with the request for the site visit. CFMD-Works Engineering Unit (WEU) conducted the site visit on April 24, 2023. The requested documents of CFMD were submitted on October 31, 2023, and the Certificate of Completion was issued on January 17, 2024. The Branch also forwarded to CFMD-WEU on February 17, 2024, the pertinent documents to support the request for release of the retention. Management said they are waiting for the signed copy of the final computation from the CFMD. Follow-ups were made on March 4 and 14, 2025 and no reply was issued to them.

  The amount reported by Tacloban Branch of P1,310,553.55 pertains to returned checks of suppliers, various government offices, state universities and colleges, and local government units (LGU) for reversal and are for verification at the HO.

The AP from Tagum Branch includes an amount withheld indefinitely due to an ongoing case involving a service corporation amounting to P440,057.05 which the Branch awaits the lifting of hold instruction from the DBP Branch Banking Sector. Also, a total of P402,103.28 involves retention money payable to suppliers, P7,774.53 is payable to the heir of a deceased depositor which the heir did not claim due to the cost involved in processing the claim, and P11,655.18 is payable to two employees of LGU Tagum for their salaries held due to unsuccessful Prepaid Card Payroll Loading. As of February 4, 2024, the amount of P5,615.18 was already claimed by one of the employees.

- Bidders Bond totaling P29,000.00, including P5,000.00 for a third-party service provider that was booked in CY 2017 which the Branch is still awaiting reply from HO for its proper disposition.

  The payable amounting to P8,334.07 represents the remaining 50 per cent deposit in the Special Savings Deposit joint account. The Branch Services Officer explained that this account is designated as joint "AND" account, requiring all account holders to sign and approve any withdrawals or access to the funds. Due to the death of one account holder, the surviving account holder is limited to withdraw half of the total amount. To withdraw the full amount and close the account, the surviving account holder must complete the necessary legal documentation in compliance with the Bank's internal procedures.

- The Jolo Branch showed a double posting of payable totaling P367,045.70 aging over three years, and set up various payables totaling P8,219,019.34, details as follows:

	Amount	Booking Date	Age
Set up of various AP to client with a court case	7,856,324.60	17-Dec-17	Over seven years
Written-Off Property	182,694.74	30-Apr-24	Over eight months
Sale of Bank Property	180,000.00	22-Nov-21	Over three years
	8,219,019.34		

  The amount of P7,856,324.60 is due to a client for a court case filed against DBP personnel, with corresponding set up of Accounts Receivable. The amount pertaining to the written-off property is awaiting advice from the HO while the sale of Bank property is for booking as income.

- The amount of P235,080.15 is still for the verification/reconciliation of the branches concerned.

3.19 Given the age of the above payables of up to 26 years, Management had ample time to clear up or settle these accounts. The AOs/Heads of Branches concerned should have facilitated the refund or application of these balances to their respective loan accounts to correct the balances of AP and other affected accounts. It is also worth mentioning that some of these accounts are related to ROPAs mentioned in another audit observation with Titles not in the custody of or reported sold or released by the LSG-CCMU. This indicates that subject properties and related payments lodged under AP account were not derecognized on disposal, thereby misstating the balances of Investment Property, AP and other affected accounts. Moreover, it must be emphasized that until the restructuring, payment arrangement, or appropriate remedial action is implemented, the initial and subsequent payments received from borrowers increase the balance of the payables account while the corresponding loan balance is undiminished. This practice does not reflect the underlying transaction which is a collection of the amount due from clients and DBP has no obligation to return these funds, thus misstating the balances of AP and other affected accounts.

B. Dormant prepaid cash card accounts were not identified, reclassified and charged with monthly maintenance fee of P30.00 due to system deficiency

3.20 The AP balance of P2,796,347,531.73 includes AP E-Money amounting to P224,639,263.83 which refers to obligations arising from the issuance of E-money by DBP as an authorized Electronic Money Issuer-Bank (EMI-Bank). E-money is a monetary value electronically stored in convenient payment instrument such as gift cards or reloadable prepared cards that can be used to buy or pay for goods and services, to transfer or remit funds, and/or withdraw funds from ATM. DBP's Bankworks Card Management System (CMS) is the system which generates the Subsidiary Ledger (SL) Report for the AP E-Money balance and is system-owned by E-COD. Verification of records showed that the composition of the AP E-Money balance is presented below:

Card Series	Service Contract ID	Account Type	Description		Account Balance
200059	020 021 019 018	COMELEC Prepaid Monetary EMV	Europay, Mastercard, and Visa (EMV) Proprietary Cards Issued as Honoraria for the 2018 Election Poll Workers	0.00 0.00 (26,500.00) (5,400.00)	(31,900.00)
470676	017	Gift Card EMV	(EMV) Gift Card Issued by Quezon City Branch as Christmas Gift Bonus for the Philippine Heart Center Employees. Retired product by Board Resolution No. 0622 dated October 20, 2021		326,249.48
470676	016	Regular Prepaid EMV	(EMV) Generic Prepaid Cards Issued by the DBP Branches (Institutional) for the release of Salaries of LGU Employees, JOs, allowances, monetary release for the benefits of support programs		41,092,851.60
470676	014	PAG-IBIG Prepaid EMV	(EMV) Used for the release of short-term loans by Pag-IBIG/HDMF		168,155,302.99
470676	011	Regular Prepaid Magstripe	(Magstripe) Generic Prepaid Cards Issued by the DBP Branches (Institutional) for the release of Salaries of LGU Employees, JOs, allowances, monetary release for the benefits of support programs		14,557,567.05
470676	012	Gift Card Magstripe	(Magstripe) Gift Card Issued by the Branches to member clients as Gift Checks. Retired product by Board Resolution No. 0622 dated October 20, 2021		539,192.71
TOTAL					**224,639,263.83**

3.21 Audit disclosed that prepared cash card accounts with no client-initiated transactions for one year or over were not identified and reclassified as dormant in the SL Report for the AP E-Money balance as of December 31, 2024, as confirmed by E-COD through email. Due to E-COD's failure to timely identify the dormant accounts included in the AP E-Money balance, the Bank was unable to send notice to the cardholders regarding the dormant status of their accounts as a prerequisite for the collection of the monthly maintenance fee of P30.00 per dormant account. These situations contravene the requirements of DBP Circular No. 05.

3.22 It was informed that E-COD is yet to identify the specific prepaid card accounts to be classified as dormant, as this process is part of the fixes to be made by the vendor for the system enhancement of CMS. E-COD has been in discussions with the Information and Communication Technology Sector (ICTS) and the vendor for the Bankworks Card Management System since 2024 to resolve issues concerning the SL balances of DBP prepaid cards. The vendor has provided several fixes to Bankworks modules, including account and notification management. E-COD is currently validating the initial extraction of accounts with no client-initiated transactions for one year or more. A manual extraction was requested from IT-Support and is in its second review and refinement phase. E-COD will continue to coordinate with relevant departments and vendors to implement the necessary enhancements, and system fixes to comply with DBP Circular No. 05. In addition, there is an ongoing User Acceptance Testing (UAT) for fixes to reconcile the daily AP E-Money SL and the Issuer Transaction Report of Bankworks. This is in its third phase of testing. Deployment in production will occur once the fixes are accepted.

C. Prepaid cash card accounts with negative balances

3.23 Also shown in the table above, there are two Service Contract Identification (ID) accounts with negative balances totaling P31,900.00. In response to the query of the Audit Team, E-COD explained that the negative balances were due to: (1) Limit Breach, resulting from the branch erroneously crediting the account instead of debiting it when cardholders made over-the-counter withdrawals; and (2) Negative Balance due to System Error, caused by incorrect codes transmitted by the acquiring banks' systems.

3.24 Due to the voluminous number of accounts, the Audit Team was not able to establish whether similar errors have occurred in other prepaid cash card service contract IDs that do not currently show a negative balance.

3.25 Management informed the Audit Team that E-COD will coordinate with the Applications Management and Development Department and DBP Dagupan Branch to correct erroneous entries/transactions that led to negative outstanding balances for prepaid cards under service IDs 18 and 19.

3.26 The long outstanding accounts payable totaling P687,396,600.44, which remained unapplied to proper accounts, refunded to loan borrowers or ROPA buyers, nor resolved from over 30 days to 26 years, the non-reclassification of and non-collection of maintenance fee on dormant prepared card accounts as well as the inclusion of payables with negative balances are contrary to DBP Circular Nos. 1 and 5, the 2018 Conceptual Framework, and PAS 1, thus, undermining the reliability of the reported balance of AP of P2,796,347,531.73 and other affected accounts as at December 31, 2024.

3.27 **We recommended that Management require the Heads of Branches/Units/Departments concerned to:**

a. **determine whether long outstanding payables are valid obligations of the Bank pursuant to the recognition criteria of liability set forth under the Conceptual Framework for Financial Reporting;**

b. **expedite the approval/resolution on the disposition of the AP accounts under reconciliation, verification and those affected by system limitation;**

c. **adhere to paragraphs B.2.4, B.2.5 and B.2.6 of DBP Circular No. 01 in the sending of formal notices to creditors via registered mail, monitoring of the replies and the recording of unclaimed AP to Miscellaneous Income;**

d. **identify prepaid cash card accounts with no client-initiated transactions for one year or more, reclassify them as dormant, notify the respective cardholders, and impose the monthly maintenance fee in accordance with DBP Circular No. 05;**

e. **expedite the enhancement of the CMS within a defined timeframe and conduct a comprehensive reconciliation of all accounts under AP E-Money to ensure the accuracy of the SL Report of AP E-Money;**

f. **prepare all the necessary adjustments to (i) record the application of APs to proper accounts; (ii) reclassify dormant AP E-Money accounts; (iii) record the imposition of maintenance fee to cardholders of dormant accounts; and (iv) adjust the accounts with negative balances, to correct the balances of the AP account and other affected accounts in the financial statements as at December 31, 2024; and**

g. **strengthen the Bank's monitoring controls to ensure the timely identification and proper reclassification of dormant prepaid cash card accounts.**

3.28 Management clarified that APs pertaining to collections from borrowers pending approval and implementation of credit transactions such as but not limited to restructuring, payment arrangement, etc., are not covered under DBP Circular No. 01. Compared to the normal credit process, negotiation with existing borrowers, validation of submitted projections and evaluation of proposed transactions take longer than usual considering the enhanced due diligence conducted along with the approval and documentation of the transaction. Nevertheless, the Development Lending Sector committed to coordinate with the loan booking unit to identify APs which can be immediately applied in the books as well as the action plans, work around, and/or dependencies, as applicable, for APs over one to three years. Likewise, the Branch Banking Sector (BBS) committed to coordinate with the Regional Branches concerned to expedite the clearing of APs due to suppliers/ contractors and other parties.

3.29 Management informed the Audit Team that E-COD was able to generate a partial list of dormant accounts subject to further verification. Management added that in terms of medium to long term plans of DBP, they are presently evaluating the card management system. Business concepts include the plan to marry ATM Switch and CMS so that there will be no issues with the transfer of information which sometimes causes timeout transactions and to expand the capability of CMS to be able to provide more electronic payment transaction options for its clients. Management has undergone initial compliance with DBP Circular No. 05 and will complete the necessary fixes by the end of 2025.

3.30 As a rejoinder, while the APs pertaining to CFATL are not covered by DBP Circular No. 01, it is worth stressing that the CFATL, by its nature, does not meet the criteria for recognition as a liability since there is no DBP obligation to transfer resources. Therefore, the Bank must establish policies to ensure that the payable accounts are timely acted upon. Given that the accounts have been outstanding for almost seven years, Management should have determined by this time what appropriate action to take for the APs pertaining to CFATL. It is further recommended that Management craft policies or guidelines on handling APs that are not covered under DBP Circular No. 01.

3.31 The Audit Team acknowledged the initial actions and commitments of Management and will continue to monitor the implementation of the audit recommendations.

B. NON-FINANCIAL ISSUES

4. The non-compliance with the stipulations in the Memorandum of Agreement by the Salary Loan Participants, and the inadequate implementation of appropriate actions or legal remedies by the various Branches, contributed to the non-collection of past due salary loans amounting to P562.027 million of the total balance of salary loans of P6.991 billion as of December 31, 2024 and increase of past due rate to 8.03 per cent in CY 2024 from 7.66 per cent in CY 2023, contrary to Section 2 of Presidential Decree No. 1445 and DBP Circular No. 11 dated July 20, 2022, thereby exposing the Bank to greater credit losses.

4.1 Section 2, Article IX-D of the Constitution of the Philippines (PD No. 1445) states that:

> It is the declared policy of the State that all resources of the Government shall be managed, expended or utilized in accordance with law or regulations, and safeguarded against loss or wastage through illegal or improper disposition with a view to ensuring efficiency, economy, and effectiveness in the operations of the government. The responsibility to take care that such policy is faithfully adhered to rests directly with the chief or head of the government agency concerned.

4.2 DBP Circular No. 11 dated July 20, 2022 sets the updated policies and guidelines on the grant of Salary Loan Facility (SLF) to employees of accredited Salary Loan Participants (SLPs) which include LGUs including the barangays, agencies, offices and instrumentalities of the government including Government-Owned and Controlled Corporations (GOCCs), State Universities and Colleges, Local Water Districts, and electric cooperatives. The SLF refers to unsecured loans for a broad range of consumption purposes, granted to individuals mainly on the basis of regular salary or fixed compensation, where repayment would come from such future cash flows, through salary deductions and/or auto-debit arrangements to payroll or individual borrower's deposit account. Some of the salient provisions include the execution of Memorandum of Agreement (MOA) between the SLP and the Bank, imposition of consequences in case of non-compliance with past due rate cap, and remedial measures. Section 3.5.1 thereof reads as follows:

3.5.1 Collection Strategy

The following are, as may be appropriate, the suggested collection strategies for past due Salary Loan Facility (SLF) accounts:

1. Sending of collection notice;
2. Financial counseling;
3. Skip tracing;
4. Client calls;
5. Restructuring;
6. Sending of demand or Group Legal Counsel's Letters; and
7. Account may be referred immediately to Group Legal Counsel for legal action.

4.3 The MOA for the SLF executed between DBP and the SLPs specifically provides that the latter shall undertake or agree to perform, among others, the following responsibilities/obligations, viz:

4. Undertake within thirty (30) banking days from knowledge, to do necessary measures to address non-compliance, if any, to the mandatory amount of net take-home pay (NTHP) or SLP prescribed net take-home pay of the Borrowers.

9. In case a Borrower-employee who availed of the Loan is transferred to a non-SLP accredited office, separated from, or terminated, or retired, resigned, or goes on Absence Without Leave (AWOL), the outstanding Loan of the said Borrower-employee shall become due and demandable and the Participant shall notify DBP in writing within three (3) banking days from the date of separation, transfer, termination, retirement or resignation or AWOL of the Borrower. For this purpose, the Participant agrees not to issue any property/accountability clearance in favor of its Borrower employee concerned until the corresponding amount due to DBP from such Borrower-employee has been duly remitted and paid, as certified to by DBP in writing;

10. In case of death of a Borrower-employee who availed of the Loan, the outstanding Loan of the said Borrower-employee shall become due and demandable, and the Participant shall notify DBP in writing three (3) banking days from the date of death occurred;

11. Unless the Borrower presents to the Participant a certificate from DBP certifying that all outstanding obligations of the Borrower have been fully settled, the Participant shall withhold the corresponding amount due to DBP from all monies and benefits or other remunerations due, if any, accruing to any Borrower whose services were terminated or who has resigned and/or retired from the service or who went on Absence Without Leave (AWOL) and remit the amount collected to DBP as may be sufficient to satisfy the Borrower's outstanding obligation with DBP within five (5) banking days from the date of collection/deduction;

14. In the event that the amount collected from the Borrower under Item (6) or Item (11) is insufficient to fully pay the Loan, the Participant shall deduct and collected from the salary and other monies due to the Borrower's co-maker, if any, the balance of the Loan and immediately remit the amount collected to DBP.

