Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Ave., Quezon City

ANNUAL AUDIT REPORT

on the

DBP LEASING CORPORATION
(A wholly-owned subsidiary of Development Bank of the Philippines)

For the years ended December 31, 2022 and 2021

EXECUTIVE SUMMARY

INTRODUCTION

The DBP Leasing Corporation (DBPLC), formerly named National Development Corporation – Maritime Leasing Corporation, was acquired by the Development Bank of the Philippines (DBP) from the National Development Corporation (NDC) on June 12, 2008. DBP then renamed the company DBP Maritime Leasing Corporation (DMLC). Its Securities and Exchange Commission (SEC) registration which included the increase in the capital stock was approved on May 11, 2009 under Registration No. 128538. DMLC changed its name to DBP Leasing Corporation on January 14, 2010 to reflect the change in the scope of its business.

In 2014, DBPLC introduced additional financial services such as amortized commercial loan and receivables discounting to expand its services.

On April 20, 2015, DBPLC amended its primary purpose to reflect the change in the scope of its business as follows:

a. To engage, transact and deal in the business of leasing and financing in all its aspects and forms, including that of financial leases and operating leases, with the power to arrange, underwrite, manage, develop or administer leases of any and all types of rental and personal properties, any and all kinds of equipment, machineries, vehicles, vessels, airplanes, appliances, merchandise and facilities, limited to sale-lease back arrangements, hire-purchase agreements and other lease financing schemes; and

b. to extend credit facilities to single proprietorships, and to industrial, commercial or agricultural enterprises, whether public or private in character, by way of loans or direct lending, or discounting, rediscounting or factoring commercial papers or accounts receivables, or by buying or selling contracts, leases, chattel mortgages or other evidence of and powers of a financing company under the Financing Company Act, as amended, and to do any act or engage in any activity that may be directly or indirectly necessary, proper or convenient for the accomplishment of its primary purpose.

From a stockholders' equity of P6.250 million in 2004, the amount increased to P0.984 billion as at December 31, 2022.

Authorized capital stock is P1.5 billion of which P1 billion is common and P0.5 billion is preferred. Both shares have a par value per share of P100.00. DBP's subscribed and paid-up capital is P1 billion of common shares and P132 million of preferred shares.

DBPLC's Chairman of the Board is Cyr C. Gonesto. As at December 31, 2022, the DBPLC has 27 regular and four probationary employees.

DBPLC's registered address is at 2/F Pacific Star Bldg., Sen Gil J. Puyat Ave. corner Makati Avenue, Makati City.

AUDIT METHODOLOGY AND SCOPE OF AUDIT

Our audit covered the examination, on a test basis, of transactions and accounts of DBPLC for the period January 1 to December 31, 2022 to enable us to express an opinion on the financial statements for the years ended December 31, 2022 and 2021 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

(In Philippine Peso)

I. Comparative Financial Position

	2022	2021 As restated	Decrease
Assets	2,648,714,818	2,804,654,288	(155,939,470)
Liabilities	1,664,915,159	1,811,243,979	(146,328,820)
Equity	983,799,659	993,410,309	(9,610,650)

II. Comparative Results of Operations

	2022	2021 As restated	Increase/ (Decrease)
Income	129,211,131	145,701,128	(16,489,997)
Expenses	137,075,912	226,515,097	(89,439,185)
Total Comprehensive loss	(7,864,781)	(80,813,969)	72,949,188

III. Comparative Budget and Actual Expenditures

	2022		2021	
	Budget	Actual	Budget	Actual As restated
Personnel expenses	42,613,769	36,375,256	31,134,447	28,038,046
Maintenance and other operating expenses	47,545,060	22,768,614	45,554,721	22,618,921
Capital expenditures	3,650,101	649,215	6,595,000	4,569,054

AUDITOR’S OPINION

The Auditor rendered an unmodified opinion with emphasis of the matter on the fairness of presentation of the financial statements of DBPLC for the years ended December 31, 2022 and 2021.

SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

The following are the significant audit observations and recommendations:

1. Three leased properties with a book value of P5.072 million as at December 31, 2022, which were voluntarily surrendered to DBPLC but kept within the premises of the defaulted lessee were not properly safeguarded, and showed traces of physical damages, contrary to the Affidavit of Voluntary Surrender (AVS) executed by the lessee, thus, interest of the Corporation is not fully protected.

We recommended and Management agreed to:

a. Coordinate and require the lessee to provide additional physical safeguards to protect from theft and other fortuitous events the repossessed properties kept within their premises pursuant to the AVS;

b. Consider the issuance of a supplemental document to the AVS signed by both parties specifying the prohibition on the use of the properties kept within their premises and the corresponding liability in case of unauthorized use; and

c. Revisit the DBPLC Manual of Operating Procedures for enhancement and to include a detailed policy on safeguarding of all repossessed assets for lease such as non-maritime assets.

2. The insurance of three leased properties voluntarily surrendered by the lessee were not secured from the Government Service Insurance System (GSIS) due to the absence of policy requiring insurance of all repossessed properties, contrary to Sections 5 and 5.1 of Republic Act (RA) No. 656 and COA Circular No. 2018-002, respectively.

We recommended and Management agreed to:

a. Include a policy in the DBPLC Manual of Operating Procedures requiring the insurance coverage of repossessed properties to align with the requirements of Sections 5 and 5.1 of RA No. 656 and COA Circular 2018-002, respectively; and

b. Secure insurance of the three repossessed assets with the GSIS as required under Sections 5 and 5.1 of RA No. 656 and COA Circular 2018-002, respectively.

SUMMARY OF TOTAL SUSPENSIONS, DISALLOWANCES AND CHARGES AS OF YEAR-END

As of December 31, 2022, total disallowances amounted to P6,970,276.40. There was no audit disallowance issued during the year. There were no audit suspensions and charges as of year-end.

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

There were no audit recommendations embodied in the CY 2021 Annual Audit Report.

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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
DBP Leasing Corporation
Makati City

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of DBP Leasing Corporation (DBPLC), which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the DBPLC as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting reliefs issued by the Bangko Sentral ng Pilipinas (BSP) and approved by the Securities and Exchange Commission (SEC), as described in Note 2 to the financial statements.

Basis for Opinion

We conducted our audits in accordance with International 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 DBPLC in accordance with the Revised Code of Conduct and Ethical Standards for Commission on Audit Officials and Employees (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 2 to the financial statements, which states that the financial statements have been prepared in accordance with the PFRSs, as modified by the application of the financial reporting reliefs issued by the BSP and approved by the SEC in response to the COVID19 pandemic. The impact of the application of the financial reporting reliefs on the financial statements as at December 31, 2022 and 2021 is discussed in detail in Note 2 to the financial statements. Our opinion is not qualified in respect to this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, as modified by the application of the financial reporting reliefs issued by the BSP and approved by the SEC, as described in Note 2 to the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the DBPLC'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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the DBPLC'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 DBPLC'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 DBPLC 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 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 Revised Securities Regulation Code (SRC) Rule 68 in Note 26 and Revenue Regulations 15-2010 in Note 27 to the 2022 financial statements is presented for purposes of filing with the Securities and Exchange Commission and the Bureau of Internal Revenue, respectively, and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

COMMISSION ON AUDIT

NIDA A. SINGSON
OIC - Supervising Auditor

March 10, 2023

DBP LEASINGCORP.
A Subsidiary of the Development Bank of the Philippines

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **DBP LEASING CORPORATION** is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the year(s) ended December 31, 2022 and 2021 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the DBP Leasing Corporation'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 DBP Leasing Corporation or to cease operations, or has no realistic alternative to do so.

The Board of Directors is responsible for overseeing the DBP Leasing Corporation's financial reporting process.

The Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stockholders.

Commission on Audit has audited the financial statements of the DBP Leasing Corporation in accordance with International Standards of Supreme Audit Institutions, and in its report to the stockholder, has expressed its opinion on the fairness of presentation upon completion of such audit.

CYR C. GONESTO
Chairman of the Board

JESS G. ESTOESTA
President & Chief Executive Officer and Director

Agnes Z. Bengco
AGNES Z. BENGCO
Chief Financial Officer and VP for Finance

Signed this February 23, 2023

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DBP LEASING CORPORATION
(A wholly-owned subsidiary of the Development Bank of the Philippines)
STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021
(In Philippine Peso)

	Note	2022	2021 As restated
ASSETS			
Current Assets			
Cash and cash equivalents	5	67,822,980	287,409,415
Lease receivables, net	6	683,412,696	495,394,826
Financial assets at amortised cost, net	7	776,830,690	738,576,544
Inventories	8	724,913	233,263
Other current assets	9	1,476,933	1,632,773
		1,530,268,212	**1,523,246,821**
Non-current Assets			
Lease receivables, net	6	728,682,665	774,742,809
Financial assets at amortised cost, net	7	292,815,564	401,524,593
Property and equipment, net	10	20,934,619	27,223,424
Intangible assets, net	11	583,460	230,250
Deferred tax assets	24	67,327,188	65,676,374
Non-current asset held for sale	12	0	2,903,571
Other non-current assets	9	8,103,110	9,106,446
		1,118,446,606	**1,281,407,467**
TOTAL ASSETS		**2,648,714,818**	**2,804,654,288**
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Payables	14	14,332,703	18,214,669
Inter-agency payables	15	7,508,808	676,152
Loans payable	16	922,222,753	1,162,740,013
Lease liability	17	5,076,958	5,154,442
Trust liabilities	18	228,013,261	98,342,106
		1,177,154,483	**1,285,127,382**
Non-current Liabilities			
Loans payable	16	240,112,745	250,088,235
Lease liability	17	10,389,203	15,466,161
Trust liabilities	18	237,258,728	260,562,201
		487,760,676	**526,116,597**
		1,664,915,159	**1,811,243,979**
Stockholders' Equity			
Share capital	19	1,132,000,000	1,132,000,000
Retained earnings/ (Deficit)	19	(148,200,341)	(138,589,691)
		983,799,659	**993,410,309**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**2,648,714,818**	**2,804,654,288**

The Notes on pages 9 to 59 form part of these financial statements.

DBP LEASING CORPORATION
(A wholly-owned subsidiary of Development Bank of the Philippines)
STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2022 and 2021
(In Philippine Peso)

	Note	2022	2021 As restated
INCOME			
Interest income	20	53,402,806	59,551,970
Lease income	21	67,693,506	83,142,279
Miscellaneous income	22	8,114,819	3,006,879
		129,211,131	**145,701,128**
EXPENSES	23		
Personnel expenses		(36,375,256)	(28,038,046)
Maintenance and other operating expenses		(22,765,809)	(22,618,921)
		(59,141,065)	**(50,656,967)**
INCOME FROM OPERATIONS		**70,070,066**	**95,044,161**
Non-cash expenses	23	(18,413,525)	(114,376,064)
NET INCOME (LOSS) AFTER PROVISION, DEPRECIATION AND AMORTIZATION		**51,656,541**	**(19,331,903)**
FINANCIAL EXPENSES			
Interest expense	16,17	(60,527,139)	(79,221,998)
Bank charge		(2,806)	(1,209)
		(60,529,945)	**(79,223,207)**
NET LOSS BEFORE INCOME TAX		**(8,873,404)**	**(98,555,110)**
Income tax benefit	24	1,056,342	17,837,850
Final tax expense	5	(47,719)	(96,709)
NET INCOME FOR THE YEAR		**(7,864,781)**	**(80,813,969)**
OTHER COMPREHENSIVE INCOME		0	0
TOTAL COMPREHENSIVE LOSS		**(7,864,781)**	**(80,813,969)**

The Notes on pages 9 to 59 form part of these financial statements.

DBP LEASING CORPORATION
(A wholly-owned subsidiary of the Development Bank of the Philippines)
STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2022 and 2021
(In Philippine Peso)

Particulars	Note	No. of Shares	Share Capital (Note 19)		Retained Earnings/ (Deficit)	TOTAL
			Common	Preferred		
Balance as of December 31, 2020		**11,320,000**	**1,000,000,000**	**132,000,000**	**(45,282,009)**	**1,086,717,991**
Adjustments	19				746,226	**746,226**
Balance as of December 31, 2020, as restated		**11,320,000**	**1,000,000,000**	**132,000,000**	**(44,535,783)**	**1,087,464,217**
Net loss for the year					(80,813,969)	**(80,813,969)**
Cash dividends declared	19				(13,239,939)	**(13,239,939)**
Balance as of December 31, 2021		**11,320,000**	**1,000,000,000**	**132,000,000**	**(138,589,691)**	**993,410,309**
Net loss for the year					(7,864,781)	**(7,864,781)**
Cash dividends declared	19				(1,745,869)	**(1,745,869)**
Balance as of December 31, 2022		**11,320,000**	**1,000,000,000**	**132,000,000**	**(148,200,341)**	**983,799,659**

The Notes on pages 9 to 59 form part of these financial statements.

