# 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.

On November 9, 2023, DBPLC limited its corporate purpose as a financing company to financial lease per Board Resolution No. 2023-11-007.

From a stockholders' equity of P6.25 million in 2004, the amount increased to P923.912 million as of December 31, 2023.

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. 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 of Directors is Mr. Cyr C. Gonesto and the President and Chief Executive Officer is Mr. Andrew C. Kong. As at December 31, 2023, the DBPLC has 30 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, 2023 to enable us to express an opinion on the financial statements for the years ended December 31, 2023 and 2022 in accordance with the International Standards of Supreme Audit Institutions. Also, we conducted our audit to assess compliance with pertinent laws, rules and regulations as well as adherence to prescribed policies and procedures.

## FINANCIAL HIGHLIGHTS

(In Philippine Peso)

### I. Comparative Financial Position

| | 2023 | 2022 | Decrease |
|---|---|---|---|
| Assets | 2,419,133,951 | 2,648,714,818 | (229,580,867) |
| Liabilities | 1,495,221,838 | 1,664,915,159 | (169,693,321) |
| Equity | 923,912,113 | 983,799,659 | (59,887,546) |

### II. Comparative Results of Operations

| | 2023 | 2022 | Increase |
|---|---|---|---|
| Income | 377,211,755 | 129,211,131 | 248,000,624 |
| Expenses | 437,099,301 | 137,075,912 | 300,023,389 |
| Total Comprehensive loss | (59,887,546) | (7,864,781) | 52,022,765 |

### III. Comparative Budget and Actual Expenditures

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | Budget | Actual | Budget | Actual |
| Personnel expenses | 39,281,233 | 36,468,987 | 42,613,769 | 36,375,256 |
| Maintenance and other operating expenses | 39,953,879 | 42,500,467 | 47,545,060 | 22,765,809 |
| Capital expenditures | 5,617,360 | 528,919 | 3,650,101 | 649,215 |

## AUDITOR'S OPINION

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

## SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

The following are the significant audit observations and recommendations:

1. Receivables amounting to P10.565 million aged over 30 days to 18 years remained uncollected or unsettled due to non-implementation of appropriate legal remedies or actions, contrary to the DBPLC Credit Manual, thereby depriving DBPLC of additional funds for its operations.

We recommended and Management agreed to:

a. Exhaust all available remedies or implement appropriate actions to collect the long outstanding receivable accounts of DBPLC pursuant to Item I.1(3) of the DBPLC Credit Manual; and

b. Consider filing a request for authority to write off receivable accounts, not covered by specific laws, rules and regulations, which balances remained inactive or non-moving in the books of accounts for ten years or more and where settlement/collectability could no longer be ascertained following the procedures prescribed under COA Circular No. 2023-008.

2. Documentary Stamp Tax amounting to P3.626 million on agreements related to restructuring of loans executed in CY 2023 were not paid, contrary to the National Internal Revenue Code (NIRC), as amended.

We recommended that Management file the Documentary Stamp Tax return and pay the tax due on agreements related to restructuring of loans executed by DBPLC in CY 2023 pursuant to Sections 179 and 198 of the NIRC.

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

As of December 31, 2023, total disallowances amounted to P6,970,276.40. There were no audit suspensions and charges as of year end.

## STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

The five audit recommendations embodied in the CY 2022 Annual Audit Report were implemented in CY 2023.

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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, 2023 and 2022, 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 material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the DBPLC as at December 31, 2023 and 2022, 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, 2023 and 2022 is discussed in detail in Note 2 to the financial statements. Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, as modified by the application of the financial reporting reliefs issued by the BSP and approved by the SEC, as described in Note 2 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 Rule 68 in Note 26 and Revenue Regulations 15-2010 in Note 27 to the 2023 financial statements are presented for purposes of filing with the Securities and Exchange Commission and the Bureau of Internal Revenue, respectively, and are not required part of the basic financial statements. Such supplementary information are the responsibility of management and have been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

**COMMISSION ON AUDIT**

**NIDA A. SINGSON**
OIC - Supervising Auditor

April 11, 2024

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, 2023 and 2022 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing 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

**ANDREW C. KONG**
President & Chief Executive Officer and Director

Agnes J. Bengco

**AGNES J. BENGCO**
Chief Financial Officer and VP for Finance

Signed this April 11, 2024

**DBP LEASING CORPORATION**
(A wholly-owned subsidiary of the Development Bank of the Philippines)
**STATEMENTS OF FINANCIAL POSITION**
**December 31, 2023 and 2022**
(In Philippine Peso)