    If the full amount of the obligations cannot be satisfied from the deductions against the Borrower or co-maker, then the balance shall be set-off against all monies or deposit account which the Borrower-employee or his/ co-maker has with DBP, if any.

4.4 Pursuant to Section 304 of the 2020 Manual of Regulations for Banks (MORB), as a general rule, loans, investments, receivables, or any financial asset, including restructured loans, shall be considered past due when any principal and/or interest or installment due, or portions thereof, are not paid at their contractual due date, in which case, the total outstanding balance thereof shall be considered as past due.

4.5 As at December 31, 2024, the Bank's financial statements present the gross balance of Loans and Discounts amounting to P536,787,946,632.16, of which P6,991,381,746.06 pertains to salary loans granted in its various Branches. Verification of records revealed past due salary accounts totaling P562,027,007.58 representing 8.03 per cent of the total outstanding salary loans as of December 31, 2024. Compared with the past due accounts totaling P591,044,495.30 representing 7.66 per cent of the total salary loans of P7,718,312,403.39 in CY 2023, although there was a decrease of the past due balance by P29,017,487.72, the past due rate was increased by 0.37 per cent in CY 2024.

4.6 Also, review by the Regional Audit Teams (RATs) of the past due salary loan accounts in 42 branches of the Bank totaling P290,449,378.76, as detailed below, reported the following causes of past due which are non-compliance with DBP Circular No. 11, and the stipulations in the MOA:

Region	Branch	Amount
II	Abulug	308,168.29
	Aparri	3,112,797.98
	Cabarroguis	3,419,773.35
	Ilagan	5,005,651.02
	Lallo	86,725.26
	Santriago	3,367,803.75
	Solano	3,133,219.94
	Tabuk	4,745,550.02
	Tuguegarao	13,809,061.93
III	Baler	3,522,446.17
	Cabanatuan	3,764,220.29
	Guagua	2,372,648.01
	Malolos	806,740.82
	Palayan	1,717,089.72
	San Fernando	5,028,837.44
	Tarlac	2,174,315.14
	Balanga	2,022,076.11
	Subic	6,573,122.14
V	Masbate	22,306,142.81
	Sorsogon	3,831,232.51

Region	Branch	Amount
	Virac	12,987,666.39
VI	Bacolod	19,030,856.40
	Kalibo	8,326,939.44
VII	Cebu	2,630,309.29
	Toledo	3,511,750.64
VIII	Borongan	4,014,747.64
	Catarman	7,865,340.98
	Catbalogan	31,959,639.39
	Dolores	898,265.03
	Tacloban	15,099,429.47
IX	Dipolog	6,967,222.16
	Ipil	12,847,865.28
	Pagadian	10,030,755.36
	ZamboEco	1,132,242.51
X	Malaybalay	2,406,639.68
	Valencia	3,835,251.26
XI	Mati	3,437,976.44
	Tagum	5,321,644.95
XII	Gensan	20,087,374.12
	Kidapawan	8,147,751.73
	Marbel	13,325,693.16
	Tacurong	4,626,394.74
TOTAL		**289,599,378.76**

a. The SLP's account officers failed to withhold salary loan payments, leading to the non-remittance of payments to the Bank;

b. Some borrowers with past due accounts were able to retire, resign or transfer to another agency without settling their outstanding loans with DBP;

c. The net take-home pay of some borrowers fell below the required minimum net pay pursuant to the General Appropriation Act due to loans with other financial institutions;

d. No final demand letters were sent to these borrowers by some branches;

e. Death of borrowers and some branches have not immediately processed their claims from the insurance company;

f. Branches were notified only by the SLPs of the resignation or retirement of the employee-borrowers upon receipt of the monthly Statement of Account from the Branch instead of the prescribed timeline of three banking days after the date of separation, retirement or resignation;

g. The Heads of the LGUs were not regularly informed about the past due accounts of their employee-borrowers resulting in the non-payment of loans amortization;

h. Non-remittance or delayed remittance of payments by the SLPs.

4.7 While the Audit Teams have noted that the concerned branches exerted efforts to collect the past due accounts through representations with agency officials and sending out of reminder letters/statement of accounts to defaulting borrowers, however, there are other appropriate actions or legal remedies that would have been implemented by the concerned branches to enforce the collection or settlement of loan accounts. Also, it was noted that the policies and guidelines in DBP Circular No. 11 do not include the timelines or circumstances when to implement the afore cited remedial measures.

4.8 The non-collection or settlement of past due salary loans totaling P562,027,007.58 and increase of past due rate on salary loans as of December 31, 2024 indicate that appropriate actions or legal remedies were not undertaken by the Bank to enforce collection or settlement of such loan accounts, contrary to Section 2 of PD No. 1445 and DBP Circular No. 11 dated July 20, 2022, and expose the Bank to greater credit losses.

4.9 **We recommended and Management agreed to require the departments concerned of the Branch Banking Sector to:**

a. **consider enhancing the policies and guidelines on salary loans to include the timelines or circumstances when to implement the remedial measures outlined under the MOA and Section 3.5.1 of DBP Circular No. 11; and**

b. **direct the Heads of Branches to conduct a thorough review of their past due loan accounts and determine the appropriate actions or legal remedies to be implemented to collect or settle the past due accounts.**

4.10 Management informed that policy enhancement is ongoing and currently being reviewed by the Systems and Methods Department. Management also committed that remedial measures will be incorporated in the pro-forma Memorandum of Agreement of the Bank.

4.11 The Audit Team acknowledged the Management's initial action and commitment and will continue to monitor the implementation of the recommendations.

5. DBP directly contracted the services of accredited service providers for the implementation of government financial assistance programs without conducting the required government procurement process, contrary to the 2016 Revised Implementing Rules and Regulations of Republic Act No. 9184. Moreover, the Memoranda of Agreement with the service providers did not include provisions for fund liquidation, reporting, penalties and auditability, which is in violation of COA Circular No. 2021-014 dated December 22, 2021. Hence, the propriety of payments for the services provided by the service providers totaling P395.049 million for Calendar Years 2021 to 2024 was not established.

5.1 It is a declared policy of the Government of the Philippines as set forth under Section 2 of the Revised Implementing Rules and Regulations (RIRR) of RA No. 9184 that procurement of Goods, Infrastructure Projects and Consulting Services shall be competitive and transparent, and therefore shall undergo competitive bidding, except as provided in Rule XVI of the RIRR. The RIRR also provides:

Section 3 – Governing Principles on Government Procurement

The procurement of the Government of the Philippines (GoP) shall be governed by these principles:

a) Transparency in the procurement process and in the implementation of procurement contracts through wide dissemination of bid opportunities and participation of pertinent non-government organizations.

b) Competitiveness by extending equal opportunity to enable private contracting parties who are eligible and qualified to participate in competitive bidding.

Section 5. Definition of Terms

For purposes of this IRR, the following terms or words and phrases shall mean or be understood as follows:

r) Goods. Refer to all items, supplies, materials and general support services, except Consulting Services and infrastructure projects, which may be needed in the transaction of public businesses or in the pursuit of any government undertaking, project or activity, whether in the nature of equipment, furniture, stationery, materials for construction, or personal property of any kind, including non-personal or contractual services, such as, the repair and maintenance of equipment and furniture, as well as trucking, hauling, janitorial, security, and related or analogous services, as well as procurement of materials and supplies provided by the Procuring Entity for such services. The term "related" or "analogous services" shall include, but is not limited to, lease of office space, media advertisements, health maintenance services, and other services essential to the operation of the Procuring Entity.

5.2 Pertinent provisions of COA Circular No. 2021-014 on the guidelines for the use of electronic collection (e-collection) and electronic payment (e-payment) for government transactions are as follows:

5.1 General Guidelines

x x x

5.1.2 Intermediaries, other than AGDBs, engaged under a Collect-Aggregate-Remit or Transfer-Distribute-Liquidate scheme shall be contracted in compliance with RA No. 9184 (Government Procurement Reform Act) and its Implementing Rules and Regulations (IRR) or with RA No. 6957 (BOT Law), as amended by RA No. 7718. For the purpose of acquiring the services mentioned above, the government entities shall engage only with BSP-regulated/supervised intermediaries. The contract shall contain, among others, the Auditability Clause as required under COA Circular No. 2020-010 dated December 2, 2020.

5.3 Electronic Payment (e-Payment)

x x x

5.3.6 If the government entity avails of the services of intermediaries under a TDL scheme, and uses those services in the implementation of government programs, such as but not limited to, distribution of cash assistance to beneficiaries, it shall:

a. execute a contract with intermediaries with the following provisions, as minimum:

i. Obligations of both parties
ii. Manner of remittance of funds from the agency to the intermediary
iii. Liquidation of funds
iv. Return of undistributed funds
v. Service fee
vi. Confidentiality and security of information
vii. Reporting requirements
viii. Penalty for breach of contract
ix. Auditability clause related to government funds

5.3 The DBP entered into MOAs with the Department of Agriculture (DA), Bureau of Fisheries and Aquatic Resources (BFAR) under the DA, and the Department of Social Welfare and Development (DSWD), on various dates, to act as a Settlement and/or Disbursing Partner for the following financial assistance programs:

a. DA - Rice Competitiveness Enhancement Funds – Rice Farmers Financial Assistance (RCEF-RFFA) – This program is for the provision of direct cash assistance worth P5,000.00, released through the DA-Intervention Monitoring Card (IMC), to rice farmers who are registered in the Registry System for Basic Sectors in Agriculture (RSBSA) and are tilling farmland with an area of two hectares and below. It is implemented by the DA-Central Office and DA-Regional Field Offices (RFOs) in coordination with the DBP. A Supplemental Agreement was also executed between the DA-RFO and the DBP for the DA-RFO's annual fund allocation.

b. DA-BFAR's Fuel Assistance Program - This program aims to provide one-time fuel assistance to qualified farmers and fisherfolks who are severely affected by the rising price of crude oil in the market. The funds, which amounted to P499,999,850.00 and P502,784,104.91 for CY 2022 and CY 2023, respectively, were transferred to the deposit accounts with the DBP as provided in the program. Every beneficiary is entitled to receive P3,000 fuel assistance excluding the corresponding service charge.

c. DSWD- Walang Gutom 2027: Food Stamp Program - This program represents a transformative step towards combating involuntary hunger and enhancing the livelihood of low-income households in the Philippines. By adopting a whole nation approach, the program aims to deliver monetary assistance through an electronic benefit transfer card, pre-loaded with food credits worth P3,000.00. These credits can be utilized to purchase a variety of nutritious food items from an array of partnered merchant stores.

5.4 Pursuant to the MOAs, DBP is authorized to facilitate the payment of assistance to the program beneficiaries through the accredited private entities using their payout channels/outlets. Consequently, for the three above-mentioned government programs, DBP directly engaged the services of four Service Providers (SPs). It is part of the obligations of the SPs to conduct risk-based face-to-face Know Your Customer (KYC)/Customer Due Diligence procedures using their electronic payment platform/system through its KYC function on all eligible beneficiaries. The SPs shall ensure compliance with the KYC requirements set by the BSP and other relevant agencies. Moreover, they shall ensure that the e-wallet and the corresponding Quick Response code for each beneficiary contains the correct details as validated/verified by DA/DA-BFAR/DSWD. It is only upon proper verification of the beneficiary's account shall the SP send/release the funds or activate the beneficiary's e-wallet account allocated to him/her. For CYs 2021 to 2024, the SPs received the total amount of P395,048,659 for their services including the cost of wallet cards, detailed as follows:

Program	Period Covered of the Program	Amount
DA – RFFA	CYs 2021 to 2023	347,378,659
DA-BFAR Fuel Assistance Program	CYs 2022 to 2023	47,670,000
DSWD Food Stamp Program	CY 2024	Unliquidated as of December 31, 2024
Total		**395,048,659**

5.5 However, the MOAs of these SPs were executed by DBP without considering the requirements for the procurement of goods/services under the forecited provisions of the RIRR of RA No. 9184.

5.6 An Audit Query Memorandum (AQM) was issued to Management on January 30, 2025, inquiring about the legal basis of DBP in entering into a contract with the private intermediaries without adhering to the provisions outlined in the RIRR of RA No 9184. The memorandum also sought details on the parameters used to select these SPs for distributing cash assistance to beneficiaries, along with the processes and procedures to determine whether the SPs' share of the contract price is both reasonable and in the best interest of the government.

5.7 In response, DBP, through the Cash Management and Transaction Banking Department (CMTBD), asserted that the 2016 IRR of RA No. 9184 and the issued Non-Policy Matter (NPM) opinions of Government Procurement Policy Board- Technical Support Office (GPPB-TSO) are not applicable to the MOAs entered into with the SPs because there were no government funds involved, as the costs associated with the cards and service fees were fully shouldered by the beneficiaries, which were deducted from the proceeds of their financial assistance. Moreover, it was claimed that the procurement of services for the distribution of financial assistance was considered exempt from the provisions of the RIRR of RA No. 9184 as clearly provided under Section 4.5 (a). As regards the parameters in selecting the private SPs, the Bank has implemented an accreditation system for all interested Fintech Electronic Money Issuers (EMIs). Further, DBP explained that the share of the intermediaries in the contract price remains fair, competitive, and aligned with public interest. It is established through a 60/40 transaction fee-income sharing arrangement, which means that 60 per cent of the service fees and cost of cards debited from the cardholder's account will be paid to the SP, and 40 per cent is allocated to the bank.

5.8 The Audit Team believes that the procurement of services from the SPs for the distribution of financial assistance is covered by the provisions of the RIRR of RA No. 9184 as explicitly stated under COA Circular No. 2021-014. Anent the contention that there were no government funds involved in the contracts entered into with the SPs, the cost of the cards and the service fees deducted from the proceeds of the financial assistance received by each beneficiary are considered government funds. Without contracting the services of the SPs, DBP should have directly obtained the total amount of these cards and service fees as revenue. However, since DBP procured the services of the SPs, 60 per cent of the fees charged to the beneficiaries were paid to the intermediaries and only 40 per cent of the revenue inured to the benefit of DBP. With that being said, the conduct of public bidding is essential to ensure that the selected private SP is the most beneficial for the government's interest.

5.9 Also, NPM No. 028-2005 issued by the GPPB-TSO clarified that the Accreditation System is not in accordance with the government procurement law, as cited below:

> Generally, the enactment of R.A. 9184 brought about major reforms in the procurement system, the most significant of which is the use of competitive bidding in all government procurement as a matter of policy. In this light, the creation of a Supplier's Accreditation Committee (SAC) within the Bureau of Animal Industry (BAI) which is tasked to develop a Supplier's Accreditation System is not in accordance with the mandate of the new procurement law, as it in fact contravenes the very basic principles of competitive bidding. Specifically, the establishment of an accreditation system within the agency would tend to limit the participation of bidders only to those accredited suppliers, to the exclusion of the other bidders in the market.