DBP LEASING CORPORATION
(A wholly-owned subsidiary of the Development Bank of the Philippines)
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2022 and 2021
(In Philippine Peso)

	Note	2022	2021 As restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Collection of income		127,055,622	133,420,211
Collection of other income		1,463,556	3,490,424
Loan and financial lease releases		(406,288,718)	(139,940,334)
Collection of lease and loan principal		430,155,849	548,070,383
Collection of advances and receivables		5,714,830	6,055,852
Collection of deposit on finance leases		0	65,450
Payment of operating expenses		(43,345,106)	(52,265,683)
Payment of interest on borrowings		(56,313,927)	(78,957,561)
Payment of interest on lease liability		(469,274)	(138,079)
Payment of taxes		(21,859,862)	(11,833,434)
Remittance to HDMF/PHIC/SSS		(1,911,679)	(1,786,195)
Net cash provided by operating activities		**34,201,291**	**406,181,034**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of office/IT equipment and IT software		(649,215)	(4,569,054)
Proceeds from sale of properties		4,271,411	12,260
Net cash provided by (used in) investing activities		**3,622,196**	**(4,556,794)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	16	814,907,034	710,000,000
Payments on borrowings		(1,065,416,645)	(1,325,152,432)
Payment of lease liability	17	(5,154,442)	(3,786,025)
Payment of cash dividend	19	(1,745,869)	(13,239,939)
Net cash used in financing activities		**(257,409,922)**	**(632,178,396)**
NET DECREASE IN CASH AND CASH EQUIVALENTS		(219,586,435)	(230,554,156)
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	5	287,409,415	517,963,571
CASH AND CASH EQUIVALENTS AT END OF YEAR	5	**67,822,980**	**287,409,415**

The Notes on pages 9 to 59 form part of these financial statements.

DBP LEASING CORPORATION
(A wholly-owned subsidiary of the Development Bank of the Philippines)
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021
(Amounts in Philippine Peso unless otherwise stated)

1. GENERAL / CORPORATE INFORMATION

Formerly named National Development Corporation – Maritime Leasing Corporation, DBP Leasing Corporation was acquired by the Development Bank of the Philippines (DBP) from the National Development Corporation (NDC) on June 12, 2008. DBP then renamed the Corporation DBP Maritime Leasing Corporation. Its Securities and Exchange Commission registration which included the increase in the capital stock was approved on May 11, 2009 under Corporation Registration No. 128538. DBP Maritime Leasing Corporation (DMLC) changed its name to DBP Leasing Corporation (DBPLC) on January 14, 2010 and its scope of business to engage in the business of leasing in all aspects, and to arrange or underwrite or administer leases of all types of real or personal properties and all kinds of equipment, machines, vehicles and facilities, especially maritime vessels for the carriage of passengers, freight, cargo, vessels, goods and merchandise of every kind and description.

On April 20, 2015, DBPLC amended its primary purpose to reflect the change in the scope of its business as follows:

a. To engage, transact and deal in the business of leasing and financing in all its aspects and forms, including that of financial leases and operating leases, with the power to arrange, underwrite, manage, develop or administer leases of any and all types of rental and personal properties, any and all kinds of equipment, machineries, vehicles, vessels, airplanes, appliances, merchandise and facilities, limited to sale-lease back arrangements, hire-purchase agreements and other lease financing schemes; and

b. To extend credit facilities to single proprietorships, and to industrial, commercial or agricultural enterprises, whether public or private in character, by way of loans or direct lending, or discounting, rediscounting or factoring commercial papers or accounts receivables, or by buying or selling contracts, leases, chattel mortgages or other evidence of and powers of a financing company under the Financing Company Act, as amended, and to do any act or engage in any activity that may be directly or indirectly necessary, proper or convenient for the accomplishment of its primary purpose.

From a stockholders' equity of P6.25 million in 2004, the amount increased to P0.984 billion as of December 31, 2022.

Authorized capital stock is P1.5 billion of which P1.0 billion is common and P0.5 billion is preferred. Both shares have a par value per share of P100.00. DBP's subscribed and paid-up capital is P1.0 billion of common shares and P132.0 million of preferred shares.

DBPLC's registered address is at 2/F Pacific Star Bldg., Sen Gil J. Puyat Ave. corner Makati Avenue, Makati City.

2. STATEMENT OF COMPLIANCE AND BASIS OF FINANCIAL STATEMENTS PRESENTATION

2.1 Statement of Compliance

The financial statements have been prepared in accordance with the Philippine Financial Reporting Standards/Philippine Accounting Standards (PFRSs/PASs), as modified by the application of the following financial reporting reliefs issued by the Bangko Sentral ng Pilipinas (BSP) and approved by the Securities and Exchange Commission (SEC) in response to the COVID-19 pandemic: 1) staggered booking of allowance for credit losses over a maximum period of five (5) years for all types of credits extended to individuals and businesses directly affected by COVID-19 as of March 08, 2020; and, 2) BSP regulatory relief on past due reporting has been lifted with the issuance of BSP Memorandum 2021-026.

Impact on the affected financial statement line items if the provision for credit losses was measured and recorded in accordance with PFRS 9 follows:

As of December 31, 2022:

Affected financial line items	As Reported	Effect of Pandemic[1]	Inclusive of Effect [2]
Balance Sheet accounts			
Lease receivables	1,412,095,361	(6,462,017)	1,405,633,344
Financial assets at amortised cost	1,069,646,254	(65,578,309)	1,004,067,945
Deferred tax assets	67,327,188	18,010,082	85,337,270
Retained earnings (deficit)	(148,200,341)	(54,030,244)	(202,230,585)
Income statement accounts			
Non-cash expenses	18,413,525	72,040,326	90,453,851
Provision for income tax (benefit)	(1,056,342)	(18,010,082)	(19,066,424)
Net income (loss)	(7,864,781)	(54,030,244)	(61,895,025)

As of December 31, 2021, as restated:

Affected financial line items	As Reported	Effect of Pandemic[1]	Inclusive of Effect [2]
Balance Sheet accounts			
Lease receivables	1,270,137,635	(5,462,507)	1,264,675,128
Financial assets at amortised cost	1,140,101,137	(87,015,317)	1,053,085,820
Deferred tax assets	65,676,374	23,119,456	88,795,830
Retained earnings (deficit)	(139,968,303)	(69,358,368)	(209,326,671)
Income statement accounts			
Non-cash expenses	114,376,064	92,477,824	206,853,888
Provision for income tax (benefit)	(17,837,850)	(23,119,456)	(40,957,306)
Net income (loss)	(80,813,969)	(69,358,368)	(150,172,337)

[1] *Effect of booking of provision for credit losses in accordance with PFRS 9*
[2] *Adjusted financial line items if the provision for credit losses was measured and recorded in accordance with PFRS 9*

The amount of Allowance for credit losses (ACL) recognized for the year and the remaining balance as at December 31, 2022 and 2021 are as follows:

	2022	2021
ACL approved for staggered booking, beginning	115,597,280	130,293,504
Adjustments	3,575,944	(14,696,224)
Adjusted ACL approved for staggered booking, beginning	**119,173,224**	**115,597,280**
Recognized (amortized) allowance - previous year/s	(23,119,456)	0
Recognized (amortized) allowance - current year	(24,013,442)	(23,119,456)
ACL approved for staggered booking, ending	**72,040,326**	**92,477,824**

The DBPLC received the BSP's approval for the staggered booking of ACL on December 29, 2020 amounted to P140,423,764. The DBPLC determined using the data that the total ACL subject for staggered booking would only be P119,173,224 and P115,597,280 as of December 31, 2022 and 2021, respectively, due to changes in circumstances on the accounts affected by COVID-19 pandemic that was previously requested for staggered booking of allowance. This resulted to an increase of P3,575,944 in 2022 and a decrease of P14,696,224 in 2021.

2.2 Basis of financial statement preparation

These financial statements are prepared on the historical cost basis. The financial statements preparation in conformity with PFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Corporation's accounting policies.

The DBPLC adopts the accrual method of accounting. The financial statements are presented in Philippine Peso, the DBPLC's functional currency.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the presentation of the Financial Statements are set out below. These policies are consistently applied unless otherwise stated.

3.1. Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements.*

The Corporation presents its statement of financial position in order of liquidity. An analysis regarding recovery of assets or settlement of liability within twelve (12) months after the statement of financial position date (current) and more than twelve (12) months after the statement of financial position date (non-current) is presented in Note 29 to the financial statements.

3.2. Changes in accounting policies and disclosures

a. New standards and amendments issued and effective for annual periods beginning on or after January 1, 2022.

- **Amendments to PFRS 3, Business Combination – Reference to the Conceptual Framework.** The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard as follows:

  - update PFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework;
  - add to PFRS 3 a requirement that, for transactions and other events within the scope of PAS 37 or IFRIC 21, an acquirer applies PAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and
  - add to PFRS 3 an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

  The application of these amendments had no material impact on the DBPLC's financial statements.

- **Amendments to PAS 16, Property, Plant and Equipment – Proceeds before Intended Use.** The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

  The application of these amendments had no material impact on the DBPLC's financial statements.

- **Amendments to PAS 37, Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts - Cost of Fulfilling a Contract.** The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

  The application of these amendments had no material impact on the DBPLC's financial statements.

- **Annual Improvements to PFRS Standards 2018–2020.**

  - **PFRS 1, First-time Adoption of Philippine Financial Reporting Standards – Subsidiary as a first-time adopter.** The amendment permits a subsidiary that applies paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to PFRSs.

  - **PFRS 9, Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities.** The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of PFRS 9 in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

  - **PFRS 16, Leases – Lease incentives.** The amendment to Illustrative Example 13 accompanying PFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

  - **PAS 41, Agriculture – Taxation in fair value measurements.** The amendment removes the requirement in paragraph 22 of PAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements of PFRS 13.

  The application of these amendments had no material impact on the DBPLC's financial statements.

b. New standards effective after the reporting period ended December 31, 2022.

Standards issued but not yet effective up to the date of the DBPLC's financial statements are listed below. The DBPLC intends to adopt these standards when they become effective.

- **PFRS 17, Insurance Contracts.** The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of the standard is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of the standard have on the entity's financial position, financial performance and cash flows.

  The new standard will not have an impact on the disclosures and amounts recognized on the DBPLC's financial statements.

- **Amendments to PFRS 17, Insurance Contracts – Amendments to PFRS 17 and Extension of the Temporary Exemption from Applying PFRS 9 (Amendments to PFRS 4).** The amendment includes:
  - Deferral of the date of initial application of PFRS 17 by two years to annual periods beginning on or after January 1, 2023 and change the fixed expiry date for the temporary exemption in PFRS 4 Insurance Contracts from applying PFRS 9 Financial Instruments, so that entities would be required to apply PFRS 9 for annual periods beginning on or after January 1, 2023.
  - Additional scope exclusion for credit card contracts and similar contracts that provide insurance coverage as well as optional scope exclusion for loan contracts that transfer significant insurance risk.
  - Recognition of insurance acquisition cash flows relating to expected contract renewals, including transition provisions and guidance for insurance acquisition cash flows recognized in a business acquired in a business combination.
  - Clarification of the application of PFRS 17 in interim financial statements allowing an accounting policy choice as a reporting entity level.
  - Clarification of the application of contractual service margin (CSM) attributable to investment-return service and investment-related service and changes to the corresponding disclosure requirements.
  - Extension of the risk mitigation option to include reinsurance contracts held and non-financial derivatives.
  - Amendments to require an entity that at initial recognition recognizes losses on onerous insurance contract issued to also recognize a gain on reinsurance contracts held.
  - Simplified presentation of insurance contracts in the statement of financial position so that entities would present insurance contract assets and liabilities in the statement of financial position determined using portfolios of insurance contracts rather than groups of insurance contracts.
  - Additional transition relief for business combinations and additional transition relief for the date of application of the risk mitigation option and the use of the fair value transition approach.
  - Several small amendments regarding minor application issues.

  These amendments will not have an impact on the disclosures and amounts recognized on the DBPLC's financial statements.