5.10 Furthermore, it was explained in NPM No. 063-2017 dated December 21, 2017 that a registration mechanism within the Procuring Entity for purposes of maintaining a roster of bidders participating in the agency is allowed, provided that it functions only as a registration system, such that even if a bidder is not registered she/he will still be allowed to participate and bid as opposed to an accreditation system where only those who are accredited or pre-qualified will be allowed to bid.

5.11 Concerning the claim that the procurement of services from the SPs for the distribution of financial assistance was considered exempt from the provisions of the RIRR of RA No. 9184, the primary issue was not about the direct financial or material assistance given to beneficiaries; instead, it pertains to the procurement of services necessary in the implementation of various government programs, specifically regarding the distribution of financial assistance. Under NPM No. 016-2019, the GPPB-TSO clarified that financial assistance is limited to the provision of actual cash or check, while material assistance refers to substitutes for cash such as vouchers, stubs, coupons and the like. Thus, the direct grant of cash or cash vouchers, stubs, coupons and similar instruments to program beneficiaries are not subject to the procurement law and rules as there is no procurement activity to begin with. Therefore, it is our view that the procurement of services from the

SPs for the distribution of financial assistance is considered a procurement activity and must comply with the requirements of RA No. 9184 and its RIRR.

5.12 Since the provisions of the 2016 RIRR of RA No. 9184 were not considered prior to entering into contract of services, Management had no sufficient basis that the service fees of the selected intermediaries are the most advantageous to the interest of the government.

5.13 Additionally, review of the contracts revealed that the following minimum provisions were not included in the executed MOAs, contrary to Section 5.3.6 of COA Circular No. 2021-014:

a. Liquidation of funds
b. Return of undistributed funds
c. Reporting requirements
d. Penalty for breach of contract; and
e. Auditability clause related to government funds

5.14 The absence of provisions for the liquidation of funds, return of undistributed funds, and reporting requirements indicates that monitoring measures for the utilization of governments funds are not in place, which may increase the risk of loss or misappropriation of funds. Likewise, the lack of provision for the penalty for breach of contract deprives the Bank of an additional remedy in case the SP fails to fulfill its obligations. As regards the auditability clause, while its absence does not prevent COA from conducting audit, such clause is important to apprise the SP regarding the procedural and documentary requirements mandated under COA circulars, rules and regulations.

5.15 In view of the foregoing deficiencies, the propriety of payments for the services of the contracted SPs totaling P395,048,659 for CYs 2021 to 2024 was not established.

5.16 **We recommended that Management require the CMTBD to suspend the implementation of all existing contracts with the accredited SPs for CY 2025, and request clarification from the GPPB-TSO regarding the application of the procurement law on the engagement of services of the SPs for the distribution of financial assistance to eligible beneficiaries. Henceforth, ensure that all the enumerated essential minimum provisions for the proper implementation of the memorandum of agreement with the SPs, as required under Section 5.3.6 of COA Circular No. 2021-014, are complied with.**

5.17 Management maintained its contention that the procurement process under RA No. 9184 and its IRR does not apply to the MOAs entered into with the SPs because there were no government funds involved and reiterated its justifications as mentioned in paragraph 5.7. Notwithstanding, Management concurred with recommendations and committed to seek clarification from the GPPB-TSO and Office of the Government Corporate Counsel regarding the application of the procurement law on the engagement of services of accredited SPs.

5.18 The Audit Team acknowledged the Management's commitments and will monitor its compliance with the procedures and guidelines set forth under the Procurement Law, as well as the inclusion of all the essential minimum provisions in the MOA as required under COA Circular No. 2021-014.

6. The grant of Motor Vehicle Lease-Purchase Plan without interest charge totaling P78.946 million to 64 officers of the Bank from April 2023 to December 31, 2024, and payments of Land Transportation Office registration fees and Third Party Liability Insurance premiums of leased vehicles of officers under Motor Vehicle Lease-Purchase Plan totaling P3.351 million for the calendar year 2024 are considered additional fringe benefits of officers without approval from the Office of the President, thus contrary to Section VI.B.4 of Executive Order No. 150, Items D and E of Part II of the GCG CPCS Circular No. 2021-01 dated January 12, 2022 and the DBP's guidelines on the implementation of CPCS as approved by its Board of Directors.

6.1 EO No. 150 entitled "Approving the Compensation and Position Classification System (CPCS) and Index of Occupational Services, Position Titles, and Job Grades for GOCCs (IOS-G) Framework, Repealing Executive Order No. 203 (s. 2016), and for Other Purposes," was issued on October 1, 2021. The guidelines attached to the EO require that:

> VI. COMPENSATION SYSTEM. – The total compensation granted to officers and employees for services rendered shall hereinafter be limited to the following:
>
> (a) Basic Salaries, including Step Increments
> (b) Allowances, Benefits, and Incentives
> (c) Variable Pay (Performance-Based Bonus)
>
> B. Allowance, Benefits and Incentives
>
> 4. Additional Allowances, Benefits, and Incentives. – Upon application of the CPCS, all the allowances, benefits, and incentives (ABIs) of GOCC officers and employees, whether they are incumbents or new hires, shall be limited to those provided under the CPCS. All additional compensation outside of the CPCS shall be approved by the Board, endorsed by the Supervising Agency, recommended by the GCG, and approved by the President of the Philippines.

6.2 Relatively, Items D and E of Part II. Allowances, Benefits and Incentives under the COMPENSATION SYSTEM of GCG CPCS Implementing Guidelines No. 2021-01 dated January 12, 2022, provide that:

> D. Grant of Allowances, Benefits, and Incentives Outside the CPCS – All additional compensation outside of the CPCS shall have to be approved by the Board, endorsed by the Supervising Agency, recommended by the GCG, and approved by the President of the Philippines before the same can be granted.
>
> E. Excess Allowances, Benefits, and Incentives - All authorized allowances, benefits and incentives previously being granted by the GOCCs to their officers and employees, which are no longer included in the CPCS shall be discontinued.

6.3 On March 17, 2023, the Bank received its Authorization to Implement (ATI) the CPCS under EO No. 150 from the Governance Commission for GOCCs (GCG). The Bank was authorized to retroactively implement the appropriate salary structure, and the allowances, benefits and incentives under CPCS effective October 5, 2021, in accordance with the CPCS Implementing Guidelines. Consequently, DBP's BOD approved the retroactive implementation of its CPCS under BR No. 165 dated April 12, 2023, and the guidelines on the implementation of CPCS of the Bank, which states the following:

> A. Allowances, Benefits and Incentives (ABI)
>
> While grant shall be pursuant to the GCG circulars and regulatory issuances cited, HRMG or concerned Bank unit shall issue the guidelines where necessary. Existing internal rules and regulations, including procedural guidelines, which are not inconsistent with the cited circulars/issuance shall remain in effect.
>
> 1. Effective immediately upon receipt of the ATI, all the ABIs shall be limited to those provided under the CPCS and shall follow the authorized rates/amounts provided therein. The grant of ABIs outside those provided under the CPCS shall be discontinued with the exception of the PF Bank Share and HCP.
>
> 2. Xxx

6.4 Based on verification of records of the Administrative Accounting Department, DBP granted Motor Vehicle Lease-Purchase Plan (MVLPP) to 64 officers totaling P78,946,000.00 from April 2023 to December 2024. The MVLPP of DBP was started when the Monetary Board (MB), through BR No. 132, approved the Rules and Regulations for the Implementation of the Motor Vehicle Lease-Purchase Plan for Government Financial Institutions (GFIs) in February 1990. This was approved by the Office of the President (OP) in July 1992, which stated the following:

> The Plan is part of the package of fringe benefits for GFI officers to enable them to meet the demands of their work with more facility and efficiency and provide them with economic means of coping with the prestige and stature attendant to their respective position.

6.5 Consequently, DBP issued Circular No. 25 on July 30, 1992, to establish the conditions for the plan. Five years later, DBP's BOD adopted Board Resolution No. 0246 dated June 13, 1997, constituting the MVLPP Fund and on March 20, 2018, DBP issued Circular No. 15, the Revised Implementing Guidelines on the MVLPP for DBP Officers. As provided in the guidelines, the officer selects a vehicle and completes the application form for MVLPP, which shall be submitted to the Provident Fund Department (PFD) as the MVLPP administrator. Once the application is approved, the motor vehicle is purchased by the Bank and a Lease-Purchase Agreement (LPA) is executed by the Bank and officer-lessee. The vehicle is registered under the name of the lessor-officer but with additional remark of "c/o DBP subject to Lease-Purchase Agreement" indicated in the Certificate of Registration.

6.6 Upon purchase, the cost of the leased vehicle is recorded by the Bank as Accounts Receivable-Others, MVLPP and collected without interest through salary deduction over a period of ten years. Included in the guidelines is the provision that during the period of the lease, the cost and expenses for registration, comprehensive insurance, including theft and third-party liability (TPL), and other assessments due on the leased vehicle shall be shared by DBP and the officer-availee on a 50-50 basis. For CY 2024, verification of transactions showed that the Bank has paid a total of P3,3351,065.63, composing of P3,180,728.85 for Land Transportation Office (LTO) Registration and P170,336.78 for TPL Insurance of leased vehicles under MVLPP, which were recognized by the Bank as Insurance Expense, and Taxes and Licenses Expense, respectively.

6.7 However, the grant of MVLPP to officers and payments of related expenses for registration, insurance and other dues on the leased vehicles, which are considered additional fringe benefits of officers and not authorized under the CPCS, lack the necessary approval from DBP's BOD and the OP. As part of the fringe benefits of the officers of GFIs, it is the view of the Audit Team that the MVLPP is covered by the CPCS, hence approval from the OP is required for its continued implementation.

6.8 Through an email inquiry, the Human Resource Management Group (HRMG) asserted that the MVLPP is not a fringe benefit because it does not involve the gratuitous or employer-subsidized provision of a vehicle to employees, as the total value of the vehicle is paid by the officer-availee through salary deduction. Additionally, HRMG averred that since the MVLPP was already approved by the OP in 1992 and by the BSP MB in 1990, additional approval from the OP under EO No. 150 is not required.

6.9 It must be emphasized that the MVLPP was granted to officers without interest charged by DBP and DBP paid the related expenses of these leased vehicles in relation to their employment with DBP. Also, these officers are either paid with transportation allowance or issued with vehicle. Further, in G.R. No. 216538, April 18, 2017, DBP has admitted that the MVLPP is part of its employees' compensation. Thus, the Audit Team maintains that the grant of MVLPP and the payments of related expenses of leased vehicles are considered benefits.

6.10 Anent the approval of the OP in 1992, since these benefits are not among the authorized allowances, benefits and incentives authorized under the guidelines attached to EO No. 150 and GCG CPCS Circular No. 2021-01, therefore these require another approval from the OP pursuant to the afore cited provision of VI.B.4 of the CPCS. Moreover, the approval of the OP in 1992 has been repealed as stated in Section 14 of EO No. 150 which states "All other orders, rules and regulations, issuances or any part thereof, which are inconsistent with the provisions of this Order, are hereby repealed, or modified accordingly."

6.11 Thus, the grant of MVLPP in the aggregate amount of P78,946,000 to 64 officers of the Bank after its implementation of the CPCS in March 2023 to December 2024, and the Bank's share on LTO and TPL Insurance of the leased vehicles totaling P3,351,065.63 for CY 2024 without the authority from the OP, are contrary to Section VI.B.4 of EO No. 150, Items D and E of Part II of the GCG CPCS Circular No. 2021-01 and the DBP's approved guidelines on implementation of CPCS.

6.12 **We recommended that Management:**

a. **request proper approval from the OP to continue the grant of MVLPP without interest charge and payment of the Bank's share on LTO and TPL insurance of leased vehicles as part of the fringe benefits of DBP Officers retrospectively commencing when DBP implemented the CPCS; and**

b. **cease the grant of MVLPP to officers until the receipt of the approval from the OP.**

6.13 Management agreed to request the approval of the OP to continue the grant of MVLPP. However, the Bank explained that it will continue to implement the MVLPP as it is necessary for its officers to meet the demands of their work with more facility and efficiency. Management also commented the following:

a. The OP approval of the Rules and Regulations of the MVLPP states that the "plan is part of the package of fringe benefits for GFIs officers to enable them to meet the demands of their work with more facility and efficiency and provide them with economic means of coping with the prestige and stature attendant to their respective position". Nonetheless, careful scrutiny of the MVLPP would reveal that it is in fact a non-interest-bearing loan where the officer-availee shares the expenses for vehicle maintenance, as follows:

a.1 The officer-availee pays in full the MVLPP contract amount for a maximum period of 10-years, albeit without interest.

a.2 Registration costs and comprehensive-third party insurance premium shall be shouldered by the officer and the Bank on a fifty-fifty basis. Further, all expenses for the cost of freight and other charges (if any), maintenance, repairs and other incidental expenses of whatever nature shall be for the account of the officer. The Bank shall not be accountable for any expenditure on the leased vehicle, except on registration and insurance as mentioned.

b. Reiterating the purpose of the OP-approved MVLPP, it can be concluded that the MVLPP is not solely for the benefit of the officer-availee, rather a requirement for the officer-availee "to meet the demands of their work with more facility and efficiency". Especially nowadays when efficient transportation is crucial for employees to report for work and deliver their tasks on-time, the MVLPP may be considered as a quasi-business expense. It is now viewed as necessary and ordinary for business.

c. The MVLPP was not explicitly mentioned or covered in the IRR of EO No. 150/CPCS for the primary reason that it is considered as a business expense, and no longer a benefit for reasons discussed above.

d. The MVLPP fund (seed fund) to cover the financial requirement of the Plan for the purchase, registration and insurance of the vehicles was already returned to DBP/Bank proper in May 2023. Payment for the purchase of the vehicles is sourced from the monthly amortizations of existing officer-availees. The Bank does not allocate the annual budget for the purchase of vehicles. There is no additional cost to the Bank for the MVLPP as the purchase related to the Plan are sourced from the amortization payments plowed back to the MVLPP fund.

6.14 The Audit Team believes that the MVLPP is in substance a benefit for the officers of the Bank for the following reasons:

a. The officers enjoy free interest in the MVLPP that otherwise would have been incurred had the car loan been availed from the PFD or other financial institutions. Furthermore, there are officers who were issued with DBP motor vehicles who also availed of the MVLPP.

b. The Bank advanced the payment for the purchase of the motor vehicle as evidenced by the Disbursement Vouchers. The collections from existing MVLPP officers are simply to reimburse the Bank for the amount it incurred, without consideration of the time value of money as it is a non-interest loan.

c. The motor vehicles are registered in the name of the officer, hence, the vehicles are not Bank property that are being held in the trust of the officers for their official use in performing their functions. Additionally, the Bank shouldered 50 per cent of the registration fee and the comprehensive third-party liability insurance.

d. The basis of creating the MVLPP fund is no longer valid when DBP implemented the CPCS.

6.15 Thus, we maintain our audit recommendation to cease the grant of future MVLPP availments, including payments for Bank shares in the registration fee and comprehensive third-party liability insurance while waiting for approval from the OP. The Audit Team also anticipates the Management's submission of a copy of its letter request for approval to the OP through the Department of Finance within the committed time.

7. The completion of 10 infrastructure projects of the Bank, with a total contract cost of P65.340 million, was delayed by 99 to 2,295 days beyond their original completion dates, due to variation orders, time extensions and work suspensions, which were primarily the result of inadequate planning, insufficient detailed engineering and poor monitoring, contrary to Section 2 of Presidential Decree No. 1445 and Item 8 of Annex E of the Revised Implementing Rules and Regulations of Republic Act No. 9184. As a result, the Bank incurred rental expenses for delay of completion of one project, and delay in opening of new branches intended to enhance banking services. In addition, the performance securities for two of the projects were not renewed, contrary to Sections 39.3 and 39.6 of the RIRR, exposing the Bank to potential risks.

7.1 Section 2 of PD No. 1445 requires:

Section 2. Declaration of Policy. It is the declared policy of the State that all resources of the government shall be managed, expended or utilized in accordance with law and regulations, and safeguarded against loss or wastage through illegal or improper disposition, with a view to ensuring efficiency, economy and effectiveness in the operations of government.

The responsibility to take care that such policy is faithfully adhered to rests directly with the chief or head of the government agency concerned.

7.2 Meanwhile, Sections 39.3 and 39.5 and Annex E of the RIRR of RA No. 9184 state:

39.3 The performance security shall remain valid until issuance by the Procuring Entity of the Certificate of Final Acceptance.

39.5 X x x. The winning bidder shall cause the extension of the validity of the Performance Security to cover approved contract time extensions.

Annex "E"
CONTRACT IMPLEMENTATION GUIDELINES FOR THE PROCUREMENT OF INFRASTRUCTURE PROJECTS

8. NEGATIVE SLIPPAGE

The Procuring Entity shall ensure the timely implementation of infrastructure projects by monitoring the performance of the contractors.

7.3 Review of the DBP's Publicized Programs/Projects/Activities and the Project Monitoring Report as of December 31, 2024, prepared by the CFMD-WEU, revealed that 10 infrastructure projects, with an aggregate cost of P65,340,411.62, have exceeded their original completion dates by 99 to 2,295 days, detailed as follows:

No.	Project Name	Contractor	Contract Cost	Original Contract Date of Completion	Days of Delay from Original Contract Date of Completion
1.	Fit-out of leased office space – Banga Branch Lite Unit (BLU)	A	1,151,082.45	September 19, 2018	2,295
2.	Renovation of DBP Zamboanga Building (including renovation of Zamboanga Branch and Branch Banking Group-Western Mindanao (BBG-WM), fit-out of Zamboanga Peninsula Lending Center (LC) and Zamboanga Cash Center	B	14,537,390.36	May 2, 2021	1,339
3.	Fit-out of leased office space – Aroroy BLU	C	5,731,108.20	November 18, 2021	1,139
4.	Repair and Construction of Perimeter Fence of DBP Tuguegarao Regional Government Center (RGC)	D	1,627,879.78	December 8, 2021	1,119
5.	Renovation of the Second Floor of DBP Cabanatuan Building and Fit-out	E	5,647,445.90	June 27, 2022	918

No.	Project Name	Contractor	Contract Cost	Original Contract Date of Completion	Days of Delay from Original Contract Date of Completion
	Construction of DBP Cabanatuan LC				
6.	Construction /Fit Out of Lipa LC Office Space including Equipment, Furniture and Fixtures	F	8,656,349.70	November 3, 2023	424
7.	Renovation/Fit-out Construction of DBP Catbalogan LC	G	9,591,498.00	December 25, 2023	372
8.	Relocation and Fit-out of DBP Vigan Branch	F	9,663,125.85	April 10, 2024	265
9.	Fit-out of leased office space – Lapu-Lapu BLU	H	3,908,677.40	May 29, 2024	216
10.	Fit-out of leased office space – Pinamalayan BLU	I	4,825,853.98	September 23, 2024	99
TOTAL			**65,340,411.62**		

7.4 As of December 31, 2024, the projects mentioned above were still in progress. Among them, nine projects had exceeded their revised completion date, with delays ranging from 36 to 2,280 days, as follows:

No.	Project Name	Original End of Contract	Revised Completion Date	Days of Delay from Revised Target Date of Completion	Percentage of Completion as of December 31, 2024
1.	Fit-out of leased office space – Banga BLU	September 19, 2018	October 4, 2018	2,280	97.20%
2.	Renovation of DBP Zamboanga Building (including renovation of Zamboanga Branch and BBG-WM, fit-out of Zamboanga Peninsula LC and Zamboanga Cash Center)	May 2, 2021	January 12, 2022	1,084	98.98%
3.	Fit-out of leased office space – Aroroy BLU	November 18, 2021	January 28, 2022	1,068	98.61%
4.	Repair and Construction of Perimeter Fence of DBP Tuguegarao RGC	December 8, 2021	Work Suspended from May 23, 2022-onwards	953	62.67%
5.	Renovation of the Second Floor of DBP Cabanatuan Building and Fit-out Construction of DBP Cabanatuan LC	June 27, 2022	November 21, 2022	771	83.12%
6.	Construction /Fit Out of Lipa LC Office Space including Equipment, Furniture and Fixtures	November 3, 2023	March 12, 2024	294	99.60%
7.	Renovation/Fit-out Construction of DBP Catbalogan LC	December 25, 2023	July 9, 2024	175	97.88%

No.	Project Name	Original End of Contract	Revised Completion Date	Days of Delay from Revised Target Date of Completion	Percentage of Completion as of December 31, 2024
8.	Relocation and Fit-out of DBP Vigan Branch	April 10, 2024	November 25, 2024	36	96.42%
9.	Fit-out of leased office space – Lapu-Lapu BLU	May 29, 2024	June 16, 2024	198	97.95%
10.	Fit-out of leased office space – Pinamalayan BLU	September 23, 2024	January 29, 2025	0	69.25%

7.5 The Audit Team issued AQM No. 2024-06 dated November 20, 2024 requesting Management to explain the reasons behind the delays in the project completion and to detail the actions taken by DBP to ensure proper project implementation. In response, the CFMD, through a letter dated January 23, 2025 informed that the delays were mainly caused by actual site conditions, which resulted in VOs involving either additions or reduced work. Management also noted that DBP strictly follows the provisions of the GPPB Resolution No. 05-2019, and that contractors were regularly issued warning letters when negative slippage reaches above five per cent or more, based on the latest site inspection and verification of their work progress.

7.6 However, based on documents submitted to the Audit Team, the delays in completing the subject projects pertained to several VOs, time extensions (TEs) and/or work suspensions (WS) were due to factors that could have been identified either through adequate planning and detailed engineering before their project implementation and consistent monitoring during the execution:

a. Fit-out of leased office space – Banga BLU

   The VO involved the installation of security grills on the ceiling, raising the floor elevation by 200 mm, and the construction of a comfort room and septic vault.

b. Renovation of DBP Zamboanga Building

   - The first TE was granted to comply with the local Inter-Agency Task Force for COVID-19 guidelines and ensure health and safety working conditions at the project site. It was also in response to the request of the Contractor for reconsideration and evaluation on the revision to the electrical plan, scope of electrical works, and transformer technical specifications;

   - The first VO involved replacing one unit 250 KVA 3-phase dry type transformer to three 100 KVA distribution transformers including accessories and other related changes for the replacement of the transformer;

   - The second TE was due to the declaration of Modified Enhanced Community Quarantine, which has impacted the operations of the Contractor in the following ways:

     i. Construction firms were required to operate with only 30 per cent of their workforce;

ii. Strict Sunday lockdowns and curfews prevented any overtime work;
iii. Major electrical materials including transformers and panel boards were unavailable due to limited supply; and
iv. Delivery of materials were delayed due to irregular shipping schedule for supplies outside Zamboanga;

- The third TE was due to limited supply of the transformer model approved by the local power provider, hence, the project had to wait for stock availability. The delivery of transformer was further delayed by lockdown restrictions; and calibration and approval of the installation of the transformer remains unacted due to a reduced workforce of the electric cooperative; and

- The second VO and fourth TE were due to discrepancies in quantities between the approved plans and Bill of Quantities (BOQ), along with the Branch closure due to lockdown.

c. Fit-out of leased office space – Aroroy BLU

- A TE was approved due to travel restrictions in the province of Masbate, which affected the transport of construction materials and equipment;

- The first VO covered the following:

i. Widened door opening to accommodate proposed generator set;
ii. Removal of cove ceiling and cove lights due to the actual site conditions;
iii. Rectification of installed ceiling in the banking hall and back office area;

- The second VO included the installation of additional sunscreen roller shades, adjustments to the dimensions of the horizontal signage; installation of additional magnetic door sensors; and provision of an enclosure for the ATM; and

- The third VO is for the installation of new electrical post to supply permanent power to the Branch.

d. Repair and Construction of Perimeter Fence of DBP Tuguegarao RGC

- The first WS was due to the absence of stone markers identifying the project's boundaries; request for a joint survey to establish the stakeout limits and reassess items in the BOQ with significant discrepancies; and unresolved issues regarding the source of electricity during construction;

- A VO was issued to cover roofing and electrical works related to the perimeter fence;

- A TE was granted for the dismantling of the old roofing system; fabrication, delivery, and installation of the new roofing system; and welding, cutting and fabrication works for the construction of perimeter fence; and

- A second WS was approved due to the VO for constructing a proposed U-ditch on the right side of the lot, adjacent the perimeter fence.

e. Renovation of the Second Floor of DBP Cabanatuan Building and Fit-out Construction of DBP Cabanatuan LC

- The VOs on various additive and deductive works; and

- The TEs were caused by various VOs, delays in the processing and securing of Fire Inspection Certificate, Electrical Permit and Occupancy Permit required by local electric cooperative, as well as delays in the delivery of office furniture and workstation by the Contractor's supplier.

f. Construction/Fit Out of Lipa LC Office Space including Equipment, Furniture and Fixtures

- WS was declared due to pending review of proposed VOs;

- VOs which include both additive and deductive works resulted in corresponding TEs; and

- A fourth TE was granted due to delayed release of occupancy permit and the ongoing preparation and execution of fourth VO.

g. Renovation/Fit-out Construction of DBP Catbalogan LC

- TEs were issued due to late issuance of the building permit; unavailability of specific materials and certain items not included in the approved scope or terms of reference; and the Contractor was restricted to perform minor works only after banking hours and major works on weekends;

- WS was due to the delayed processing of Contractor's progress billing;

- The first VO involved additional floor slab and waterproofing works, dismantling of four existing air condensers and dismantling/relocation of existing fire exit ladder with the installation of the new landing and railing;

- The second VO included the repainting of exterior and interior walls; repairs to the Branch control room; installation of ATM sun visor canopy and an upgrade of the Closed-Circuit Television; and

- The third VO covered the installation of a new air-conditioning unit and removal of an existing cassette type air-conditioning unit from the banking hall.

h. Relocation and Fit-out of DBP Vigan Branch

- TEs were incurred due to revisions in the electrical design (from three phase to single phase), the review of proposed VO and ongoing works to the VO;

- A VO was approved to cover various additive and deductive works; and

- WS occurred due to pending negotiation with the Lessor regarding their objection to the previously agreed installation of new generator set; delays in implementing the BFPs recommendation to relocate the fire exit on the second floor, and the pending issuance of the Fire Safety Inspection Certificate necessary to obtain the Occupancy Permit.

i. Fit-out of leased office space – Lapu-Lapu BLU

- A VO was issued for various additive and deductive scopes of work.

j. Fit-out construction of the Pinamalayan BLU

- WS was declared due to ongoing evaluation of cost proposals related to the VOs and to give ample time for the Contractor to assess the evaluation; delays were also caused by the indefinite energization schedule from the local electric cooperative; and scope items such as the supply and installation of flag-type signage; and the transport of ATM unit from DBP Calapan Branch to DBP Pinamalayan BLU, which were formed part of VO No. 3; and

- The VO included various additive and deductive work that resulted in time extensions.

7.7 The VOs were only proposed and approved near the end of the previously extended project deadline, which resulted in additional time extensions and further delays in completing the projects. Subsequent inspections conducted by the RATs between February to March 2025 showed the following issues:

a. Renovation of DBP Zamboanga Building

The project remains not completed due to several pending works that the contractor has yet to address:

i. Installation of two Magnetic Door Contact Recessed type at the Zamboanga Branch;
ii. One buzzer with emergency button is still for installation in the teller's cage;
iii. As-built Plan still for submission by Contractor;
iv. Repair of two defective Free Standing A/C Inverter type installed in LC;
v. Repair of roof openings where water leaks in the Gen-set Room, portions of the LC, and areas in the Financial Accounting Department- Centralized Branch Accounting-Visayas & Mindanao Unit at the Zamboanga Office.

The contractor has conducted several site visits and is aware of these pending works. The branch is in constant communication with the contractor.

b. Fit out/Construction of the DBP Aroroy BLU

The unfinished work involves the electrical connection to the local electric cooperative. Currently, the branch operates with a sub-meter electrical connection.

c. Repair and Construction of Perimeter Fence of DBP Tuguegarao RGC

The perimeter fence has deteriorated due to wear and tear.

d. Renovation of the Second Floor of DBP Cabanatuan Building and Fit-Out Construction of DBP Cabanatuan LC

No construction activities are ongoing at the site. The exposed wires/cables along the modular workstations may cause accidents. Management informed that the second floor remains unusable because of unresolved electrical wiring and installation issues, roofing leaks during heavy rains and low water pressure on the mezzanine and second floor.

e. Relocation and Fit-out of DBP Vigan Branch

The project is not yet complete. No liquidated damages have been recorded, and no final payment has been made. The Branch informed the Audit Team that there are no ongoing construction activities.

f. Fit-out construction of the Pinamalayan BLU

Pending works include installation of transformers and securing the occupancy permit.

7.8 As at February 28, 2025, the CFMD reported the following 10 projects as ongoing, with their completion status as follows:

No.	Project Name	Percentage of Completion	Remarks
1.	Fit-out of leased office space – Banga BLU	97.20%	No activities on-site/no response from Contractor
2.	Renovation of DBP Zamboanga Building	99.04%	Scheduled for inspection/project verification (100% completion) per request of Project Proponent
3.	Fit-out of leased office space – Aroroy BLU	98.61%	No activities on-site/no response from Contractor
4.	Repair and Construction of Perimeter Fence of DBP Tuguegarao RGC	72.16%	Awaiting Bank-owned Properties Management Unit and Projects and Contracts Management Unit evaluation and final recommendation (prior to implementation of contiguous/adjacent project) due to concerns on property limits
5.	Renovation of the Second Floor of DBP Cabanatuan Building and Fit-out Construction of DBP Cabanatuan LC	83.12%	No activities on-site/no response from Contractor - Recommended for termination of contract due to total Liquidated Damages already exceeded 10% of TPC (per RA No. 9184)

No.	Project Name	Percentage of Completion	Remarks
6.	Construction /Fit Out of Lipa LC Office Space including Equipment, Furniture and Fixtures	99.60%	Contractor committed to complete the project with Liquidated Damages
7.	Renovation/Fit-out Construction of DBP Catbalogan LC	99.23%	Contractor committed to complete the project with Liquidated Damages
8.	Relocation and Fit-out of DBP Vigan Branch	97.76%	Contractor committed to complete the project with Liquidated Damages
9.	Fit-out of leased office space – Lapu-Lapu BLU	98.35%	Contractor committed to complete the project with Liquidated Damages
10.	Fit-out of leased office space – Pinamalayan BLU	82.56%	- Ongoing construction -For Contractor's acceptance/conforme of variation order (including time extension)

7.9 Further inquiry with Management revealed that the project intended for DBP Pinamalayan BLU incurred rental expenses amounting to P300,000.00 for CY 2024. DBP did not benefit since the said BLU was not able to utilize the facility for its operations because the project was not completed within the target date.