- **Amendments to PFRS 17, Insurance Contracts – Initial Application of PFRS 17 and PFRS 9 – Comparative Information.** The amendment provides for transition requirements of PFRS 17 for entities that first apply PFRS 17 and PFRS 9 at the same time. The amendment regards financial assets for which comparative information is presented on initial application of PFRS 17 and PFRS 9, but where this information has not been restated for PFRS 9. Under the amendment, an entity is permitted to present comparative information about a financial asset as if the classification and measurement requirement of PFRS 9 has been applied to that financial asset before. The option is available on an instrument-by-instrument basis. In applying the classification overlay to a financial asset, an entity is not required to apply the impairment requirements of PFRS 9.

  There are no changes to the transition requirements in PFRS 9.

These amendments will not have an impact on the disclosures and amounts recognized on the DBPLC's financial statements.

- **Amendments to PAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction.** The amendments clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

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

- **Amendments to PAS 1, Presentation of Financial Statements – Disclosure of Accounting Policies.** The changes amend PAS in the following ways:
  - An entity is now required to disclose its material accounting policy information instead of its significant accounting policies;
  - several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;
  - the amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial;
  - the amendments clarify that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and
  - the amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

  These amendments are effective for annual periods beginning on or after January 1, 2023 and are applied prospectively. Earlier application is permitted.

  Management is currently assessing the effect of these amendments in its financial statements.

- **Amendments to PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates.** The changes in the PAS 8 focus entirely on accounting estimates and clarify the following:
  - The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".
  - Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.
  - The Board clarifies that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to

develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

- A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognized as income or expense in the current period. The effect, if any, on future periods is recognized as income or expense in those future periods.

These amendments are effective for annual periods beginning on or after January 1, 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted.

Management is currently assessing the effect of these amendments in its financial statements.

- **Amendments to PAS 1, 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.

  These amendments are effective for annual reporting periods beginning on or after January 1, 2024 and are to be applied retrospectively. Earlier application is permitted.

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

- **Amendments to PAS 1, Presentation of Financial Statements – Non-current Liabilities with Covenants.** The amendment modifies 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 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.

  These amendments are effective for annual periods beginning on or after January 1, 2024. The amendments are applied retrospectively in accordance with PAS 8 and earlier application is permitted.

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

3.3. Financial instruments

Initial recognition

A financial asset or financial liability is recognized in the statements of financial position when the DBPLC becomes a party to the contractual provisions of the instrument.

Financial instruments are classified in accordance with their contractual agreements and the business model for managing the instruments, as described below.

Classification of financial instruments

Financial Assets

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

   Financial assets measured at FVTPL shall consist of the following:
   - Financial assets held for trading (HFT), which include stand-alone and/or embedded derivatives, except a derivative that is a financial guarantee contract or designated and effective hedging instruments, as defined in PFRS 9; and
   - Financial assets designated at FVTPL as defined in PFRS 9.

2. Financial Assets at Fair Value through Other Comprehensive Income (FVTOCI)

   A financial asset measured at FVTOCI shall meet both of the following conditions:
   - The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
   - The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

3. Financial assets measured at amortised cost

   A financial asset that is a debt instrument, other than those that are designated at FVTPL, which meet both of the following conditions:
   - The financial asset is held within a business model whose objective is to hold financial 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.

   The DBPLC's short-term investments, Loans receivable – others, accounts receivable, accrued interest receivable and car loan receivable are under this category.

Financial Liabilities

Financial liabilities shall be classified and subsequently measured at amortised cost using the effective interest method, except for:

1. Financial liabilities measured at FVTPL. This shall consist of the following:

    a. Financial liabilities HFT, including derivative liabilities that are not accounted for as hedging instruments; and
    b. Financial liabilities designated at FVTPL.

2. Financial liabilities which shall be subsequently measured in accordance with the provisions of PFRS 9, as follows:

    a. Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
    b. Financial guarantee contracts, as defined under PFRS 9;
    c. Commitments to provide a loan at a below-market interest rate; and
    d. Contingent consideration recognized by an acquirer in a business combination.

Derecognition of financial assets and liabilities

Financial assets

A financial asset or, where applicable, a part of financial or part of a group of similar financial assets, is derecognized when: (1) the contractual rights to the cash flows from the financial asset have expired; or (2) DBPLC transfers the contractual rights to receive the cash flows of the financial asset and has transferred substantially all risks and rewards of ownership of the financial asset; or (3) it retains the contractual rights to receive the cash flows of the financial asset, but has assumed a contractual obligation to pay the cash flows to one or more recipients in an arrangement; or (4) DBPLC neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but not retained control of the financial asset.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender or substantially different terms, or the terms of an existing financial liability is modified, such an exchange or modification is treated as a derecognition of the original financial liability and the recognition of a new financial liability, and the difference in the respective carrying amount is recognized in the statements of comprehensive income.

Impairment of financial assets

Impairment of assets carried at amortised cost

DBPLC, being a corporation with simple operations, as classified by the BSP, is following the guidelines provided in BSP Circular 1011 on loan classification and setting up allowance for credit losses, specifically Appendix 18/Q10/N11 of the Manual of Regulations for Non-Bank Financial Intermediaries.

Loans and other credit exposures with unpaid principal and/or interest are classified and provided with allowance for credit losses (ACL) based on the number of days of missed payments.

3.4. Property and Equipment

Property and equipment are initially recognized at cost. At the end of each financial reporting period, property and equipment are measured at cost less accumulated depreciation and accumulated impairment loss.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use.

Major repairs and maintenance are capitalized. Items below the threshold of P50,000 and semi-expendable items are adjusted to conform with COA Circular No. 2022-004 dated May 31, 2022.

Depreciation is computed using the straight-line method over the estimated useful life of the depreciable assets. Amount subject for depreciation is net of 10 per cent residual value.

The estimated life of the Corporation's property and equipment and foreclosed property/assets are as follows:

IT equipment	5 years
Office equipment	5 years
Furniture and fixtures	5 years
Right-of-use asset	Lease term
Transportation equipment, motor vehicles	7 years
Building	30 years
Leasehold improvements	Lease term
Foreclosed properties/assets	10 years

An item of property and equipment, including the related accumulated depreciation and accumulated impairment loss, if any, is derecognized upon disposal or when no future economic benefit is expected to arise from continuing use of an asset. Any gain or loss arising from derecognition of the asset is included in the statements of comprehensive income in the year the asset is derecognized.

Fully depreciated assets are retained in the books until they are no longer in use and no further charge for depreciation is made.

3.5. Intangible Assets

Intangible assets are stated at cost and amortised on a straight-line method over the estimated useful life of the assets. The DBPLC's intangible assets are assessed for impairment when there is indication of impairment at least annually.

The DBPLC's intangible assets comprise of computer software and Document Management System (DMS). The estimated life of the Corporation's intangible assets are as follows:

Computer software	5 years
DMS	3 years

3.6. Non-current Asset Held-for-Sale

Non-current Assets Held-for-Sale (NCAHFS) include vessels or equipment acquired through repossession or foreclosure that the DBPLC intends to sell and will be disposed of within 12 months from the date of classification as held-for-sale. In order for the properties acquired through foreclosure or repossession to be classified as NCAHFS, the DBPLC included in its criteria that there should be an existence of a buyer and that the sale can be completed within 12 months.

The DBPLC classifies a non-current asset (or disposal group) as held-for-sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. In the event that the sale of the asset is extended beyond 12 months, the extension of the period required to complete the sale does not preclude an asset from being classified as held-for-sale if the delay is caused by events or circumstances beyond the DBPLC's control and as long as there is a ready buyer.

Assets classified as held-for-sale are measured at the lower of their carrying amounts, immediately prior to their classification as held-for-sale, and their fair values less costs to sell.

The Corporation shall recognize an impairment loss for any initial or subsequent write-down of the asset at fair value less cost to sell. Gain for any subsequent increase in fair value less cost to sell of an asset is recognized to the extent of the cumulative impairment loss previously recognized. Assets classified as held-for-sale are not subject to depreciation. If the DBPLC has classified an asset as held-for-sale, but the criteria for it to be recognized as held-for-sale are no longer satisfied, the DBPLC shall cease to classify the asset as held-for-sale.

The gain or loss arising from the sale or remeasurement of held-for-sale assets is recognized in profit or loss and included as part of other income (expenses) in the statements of comprehensive income.

3.7. Other Assets

Other assets pertain to other resources controlled by the DBPLC as a result of past events. They are recognized in the financial statements when it is probable that future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably.

Other current assets comprise prepayments, deferred charges and deposits. Prepayments represent expenses not yet incurred but already paid. Prepayments are initially recorded as assets and measured at cost. Subsequently, these are charged as expense in the statements of comprehensive income as they are consumed in operations or expire in the passage of time. Deferred charges represent amount of excess Minimum Corporate Income Tax (MCIT) paid by the corporation over the computed Regular Corporate Income Tax (RCIT) computed using the current income tax rate. Deposits represent amount deposited/paid in advance for rentals of office equipment, office space and parking space. Deposits are initially recorded at cost and reversed upon receipt of refund from suppliers.

Other non-current assets comprise of foreclosed properties/assets and Other Assets-Leasing and Financial Management System (LFMS). Foreclosed properties/assets are initially recorded at the carrying amount of the lease/loan (outstanding balance adjusted for any unamortized premium or discount less allowance for credit losses) plus booked accrued interest less allowance for credit losses plus transaction costs incurred upon acquisition. Depreciation is computed using the straight-line method over the estimated useful life of the depreciable assets. Other Assets-LFMS comprised of cost of system development and enhancement but has not been in operation as of the end of the reporting period.

3.8. Financial liabilities

Financial liabilities which comprise loans payable, accounts payable, accrued expenses payables, lease deposits and other liabilities other than tax-related and other inter-agency payables are recognized when the DBPLC becomes a party to the contractual terms of the instrument. All interest-related charges are presented as part of Financial Expenses in the statements of comprehensive income.

Loans payable represents amount drawn from the DBPLC's loan facilities. They are recognized at proceeds received, net of direct issue cost.

Payables and inter-agency payables are initially recognized at transaction price and subsequently measured at amortised cost less settlement payments.

Trust liabilities are recognized at contract price.

Dividends to the national government are recognized upon declaration of the DBPLC.

3.9. Offsetting financial assets and financial liabilities

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

3.10. Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligation as a whole. When time value of money is material, long-term provisions are discounted to their present value using a pretax rate that reflects market assessments and the risk specific to the obligation. The increase in the provisions due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those case where possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the DBPLC that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements.

3.11. Stockholders' Equity

Share Capital represents the nominal value of shares that have been issued.

Retained earnings (deficit) represent all current and prior period results as reported in the statement of comprehensive income, reduced by the amount of dividends declared.

3.12. Revenue and cost and expenses recognition

Revenues comprise interest income on loans, receivable financed, deposits and placements, lease income from finance lease and operating lease contracts and other miscellaneous income.

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the DBPLC and the amount can be measured reliably. The following specific recognition criteria of income and expenses must also be met before revenue is recognized:

a. Interest – Interest income and expenses are recognized in profit or loss for all instruments measured at amortised cost using the effective interest method.

   The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over a relevant period. The effective interest rate 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.

   The income on financial lease receivable is allocated over the lease term on a systematic and rational basis. The excess of aggregate rentals over the cost of the leased property constitutes the "Deferred Lease Income".

b. Lease income from operating lease – Revenue from operating lease contracts is recognized in the statement of comprehensive income on a straight-line basis over the lease term.

c. Other income – Other income is recognized in the period in which these are earned.

Operating cost and expenses are recognized in the statements of comprehensive income upon the utilization of assets or services or at the date they are incurred. All financial expenses are reported in profit or loss on an accrual basis, except capitalized borrowing cost which are included as part of the cost of related qualifying asset.

3.13. Leases

Finance leases, where the DBPLC transfers substantially all the risk and benefits incidental to the ownership of the leased item to the lessee, are included in the statements of financial position under “Lease Receivables” account. A finance lease receivable is recognized at an amount equal to net investment in the lease. The difference between the gross lease receivable and the net investment in the lease is recognized as unearned lease income. All income resulting from the receivable is included as part of “Lease Income” in the statement of comprehensive income.

The DBPLC is the lessor under the finance lease.

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating lease is recognized in the statements of comprehensive income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating operating lease are added to the carrying amount of the leased asset and recognized over the lease term. Contingent rents are recognized as revenue in the year they are earned.

The DBPLC is both a lessor and lessee under the operating lease.

Operating lease, in which the DBPLC is a lessee to the contract recognizes Right-of-use asset equivalent to the present value of lease rentals for the contract period, including advance payments.

The DBPLC is a lessee of an office space reflected on the statement of financial position as right-of-use asset and a lease liability equivalent to the present value of lease rentals for the contract period, including advances. Lease payment is allocated between a reduction of a lease liability and an interest expense. The DBPLC classifies its right-of-use asset in a consistent manner to its property and equipment.