7.10 The performance security serves as a guarantee that the contractor fulfills the obligations stipulated in the contract. It mitigates the Bank's risk in the event of default or non-performance. However, the performance bonds (PBs) for the following projects were either not renewed or there is no available evidence confirming their renewal, as detailed below:

No.	Project Name	PB Validity	Remarks
1.	Fit-out of leased office space – Banga BLU	Valid until July 31, 2019	Contractor is not responsive but has not yet abandoned the project
2.	Renovation of DBP Zamboanga Building (including renovation of Zamboanga Branch and BBG-WM, fit-out of Zamboanga Peninsula LC and Zamboanga Cash Center)	Valid until October 19, 2021	Continuous communication with the contractor

7.11 The delayed completion of 10 infrastructure projects with a total contract cost of P65.340 million is attributed to VOs, TEs and WS, that were primarily the result of poor planning, insufficient detailed engineering and weak monitoring of projects, contrary to the declared policy of the State as provided in Section 2 of PD No. 1445 and Item 8, Annex E of the RIRR of RA No. 9184. Consequently, the Bank incurred rental expenses totaling P300,000.00 for CY 2024 due to the delay of completion of one project. Moreover, the lack of valid performance securities for some of the projects contravenes Sections 39.3 and 39.5 of the RIRR of RA No. 9184, exposing the Bank to potential risk.

7.12 **We recommended and Management agreed that CFMD:**

a. **immediately require the responsible contractors to complete the 10 infrastructure projects within a reasonable timeframe to be determined by DBP, or pursue legal remedies to recover losses incurred as a result of the non-completion of the projects;**

b. **expedite the evaluation and execution of the u-ditch canal project to facilitate completion of the repair and construction of perimeter fence at DBP Tuguegarao RGC, thereby preventing further deterioration of the project;**

c. **regularly monitor the progress of project implementation to ensure that any necessary variation is addressed promptly, preventing significant delays in completion of project;**

d. **ensure the submission of renewed or extended performance bonds for the delayed projects and prospectively monitor the validity of these bonds to guarantee faithful performance of obligations by the winning bidders; and**

e. **going forward, conduct a comprehensive review and evaluation of the Program of Works to ensure that project designs and cost estimates are accurately prepared and that all phases of the projects are accounted for, thereby reducing or avoiding variation orders and time extensions that often cause project delays.**

7.13 Management has committed to:

a. ensure all submitted performance bonds remain valid for the entire duration of the project until its completion;

b. continuously improve due diligence, project monitoring, and the preparation of program of works including plans, terms of reference, technical specifications and cost estimates to minimize the likelihood of variation orders and time extensions; and

c. for the u-ditch project, closely coordinate with both the project proponent and the contractor for the implementation of the proposed new project.

7.14 The Audit Team acknowledged the commitments of CFMD and will monitor the Management's actions to address the recommendations.

8. Accounts Receivable balances totaling P10.122 million in DBP Metro Manila and Regional Branches have remained uncollected ranging from 1 year to over 52 years due to insufficient monitoring and enforcement of appropriate legal actions for collection and settlement, contrary to DBP Manual of Operating Procedures-A.300.1, DBP Circular No. 01 and COA Circular No. 2023-008, thereby depriving the Bank of potential funds that could have been used for its operational needs.

8.1 Item No. 2 of DBP Manual of Procedures (MOP)-A.300.1 reads:

> 2. Generally, the Bank shall recover or be reimbursed for AR transactions within a short period of time. AR is a temporary account and shall be zeroed out through collection.

8.2 DBP Circular No. 01 dated January 07, 2020, provides two methods for recovery or settlement of Accounts Receivables (ARs), either through collection or by writing-off the accounts. Items B.1.1.d, B.1.2. and B.1.3 thereof stipulate the required timelines for sending of collection and demand letters to debtors and the procedures to be followed for write-off of accounts as follows:

1st Collection Letter	If still uncollected, 30 days after the transaction date
2nd Collection Letter	If still uncollected, 15 days after sending the 1st collection letter
3rd Collection Letter	If still uncollected, 15 days after sending the 2nd collection letter

1.2 If the AR remains uncollected after sending the 3rd collection letter, the responsible Bank Units, through their respective sector heads, shall forward to the Legal Services Group (LSG) copies of the collection letters together with related documents for assistance and proper disposition of accounts. FAD shall be provided a copy of the correspondences to the LSG.

The LSG shall assist the requesting Bank units concerned in determining and undertaking the necessary procedures and further remedies to collect from the debtor.

1.3 Through Write-Off

a. The request for write-off shall be prepared as follows:

	Bank Unit
Payroll-related accounts	HRMG
Branches accounts	Originating/Booking Unit in the Branches concerned
Others	Originating/Booking Unit concerned

b. An account is eligible for write-off if it meets all of the following criteria:

i. The account remained inactive or non-moving in the books of accounts for ten (10) years or more (dormant) and where settlement/collectability could no longer be ascertained *(COA Circular No. 2016-005 dated 19 December 2016)*.

ii. All available remedies for collection have been exhausted, including but are not limited to the following:

1. Calling the debtor via phone by designated authorized representative
2. Sending of collection letters.

c. Xxx

d. All requests for write-off shall be approved by the Board of Directors (BOD) regardless of amount.

e. Xxx

8.3 On the other hand, COA Circular No. 2023-008 dated August 17, 2023, prescribes the guidelines and procedures for the proper disposition of dormant accounts. The Circular covers various types of dormant receivables, including those arising from regular trade and business transactions, claims from entities' officers and employees and other dormant receivable accounts. It also applies to dormant unliquidated cash advances for operating expenses, payroll, special purpose/time-bound activities or undertakings, travel as well as advances granted to Civil Society Organizations (CSOs)/NGOs/POs. In addition, it includes dormant unliquidated fund transfers to/from NGAs, LGUs, and GOCCs. The Circular, however, does not cover: (a) receivables arising from audit disallowances and charges; (b) receivables arising from cash shortages; (c) claims from entities' officers and employees and other parties that are under litigation or investigation; and (d) dormant accounts covered by specific laws, rules and regulations regarding their proper disposition.

8.4 As at December 31, 2024, the balances of Other Assets in the Bank's financial statements amounted to P10,095,974,192.90. This total includes AR-Others of P144,463,369.44 from both Metro Manila and regional branches. Of this amount, P10,121,607.26 of 22 DBP Branches remained outstanding from over one year to 52 years. Details are presented below:

Branch	Amount	Ages
Baguio	183,743.57	More than six years
La Union	370,493.83	More than five years
Vigan	355,369.80	More than four years
Ilagan	199,415.76	More than 12 years to over 52 years
Calapan	1,285,449.17	More than one year to over five years
Bacolod	324,418.29	More than seven years
Kabankalan	190,669.31	More than 10 years
Cebu	1,400,564.59	More than 24 years
Tagbilaran	201,987.00	More than one year to over 22 years
Borongan	884,179.58	More than one year to over 10 years
Catbalogan	18,122.64	More than nine years
Tacloban	1,164,249.85	More than one year to over 10 years
Ormoc	282,659.93	More than eight years to over 10 years
Jolo	260,009.26	More than six years
Pagadian	786,767.99	More than five years
Zamboanga	160,812.78	More than six years to over 14 years
Malaybalay	541,455.63	More than one year to over 12 years
Commonwealth	129,000.00	More than one year
Quezon City	396,915.48	More than two years to over 11 years
Marikina	800,429.15	More than six years
Alabang	174,893.65	More than eight years
Parañaque	10,000.00	More than three years
Total	**10,121,607.26**	

8.5 Verification of the above-mentioned receivables revealed the following:

a. Receivables amounting to P5,256,649.76 from 15 regional branches, which have been outstanding for periods ranging from over 1 year to over 14 years, are mainly related to salary loans of deceased borrowers with pending insurance claims either from insurance providers or through DBP Insurance Brokerage, Inc., the Bank's designated insurance broker responsible for facilitating the recovery of unpaid salary loans. Of this amount, 13 Branches with receivables totaling P3,559,759.89 have already recommended these accounts for write-off, though approval is still pending, while one branch with P130,489.01 receivables has yet to submit its recommendations for write-off to the Consumer Finance Department (CFD).

b. Receivables totaling P3,191,475.73 from 11 regional branches, outstanding for over 1 year to over 52 years, have various issues These include unpaid accrued interest of DBP loan receivables, reimbursement for unauthorized online purchases, bounced checks for the payment of outstanding loan balance, unfunded inward checks, unscanned checks, refunds from Sales Contract Receivable, foregone interests due from the Bureau of Treasury, duplicate salary postings in payroll, COA disallowances, lost clearing checks, over-remittances of US pension funds, claims from Government Service Insurance System (GSIS) related to hold-up/robbery incidents, penalties from foreclosed properties, rejected payment transactions mistakenly credited to accounts, over-remittance of Philippine Health Insurance Corporation (PHIC) contributions, loan related-expenses charged to borrower, failed scanning of outward checks, Bureau of Internal Revenue penalties, double posting of fund transfer, unremitted employees collections, claims from borrowers for insurance premiums payments on properties used as collateral for loans advanced by the DBP LCs, and Documentary Stamp Tax on acquired assets sold to buyers.

c. The receivables amounting to P1,673,481.77 from four branches, aging from over 1 year to over 24 years, pertain to ATM shortages, discrepancies of Cash in ATM that remained unreconciled by the concerned branches, and ATM over withdrawals.

8.6 Pursuant to DBP Circular No. 01, receivables that remained uncollected for 60 days should be forwarded to the LSG for proper disposition. However, a review of the status and actions taken by the branches revealed delays in sending of collection letters and initiating legal remedies for the proper disposition of accounts, which contributed to the non-collection of receivables for a long period of time. Also, some discrepancies related to Cash in ATM remain unresolved, as the accountable persons have yet to be identified, preventing the implementation of collection remedies. This audit observation has been raised in prior years, but the recommended remedial measures have not been fully implemented.

8.7 The concerned branches provided the following updates:

a. Alabang Branch –

Recommendation for write-off is currently being routed to CFD for processing.

b. Commonwealth Branch –

For 2016 - 2017 Cash in ATM (CIA) discrepancies, E-COD has yet to provide the necessary ATM reports for reconciliation. Various follow-ups, including approved ITSM request and reprocessed ITSM were made in December 2023, January 2024, February 2024 and December 2024. As for the 2018 CIA discrepancies, reconciliation is ongoing. The branch has accomplished the data entry based on the ATM reports, however, some reports are missing or not included in the data provided by E-COD. These missing reports were coordinated with E-COD in February 2025. For 2019, five float items have been reconciled, with some items pending final validation.

c. Parañaque Branch –

The Branch was able to contact the accountable person, who committed to settle the obligation amount of P10,000 by June 30, 2025.

d. Vigan Branch –

The offering ticket (OT) on the write-off was returned by CFD on July 10, 2024, due to minor documentation issues. Following CFD's advice, a new OT was created and submitted for their review on August 27, 2024. As of May 16, 2025, the OT is still under review of CFD and expected to be approved by 4th quarter of 2025.

e. Kabankalan Branch –

The accounts have been recommended for write-off, and the corresponding OTs were already encoded into the online Credit Information Builder system. However, the OTs are still awaiting review and approval from various signatories at the HO. The branch has followed up on the matter, but there have been no developments as of May 16, 2025.

8.8 The existence of long outstanding receivables totaling P10,121,607.26 ranging from 1 year up to 52 years due to insufficient monitoring and enforcement of appropriate legal actions for collection and settlement, is contrary to DBP MOP-A.300.1, DBP Circular No. 01 and COA Circular No. 2023-008, thereby depriving the Bank of potential funds that could be used for its operational needs.

8.9 **We recommended and Management agreed to require the Branch Banking Support Department (BBSD) and other departments concerned of the BBS to:**

a. **direct the Branch Heads to expedite the reconciliation and thorough review of their long outstanding accounts receivable, and to determine the appropriate actions or legal remedies needed to collect or settle these ARs; and**

b. **expedite the approval process for the write-off of dormant accounts where collection is no longer feasible, having exhausted all available remedies, pursuant to COA Circular No. 2023-008.**

8.10 Management has committed to undertake reconciliation and collection efforts, as well as to improve the legal intermediations for recovering ARs. Additionally, the Risk Management Department is proposing a new policy on write-off for long outstanding past due accounts.

9. Seven DBP Branches had accumulated a total of P6.269 million in mutilated and unfit notes in their vaults as of December 31, 2024 due to the absence of policy guidelines for the regular deposit or exchange of such notes with the Bangko Sentral ng Pilipinas, contrary to Section 1112 of the 2021 Edition of the BSP Manual of Regulations for Banks. As a result, the Bank is deprived of the available funds for its operations and exposed to regulatory sanctions, which could include possible restrictions or prohibitions.

9.1 Sections 1111 and 1112 of the 2021 Edition of the BSP MORB provide:

> 1111 PHILIPPINE AND FOREIGN CURRENCY NOTES AND COINS
>
> Xxx
>
> Clean note and coin policy. As part of banks' duties to effect an expeditious withdrawal from circulation of unfit Philippine currency notes classified under Sec. 1111 (Replacement and redemption of legal tender Philippine currency notes and coins considered mutilated or unfit for circulation), banks and their branches shall observe the guidelines and procedures governing currency deposits and withdrawals of banks provided in Appendix 84. (emphasis supplied)
>
> Provincial branches of banks may make direct deposits of currency notes, duly identified and sorted, with the nearest Bangko Sentral Regional Office/Branch. In areas where there are no Bangko Sentral Regional Offices/Branches, provincial branches of banks shall arrange with their respective Head Offices the shipment of their unfit or dirty notes for deposit with the Cash Department (CD), Bangko Sentral in Quezon City. X x x
>
> 1112 ADOPTION OF CLEAN NOTE AND COIN POLICY
>
> The board of directors shall adopt a Clean Note and Coin Policy consistent with the principles and guidelines issued by the Bangko Sentral. The board of directors shall ensure that the policy takes a holistic approach to avoid biases in implementation in favor of certain areas or regions. The Clean Note and Coin Policy shall include, among others, the following:
>
> X x x
>
> d. Deposit and/or exchange on a regular basis of unfit notes/coins with the Bangko Sentral. This shall include safeguards that will ensure compliance with the guidelines set by the Bangko Sentral when making cash deposits with the Cash Department or any of the

Regional Offices/Branches. Said policy shall include guidelines that aim to facilitate regular deposit and/or exchange with the various Bangko Sentral cash units of unfit notes/coins.

Supervisory enforcement action. The Bangko Sentral reserves the right to deploy its range of supervisory tools to promote adherence to the requirements set forth in this Section and bring about timely corrective actions and compliance with the Bangko Sentral directives. The Bangko Sentral may issue directives or impose sanctions on the bank, for violation of the provisions of this Section, which may include, among others, restrictions or prohibitions from certain authorities/activities. Sanctions may likewise be imposed on bank directors, officers, and employees concerned.

9.2 As of December 31, 2024, cash examination and review of the cash in vault summary reports conducted by RATs for seven Regional Branches revealed that mutilated or unfit notes had accumulated and remained unremitted to the BSP, amounting to a total of P6,269,450.00, as detailed below:

Region	Branch	Amount
XI	Davao	1,452,630.00
	Digos	1,081,640.00
	Sta. Cruz	414,750.00
XIII	Claver	393,580.00
	Dinagat	1,086,770.00
	Siargao	887,350.00
	Surigao	952,730.00
TOTAL		**6,269,450.00**

9.3 Inquiry with the concerned branch personnel explained the following:

a. Davao Branch: The bank employee previously assigned to the BBG-Southern Mindanao (BBG-SM) who performed the coordination and monitoring of mutilated note exchanges was reassigned to another DBP branch about a year ago. Since then, no one has taken over this responsibility due to manpower shortages. The Branch was able to exchange some mutilated notes through over-the-counter transactions with the BSP-Mindanao Regional Office (MRO), however, BSP-MRO only accepts a maximum of five wrappers or 500 pieces per day per bank to exchange;

b. Sta. Cruz and Digos Branches: These branches reported that they have not received instructions to transport the unfit/mutilated notes to the Davao Branch;

c. Claver Branch: There is no regular schedule for cash deposits with the BSP. The Branch Cashier can only exchange mutilated notes when she travels to Butuan City. Also, BSP allows only a maximum of five wrappers per transaction over-the-counter.

d. Dinagat Branch: The mutilated notes at this Branch have not yet reached the threshold of 200 wrappers. As such, the Cashier is only able to exchange a maximum of 10 wrappers during her travels typically twice a year to Butuan City, since the Branch is located on an island;

e. Siargao Branch: The redemption, exchange, or deposit of mutilated and unfit notes poses significant challenges due to limited personnel and the branch's geographical location; and

f. Surigao Branch: The BSP requires a minimum of 20 bundles (200 wrappers) of the same denomination for the exchange of unfit notes, while mutilated notes are limited to five wrappers per bank per day. Moreover, the considerable distance to the nearest BSP Branch further complicates the prompt exchange or deposit of these notes.

9.4 It was further explained that while the unfit notes are being deposited with the BSP, the branches must comply with the specific requirements in terms of volume and proper packing before the BSP accepts the deposits. It was also noted that the levels of mutilated or unfit notes held in the vaults of Davao, Digos and Sta. Cruz branches are still within the allowable percentage limits.

9.5 Although three of the seven regional branches kept mutilated or unfit notes within the limits set by the Cash Operations Department, all seven had held a total of P6.269 million in such notes in their vaults as of December 31, 2024 due to the absence of clear policy guidelines on the timely deposit or exchange of these notes with the BSP, which is not in compliance with Section 1112 of the 2021 Edition of the BSP Manual of Regulations for Banks, thereby depriving the Bank's access to operational funds and exposing it to regulatory sanctions, which could include restrictions or prohibitions.

9.6 **We recommended and Management agreed that BBSD:**

a. **direct the BBGs and branches to determine the unfit or mutilated notes kept in their vaults that are due for deposit with BSP; and**

b. **develop a mechanism and implement appropriate measures to ensure compliance to the BSP's Clean Note Policy, particularly to branches located on islands or in remote provinces far from BSP offices.**

9.7 The BBSD committed to working with the BBGs and branches concerned to ensure compliance with the recommendations and to issue an advisory to all branches on the procedures for depositing mutilated or unfit notes to the BSP.

10. Transportation Allowance totaling P1.567 million was granted to officers of the Bank from January to December 2024, despite being assigned or actually using DBP-owned motor vehicles, contrary to Sections 5.5.1 and 7.2.1 of CPCS Circular No. 2021-006, and Section 64 of the General Appropriations Act for Fiscal Year 2024.

10.1 The CPCS for the GOCCs, established under Republic Act No. 10149 attached to EO No. 150 and approved on October 1, 2021, aimed to standardize the compensation packages provided to GOCCs' officers and employees. To implement this system, the GCG issued CPCS Circular No. 2021-006 dated January 12, 2022, which sets forth the guidelines for granting the Representation and Transportation Allowance (RATA). Specifically, Sections 5.5.1 and 7.2.1 of the Circular provide the relevant rules of this allowance:

> 5.5. For the initial implementation of this Circular, subject to Item 5.1 hereof, the grant of RATA shall be subject to Section 56 of the General Provisions of R.A. No. 11518, to wit:
>
> 5.5.1. Transportation allowance, whether in full or partial amounts, shall not be granted to officers and employees who are assigned or actually using government motor transportation. Officials who are assigned government motor transportation, but are not able to use said vehicle for justifiable reasons, as determined by the GCG, may be granted transportation allowance during the said period;
>
> Xxx
>
> 7.2 For incumbents who are assigned or who use government motor transportation:
>
> 7.2.1 Those who are assigned or who use government motor transportation shall no longer be entitled to the TA, but only to the commutable RA for the month;

10.2 Section 64 of RA No. 11975 or the General Appropriations Act (GAA) FY 2024 states:

> Section 64. Representation and Transportation Allowance. Government officials with the following ranks and their equivalent, as determined by the DBM or by the GCG for GOCCs/GFIs covered by R.A. No. 10149, while in the actual performance of their respective functions, are hereby authorized monthly commutable representation and transportation allowances at the rates indicated below, for each type of allowance:
>
> (a) P15,500 for Department Secretaries;
> (b) P12,500 for Department Undersecretaries;
> (c) P11,500 for Department Assistant Secretaries;
> (d) P10,000 for Bureau Directors and Department Regional Directors;
> (e) P9,500 for Assistant Bureau Directors, Department Assistant Regional Directors, Bureau Regional Directors, and Department Service Chiefs;
> (f) P8,500 for Assistant Bureau Regional Directors; and
> (g) P6,000 for Chief of Divisions, identified as such in the Personnel Services Itemization and Plantilla of Personnel.
>
> The grant of representation and transportation allowances shall be subject to the following:
>
> (a) Transportation allowance, whether in full or partial amounts, shall not be granted to officials who are assigned or actually using government motor transportation. Officials who are assigned

government motor transportation, but are not able to use said vehicle for justifiable reasons as determined by the DBM, may be granted transportation allowance during the said period;

(b) Xxx

(c) Xxx

(d) The pertinent provisions of N.B.C. No. 548 and Local Budget Circular No. 103, both dated May 15, 2013, and such other guidelines issued by the DBM.

10.3 The DBP, being a GOCC/GFI, is subject to the requirements of RA No. 10149 or the GOCC Governance Act of 2011, as well as relevant GCG circulars and DBM issuances. Among the benefits granted by the Bank to its officers is a monthly RATA. On February 21, 2024, the DBP Board of Directors approved through Board Resolution No. 0076 an increase in the rates of RATA, aligning the new rates with those specified in the GAA for FY 2024.

10.4 As of August 7, 2024, the schedule submitted by the CFMD under the Properties and Facilities Management Group showed that seven officers were assigned government motor vehicles from DBP. However, an examination of Disbursement Vouchers and related payroll registers covering January 2024 to December 2024 revealed that the Bank paid these seven officers a total of P973,375.00 in TA.

10.5 Also, according to the fuel charge reports submitted by the CFMD, some officers used DBP motor vehicles despite not being officially assigned government vehicles, yet received monthly TA totaling P593,625.00 during the same period.

10.6 The Audit Team issued AQM No. 2024-03 dated September 5, 2024, requesting Management to present the legal basis for granting TA to officers who have been assigned motor vehicles. In response, the CFMD explained that the Bank assigned motor vehicles to senior officers for official use to enable them to perform their duties, referring to Circular No. 06 dated January 21, 2019, specifically Item A.1 Section II, which states:

A. Specific Guidelines on Vehicle Assignment

1. The following Senior Officers at the Head Office are entitled to be assigned a Bank vehicle and driver:

    a. Chairman of the Board (1)
    b. President & Chief Executive Officer (1)
    c. Members of the Board of Directors (7)
    d. Sector Heads (5)
    e. Group Heads (19)
    f. Commission on Audit Supervising Auditor (1)

They shall have the option to use their assigned Bank vehicle to transport them to and from their official functions provided the officer shall waive their Transportation Allowance pursuant to COA Circular No. 99-002.

10.7 The CFMD further averred that under DBP Circular No. 06, a vehicle must actually be used by the officer for the TA to be withheld. Management cited COA Circular No. 2000-005, which clarifies that the mere assignment of a government vehicle does not automatically disqualify an officer or employee from receiving TA. This circular relates to the GAA FY 2000, where the general provisions on RATA specify:

> The transportation allowance herein authorized shall not be granted to officials who use government motor transportation.

10.8 Also, the CFMD explained that the officers who receive RATA and use DBP vehicles for travel to and from their residences reimburse the Bank for the cost of fuel regardless of whether the vehicle is officially assigned to them. To charge fuel expenses to these officers, the CFMD collects all drivers' trip tickets related to their travel and prepares a schedule of fuel charges on a monthly basis calculated as follows:

A/B/7 x Current Price of Fuel Used

Legend: A – Distance in Kilometers
B – Number of Passenger with RATA
7 – Average kilometer per liter

10.9 The CFMD then issues a memorandum to all concerned officers, requiring them to settle the fuel charges either through salary deduction or making a cash settlement at the DBP Financial Center. Officers who opt for salary deduction must return the memorandum to CFMD indicating their preference, while those opting for cash payment must return the memorandum with an attached official receipt. The CFMD summarizes all the returned memoranda from officers who opted salary deduction and forwards the summary to the Human Resources Administration Department for inclusion in the payroll.

10.10 The guidelines on payment of RATA under GAA FY 2000 have since been updated by the DBM and GCG issuances, as well as subsequent General Appropriation Acts since 2007. These updates clearly prohibit officers who are assigned or who actually use government motor vehicles from receiving TA. Furthermore, the practice of permitting officers to utilize DBP motor vehicles while ineligible to be assigned such is not expressly allowed under the DBM and GCG issuances, despite the reimbursement of the cost of fuel incurred by the Bank. Thus, the practice of granting TA and charging fuel expenses to officers who use DBP motor vehicles, regardless of vehicle assignment, is contrary to Sections 5.5.1 and 7.2.1 of CPCS Circular No. 2021-006 dated January 12, 2022, and Section 64 of the GAA FY 2024.

10.11 **We recommended that Management require:**

a. **HRMG to discontinue the payment of TA to officers who are assigned or using DBP motor vehicle; and**

b. **CFMD to revisit and update DBP Circular No. 06 to ensure it aligns with Sections 5.5.1 and 7.2.1 of CPCS Circular No. 2021-006 dated January 12, 2022, and Section 64 of the GAA FY 2024.**

10.12 Management committed to:

a. discontinue the payment of TA to officers who are assigned or use DBP motor vehicles effective February 16, 2025; and

b. revisit and revise the DBP Circular No. 06 to ensure compliance with Sections 5.5.1 and 7.2.1 of the CPCS No. 2021-006 dated January 12, 2022, and Section 64 of the GAA FY 2024, with completion within the first semester of FY 2025.

10.13 During the exit conference with HRMG, it was noted that the HRMG had not been provided with the names of officers assigned government vehicles who should be excluded from receiving TA. The CFMD is responsible for providing HRMG with this list for proper deletion in the iHRIS. On the other hand, the CFMD explained that it had sent an email notification to the concerned officers on February 14, 2025. The CFMD Head committed to provide the HRMG with a list of officers who have waived their TA. Furthermore, the CFMD relayed that the revision of the policy is underway and has already undergone a first level review, with the original timeline for completion remains the same. At the Bankwide exit conference, the Head of Corporate Services Sector stated that the audit observation will be addressed in an upcoming Management Committee meeting.

10.14 A recent validation by the Audit Team of payroll registers for March and April 2025 showed that officers assigned government vehicles are still receiving TA. The Bank has yet to submit the revised DBP Circular No. 06. Hence, we stand by our recommendations.

11. Missing properties valued at P0.588 million that cannot be located and unserviceable properties valued at P6.800 million that were not disposed are attributed to weaknesses in property management in various Branches, contrary to COA Circular No. 2020-006, PD No. 1445 and COA and Department of Budget and Management Joint Circular No. 2024-1. Moreover, unserviceable properties have accumulated and keeping them longer than necessary may result in further deterioration, reduced appraised value, congested storage spaces, and potential financial loss for the Bank.

11.1 COA Circular No. 2020-006 dated January 31, 2020, provides the guidelines and procedures in the conduct of physical count of Property, Plant and Equipment (PPE), including the disposition for non-existing/missing PPE Items, as part of a one-time cleansing of PPE account balances in government agencies. According to Item 6.2.8 of the Circular, any PPE included in the inventory working papers but are not found during the physical count should be considered as non-existing/missing PPEs.

11.2 Item 7 of the same Circular states that any non-existing/missing PPE must be verified to determine whether they have already been disposed of, transferred or donated, If such action is confirmed, the Head of the Property Unit is responsible in determining the person/s accountable using available documentation such as Property Acknowledgement Receipts (PARs) and Property Cards (PCs). Demand letters will then be issued to accountable officers, requiring them to produce the PPE for which he/she is accountable for.

a. Missing properties that cannot be located

11.3 During the physical inventory conducted at the DBP San Fernando (La Union) Branch, three properties with a total acquisition cost of P588,134.96 and a book value of P29,406.75 were missing. The details are presented as follows:

No.	Property Number	Description	Acquisition Cost	Net Book Value
1.	SF00300	PANINI SCANNER	135,950.96	6,797.55
2.	SF00285	75KVA STEP DOWN DISTRIBUTION	397,184.00	19,859.20
3.	SF00298	SOLID BUSINESS COUNTER	55,000.00	2,750.00
	TOTAL		**588,134.96**	**29,406.75**

11.4 The Property and Supply Officer stated that the Branch will undertake steps to locate the listed properties and will assign personnel for this task after completing the year-end and month-end reporting, as there is currently a shortage of staff. Identifying the persons accountable is not immediately possible since the items are not included in the Property Acknowledgement Report (PAR). The Property and Supply Officer also acknowledged that updating the PAR poses a challenge for the Branch due to limited manpower and the large volume of transactions they need to be managed.

11.5 The inability to locate these properties, nor the failure to identify and issue demands to the accountable officers, exposes the Branch to potential loss of properties due to ineffective monitoring of accountabilities.

b. Unserviceable properties that were not disposed

11.6 Section 79 of PD No. 1445 provides:

> When government property has become unserviceable for any cause, or is no longer needed, it shall, upon application of the officer accountable thereof, be inspected by the head of the agency or his duly authorized representative in the presence of the auditor concerned and, if found to be valueless or unsalable it may be destroyed in their presence. If found to be valuable, it may be sold at public auction to the highest bidder under the supervision of the proper committee on award or similar body in the presence of the auditor concerned or other duly authorized representative of the Commission. X x x

11.7 Item 3.0, Section A, Part I of COA and Department of Budget and Management (DBM) Joint Circular (JC) No. 2024-1 dated January 30, 2024, states:

> Disposal proceedings shall be immediately initiated to avoid further deterioration of the properties and consequent depreciation of their value. A systematic and timely disposal will yield benefits in terms of, among others, possibility of alternative use, higher appraised value, and enabling storage areas available for other purposes.