Lease is either non-cancellable or may only be cancelled by incurring a substantive termination fee. The DBPLC is prohibited from selling or pledging the underlying leased assets as security and must keep the property in good state of repair and retain the property in their original condition at the end of the lease. Further, the DBPLC must incur maintenance fees on such items in accordance with lease contract.

3.14. Residual Value of leased assets and deposit on lease contracts

The residual value of leased assets represents the estimated proceeds from the disposal of the leased asset at the end of the lease term in a finance lease, which approximates the amount of the lease deposit paid by the lessee at the inception of the lease. At the end of the lease term, the residual value of the leased asset is generally applied against the lease deposit of the lessee. The residual value of the leased asset is presented as part of the Lease Receivables in the statements of financial position.

3.15. Borrowing Cost

Borrowing cost that are directly attributable to the acquisition, construction or production of a “qualifying asset” or an asset that necessarily takes a substantial period to get ready for its intended use or sale, are included as part of the cost of the asset. Other borrowing costs which consist of interest and other cost that the DBPLC incurs in connection with borrowing of funds are recognized as expense in the year in which these costs are incurred using the effective interest method.

3.16. Income Taxes

Current tax

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable income for the year. Taxable income differs from net income reported in the statement of comprehensive income because it excludes item of income and expense that are taxable or deductible in other years and it further exclude items that are never taxable or deductible. All changes to current tax assets or liabilities are recognized as component of income tax expense in statements of comprehensive income.

Deferred tax

Deferred tax is accounted for using liability method, on temporary difference at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the taxable temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that is probable that sufficient taxable profit will be available to allow or part of the deferred tax asset to be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the DBPLC expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the DBPLC has a legally enforceable right to offset current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

3.17. Employee benefits

Retirement benefits

The Corporation provides retirement benefits to employees based on the provisions of The Labor Code of the Philippines. Accrued amount of retirement pay is presented under Payables account in the statements of financial position.

Compensated Absences

Compensated absences are recognized for the number of paid leave days remaining at the end of the reporting period. They are included in the Payables account in the statements of financial position at the undiscounted amount that the DBPLC expects to pay as a result of the unused entitlement.

3.18. Related Party Transactions

Related party transactions are transfer of resources, services or obligations between the DBPLC and its related parties, regardless of whether a price is charged.

Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the party in making financial and operating decisions.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

3.19. Events After the End of the Reporting Period

Event after the reporting period pertains to an event/s which could be favorable or unfavorable, that occurs between the end of the reporting period and the date that the financial statements are authorized for issue. Post year end events up to date of the auditor’s report that provide additional information about the DBPLC’s position at financial reporting date (adjusting events) are reflected in the financial statements. Post year end events that are not adjusting events are disclosed in the notes to financial statements, when material.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the DBPLC's financial statements in accordance with PFRSs requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

Estimates

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimation of allowance for Impairment of Lease Receivables and Financial Assets at Amortized Cost

The DBPLC reviews its lease receivables and financial assets at amortized cost at least on an annual basis to assess whether additional provision for credit losses should be recognized. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions and number of factors and actual results may differ, resulting in future changes to the allowance for credit losses.

Provision for probable credit losses recognized for the years 2022 and 2021 amounted to P10,825,379 and P107,085,316, respectively.

Estimation of useful lives of property and equipment and foreclosed assets/properties

The DBPLC estimates the useful lives of property and equipment and foreclosed assets/properties based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and foreclosed assets/properties are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

In addition, estimation of the useful lives of property and equipment and foreclosed assets/properties is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment and foreclosed assets/properties would increase recorded operating expenses and decrease non-current assets.

The estimated useful lives of property and equipment and foreclosed assets/properties are set out in Note 3.4.

Estimation of impairment of property and equipment, foreclosed assets/properties and non-current assets held for sale

The DBPLC assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the DBPLC considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

The DBPLC recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of the assets' net selling price or value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less cost to sell while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Allowance for impairment losses on Foreclosed assets/properties amounted to P7,089,711 as of December 31, 2022 and 2021 (Note 9). There are no impairment losses recognised on foreclosed assets/properties and property and equipment for the year 2022 and 2021.

Realizability of deferred tax assets

The DBPLC reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The DBPLC's assessment on the recognition of deferred tax assets on deductible temporary differences is based on the projected taxable income in the following periods.

Judgments

In the process of applying the DBPLC's accounting policies, Management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements:

Determination of functional currency

Based on the economic substance of the underlying circumstances relevant to the Corporation, the functional currency is determined to be the Philippine Peso.

Classification of financial instruments

The DBPLC exercises judgments in classifying a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability, or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset or liability. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position.

The DBPLC's financial assets and liabilities are presented in Notes 29 and 30.

Determination of fair value of financial assets

The DBPLC carries certain financial assets at fair value, which requires extensive use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the DBPLC utilized a different valuation methodology. Any changes in fair value of these financial assets would affect profit and loss and equity.

Determination Whether an Arrangement Contains a Lease

The DBPLC assesses whether an arrangement contains a lease based on PFRS 16, as disclosed in Note 3.13.

Classification of leases

The DBPLC has entered into various lease agreements both as a lessee and a lessor. Critical judgment was exercised by Management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements.

DBPLC as Lessor

Interest earned on finance lease arrangements amounted to P67,693,506 and P83,142,279 in 2022 and 2021, respectively, as disclosed in Note 21 of the financial statements.

DBPLC as Lessee

As a lessee, total rental expenses recognized under lease incurred from the leases amounted to zero and P270,980 in 2022 and 2021, respectively, as disclosed in Note 23.

Evaluating Deferred Tax

In determining the amount of current and deferred tax, the DBPLC takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The DBPLC believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretation of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the DBPLC to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets recognized amounted to P67,327,188 and P65,676,374 as at December 31, 2022 and 2021, respectively, as disclosed in Note 24.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and in banks and short-term investments maturing not more than 91 days from date of purchase.

	2022	2021
Cash in bank	67,682,980	162,582,090
Emergency Contingency Fund	100,000	100,000
Petty cash	40,000	40,000
Short-term investments	0	124,687,325
	67,822,980	**287,409,415**

Cash in bank earns interest at rates based on bank deposit rates.

Short-term investments represent fixed term deposit with temporary short-term liquidity with 0.250 per cent to 0.375 per cent interest rate per annum. This was closed in June 2022.

Interest income from deposits in banks and placements reported in the statements of comprehensive income totaled P283,594 and P483,545 for the years ended December 31, 2022 and 2021, respectively.

Final tax expense recognized related to the interest income from deposits in banks and placements amounted to P47,719 and P96,709 for the years ended December 31, 2022 and 2021, respectively.

6. LEASE RECEIVABLES, NET

This account represents total amounts to be collected from the lessees which are due in installments on the lease agreement.

	2022	2021
Finance lease receivables	1,191,982,705	1,144,927,747
Residual value of leased assets	463,291,132	357,674,650
Deferred finance lease receivable	(166,062,959)	(152,624,262)
Net investment in finance lease receivables	**1,489,210,878**	**1,349,978,135**
Operating lease receivable	912,365	912,365
	1,490,123,243	**1,350,890,500**
Allowance for credit losses	(78,027,882)	(80,752,865)
Lease receivables, net	**1,412,095,361**	**1,270,137,635**

Current portion consists of:

	2022	2021
Finance lease receivables	746,873,014	553,205,169
Allowance for credit losses	(63,460,318)	(57,810,343)
	683,412,696	**495,394,826**
Operating lease receivable	912,365	912,365
Allowance for credit losses	(912,365)	(912,365)
	0	**0**
	683,412,696	**495,394,826**

Non-current portion consists of:

	2022	2021
Finance lease receivables	742,337,864	796,772,966
Allowance for credit losses	(13,655,199)	(22,030,157)
	728,682,665	**774,742,809**

An analysis of DBPLC's finance lease receivables as of December 31, 2022 and 2021 is shown below:

	2022	2021
Maturity of gross investment in:		
Within one year	614,324,375	540,014,424
Beyond one year but not beyond five years	576,285,281	595,615,921
Beyond five years	1,373,049	9,297,402
	1,191,982,705	**1,144,927,747**
Residual value of leased assets		
Within one year	225,154,361	92,139,149
Beyond one year but not beyond five years	232,469,255	251,481,445
Beyond five years	5,667,516	14,054,056
	463,291,132	**357,674,650**
Deferred finance lease revenue		
Within one year	92,605,722	78,948,404
Beyond one year but not beyond five years	73,432,989	73,022,822
Beyond five years	24,248	653,036
	166,062,959	**152,624,262**
Gross finance lease receivable	1,655,273,837	1,502,602,397
Deferred finance lease revenue	(166,062,959)	(152,624,262)
Net investment in finance lease receivables	**1,489,210,878**	**1,349,978,135**

The residual value of leased assets represents the estimated proceeds from the disposal of the leased asset at the end of the lease term, which approximates the amount of the lease deposit paid by the lessee at the inception of the lease. At the end of the lease term, the residual value of the leased asset is generally applied against the lease deposit of the lessee. The residual value of the leased asset is presented as part of the Lease Receivables in the statement of financial position.

Summary analysis of DBPLC's net investment in finance lease receivables follows:

	2022	2021
Due within one year	746,873,014	553,205,169
Due beyond one year but not beyond five years	735,321,547	774,074,544
Beyond five years	7,016,317	22,698,422
	1,489,210,878	**1,349,978,135**

Impaired finance lease receivables amounted to P57,943,720 and P59,136,582 as of December 31, 2022 and 2021, respectively.

7. FINANCIAL ASSETS AT AMORTISED COST, NET

This account consists of the following:

	2022	2021 As restated
Loans receivable – others	1,411,667,886	1,453,383,353
Unearned revenue/income	(181,342,221)	(171,283,781)
	1,230,325,665	**1,282,099,572**
Allowance for credit losses	(165,464,234)	(150,541,651)
	1,064,861,431	**1,131,557,921**
Other receivables:		
Interest receivable	9,390,488	13,864,975
Accounts receivable	9,663,246	9,981,296
Inter-agency receivables	745,058	1,007,535
Car loan receivable	264,949	340,549
	20,063,741	**25,194,355**
Allowance for credit losses	(15,278,918)	(16,651,139)
	4,784,823	**8,543,216**
	1,069,646,254	**1,140,101,137**

Current portion consist of:

	2022	2021 As restated
Loans receivable – others	925,928,319	858,706,802
Allowance for credit losses	(153,816,302)	(128,531,724)
	772,112,017	**730,175,078**
Interest receivable	9,390,488	13,864,975
Allowance for credit losses	(5,198,367)	(6,570,589)
	4,192,121	**7,294,386**

	2022	2021 As restated
Inter-agency receivables	745,058	1,007,535
Allowance for credit losses	(402,821)	(227,820)
	342,237	**779,715**
Accounts receivable	9,663,246	9,981,296
Allowance for credit losses	(9,554,531)	(9,729,531)
	108,715	**251,765**
Car loan receivable	198,799	198,799
Allowance for credit losses	(123,199)	(123,199)
	75,600	**75,600**
	776,830,690	**738,576,544**

Non-current portion consists of:

	2022	2021
Loans receivable – others	304,397,346	423,392,770
Allowance for credit losses	(11,647,932)	(22,009,927)
	292,749,414	**401,382,843**
Car loan receivable	66,150	141,750
	292,815,564	**401,524,593**

The allowance for credit losses is computed based on the Bangko Sentral ng Pilipinas (BSP) basic guidelines in setting up of Allowance for Credit Losses.

DBPLC, being a financial institution with simple operations, applied the guidelines of BSP Circular 1011 in estimating its provision for credit losses.

Loans Receivables – Others

This account represents total amounts to be collected from the borrowers under Amortized Commercial Loan, Receivable Financing/Discounting and Short-Term Loan facility. The breakdown of loans receivable-others as of December 31, 2022 and 2021 are as follows:

	2022	2021
Loans receivable – others	1,411,667,886	1,453,383,353
Unearned revenue/income	(181,342,221)	(171,283,781)
Net investment in loans receivable - others	**1,230,325,665**	**1,282,099,572**
Allowance for credit losses	(165,464,234)	(150,541,651)
Loans receivable – others, net	**1,064,861,431**	**1,131,557,921**

	2022	2021
Maturity of gross investment in:		
Within one year	1,069,664,503	991,381,718
Beyond one year but not beyond five years	341,463,865	460,536,850
Beyond five years	539,518	1,464,785
	1,411,667,886	**1,453,383,353**

	2022	2021

Unearned revenue/income		
Within one year	143,736,174	132,674,916
Beyond one year but not beyond five years	37,582,568	38,524,921
Beyond five years	23,479	83,944
	181,342,221	**171,283,781**

	2022	**2021**
Allowance for credit losses		
Within one year	153,816,301	128,531,724
Beyond one year but not beyond five years	11,642,772	21,996,119
Beyond five years	5,161	13,808
	165,464,234	**150,541,651**

Summary analysis of DBPLC's net investment in loans receivables – others follows:

	2022	**2021**
Due within one year	925,928,329	858,706,802
Due beyond one year but not beyond five years	303,881,297	422,011,929
Beyond five years	516,039	1,380,841
	1,230,325,665	**1,282,099,572**

Impaired loans and receivables financed amounted to P171,289,704 and P161,692,256 as of December 31, 2022 and 2021, respectively.

Income on lease and loan receivables

Lease and interest income on finance lease receivables and loans receivable – others are presented in the statement of comprehensive income as follows:

	2022	**2021**
Lease Income (Note 21)	67,693,506	83,142,279
Interest Income on Loans (Note 20)	53,164,212	59,068,425
	120,857,718	**142,210,704**

BSP Reporting

Details of finance lease receivable and loans receivable – others as to industry sector and collateral type at December 31, 2022 and 2021 are as follows:

a) As to industry

	2022	**2021**
Services	1,032,227,022	1,027,045,680
Manufacturing	656,213,605	587,501,929
Real estate	293,127,765	322,128,024
Wholesale and retail trade	260,859,367	136,385,213

	2022	2021
Public sector	183,993,088	260,015,699
Mining and quarrying	50,535,945	68,619,011
Total	**2,476,956,792**	**2,401,695,556**

b) As to collateral

	2022	2021
Secured		
Property under finance lease	1,951,577,159	1,270,137,635
Chattel mortgage	52,701,339	685,980,942
Unsecured	472,678,294	445,576,979
Total	**2,476,956,792**	**2,401,695,556**

As of December 31, 2022, and 2021, the non-performing loans (NPLs) fully-covered by allowance for credit losses amounted to P1,404,000.

8. INVENTORIES

This account consists of the following:

	2022	2021
Office supplies	307,003	233,263
Semi-expendable properties	417,910	0
Total	**724,913**	**233,263**

Inventories recognized as office supplies expense and semi-expendable expense for the years 2022 and 2021 totaled P1,076,289 and P412,910, respectively, as disclosed in Note 23.

The DBPLC sold semi-expendable properties resulting to a gain of P16,611 and P9,197 in 2022 and 2021, respectively, presented under miscellaneous income account.

9. OTHER ASSETS

This account consists of the following:

	2022	2021
Foreclosed assets/properties	5,072,421	6,075,757
Other Assets – LFMS	1,814,000	1,814,000
Prepayments	1,476,933	1,632,773
Refundable deposits	1,216,689	1,216,689
	9,580,043	**10,739,219**

	2022	2021
Current	1,476,933	1,632,773
Non-current	8,103,110	9,106,446
	9,580,043	**10,739,219**

Foreclosed Assets/Properties

Other non-current assets include chattel or personal properties acquired through repossession or foreclosure that are available for sale or re-lease or charter. The movement of chattel or personal properties are as follows:

Particulars	2022	2021
Cost		
Beginning balance	15,172,140	15,172,140
Adjustments/Reclassifications	0	0
Ending balance	**15,172,140**	**15,172,140**
Accumulated Depreciation		
Beginning balance	2,006,672	1,003,336
Depreciation	1,003,336	1,003,336
Adjustments/Reclassifications	0	0
Ending balance	**3,010,008**	**2,006,672**
Accumulated Impairment		
Beginning balance	7,089,711	7,089,711
Impairment	0	0
Adjustments/Reclassifications	0	0
Ending balance	**7,089,711**	**7,089,711**
Net Book Value	**5,072,421**	**6,075,757**

Depreciation charges were recognized both for 2022 and 2021 amounting to P1,003,336 presented under Non-Cash Expenses in Note 23.

Prepayments consist of prepaid insurance, prepaid taxes and other prepaid expenses. Excess income tax payment as of December 31, 2022 and 2021 amounted to P1,180,409 and P1,401,909, respectively.

Refundable deposits for the year 2022 and 2021 pertain to the three months security deposit on lease of office space refundable at the end of the lease term. Additional deposit of P12,320 was recognized in 2021 relative to the procurement of internet service for the new office.

10. PROPERTY AND EQUIPMENT

The composition and movement in this account are as follows:

2022

Particulars	Information Technology Equipment	Office Equipment	Furniture and Fixtures	Transportation Equipment	Building	Right-of-Use Asset	Leasehold Improvements	Total
Cost								
Beginning balance	2,558,821	411,623	1,769,652	1,947,850	2,100,000	25,637,597	3,073,382	37,498,925
Additions	0	70,000	0	0	0	0	0	70,000
Disposals/Adjustments	0	0	0	0	0	0	0	0
Ending balance	**2,558,821**	**481,623**	**1,769,652**	**1,947,850**	**2,100,000**	**25,637,597**	**3,073,382**	**37,568,925**
Accumulated Depreciation								
Beginning balance	826,900	199,413	1,557,852	1,136,060	397,297	5,726,882	431,097	10,275,501
Disposals/Adjustments	0	0	0	0	0	0	0	0
Depreciation	429,209	92,546	52,362	179,862	68,109	4,870,178	666,539	6,358,805
Ending balance	**1,256,109**	**291,959**	**1,610,214**	**1,315,922**	**465,406**	**10,597,060**	**1,097,636**	**16,634,306**
Net Book Value	**1,302,712**	**189,664**	**159,438**	**631,928**	**1,634,594**	**15,040,537**	**1,975,746**	**20,934,619**

2021 As restated

Particulars	Information Technology Equipment	Office Equipment	Furniture and Fixtures	Transportation Equipment	Building	Right-of-Use Asset	Leasehold Improvements	Total
Cost								
Beginning balance	3,377,746	685,933	2,631,881	1,947,850	2,100,000	25,759,023	0	36,502,433
Additions, as restated	1,321,612	144,260	0	0	0	0	3,073,382	4,539,254
Disposals/Adjustments, as restated	(2,140,537)	(418,570)	(862,229)	0	0	(121,426)	0	(3,542,762)
Ending balance, as restated	**2,558,821**	**411,623**	**1,769,652**	**1,947,850**	**2,100,000**	**25,637,597**	**3,073,382**	**37,498,925**
Accumulated Depreciation								
Beginning balance	2,431,251	504,603	2,333,710	885,622	329,189	830,936	0	7,315,311
Disposals/Adjustments, as restated	(1,968,514)	(368,023)	(843,627)	0	0	0	0	(3,180,164)
Depreciation, as restated	364,163	62,833	67,769	250,438	68,108	4,895,946	431,097	6,140,354
Ending balance, as restated	**826,900**	**199,413**	**1,557,852**	**1,136,060**	**397,297**	**5,726,882**	**431,097**	**10,275,501**
Net Book Value, as restated	**1,731,921**	**212,210**	**211,800**	**811,790**	**1,702,703**	**19,910,715**	**2,642,285**	**27,223,424**

Depreciation charges were recognized for 2022 and 2021 amounting to P6,358,805 and P6,140,354, respectively, and were presented under Non-cash expenses in Note 23.

Right of use asset is equivalent to the present value of lease payments over the period of five years.

No property and equipment and any portion thereof is held as collateral.

11. INTANGIBLE ASSETS

The composition and movement of this account are as follows:

	2022	2021
Cost		
Beginning balance	791,038	761,238
Additions	579,215	29,800
Ending balance	**1,370,253**	**791,038**
Accumulated Amortization		
Beginning balance	560,788	413,730
Amortization for the year (Note 23)	226,005	147,058
Ending balance	**786,793**	**560,788**
Book Value	**583,460**	**230,250**

12. NON-CURRENT ASSET HELD FOR SALE

The carrying amounts of this account is shown below:

	2022	2021

Cost	0	2,903,571
Accumulated impairment	0	0
Net carrying amount	**0**	**2,903,571**

The account pertains to an asset that will be disposed of through sale or otherwise which is available for immediate sale at its present condition and management believes that such sale is highly probable.

A reconciliation of the carrying amounts of non-current asset held-for-sale (NCAHFS) at the beginning and end of 2022 and 2021 is shown below:

	2022	2021
Balance at January 1, net of accumulated impairment	2,903,571	2,903,571
Additions	0	0
Disposals	(2,903,571)	0
Balance at December 31, net of accumulated impairment	**0**	**2,903,571**

During the year, DBPLC sold NCAHFS for P4,254,800 resulting to a gain of P1,351,229 presented under miscellaneous income account.

13. ALLOWANCE FOR CREDIT AND IMPAIRMENT LOSSES

Allocations of allowance for credit and impairment losses are as follows:

	2022	2021
Allowance for credit losses		
Financial assets at amortised cost	167,192,790	104,947,080
Lease receivables	80,752,865	35,913,259
Impairment losses		
Other non-current assets	7,089,711	7,089,711
	255,035,366	**147,950,050**
Provisions for credit losses for the year	10,825,379	107,085,316
	265,860,745	**255,035,366**

Allocations of allowance for credit and impairment losses are as follows:

	2022	2021
Allowance for credit losses		
Financial assets at amortised cost	180,743,152	167,192,790
Lease receivables	78,027,882	80,752,865
Impairment losses		
Other non-current assets	7,089,711	7,089,711
	265,860,745	**255,035,366**

An analysis of DBPLC's Allowance for credit and impairment losses as of December 31, 2022 and 2021 is shown below:

	At January 1, 2022	Provision for the year	At December 31, 2022

Allowance for credit losses			
Financial assets at amortised cost	167,192,790	13,550,362	180,743,152
Lease receivables	80,752,865	(2,724,983)	78,027,882
Impairment losses			
Other non-current assets	7,089,711	0	7,089,711
	255,035,366	**10,825,379**	**265,860,745**

	At January 1, 2021	**Provision for the year**	**At December 31, 2021**
Allowance for credit losses			
Financial assets at amortised cost	104,947,080	62,245,710	167,192,790
Lease receivables	35,913,259	44,839,606	80,752,865
Impairment losses			
Other non-current assets	7,089,711	0	7,089,711
	147,950,050	**107,085,316**	**255,035,366**

Breakdown of Allowance for credit losses of lease receivables are as follows:

	2022	**2021**
Finance lease receivables	77,115,517	79,840,500
Operating lease receivable	912,365	912,365
	78,027,882	**80,752,865**

Breakdown of Allowance for credit losses of finance assets at amortised cost are as follows:

	2022	**2021**
Loans receivable – others	165,464,234	150,541,651
Accounts receivable	9,554,531	9,729,531
Interest receivable	5,198,367	6,570,589
Inter-agency receivables	402,821	227,820
Car loan receivable	123,199	123,199
	180,743,152	**167,192,790**

14. PAYABLES

This account consists of the following:

	2022	**2021 As restated**
Accrued expenses payable	5,319,784	3,066,848
Accounts payable	5,318,931	11,556,408
Due to officers and employees	3,693,988	3,591,413
	14,332,703	**18,214,669**

Accounts payable pertains to advances made by clients for payment of chattel mortgage registration and other fees, payable to suppliers and unreleased checks as of year-end.

Due to officers and employees pertains to the monetary value of sick leave and vacation leave credits of employees remaining at the end of the reporting period.

Breakdown of Accrued expenses payable as of December 31, 2022 and 2021 are as follows:

	2022	2021 As restated
Accrued gross receipts tax	2,445,283	1,757,301
Retirement pay	1,286,967	286,838
Audit fees	1,259,000	889,000
Accrued operating expenses	328,534	133,709
	5,319,784	**3,066,848**

Breakdown of Accounts payable as of December 31, 2022 and 2021 are as follows:

	2022	2021
Accounts payable – advances from clients	4,596,855	9,911,688
Accounts payable – unreleased checks	722,076	1,503,152
Accounts payable – supplier of goods and services	0	141,568
	5,318,931	**11,556,408**

15. INTER-AGENCY PAYABLES

This account consists of payables to the following:

	2022	2021
BIR – Other Taxes	7,339,758	538,240
SSS & ECC	94,915	91,789
PHIC	60,052	29,845
PAG-IBIG	14,083	16,278
	7,508,808	**676,152**

All the above payables were remitted to the agencies concerned in January 2023.