11.8 Inspection of the Bank's properties and review of reports on unserviceable properties revealed that several DBP Branches have not disposed of unserviceable or obsolete properties with an aggregate net book value of P6,799,817.22. Notably, some of these properties were already cited in previous year's audit observations. The specific details are as follows:

Branch	Quantity	Net Book Value
Dagupan	81	463,845.48
Laoag	86	1,001,328.14
Aparri	32	181,007.14
Cabarroguis	23	90,234.89
Cauayan	1	12,544.00
Ilagan	24	343,260.14
Santiago	3	12,413.09
Solano	10	78,392.13
Tuguegarao	69	148,362.63
Tarlac	10	52,591.62
Subic	1	2,463.00
Lipa	9	147,832.87
Sta. Rosa	10	226,873.77
Sta. Cruz	14	221,069.88
Batangas	15	157,610.12
Dasmariñas	17	335,045.55
Lucena	16	209,605.90
Puerto Princesa	25	61,734.17
Virac	7	394,785.01
Sorsogon	8	32,911.57
Bogo	76	408,092.83
Carcar	32	228,073.74
Mandaue	46	213,301.44
Maasin	114	307,817.83
Davao	89	287,710.34
Digos	146	232,251.21
Mati	20	237,107.13
Tagum	24	210,181.79
Dinagat	2	245,820.83
San Francisco	34	230,952.11
Tandag	28	89,111.27
Siargao	48	167,736.81
Total	**1,120**	**6,799,817.22**

11.9 The Branches explained that:

Branch	Comments
Dagupan	A request for reappraisal of the properties was submitted to PACIFT Benguet. Once the reappraisal report is received, the Branch will proceed with procuring the services of an Environmental Management Bureau (EMB)-accredited transporter.
Laoag	The Branch is currently awaiting further instructions from the PACIFT regarding the reappraisal of all the unserviceable properties.
Aparri	The Branch will submit a request for disposal for Waste Electrical and Electronic Equipment (WEEE) and Non-WEEE to the BBG-Northern Luzon (NL) not later than March 31, 2025.
Cabarroguis	The Branch will communicate with the potential donee-agency to commence the disposal procedures by not later than March 31, 2025.

Branch	Comments
Cauayan	The unserviceable property was transferred to DBP HO through the CFMD for repair. The transfer of booking to CFMD was completed on February 24, 2025, and Procurement and Inventory Management Department is expected to record the adjustments by March 31, 2025.
Ilagan	The Branch is awaiting the appraisal report of the unserviceable properties.
Santiago	The Branch has an ongoing application to convert its existing manual ID into an online Hazardous Waste Generator ID, which is awaiting approval after EMB's initial assessment.
Solano	The Branch will request an appraisal of the unserviceable properties from PACIFT. They will also request the creation of the Disposal Committee from BBG-NL by June 30, 2025.
Tuguegarao	The Branch is awaiting the appraisal report of the unserviceable properties.
Tarlac	The Branch had submitted a disposal request on October 14, 2024, which was approved by BBS on November 6, 2024.
Subic	The subject property was identified as unserviceable in CY 2024 and is classified as WEEE. The Branch stated that they have already submitted a request for its appraisal.
Lipa	The Branch will submit a request for disposal within the first semester of CY 2025.
Sta. Rosa	BBG-Southern Luzon (SL) Disposal Committee for the Branch has been created per Sector Order (SO) No. 158 dated March 6, 2025.
Sta. Cruz	BBG-South Luzon Head informed that SO No. 172 dated March 11, 2025, reconstituting the BBG-SL Disposal Committee for the Branch has been issued.
Batangas	The Branch will immediately start the disposal process once it receives the appropriate SO, completes the inspection of COA, and obtains the appraisal from PACIFT-Lipa.
Dasmariñas	The Branch will expedite the disposal of properties during the second quarter of the year.
Lucena	The Branch had prepared the Complete Staff Work to proceed with the disposal.
Puerto Princesa	The Disposal Committee for the Branch was officially approved through SO No. 174 dated March 11, 2025.
Virac	The Branch is awaiting the issuance of the SO reconstituting the BBG-Bicol Disposal Committee.
Sorsogon	The Branch explained that the disposal was delayed due to lack of manpower. They committed to request an appraisal of the properties from PACIFT-Legazpi within the first quarter of CY 2025.
Bogo	The Branch explained that the updated PACIFT-Cebu appraisal, completed in November 2024, and the media sanitation had been finalized. In addition, the COA appraisal was conducted on February 26, 2025, and its corresponding report is currently being finalized.
Carcar	The Branch clarified that although some unserviceable properties were disposed of during the year, this was outweighed by a significantly larger increase in properties newly reclassified as unserviceable.
Mandaue	The Brach submitted an appraisal request to PACIFT-Cebu on March 12, 2025.
Davao	The BBG-Southern Mindanao Disposal Committee oversees the disposal of properties stored on the third floor of the DBP Davao Building. It submitted its disposal request to the BBS on March 25, 2025, and plans to complete the process within the second quarter of the year.
Digos	The Branch made efforts to comply, but the expiration of the appraisal report added to the delay in addressing prior year's audit recommendations. A new appraisal report was requested, but the Branch only received the updated report on March 20, 2025.

Branch	Comments
Mati	The Branch commented that the requirements for the disposal of unserviceable properties are currently being worked on. The necessary documents from the In-house Appraiser and COA have been prepared and submitted to the appropriate department.
Tagum	The Branch received the new Appraisal Report dated December 26, 2024, from the In-house appraiser and has committed to complete the disposal of the properties within the year.
Dinagat	The unserviceable ATM has not been included in the list of properties for disposal since the Branch is awaiting the approved replacement unit. Removing of the ATM will create a physical gap that could compromise the Branch's overall security. Once the new ATM is installed, the unserviceable ATM will be added to the disposal list.
San Francisco	The Branch completed the appraisal of the properties on March 17, 2025, and received the corresponding report on March 19, 2025. It will submit the final Inventory and Inspection Report of Unserviceable Properties to the BBG-Northern Mindanao (NM) Disposal Committee.
Tandag	The Branch was unable to submit its request for disposal in April 2024 due to scheduling conflicts with the appraisal team. However, it has submitted the request to the BBG this 2025 and is committed to ensuring that properties are disposed within this year.
Siargao	The Branch is currently awaiting the detailed schedule for the upcoming disposal of unserviceable properties which will be conducted by the BBG-NM Disposal Committee.

11.10 Non-disposal of unserviceable properties for longer than necessary may lead to further physical deterioration and decline in their value. Also, keeping these unserviceable properties in the Branch premises precludes the beneficial use of these spaces.

11.11 Therefore, the missing properties valued at P0.588 million that cannot be located and unserviceable properties valued at P6.800 million that were not disposed are attributed to weaknesses in property management in various Branches, contrary to COA Circular No. 2020-006, PD No. 1445 and COA and DBM JC No. 2024-1. Moreover, unserviceable properties have accumulated and keeping them longer than necessary may result in further deterioration, reduced appraised value, congested storage spaces, and potential financial loss for the Bank.

11.12 **We recommended and Management agreed to:**

a. **direct the Property Officer of DBP San Fernando (La Union) Branch to exert effort in identifying the persons accountable for the missing properties and to require/demand them to present the items within a specific period;**

b. **require all Regional Disposal Committees to:**

   i. **submit to BBS list of the unserviceable properties and the disposal plan;**
   ii. **fast track the disposal process of these unserviceable properties; and**

c. **require BBSD to monitor the implementation of the disposal plan by the DBP Branches.**

11.13 Management committed to provide the Audit Team with an update on the status of missing properties by June 30, 2025 and to create task forces within each BBG to ensure disposal of the unserviceable properties by the end of CY 2025.

12. Delay in reporting and monitoring of utilization of funds, and late return of unused funds in violation of Section VI and VII of the Memorandum of Agreement between Department of Agriculture and DBP, and COA Circular No. 2021-014 dated December 22, 2021, deprived the DA from earning additional interest income and denied the National Government the opportunity to reallocate the unutilized funds to other essential government programs.

a. Delayed submission of liquidation and late return of unutilized funds for the Rice Competitiveness Enhancement Funds – Rice Farmers Financial Assistance (RCEF-RFFA) for the years 2021 and 2022

12.1 Section VII, which covers the Liquidation of Funds in the Memorandum of Agreement between DBP and DA for the DA RCEF-RFFA 2021 and 2022, states:

1. GFI to issue a certified true copy of Credited/Claimed and Rejected Transactions Reports and Statement of Account within sixty (60) calendar days from the specified end of the Program (e.g. List of Paid and Unpaid Beneficiaries; and

2. At the end of the Program, all unused funds, including unclaimed and/or unwithdrawn cash grants, shall be returned to DA-RCEF-RFFA Program Fund within thirty (30) calendar days from the date of receipt of a written notice from DA.

12.2 The Bank acts as the disbursement partner for the DA in the distribution of cash assistance to farmer-beneficiaries under the DA RCEF-RFFA Program and was allowed by the DA to select a Fintech-partner through an accreditation process.

12.3 The disbursement process for the Program starts with the issuance of a Letter of Instructions (LOI) and Disbursement Initial File (DISINT) from the DA to the CMTBD and the DBP - Commonwealth Branch. The Commonwealth Branch then debits the corresponding DA Regional Field Office Program Fund account and credits the Settlement Account of Fintech Partner/s. Subsequently, the Fintech Partner/s deposit the cash assistance into the individual accounts of the beneficiaries using the IMC and submit a Feedback Status Report in the form of a Disbursement Return File (DISRET), which contain the details of both successful and failed or rejected transactions. The CMTBD uploads the DISRET to the DA through Secure File Transfer Protocol, and the Commonwealth Branch sends Debit/Credit Memos to DA-Accounting for any rejected transactions.

12.4 Review of the LOIs for the RCEF-RFFA 2021 and 2022 processed by DBP Commonwealth Branch covering the funds transferred to the Fintech Partners Settlement Accounts revealed a total 2,818,906 intended beneficiaries, each entitled to a financial benefit of P5,000.00. The total amount transferred to Fintech Partners, which included the service fees, amounted to P14,425,625,660.00:

Program Year	No. of Beneficiaries	Financial Benefit
RCEF RFFA 2021	1,146,628	5,813,433,960.00
RCEF RFFA 2022	1,672,278	8,612,191,700.00
TOTAL	**2,818,906**	**14,425,625,660.00**

12.5 Cancelled transactions occur when the DA-RFOs request the Bank to cancel a previously transmitted disbursement file sent to the Fintech Partner and to recover the corresponding fund from the Fintech Partner settlement account. Based on the Credit Advices and Statement of Accounts issued by the Commonwealth Branch to the DA-RFOs, a total of 75,881 transactions were cancelled, amounting to P384,436,780.00, summarized as follows:

Program Year	No. of Beneficiaries	Financial Benefit
RCEF RFFA 2021	73,866	374,059,530.00
RCEF RFFA 2022	2,015	10,377,250.00
TOTAL	**75,881**	**384,436,780.00**

12.6 The Fintech Partner also submits a dashboard report showing the accounts of beneficiaries who successfully cashed out or withdrew their financial assistance. Examination of the dashboard reports revealed a total of 1,037,253 successful transactions for RCEF-RFFA 2021 and 1,607,515 for RCEF-RFFA 2022.

12.7 The estimated unutilized funds, excluding the unused service fees and partially unclaimed financial benefit for RCEF RFFA 2021 and 2022 totaled P434,785,000.00 as of December 31, 2024, with the breakdown as follows:

Particulars	No. of Transactions
Disbursed to Fintech per LOI	2,818,906
Cancelled Transactions	(75,881)
Billed Transactions	(2,656,068)
	86,957
Amount of Benefit	5,000.00
Expected amount Unused Funds	**434,785,000.00**

12.8 In a letter dated August 20, 2024, addressed to the President and CEO of DBP, the DA stated that the RCEF-RFFA 2021 and 2022 programs officially concluded on April 30, 2024. The DA requested to commence the liquidation process and the return of remaining funds to the RCEF-RFFA program fund accounts of each DA-RFO. Upon completion of all requested activities by August 31, 2024, the Bank is expected to notify the DA-Central Office, through the RCEF - Program Management Office that the program funds are ready for reversion to the BTr.

12.9 In accordance with the provisions of the MOA, the Bank was expected to issue a certified true copy of the Credited/Claimed and Rejected Transactions Reports and the Statement of Account by June 30, 2024. In addition, all unutilized funds were to be returned or credited back to DA RFO accounts by September 20, 2024, which is 30 days after the DA issued its written notice. However, the certified true copies of Credited/Claimed and Rejected Transactions Reports were not submitted to DA. Moreover, the unutilized funds including partially unclaimed amounts and rejected or failed transactions totaling P240,466,041.00 were only credited to eight DA RFOs in December 2024. As of December 31, 2024, the remaining unutilized funds, estimated at

P194,318,959.00 for seven other regions, had yet to be returned or credited back to the program fund accounts.

b. Absence of a provision for the submission of liquidation reports and monthly reconciliation of funds transferred in the MOA between DBP and Fintech Partner

12.10 Section 3.5.6.d and e of the COA Circular No. 2021-014 dated December 22, 2021, states:

> d. Require intermediaries to submit liquidation reports containing the payment information within the agreed time period provided in the contract between the government entity and the intermediary, but not exceeding 30 days. Xxx
>
> e. Conduct a monthly reconciliation of funds transferred to intermediaries and the amount disbursed therefrom. Any unclaimed/undisbursed funds should be returned to the account of the government entity within 30 days from the date of transfer of funds to the intermediaries.

12.11 The Audit Team requested copies of the liquidation reports from Fintech Partners regarding fund disbursement, however, the Commonwealth Branch only provided a liquidation report related to the Deposit Liabilities of the Program Fund. In a meeting with CMTBD, it was disclosed that the Fintech Partner had not been preparing any liquidation reports. Also, the MOA between Fintech Partner A and DBP did not include provisions for the preparation of liquidation reports for fund disbursement or for the monthly reconciliation of transferred funds, which is in violation of the requirements set forth in COA Circular No. 2021-014.

12.12 Due to the lack of liquidation reports and the absence of monthly reconciliation by the Fintech Partners, which should have the detailed utilization of funds, rejected transactions, and unclaimed financial assistance, the exact amount of unutilized funds to be returned from the Fintech Partner's settlement account to the DA-RFOs program fund accounts was not established.

c. Inadequate monitoring of rejected transactions resulted in delays in the refund of these amounts by the Fintech Partners to the DA-RFO

12.13 Section VI Performance Commitments of the Memorandum of Agreement between DBP and DA for DA RCEF-RFFA 2021 and 2022 states that:

> 1. DBP shall provide DA-RFO with the Delivery Status Report for credited and rejected transactions on a daily basis or as the need arises
>
> 2. Turn-around and Cut-off Times

Doer	Process	Turn Around Time
Xxxx		
DBP-CMTBD	Daily generation and submission of Delivery Status Report (credited and rejected)	Daily Basis or as the need arises

3. Rejected transactions due to incorrect details shall be automatically refunded to their respective DA-RFO Program Fund the following banking day upon receipt of the Feedback Status Report from Fintech Partners.

12.14 As previously noted, the Fintech Partners submit Feedback Status Reports, in the form of a DISRET, which include both successfully credited and failed or rejected transactions to DBP. DBP then forwards these reports to the DA.

12.15 Review of the delivery status reports submitted by CMTBD to the Audit Team showed that the reports lacked information on claimed and failed/rejected transactions, containing only the dates when the Fintech Partners submitted the feedback reports and the total number of beneficiaries. In the discussions with CMTBD on March 5, 2025, it was stated that all beneficiary accounts listed in the DISINT were successfully credited, hence there were no rejected transactions in the DISRET file.

12.16 However, verification of letters from eight RFOs addressed to the Bank pertaining the unused funds to be returned to each RFO program fund account showed the presence of rejected transactions involving 155 beneficiaries with total amount of financial assistance of P794,970.00, summarized as follows:

Program Year	No. of Beneficiaries	Amount
RFFA 2021	57	290,270.00
RFFA 2022	98	504,700.00
Total	**155**	**794,970.00**

12.17 According to the MOA, these failed or rejected transactions should have been immediately refunded to the respective DA-RFO Program Fund on the next bank day following receipt of the Feedback Status Report/ DISRET from the Fintech Partners. This indicates inadequate monitoring of credited and rejected transactions. It is worth mentioning that during the discussions with CMTBD, it recognized this as an area for improvement and committed to address the issue.