16. LOANS PAYABLE

This account represents amount drawn from the DBPLC's loan facilities with Bank of the Philippine Islands, Philippine National Bank, BDO Unibank, Inc., Eastwest Banking Corporation and Security Bank Corporation. New borrowings in 2022 and 2021 amounted to P841.91 million and P710 million, respectively, and were used principally to paydown more expensive loans.

Details of this account are as follows:

	2022	2021
Eastwest Banking Corporation	456,250,000	267,750,000
Bank of the Philippine Islands	371,927,177	289,187,893
BDO Unibank, Inc.	182,588,235	304,313,726
Security Bank Corporation	150,000,000	100,000,000
Philippine National Bank	0	450,000,000
	1,160,765,412	**1,411,251,619**
Accrued interest on borrowings	1,570,086	1,576,629
	1,162,335,498	**1,412,828,248**
Current	**922,222,753**	**1,162,740,013**
Non-current	**240,112,745**	**250,088,235**

Interest rates on loans payable range from 4.50 per cent to 6.0 percent and 4.00 per cent to 4.50 percent in 2022 and 2021, respectively.

Interest expense on borrowings amounted to P60,057,865 and P79,083,919 for the years ending December 31, 2022 and 2021, respectively.

Total interest expense is presented in the statements of comprehensive income as financial expenses.

17. LEASE LIABILITY

The movement of lease liability is as follows:

	2022	2021
At January 1	20,620,603	24,406,628
Additions/adjustments	0	(121,426)
Payments	(5,154,442)	(3,664,599)
At December 31	**15,466,161**	**20,620,603**
Current	**5,076,958**	**5,154,442**
Non-Current	**10,389,203**	**15,466,161**

	2022	2021
Maturity of lease liability in:		
Within one year	5,076,958	5,154,442
Beyond one year but not beyond five years	10,389,203	15,466,161
	15,466,161	**20,620,603**

Total cash outflow for lease liability in 2022 and 2021 amounted to P5,154,492 and P3,786,025, respectively.

Interest expense on lease liability is presented as financial expenses in the statements of comprehensive income amounting to P469,274 in 2022 and P138,079 in 2021.

18. TRUST LIABILITIES

This account consists of the following:

	2022	2021
Customers' deposit payable	465,024,989	358,657,307
Guaranty/Security deposit payable	247,000	247,000
	465,271,989	**358,904,307**
Current	**228,013,261**	**98,342,106**
Non-Current	**237,258,728**	**260,562,201**

Customers' Deposit Payable

This account consists of guaranty deposits on finance leases ranging in amount from five per cent to 20 per cent of the cost attributable to each vessel/equipment.

The total project cost for each leased asset is based on the total purchase price, importation cost or appraised value.

Breakdown of deposit on finance leases by contractual settlement dates as of December 31, 2022 and 2021 is as follows:

	2022	2021
Due within one year	227,766,261	98,095,106
Due beyond one year	237,258,728	260,562,201
	465,024,989	**358,657,307**

Breakdown of deposit on finance leases as to industry as of December 31, 2022 and 2021 is as follows:

	2022	2021
Manufacturing company	192,107,812	147,223,426
Trading and commercial company	99,246,736	8,425,880
Construction company	89,242,264	79,544,564
Transportation company	51,516,751	28,207,069
Mining and quarrying company	17,105,546	23,309,682
Educational institution	8,425,880	17,105,546
Administrative and support services company	7,380,000	7,380,000
Maritime industry	0	47,461,140
	465,024,989	**358,657,307**

19. STOCKHOLDERS' EQUITY

Share Capital

DBP Leasing Corporation, a wholly-owned subsidiary of DBP, has an authorized capital stock of P1.5 billion, which is divided into 10 million common shares of stock and five million preferred shares of stock with total par values of P 1 billion and P 500 million, respectively. Out of the authorized capital stock of DBPLC, 10 million common shares and 1.32 million preferred shares with total par values of P1.0 billion and P132 million, respectively, have been subscribed. The preferred shares, which are not convertible into common shares, were subscribed under the terms and conditions of the Subscription Agreement dated May 30, 2012, for purposes of funding DBPLC's acquisition of the Insular Life Building in Cebu City. The building was then leased to and used as office site of Region VII of the Department of Labor and Employment (DOLE).

Retained Earnings (Deficit)

Prior Period Adjustments

DBPLC 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 prior years. Accordingly, these significant prior period errors have been corrected in the financial statements in accordance with PAS 8, Correction of Prior Period Error.

The impact of these changes has required the restatement of the following financial line items as at December 31, 2021:

Account Title	As Previously Reported	Adjustment	As restated
Accounts receivable	9,938,096	43,200	9,981,296
Information technology equipment	1,913,285	(181,364)	1,731,921
Office equipment	350,467	(138,257)	212,210
Furniture and fixtures	230,402	(18,602)	211,800
Accrued expenses payable	4,740,483	(1,673,635)	3,066,848
Directors' and committee members' fees	2,431,600	(43,200)	2,388,400
Auditing service	930,635	(691,635)	239,000
Semi-expendable expenses	0	115,340	115,340
Depreciation	7,156,581	(12,891)	7,143,690

Changes on the balance of Retained Earnings as at January 1, 2021 are as follows:

Particulars	Amount
Correction of service fees accruals	982,000
Effect of increase in capitalization threshold	(235,774)
	746,226

Dividend Declaration

In compliance with Republic Act No. 7656 requiring the declaration of dividends by Government-Owned and/or Controlled Corporations, DBPLC is required to declare and remit at least 50 per cent of its annual net earnings.

For CY 2021, the Board of Directors (BOD) of DBPLC, in its May 6, 2022 regular meeting, approved the declaration of cash dividends amounting to P1.75 million and remitted to the Bureau of Treasury on May 11, 2022.

For CY 2020 the BOD of DBPLC, in its April 29, 2021 regular meeting, approved the declaration of cash dividends amounting to P13.24 million and remitted to the Bureau of Treasury on May 3, 2021.

20. INTEREST INCOME

Interest income consists of the following:

	2022	**2021**
Loans receivable – others	53,164,212	59,068,425
Cash and cash equivalents	238,594	483,545
	53,402,806	**59,551,970**

21. LEASE INCOME

This account pertains to income from finance lease amounting to P67,693,506 in 2022 and P83,142,279 in 2021.

22. MISCELLANEOUS INCOME

Miscellaneous Income consists of the following:

	2022	**2021**
Gain on disposal of property (Note 8 and 12)	1,367,840	9,197
Processing/service fees and other charges	1,171,875	2,369,882
Other income	5,575,104	627,800
	8,114,819	**3,006,879**

Other income pertains to penalties, surcharge and interest on late payments as well as income from restructuring of receivables. Processing/service fees and other charges consist of gross receipts tax on lease and interest income for the account of the client.

23. EXPENSES

This account represents Salaries and Other Personnel Expenses and other administrative expenses incurred for the years ended December 31, 2022 and 2021.

Personnel Services

	2022	2021 As restated
Salaries and wages	**21,914,497**	**17,363,788**
Other compensation		
Mid-year and year-end bonus	3,824,882	2,495,495
Directors' and committee members' fees	2,401,600	2,388,400
Transportation allowance	1,150,957	779,250
Representation allowance	1,150,957	779,250
Personnel economic relief allowance	710,091	661,636
Clothing allowance	192,000	162,000
Cash gift	151,500	129,250
Other bonus and allowances	2,832,160	2,093,364
	12,414,147	**9,488,645**
Personnel benefit contributions		
SSS and ECC contributions	705,579	675,538
PHIC contributions	306,304	154,240
HDMF contributions	34,600	33,500
	1,046,483	**863,278**
Other personnel benefits		
Retirement gratuity	**1,000,129**	**322,335**
	36,375,256	**28,038,046**

Other bonuses and allowances consists of Performance Enhancement Incentive (PEI), Service Recognition Incentive (SRI) and Sick Leave/Vacation Leave Earned Credits.

Maintenance and Other Operating Expenses

	2022	2021 As restated
Taxes, duties and licenses	15,029,586	14,961,499
Insurance expenses	1,351,308	1,153,510
Travelling expenses- local	1,138,532	468,054
General services	1,127,616	811,204
Office supplies expense	663,711	297,570
Communication expenses	611,218	829,942
Representation expenses	432,896	65,869
Semi-expendable expenses	412,578	115,340
Auditing service	370,000	239,000

	2022	2021 As restated
Litigation/Asset acquired expense	341,554	1,660,979
Repairs and maintenance	181,852	257,469
Training expenses	172,101	150,611
Utility expenses	167,237	24,402
Advertising, promotional and marketing expense	162,400	0
Subscription expenses	136,227	128,320
Other professional service	50,000	638,134
Rent/Lease expense	0	270,980
Miscellaneous expense	416,993	546,038
	22,765,809	**22,618,921**

Miscellaneous expense composed of the following:

	2022	2021
Notarial fees	126,759	37,100
GAD expenses	77,056	55,526
Membership fees and dues	36,250	104,774
Periodicals and magazines	3,865	6,569
Corporate give away	0	231,280
Other expenses	173,063	110,789
	416,993	**546,038**

Other Expenses consists of Cost of Online Loandex Information System and Cost of Negative File Information System, reimbursement for Antigen Swab Tests of various employees, disinfection service, among others.

Non-Cash expenses composed of the following:

	2022	2021 As restated
Credit and impairment losses (Note 13)	10,825,379	107,085,316
Depreciation (Notes 9 and 10)	7,362,141	7,143,690
Amortization (Note 11)	226,005	147,058
	18,413,525	**114,376,064**

24. INCOME TAX

The income tax expense (benefit) consists of:

	2022	2021
Current tax expense	589,545	1,034,968
Deferred tax income	(1,645,887)	(17,978,986)
Adjustment due to the implementation of CREATE Law	0	(893,832)
	(1,056,342)	**(17,837,850)**

Details of current tax expense are as follows:

	2022	2021
Financial loss	(8,873,404)	(98,555,110)
Add (Deduct): Reconciling items		
Non-deductible expenses	12,175,998	101,988,549
Rental payment	(5,623,716)	(3,802,678)
Depreciation on right-of-use asset	4,870,178	4,895,946
Interest in arbitrage	47,719	96,709
Interest income subject to final tax	(238,594)	(483,545)
Taxable income	2,358,181	4,139,871
Tax rate	25%	25%
	589,545	**1,034,968**

Details of deferred tax income are as follows:

	2022	2021
Allowance for credit and impairment losses	1,496,616	26,771,329
Accruals	220,337	(1,150,615)
Depreciation of right-of-use asset	1,217,545	1,223,987
Amortization of lease liability	(1,288,611)	(916,150)
Adjustment in DTA due to change in income tax rate	0	(7,949,565)
	1,645,887	**17,978,986**

In 2021, an amount of P893,832 was adjusted on the income tax expense of the current period due to the change in income tax rate from 30 per cent to 25 per cent in accordance with the CREATE Law which was implemented after the issuance of the DBPLC's CY 2020 Audited Financial Statements.

Republic Act (RA) No. 11534 provides that an income tax of 25 per cent effective July 1, 2020 shall be imposed upon the taxable income derived during each taxable year from all sources within and without the Philippines by every corporation. Provided that corporations with net taxable income not exceeding P5 million and with total assets not exceeding P100 million excluding land on which the particular business entity's office, plant and equipment are situated during the taxable year for which the tax is imposed, shall be taxed at 20 per cent.

Adjustment in the deferred tax asset due to the change in income tax rate as part of the implementation of the CREATE Law is computed as follows:

	2021
Allowance for credit and impairment losses	152,788,965
Accruals	6,723,788
Lease liability	(1,352,395)
Right-of-use asset	830,936
	158,991,294
Tax rate	5%
	7,949,565

Details of the deferred tax assets as of December 31, 2022 and 2021 are as follows:

	2022	2021
Allowance for credit and impairment losses	66,465,186	64,968,570
Accruals	750,668	530,332
Lease liability	3,866,540	5,155,151
Right-of-use asset	(3,760,134)	(4,977,679)
MCIT	4,928	0
	67,327,188	**65,676,374**

Income tax credit in 2022 and 2021 amounts to P1,180,409 and P1,401,909, respectively, and reported as Prepaid Taxes under Other Assets.

The DBPLC is subject to minimum corporate income tax (MCIT) which is computed at two per cent of gross income, as defined under the tax regulations, or to the RCIT, whichever is higher. MCIT for year 2022 amounted to P594,473 and zero in 2021. As provided in RA No. 11534, effective July 1, 2020 until June 30, 2023, the MCIT rate shall be one per cent.

In 2022 and 2021, the DBPLC claimed itemized deduction on computing for its income tax due.

Under the Philippine tax laws, the DBPLC is also subject to percentage and other taxes. Percentage and other taxes paid consist of gross receipts tax and documentary stamp tax.

25. CONTINGENCIES

Contingent Asset

In the ordinary course of business, there are pending litigations involving the DBPLC which are not reflected in the accompanying financial statements.

As of December 31, 2022, the following are the on-going litigations involving the DBPLC as a claimant:

1. A collection suit for recovery of sums of money in the amount of P13,044,249.68 was filed by the DBPLC against a defaulted lessee. After receipt of entry of judgment, DBPLC sent a letter to the Office of the Government Corporate Counsel (OGCC), asking for its next steps towards the satisfaction of the Judgment rendered by Regional Trial Court (RTC) of Makati City Branch 58.

2. The DBPLC has a claim in the amount of P17,010,718.23 against a client that filed a case for voluntary rehabilitation under Republic Act (RA) No. 10142 or the Financial Rehabilitation and Insolvency Act of 2010 (FRIA). In this case, the Court is

yet to update regarding the Notice of Death with Motion to Substitute Rehabilitation Receiver filed by the client.

3. The DBPLC has a claim in the amount of P2,345,357.59 against a client that filed a case for voluntary rehabilitation under RA No. 10142. In this case, OGCC filed a Reiterative Manifestation with Omnibus Motion and Comment/Opposition to Motion for Termination of Rehabilitation.

4. The DBPLC has a claim in the amount of P14,500,000.00 against a client that filed a case for voluntary rehabilitation under RA No. 10142. The OGCC filed its comment on motion to discharge or remove the rehabilitation receiver. The Board decided for the DBPLC, through OGCC, to join other creditors in the appointment of Rehabilitation Receiver. Thereafter, the DBPLC Board of Directors in its Regular Board meeting resolved not to interpose any objection to the "Manifestation and Motion" filed by the Rehabilitation Receiver of the client through a board resolution. After receipt of the Compliance to Order and Submission of the Receiver's Report, the Corporation submitted to OGCC its position on the rehabilitation of the client through Accounts Management Group (AMG) Memorandum.

5. The DBPLC has a claim in the amount of P13,420,296.68 against a client that filed a case for voluntary rehabilitation under RA No. 10142. In this case, the DBPLC’s counsel had filed a Compliance and Motion before the Court. The OGCC informed the DBPLC that the required majority votes for all classes of creditors needed for the approval of client's Amended Rehabilitation Plan was not obtained. In this case, the Rehabilitation Court issued an Order directing all creditors with Certificates of Registration (CRs) of buses operated by the client to release said CRs to client for its franchise renewal purposes. DBPLC Accounts Management Group acknowledged receipt of this directive.

No income has been recognized in 2022 and 2021, as the receipt of the claim is not virtually certain.

26. SELECTED FINANCIAL PERFORMANCE INDICATORS

The following are some of the financial performance indicators of the Corporation:

	2022	**2021 As restated**
Current ratio	1.30:1	1.19:1
Debt-to-equity ratio	1.69:1	1.82:1
Return on equity	(0.80%)	(8.14%)
Return on assets	(0.30%)	(2.88%)
Loans-to-assets	0.44:1	0.50:1
EBITDA Rate	7.09%	9.57%

27. SUPPLEMENTARY INFORMATION REQUIRED UNDER REVENUE REGULATION 15-2010

In compliance with the requirements set forth by RR No. 15-2010, hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year.

DBPLC as a non-VAT entity, is subject to percentage tax and other taxes as well as income taxes. Percentage and other taxes consist principally of Gross Receipts Tax (GRT) and Documentary Stamp Tax (DST). DBPLC pays the corresponding GRT on all items treated as gross income. DBPLC withheld corresponding taxes on payments of compensation of employees, fees to directors and cost of purchase price to contractors and suppliers of goods and services.

Below is the additional information required under the Revenue Regulations 15-2010:

a.	Amount of VAT output tax		Not Applicable
b.	Amount of VAT input tax		
	1. Beginning of the year		
		i. VAT input tax	Not Applicable
		ii. Deferred VAT input tax	Not Applicable
	2. Current year's domestic purchases/payments for:		
		i. Goods for resale/manufacture or further processing	Not Applicable
		ii. Goods other than for resale or manufacture	Not Applicable
		iii. Capital goods subject to amortisation	Not Applicable
		iv. Capital goods not subject to amortisation	Not Applicable
		v. Services lodged under cost of goods	Not Applicable
		vi. Services lodged under other accounts	Not Applicable
	3. Claims for tax credit/refund and other adjustments; and		Not Applicable
	4. Balance at the end of the year		
		i. VAT input tax	Not Applicable
		ii. Deferred VAT input tax	Not Applicable
c.	The landed cost of imports and the amount of customs duties and tariff fees paid or accrued thereon;		Not Applicable
d.	The amount of excise tax/es, classified per major product category, i.e. tobacco products, alcohol products, automobiles, minerals, oil and petroleum, etc. paid on		
	1. Locally produced excisable items, and		Not Applicable
	2. Imported excisable items.		Not Applicable
e.	Documentary stamp tax (DST) on loan instruments, shares of stock and other transactions subject thereto;		
	i. DST on Finance Lease, Amortized Commercial Loan and Rediscounting Facility		3,964,893
	ii. DST on Loans Payable		7,390,983
	Total		**11,355,876**

f. All other taxes, local and national, including license and permit fees lodged under the Taxes, duties and licenses account both under the Maintenance and other operating expenses;

i.	Gross Receipts Tax	7,285,150
ii.	Business permit	318,991
iii.	Real property tax	3,859
iv	License fee	30,603
Total		**7,638,603**

g. The amount of withholding taxes categorized into

i.	Tax on compensation benefits	4,321,884
ii.	Creditable withholding tax/es	3,054,576
iii.	Final withholding tax/es	10,727,578
Total		**18,104,038**

h. Amount/s of deficiency tax assessments, whether protested or not Period covered 0

Taxes paid in 2022 composed of:

Gross receipts tax	6,597,193
Final withholding taxes	5,361,879
Compensation and benefits	3,973,125
Documentary stamp tax	3,964,893
Creditable withholding taxes	1,962,271
	21,859,361

Accrued gross receipts tax at the end of 2022 amounted to P2,445,283.

28. RELATED PARTY TRANSACTIONS

DBPLC's related parties include Development Bank of the Philippines (DBP), key management personnel and the retirement benefit fund as described in the succeeding paragraphs.

The summary of the DBPLC's transactions with its related parties in 2022 and 2021 and the related outstanding balances as of December 31, 2022 and 2021 are as follows:

a. The DBPLC maintains current, zero savings and option savings account with DBP. As of December 31, 2022 and 2021, current, zero savings and option savings account maintained with DBP are included under Cash and Cash Equivalents account in the statements of financial position (see Note 5). These deposits generally earn interest at annual rates of 0.250 per cent to 0.375 per cent in 2022 and 2021. Interest income earned on these deposits in 2022 and 2021 are included as part of Interest Income under Income in the statements of comprehensive income.

	2022	2021

Cash in bank – local currency, current account	67,682,980	162,582,090
Time deposits – local currency	0	124,687,325
	67,682,980	**287,269,415**

b. In 2021, prior to transferring to the new office, the DBPLC leases its office premises and warehouse from DBP. The term of the lease is one year, renewable for such period under such terms and conditions as may be agreed upon with DBP. Related rent expense, power, light and water expenses, training and travelling expenses incurred in 2021 is presented as part of Maintenance and Other Operating Expenses account under Expenses in the statements of comprehensive income.

	2022	**2021**
Rent expense		
Office premises	0	269,940
Warehouse	0	1,040
	0	**270,980**

	2022	**2021**
Accrued expenses payable		
Telephone line	0	2,456
	0	**2,456**

c. Compensation of key management personnel (covering officer positions starting from Vice President and up) is included as part of Salaries and other personnel-related expenses under Expenses in the statements of comprehensive income.

Remuneration of key management personnel for the years 2022 and 2021 are as follows:

	2022	**2021**
Short term benefits	9,827,933	6,575,002
Post-employment benefits	1,603,731	66,610
	11,431,664	**6,641,612**

The DBPLC, in the past, also granted car loans to officers at no interest. Outstanding loans to officers are presented as Car loan receivables under Financial assets at amortised cost account (Note 7). Car loan receivable from one of the resigned officers amounted to P123,199 are considered impaired and with 100 per cent provision as of December 31, 2022 and 2021.

Breakdown of Car Loan Receivable of existing officers are as follows:

	2022	**2021**
Car Loan Receivable		
Current	198,799	198,799
Non-current	66,150	141,750
	264,949	**340,549**

29. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

	2022			2021 As restated		
	Due within 1 year	Due beyond 1 year	Total	Due within 1 year	Due beyond 1 year	Total
Financial assets						
Cash	67,822,980	0	67,822,980	287,409,415	0	287,409,415
Lease receivables	683,412,696	728,682,665	1,412,095,361	495,394,826	774,742,809	1,270,137,635
Financial assets at amortised cost	776,830,690	292,815,564	1,069,646,254	738,576,544	401,524,593	1,140,101,137
Non-financial assets						
Property and equipment	0	20,934,619	20,934,619	0	27,223,424	27,223,424
Intangible assets	0	583,460	583,460	0	230,250	230,250
Inventories	724,913	0	724,913	233,263	0	233,263
Deferred Tax Assets	0	67,327,188	67,327,188	0	65,676,374	65,676,374
Non-current asset held-for-sale	0	0	0	0	2,903,571	2,903,571
Other assets	1,476,933	8,103,110	9,580,043	1,632,773	9,106,446	10,739,219
	1,530,268,212	**1,118,446,606**	**2,648,714,818**	**1,523,246,821**	**1,281,407,467**	**2,804,654,288**

	2022			2021 As restated		
	Due within 1 year	Due beyond 1 year	Total	Due within 1 year	Due beyond 1 year	Total
Financial liabilities						
Loans payable	922,222,753	240,112,745	1,162,335,498	1,162,740,013	250,088,235	1,412,828,248
Trust liabilities	228,013,261	237,258,728	465,271,989	98,342,106	260,562,201	358,904,307
Lease liability	5,076,958	10,389,203	15,466,161	5,154,442	15,466,161	20,620,603
Payable	14,332,703	0	14,332,703	18,214,669	0	18,214,669
Non-financial assets						
Inter-agency payables	7,508,808	0	7,508,808	676,152	0	676,152
	1,177,154,483	**487,760,676**	**1,664,915,159**	**1,285,127,382**	**526,116,597**	**1,811,243,979**
	353,113,729	**630,685,930**	**983,799,659**	**238,119,439**	**755,290,870**	**993,410,309**

30. FINANCIAL RISK AND CAPITAL MANAGEMENT OBJECTIVES AND POLICIES

DBPLC has 27 regular employees, four probationary employees and four out-sourced service personnel (drivers and messengers). With limited human resources, it organizes its activities to manage uncertainty and threats in order to evaluate and handle first possible risk with greatest loss and greatest probability of occurring while those risks with lower probability of occurrence and lower loss are handled in descending order.

Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Board has established the Risk and Governance Committee, which is responsible for developing and monitoring the DBPLC's risk management policies.

The risk management policies are established to identify and analyze the risks faced by the DBPLC, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies are reviewed regularly to reflect changes in market conditions and activities by the DBPLC.

In addition, the Management Committee (ManCom) meets at least twice a month to review performance, business plans, deliberate and act on matters requiring approvals or resolutions under its authority, including credit/lease proposals. The ManCom consists of the President and Chief Executive Officer (CEO), Vice President (VP/CFO) for Finance, VP for Accounts Management Group, Assistant Vice President (AVP) Operations Group, AVP for Accounts Management Group, Assistant Vice President and Corporate Secretary/LSG, Head of Credit Review and Evaluation Group (CREG) and Compliance/Risk Officer. DBPLC is exposed to various forms of risks. These risks can be grouped into credit, liquidity, interest, operational, market and legal risks. In managing these risks, the approach is not always risk minimization but managing risks to make an optimal contribution to company revenues. DBPLC, in accordance with DBP Risk Management, submits monthly reports and said risks are evaluated and consolidated with those of parent.

Market and credit risks management are carried out through policies approved by the ManCom, the Credit Committee (CreCom) and other board committee level such as the Risk and Governance Committee, Audit Committee, Nominations and Remunerations Committee Meeting, Anti-Money Laundering Committee Meeting among others and the Board of Directors.