12.18 If the unutilized funds had been returned or credited back promptly to the program fund accounts and subsequently to the National Government (NG), the DA would have earned additional interest income, and the NG could have allocated these funds to other essential government programs.

12.19 **We recommended that Management require the CMTBD and Commonwealth Branch to:**

a. **require the Fintech Partners to submit the Final Liquidation Reports for the RCEF-RFFA 2021 and 2022 Funds, detailing the total amount of financial benefit claimed, as well as unused funds, including failed or rejected transactions and partially or fully unclaimed financial assistance per RFO;**

b. **henceforth, ensure that the future MOA with Fintech Partner include a provision requiring the submission of liquidation reports, specifying the total amounts of claimed financial assistance, unused funds from failed or rejected transactions and unclaimed financial benefit, in compliance with COA Circular No. 2021-014 dated December 22, 2021; and**

c. **strictly monitor rejected or cancelled transactions and ensure the timely return of the corresponding fund to the DA-RFOs accounts within the timeframe set by the MOA between DBP and DA.**

12.20 Management informed that the CMTBD had required the Fintech Partner to submit the Final Liquidation Report for RCEF-RFFA 2021 and 2022 by providing a pro forma template. The Fintech Partner submitted the report on May 15, 2025. In addition, as of May 16, 2025, only DA-RFO VIII had not yet returned the unutilized funds for RCEF-RFFA 2021 and 2022 to BTr. The Commonwealth Branch has followed-up with both DA-RFO VIII and the RFFA Secretariat regarding the issuance of Letter of Instruction. Management also informed that the CMTBD had submitted to the Audit Team a monitoring report on rejected transactions under RFFA 2024. Furthermore, Management committed that the CMTBD will ensure compliance with COA Circular No. 2021-014 dated December 22, 2021 and include necessary provisions in the future MOAs.

12.21 The Audit Team acknowledged the commitment of Management and the Fintech Partner's submission of the final liquidation report using the pro forma template as provided by CMTBD. However, upon verification, it was noted that the report was not reconciled with the supporting documents or schedules submitted by the Fintech Partner. The Audit Team will continue to monitor Management's implementation of the recommendations, particularly regarding the handling of rejected/failed transactions for RFFA 2023 and 2024.

13. The extended downtime of Automated Teller Machine terminals at some DBP Regional Branches, despite the Bank's commitment to provide uninterrupted ATM service to its clients except for valid reasons as enunciated in its Manual Operating Procedures on ATMs caused inconvenience to clientele and deprived the Bank of potential income from ATM service fees.

13.1 DBP MOP-A.500.1 dated June 29, 2012, provides that the rationale for the provision of Automated Teller Machines (ATMs) is to stay aligned with advancements in modern banking technology. These ATM services are intended to provide additional convenience to the customers to avoid long queues at the tellers' counters. ATMs are also installed offsite locations to make the Bank's services more accessible to its clientele. ATM servicing and reconciliation is a joint responsibility of the Branch Cashier and Branch Services Officer and their designated alternates, referred to as the ATM Servicing Team.

13.2 Item II (F) of DBP MOP-A.500.2 dated October 20, 2015 states that ATM services must be available 24 hours a day, 7 days a week to ATM cardholders of Megalink, Bancnet, and Expressnet member banks. The key services offered through the ATM include cash withdrawals, fund transfer facility, balance inquiries, debit bills facility, and other services like cash or check deposits, checkbook requests, and statement requests.

13.3 In addition, Item III (5) of MOP-A.500.3 dated October 20, 2015 provides that it is the responsibility of the Branch Cashier to ensure that the ATM undergoes regular maintenance checks by authorized service engineers.

13.4 Review of the branches' Cash in ATM transactions, including withdrawals and cash replenishments, revealed that ATM terminals at some regional branches had been inactive or non-operational for extended periods, ranging from 19 up to 366 days. The specific details are as follows:

Branch	No. of ATM Terminals	Days terminal is not operating/ functioning	Reasons
Sorsogon	3	19 up to 72 days	Internet connection, CPU problem, and power supply
Cebu	7	31 up to 163 days	Connectivity and electrical issues, network configuration issue, recurring software issue, modem connectivity issue, and cash dispenser hardware fault
Toledo	4	40 up to 340 days	Damaged monitor, no spare ATM cassettes, damaged purge bin, and no power supply
Mati	3	108 up to 240 days	Connectivity issues and mechanical issues with ATM vault, and defective lock device
Tagum	5	83 up to 247 days	Dispenser error on all cassettes, worn out or dilapidated fascia and awaiting replacement of defective parts
Kidapawan	5	90 up to 366 days	The internet connection, key no. 1 of the ATM keypad, is not functional, rendering the machine unusable for certain clients.

13.5 Although occasional service disruptions may be unavoidable due to technical issues or maintenance requirements, it is crucial to implement proactive measures to minimize frequent and prolonged downtime in order to maintain reliable service and uphold customer satisfaction.

13.6 Management explained/informed that:

a. The Bank is currently assessing its ATM deployment and budgeting strategies to ensure timely acquisition of necessary repairs, system enhancements, and compliance certifications for its ATM fleet. However, certain ATMs remain non-operational due to factors such as aging ATMs, unavailability of spare parts, and incidents of flooding and vandalism.

b. The DBP Comprehensive ATM Plan which comprise of various key initiatives namely: (a) acquisition of new ATMs and replacement; (b) continued cash management and maintenance services with third party vendors; and (c) implementation of the ATM Outsourcing Services (ATM Managed Services) was presented to the Board of Directors on January 28, 2025.

c. As of April 30, 2025, the status of the Bank's 1,005 ATM terminals is as follows:

- 874 units are connected to the DBP switch and Bancnet, of which 745 are operating normally while 129 are either awaiting parts replacement, located at temporarily unavailable sites, or are scheduled for delisting; and

* 131 units have been delisted, with 86 marked for permanent disposal and 45 temporarily removed due to relocation plans, or the unavailability of replacement parts.

13.7 The extended downtime of ATM terminals at some DBP Regional Branches is not aligned with the Bank's commitment to provide uninterrupted ATM services to its clients except for valid reasons as enunciated in the DBP MOP on ATMs, thereby causing inconvenience to clientele and depriving the Bank of potential income from ATM service fees.

13.8 **We recommended and Management agreed that ECOD implement proactive maintenance strategies, enhance system monitoring, improve coordination with SPs for timely issue resolution, and establish contingency plans to minimize downtime for better delivery of bank services to clientele.**

13.9 Management informed the Audit Team that on February 25, 2025, E-COD released to the Branches the procedure for the centralized procurement of billable ATM parts and services. The objective of the new process is to ensure timely delivery and installation of replacement parts. Several branches have already submitted their requests, and E-COD will closely coordinate with the Financial Center/Branches and vendors for the necessary documentation to complete the procurement. Further, the business concept for the ATM Outsourcing Services was earlier approved by the DBP BOD on its meeting dated January 24, 2024. The TWG is consulting with the prospective vendors on the scope and costs of the services and will recommend the terms of reference to the Management Committee and the BOD. Additionally, on May 14, 2025, the Bank conducted the pre-rebid conference for the procurement of 100 sets of new through-the-wall ATMs. The activity was attended by three prospective ATM vendors.

13.10 The Audit Team acknowledged the Management's actions and will continue to monitor the implementation of the audit recommendations.

14. Dormancy fees and service charges were imposed in 11 DBP Branches for dormant deposit accounts that still meet the required minimum monthly average daily balance in 11 DBP Branches, contrary to Section 263.b and Appendix 117 of the Bangko Sentral ng Pilipinas Manual of Regulations for Banks.

14.1 Section 263.b of the BSP MORB states:

Dormancy Fee. Banks may only impose dormancy fee on a dormant deposit account five (5) years after the last activity therein, provided that:

(1) The balance falls below the minimum monthly ADB, if any:
(2) The monthly dormancy fee shall not exceed thirty pesos (P30.00); and
(3) The bank complied with the two (2) notice requirement under Item numbers "7.b.(2) and 7.b.(4), Appendix 117, prior to the charging of dormancy fee

14.2 Appendix 117 of the BSP MORB states:

7. Internal control procedures for dormant accounts

a. X x x

b. Internal control measures

(1) X x x

(2) When an account is about to become dormant, the depositor shall be notified of its potential dormancy at least sixty (60) days prior to the commencement of the dormancy period.

The notification shall contain the following information:

a. The effect of dormancy to transfer the account from active to dormant status, and advice on how to reactivate the account; and

b. Reminder that the dormant account will be included in the list of unclaimed balances to be submitted to the Treasurer of the Philippines (Treasurer) for escheat in accordance with the Unclaimed Balances Act, if said account has no activity for ten (10) years.

(3) X x x

(4) When an account is about to be subject to dormancy fee, the depositor shall be notified at least sixty (60) days prior to such imposition.

14.3 Review of the ledger balances of selected dormant deposit accounts as of December 31, 2024 disclosed that dormancy fees have been charged to 391 payroll and individual savings accounts.

Region	Branch	No. of Accounts charged with Dormancy Fees
VI	Jaro	21
	Iloilo	38
	Pototan	11
	Antique	19
	Bacolod	116
	Kabankalan	101
IX	Basilan	3
	Dipolog	28
	Ipil	23
	Zamboanga	26
	ZamboEcoZone	5
Total		**391**

14.4 The reviewed savings accounts had remained dormant for five years since their last transactions, each maintaining a minimum balance of P100.00. Although these accounts met the Bank's required minimum daily balance, a dormancy fee of P30.00 was still imposed, contrary to BSP MORB. As a result of these deductions, some account balances eventually dropped below the required minimum monthly average daily balance, leading to the application of additional service charges that further depleted the accounts.

14.5 It was also noted that the concerned branches did not consistently follow proper procedures for sending notification letters regarding the imposition of dormancy and service charges, in violation of Appendix 117 of the BSP MORB.

14.6 Discussions with the branches revealed that these fees were not manually imposed by the business units but instead automatically processed through the New Integrated Deposit Servicing System (NIDSS). This system deducts a P30.00 dormancy fee from the accounts that have been inactive for five years since the last transaction, regardless of whether or not the account balances meet the required maintaining balance.

14.7 A similar audit observation was reported in the prior year, during which Management committed to review the application of dormancy fees and service charges on accounts falling below the maintaining balance. According to the Agency Action Plan and Status of Implementation as of December 31, 2024, the system enhancements are currently undergoing System Integration Testing and will proceed to UAT thereafter.

14.8 The continuous imposition of dormancy fees and service charges on dormant deposit accounts that still meet the required minimum average daily balance, is not aligned with Section 263.b and Appendix 117 of the BSP MORB.

14.9 **We recommended and Management agreed that BBS expedite the ongoing system enhancement to ensure the Bank's compliance with BSP MORB regarding the imposition of dormancy fee.**

14.10 Management informed that the system enhancement within the NIDSS is currently undergoing UAT at the DBP Financial Center. The target for full bank-wide implementation is set for the end of 2025.

14.11 The Audit Team acknowledged the Management's actions and will continue to monitor the progress of the implementation of audit recommendation.

Gender and Development (GAD)

15. To institutionalize gender mainstreaming in the operations of the DBP HO and Regional Branches, the Bank implemented the following initiatives:

a. Creation of GAD Focal Point System (GFPS)

In compliance with the Philippine Commission on Women (PCW) Circular No. 2011-01 dated October 21, 2011, DBP created its GFPS through Office Order (OO) No. 54 dated February 25, 2014. The GFPS is composed of DBP President and Chief Executive Officer, the Executive Committee, and the Technical Working Group (TWG). The OO outlines the composition and responsibilities of the GFPS. In 2024, the following office orders were issued in relation to the reconstitution and designation of GFPS members and alternates:

Office Order No.	Date	Particulars
088	February 15, 2024	Sector Order designating GFPS members/alternates
110	February 28, 2024	Reconstituting the GAD TWG
213	May 17, 2024	Designation of DBP personnel as GFPS members/alternates
GFPS 224 237 250 253 262 298	April 16, 2024 April 23, 2024 April 25, 2024 April 26, 2024 April 30, 2024 May 8, 2024	Sector Orders designating GFPS members/alternates

b. Formulation of the GAD Agenda

DBP formulated its GAD Agenda comprising of Part 1: GAD Strategic Framework, and Part 2: GAD Strategic Plan for CYs 2023-2028, in accordance with PCW Memorandum Circular No. 2018-04 dated May 4, 2018.

c. Preparation and submission of the GAD Plan and Budget for CY 2024

On April 3, 2024, the Bank, through the Employee Relations Department under the Human Resources Management Group, submitted its GPB to the PCW through the Gender Mainstreaming Monitoring System. The approved GAD Budget amounted to P73.076 billion, which is 34.77 per cent of the Bank's P210.151 billion Corporate Operating Budget. This complies with Section 6.1 of the PCW-National Economic Development Authority-Department of Budget and Management Joint Circular No. 2012-01, which provides guidelines for the preparation of annual GAD plans, budget and accomplishment reports under the Magna Carta of Women. The Bank also utilized the Harmonized Gender and Development Guidelines in determining the gender responsiveness of its programs, projects, and activities, for attribution in the GPB preparation. The breakdown is as follows:

Area of GAD Issue/Mandate	No. of Target Activity/Project	GAD Budget
a. Client-Focused	7	3,765,000.00
b. Organization-Focused	13	24,158,000.00
c. GAD-Attributed Major Programs or Projects	14	73,048,113,875.74
Total	**34**	**73,076,036,875.74**

d. Preparation and submission of GAD Accomplishment Report for CY 2024

The ERD prepared the Bank's GAD Accomplishment Report, which was properly supported by Means of Verifications (MOV) from the different business units. The GAD AR was submitted to PCW through GMMS on February 28, 2025, and is currently awaiting review by PCW. After the Audit Team's evaluation, ERD resubmitted its GAD AR on May 2, 2025. Below is a summary of the Bank's accomplishments:

	Area of GAD Issue/Mandate	No. of Target Activity/Project	No. of Accomplished Targets	Actual GAD Expenditure
a.	Client-Focused	7	5	203,109.73
b.	Organization-Focused	13	13	18,310,784.76
c.	GAD-Attributed Major Programs or Projects	14	14	16,036,225,403.63
Total		**34**	**32**	**16,054,739,298.12**

16.1 We acknowledged Management's continued efforts to adopt gender mainstreaming in the Bank's operations both in the HO and the Regional Branches/Offices.

Compliance with Tax Laws

16. DBP complied with tax laws and regulations, particularly, on the requirements of Revenue Memorandum Circular No. 17-2011 and Revenue Regulation No. 15-2010. Information on taxes and licenses paid or accrued during the taxable year 2024 is disclosed in Part I of this Annual Audit Report, under Notes 38 and 46 to the Financial Statements for CY 2024.

Compliance with GSIS, Pag-IBIG and PHIC Contributions and Remittances

17. In CY 2024, DBP complied with the applicable provisions of the IRR of RA No. 8291, RA No. 9679 and RA No. 10606 on the collection and remittance of premiums and contributions to GSIS, Pag-IBIG and PhilHealth, respectively.

STATUS OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

18. As of December 31, 2024, total suspensions, disallowances and charges amounted to P306.596 million, P1.016 billion, and P1.289 billion, respectively.

PART III - STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the 10 audit recommendations embodied in the prior year's Annual Audit Report, 3 were implemented, and 7 were not implemented and are reiterated in Part II of this report.