The DBPLC's risk management policies are summarized below:

Impact of COVID-19

DBPLC has considered the possible effects that may result from the pandemic relating to COVID-19 on the carrying amounts of financial and non-financial assets. In developing the assumptions relating to the possible future uncertainties in the global economic conditions because of this pandemic, DBPLC, as at the date of approval of these financial statements has used internal and external sources of information and related information, and economic forecasts. The DBPLC expects to recover the carrying amount of these assets and will continue to closely monitor any material changes to future economic conditions.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

DBPLC is naturally exposed to credit risk due to the nature of its business. Credit exposures arise principally when default in lease or loan occurs. A counterparty default risk has to be evaluated thoroughly in order to avoid financial loss.

a) *Credit Risk Management*

DBPLC's credit evaluation reports and proposals are prepared independently by the CREG and are endorsed by Senior Management to the approving bodies. The Crecom has the authority to approve application with amounts P100 Million and below said amount subject to Board notation. The Governing Board holds the authority to approve a credit application for a principal amount of more than P100 Million.

Credit evaluation and background checking as well as financial evaluation and projection are thoroughly conducted before a prospective account is recommended for approval.

Credit and business track records, ownership and financial capacity are vital factors in evaluating the viability of an account.

b) *Collateral*

The amount and type of collateral required depends on an assessment of the credit risk of the obligor.

Collateral comes in the form of financial and non-financial assets. The main types of collaterals are real estate properties, chattel/movable assets and evidence of receivable from customers.

The following table shows the breakdown of receivables as to collateral:

	2022	**2021**
Secured		
Property under finance lease	1,951,577,159	1,270,137,635
Chattel mortgage	52,701,339	685,980,942
Unsecured	472,678,294	445,576,979
Total	**2,476,956,792**	**2,401,695,556**

c) *Impairment assessment*

The DBPLC recognizes provision for probable losses based on the Bangko Sentral ng Pilipinas (BSP) guidelines in setting up of allowances applicable for financial institutions with simple operations as provided in BSP Circular 1011.

d) *Maximum exposure credit risk before collateral held or other credit enhancements*

	2022		**2021**	
	Carrying Amount	**Maximum Exposure**	**Carrying Amount**	**Maximum Exposure**
Financial assets:				
Cash	67,822,980	67,822,980	287,409,415	287,409,415
Finance Lease Receivables	1,489,210,878	1,489,210,878	1,349,978,135	1,349,978,135
Loans Receivables – Others	1,230,325,665	1,230,325,665	1,282,099,572	1,282,099,572
Total	**2,787,359,523**	**2,787,359,523**	**2,919,487,122**	**2,919,487,122**

e) *Concentration of risks of financial assets with credit risk exposure*

As of December 31, 2022

	Cash	**Finance Lease Receivables**	**Loans Receivable-Others**
Bank and other financial institutions	67,822,980		

	Cash	Finance Lease Receivables	Loans Receivable-Others
Services		375,086,411	754,803,011
Manufacturing		518,013,639	171,787,094
Real estate		244,930,520	143,470,087
Public sector		53,358,009	132,617,928
Wholesale and retail trade		262,067,699	12,528,519
Mining and quarrying		35,754,600	15,119,026
Total	**67,822,980**	**1,489,210,878**	**1,230,325,665**

As of December 31, 2021

	Cash	Finance Lease Receivables	Loans Receivable-Others
Bank and other financial institutions	287,409,415	0	0
Services	0	399,044,822	722,888,212
Manufacturing	0	441,390,168	172,129,784
Real estate	0	265,620,765	149,833,135
Public sector	0	64,191,144	198,452,491
Wholesale and retail trade	0	129,477,569	19,910,268
Mining and quarrying	0	50,253,667	18,885,682
Total	**287,409,415**	**1,349,978,135**	**1,282,099,572**

f) *Credit Quality of Financial Assets*

The credit quality of financial assets, net of unearned lease and interest income but gross of allowance for credit losses is as follows:

As of December 31, 2022

	Cash	Finance Lease Receivables	Loans Receivable-Others
Neither past due nor impaired	67,822,980	1,020,253,982	400,258,726
Past due but not impaired		391,232,969	670,794,921
Impaired		77,723,927	159,272,018
Total	**67,822,980**	**1,489,210,878**	**1,230,325,665**

As of December 31, 2021

	Cash	Finance Lease Receivables	Loans Receivable-Others
Neither past due nor impaired	287,409,415	1,267,700,529	1,125,260,696
Past due but not impaired	0	0	0
Impaired	0	82,277,606	156,838,876
Total	**287,409,415**	**1,349,978,135**	**1,282,099,572**

Neither past due nor impaired

Lease and loan receivables that are neither past due nor impaired are due from accounts that have appropriate and strong credit history, with minimal account defaults and whose receivable are fully recoverable based on past experiences.
Past due but not impaired

Past due lease and loans receivables are not considered impaired, unless other information is available to the contrary. Collateralized past due loans are not considered impaired when cash flows that may result from foreclosure of the related collateral are higher than the carrying amount of the lease/loan.

Impaired

Impaired lease and loans receivables include accounts which are individually and collectively assessed for impairment. The total impairment provision of lease and loan receivables represented provision for individually and collectively impaired lease and loan receivables. Further information on impairment of lease and loan receivable is provided in Notes 6, 7 and 13.

Detailed Credit Quality Analysis on Amortised Cost – Loans and Receivables

In view of PFRS 9 compliance, presented below are the DBPLC's credit exposure of receivable from borrowers and its corresponding staging analysis:

Finance Lease Receivables

	Gross Carrying Amount			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Large enterprises (L)	743,889,328	226,405,090	222,684,856	1,192,979,274
Medium enterprises (M)	211,680,956	0	19,866,955	231,547,911
Small enterprises (S)	11,448,774	0	0	11,448,774
Micro enterprises (Mi)	0	0	0	0
National Government units	53,234,919	0	0	53,234,919
Gross Lease Receivables	**1,020,253,977**	**226,405,090**	**242,551,811**	**1,489,210,878**

Movements in Gross Carrying Amounts:

	Stage 1	**Stage 2**	**Stage 3**	**Total**
January 1, 2022	**1,094,469,522**	**55,683,223**	**199,825,390**	**1,349,978,135**
New assets originated or purchased	357,615,502	0	0	357,615,502
Assets derecognized or repaid (excluding write-offs)	(270,645,944)	3,779,184	48,484,001	(218,382,759)
Transfer to Stage 1	65,219,987	(59,462,407)	(5,757,580)	0
Transfer to Stage 2	(226,405,090)	226,405,090	0	0
Transfer to Stage 3	0	0	0	0
Amounts written-off	0	0	0	0
December 31, 2022	**1,020,253,977**	**226,405,090**	**242,551,811**	**1,489,210,878**

Movements in the Allowance for Expected Credit Losses:

	Stage 1	Stage 2	Stage 3	Total
January 1, 2022	**17,041,888**	**4,423,981**	**58,374,631**	**79,840,500**
New assets originated or purchased	2,512,478	0	0	2,512,478
Assets derecognized or repaid (excluding write-offs)	1,383,257	(3,913,616)	(2,707,102)	(5,237,461)
Transfer to Stage 1	530,341	(510,365)	(19,976)	0
Transfer to Stage 2	(14,422,524)	14,422,524	0	0
Transfer to Stage 3	0	0	0	0
Amounts written-off	0	0	0	0
December 31, 2022	**7,045,440**	**14,422,524**	**55,647,553**	**77,115,517**

Loans Receivables – others

	Gross Carrying Amount			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Large enterprises (L)	247,163,142	146,880,165	498,100,532	892,143,839
Medium enterprises (M)	15,119,026	0	153,110,388	168,229,414
Small enterprises (S)	6,666,090	0	25,160,427	31,826,517
Micro enterprises (Mi)	1,126,835	0	4,381,132	5,507,967
National Government units	132,617,928	0	0	132,617,928
Gross Loans Receivables	**402,693,021**	**146,880,165**	**680,752,479**	**1,230,325,665**

	Stage 1	Stage 2	Stage 3	Total
Large enterprises (L)	0	650,772	8,644,731	9,295,503
Medium enterprises (M)	0	0	0	0
Small enterprises (S)	0	0	94,985	94,985
Micro enterprises (Mi)	0	0	0	0
National Government units	0	0	0	0
Interest Receivables	**0**	**650,772**	**8,739,716**	**9,390,488**

Movements in Gross Carrying Amounts:

	Stage 1	Stage 2	Stage 3	Total
January 1, 2022	**400,595,924**	**178,035,063**	**703,468,585**	**1,282,099,572**
New assets originated or purchased	238,256,510	0	0	238,256,510
Assets derecognized or repaid (excluding write-offs)	(116,515,500)	(136,720,268)	(36,794,649)	(290,030,417)
Transfer to Stage 1	0	0	0	0
Transfer to Stage 2	(105,565,370)	105,565,370	0	0
Transfer to Stage 3	(14,078,543)	0	14,078,543	0
Amounts written-off	0	0	0	0
December 31, 2022	**402,693,021**	**146,880,165**	**680,752,479**	**1,230,325,665**

Movements in the Allowance for Expected Credit Losses:

	Stage 1	Stage 2	Stage 3	Total
January 1, 2022	**4,005,960**	**17,803,506**	**128,732,185**	**150,541,651**
New assets originated or purchased	1,721,195	0	0	1,721,195
Assets derecognized or repaid (excluding write-offs)	(1,700,225)	(3,115,490)	18,017,103	13,201,388
Transfer to Stage 1	0	0	0	0
Transfer to Stage 2	0	0	0	0
Transfer to Stage 3	0	0	0	0
Amounts written-off	0	0	0	0
December 31, 2022	**4,026,930**	**14,688,016**	**146,749,288**	**165,464,234**

Liquidity Risk

Liquidity risk is the risk that the DBPLC will not be able to meet its existing or future obligations when they fall due under normal and stress circumstances. To limit this risk, management monitors future cash flows and liquidity on a weekly basis. This incorporates an assessment of expected cash flows, available credit lines from banks and short-term investments.

In order to strengthen the availability of its funding sources, DBPLC has opened credit facilities with Bank of the Philippine Islands, BDO Unibank, Inc., East West Banking Corporation, Security Bank, Metropolitan Bank and Trust Company and Philippine National Bank.

Collection of lease rentals and loan amortizations is closely monitored to assure promptness. Expenditures including liquidation of advances, are likewise well monitored.

All funds of DBPLC are deposited only with DBP. Only a minimal amount is maintained under its current account while the rest of the funds are in higher yielding deposits to maximize earnings.

The DBPLC Board, in its October 01, 2019 meeting, approved the prescribed limit on Maximum Cumulative Outflow (MCO) and Interest Rate (IR) Gap in order to properly monitor the cash inflows and outflows of the DBPLC.

Analysis of financial liabilities by remaining contractual maturities.

As of December 31, 2022

	Due within 1 year	Over 1 year to 3 years	Over 3 years	Total
Financial liabilities				
Loans payable	922,222,753	190,112,745	50,000,000	1,162,335,498

Payables	21,841,511	0	0	21,841,511
Lease liability	5,076,958	9,986,999	402,204	15,466,161
Trust liabilities	228,013,261	172,164,007	65,094,721	465,271,989
	1,177,154,483	**372,263,751**	**115,496,925**	**1,664,915,159**

As of December 31, 2021

	Due within 1 year	**Over 1 year to 3 years**	**Over 3 years**	**Total**
Financial liabilities				
Loans payable	1,162,740,013	250,088,235	0	1,412,828,248
Payables	18,890,821	0	0	18,890,821
Lease liability	5,154,442	10,098,072	5,368,089	20,620,603
Trust liabilities	98,342,106	129,020,455	131,541,746	358,904,307
	1,285,127,382	**389,206,762**	**136,909,835**	**1,811,243,979**

Financial assets available to meet all of the liabilities include cash in bank and loans and receivables. The DBPLC would also be able to meet unexpected net cash outflows by accessing additional funding sources.

Operational Risk

This risk covers the risk of loss arising from fraud, inadequate or failed processes, unauthorized activities, error, omission, inefficiency, systems failure or external event.

This risk may arise from loss or damage on the leased assets and loan collaterals as well as third parties due to human error or natural/fortuitous events that will temporarily or permanently disable the earning potential/capacity of the assets. Insurance on leased assets and collaterals is required to assure recovery of loss.

Market Risk

Interest rates as basis for determining lease rentals and loan amortizations are closely monitored and are determined in accordance with the DBPLC's Pricing Policy and based on prevailing market rates in order to minimize the gap between cost of funds and lending rates due to market volatility.

31. APPROVAL FOR THE RELEASE OF THE FINANCIAL STATEMENTS

The Board of Directors of the DBPLC has reviewed and approved the release of the accompanying comparative financial statements and accompanying notes to financial statements on February 23, 2023.