| | Note | 2023 | 2022 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 6 | 181,275,631 | 67,822,980 |
| Lease receivables | 7 | 561,567,221 | 683,412,696 |
| Financial assets at amortised cost | 8 | 223,726,835 | 776,830,690 |
| Inventories | 9 | 786,655 | 724,913 |
| Other current assets | 10 | 348,083 | 1,476,933 |
| | | **967,704,425** | **1,530,268,212** |
| **Non-current Assets** | | | |
| Lease receivables | 7 | 668,035,412 | 728,682,665 |
| Financial assets at amortised cost | 8 | 619,751,447 | 292,815,564 |
| Property and equipment | 11 | 14,775,353 | 20,934,619 |
| Intangible assets | 12 | 921,614 | 583,460 |
| Deferred tax assets | 24 | 140,845,926 | 67,327,188 |
| Other non-current assets | 10 | 7,099,774 | 8,103,110 |
| | | **1,451,429,526** | **1,118,446,606** |
| **TOTAL ASSETS** | | **2,419,133,951** | **2,648,714,818** |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | | |
| **Current Liabilities** | | | |
| Payables | 14 | 38,808,699 | 14,332,703 |
| Inter-agency payables | 15 | 55,410,572 | 7,508,808 |
| Loans payable | 16 | 629,725,662 | 922,222,753 |
| Lease liability | 17 | 5,021,114 | 5,076,958 |
| Trust liabilities | 18 | 186,512,442 | 228,013,261 |
| | | **915,478,489** | **1,177,154,483** |
| **Non-current Liabilities** | | | |
| Loans payable | 16 | 293,750,000 | 240,112,745 |
| Lease liability | 17 | 5,368,089 | 10,389,203 |
| Trust liabilities | 18 | 280,625,260 | 237,258,728 |
| | | **579,743,349** | **487,760,676** |
| | | **1,495,221,838** | **1,664,915,159** |
| **Stockholder's Equity** | 19 | | |
| Share capital | | 1,132,000,000 | 1,132,000,000 |
| Retained earnings (Deficit) | | (208,087,887) | (148,200,341) |
| | | **923,912,113** | **983,799,659** |
| **TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY** | | **2,419,133,951** | **2,648,714,818** |

*The Notes on pages 9 to 53 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, 2023 and 2022**
(In Philippine Peso)

| | Note | 2023 | 2022 |
|---|---|---|---|
| **INCOME** | | | |
| Interest income | 20 | 49,803,868 | 53,402,806 |
| Lease income | 21 | 97,324,973 | 67,693,506 |
| Miscellaneous and other income | 22 | 230,082,914 | 8,114,819 |
| | | **377,211,755** | **129,211,131** |
| **EXPENSES** | 23 | | |
| Personnel expenses | | (36,468,987) | (36,375,256) |
| Maintenance and other operating expenses | | (42,500,467) | (22,765,809) |
| | | **(78,969,454)** | **(59,141,065)** |
| **INCOME FROM OPERATIONS** | | **298,242,301** | **70,070,066** |
| Non-cash expenses | 23 | (297,603,921) | (18,413,525) |
| **NET INCOME AFTER PROVISION, DEPRECIATION AND AMORTIZATION** | | **638,380** | **51,656,541** |
| **FINANCIAL EXPENSES** | | | |
| Interest expense | 16, 17 | (77,775,293) | (60,527,139) |
| Bank charge | | (5,671) | (2,806) |
| | | **(77,780,964)** | **(60,529,945)** |
| **NET LOSS BEFORE INCOME TAX** | | **(77,142,584)** | **(8,873,404)** |
| Income tax benefit | 24 | 17,282,678 | 1,056,342 |
| Final tax expense | 6 | (27,640) | (47,719) |
| **NET LOSS FOR THE YEAR** | | **(59,887,546)** | **(7,864,781)** |
| Other Comprehensive Income | | 0 | 0 |
| **TOTAL COMPREHENSIVE LOSS** | | **(59,887,546)** | **(7,864,781)** |

*The Notes on pages 9 to 53 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, 2023 and 2022**
(In Philippine Pesos)

| Particulars | Note | No. of Shares | SHARE CAPITAL (Note 19) | | Retained Earnings/ (Deficit) | TOTAL |
|---|---|---|---|---|---|---|
| | | | Common | Preferred | | |
| **Balance, 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, December 31, 2022** | | **11,320,000** | **1,000,000,000** | **132,000,000** | **(148,200,341)** | **983,799,659** |
| Net loss for the year | | | | | (59,887,546) | **(59,887,546)** |
| **Balance, December 31, 2023** | | **11,320,000** | **1,000,000,000** | **132,000,000** | **(208,087,887)** | **923,912,113** |

*The Notes on pages 9 to 53 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, 2023 and 2022**
(In Philippine Peso)

| | Note | 2023 | 2022 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Collection of lease and loan principal | | 419,926,112 | 430,155,849 |
| Collection of lease and loan interest | | 111,311,223 | 127,055,622 |
| Collection of other income | | 4,591,465 | 1,463,556 |
| Loan and financial lease releases | | (97,165,318) | (406,288,718) |
| Collection of car/salary loan/advances | | 24,659,948 | 5,714,830 |
| Payment of operating expenses | | (40,385,371) | (43,345,106) |
| Payment of interest on borrowings | | (76,970,781) | (56,313,927) |
| Payment of interest on lease liability | | (804,512) | (469,274) |
| Remittance of taxes | | (24,270,234) | (21,859,862) |
| Remittance to Pag-IBIG/PhilHealth/SSS | | (2,221,595) | (1,911,679) |
| **Net cash provided by operating activities** | | **318,670,937** | **34,201,291** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Acquisition of office/IT equipment and IT software | | (528,919) | (649,215) |
| Proceeds from sale of properties | | 22,273 | 4,271,411 |
| **Net cash provided by (used in) investing activities** | | **(506,646 )** | **3,622,196** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from borrowings | 16 | 248,409,971 | 814,907,034 |
| Payments on borrowings | | (448,044,653) | (1,065,416,645) |
| Payment of lease liability | 17 | (5,076,958) | (5,154,442) |
| Payment of cash dividend | 19 | 0 | (1,745,869) |
| **Net cash used in financing activities** | | **(204,711,640 )** | **(257,409,922 )** |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | 113,452,651 | (219,586,435) |
| CASH AND CASH EQUIVALENTS BEGINNING OF YEAR | 6 | 67,822,980 | 287,409,415 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | **6** | **181,275,631** | **67,822,980** |

*The Notes on pages 9 to 53 form part of these financial statements.*

**DBP LEASING CORPORATION**
(A wholly-owned subsidiary of the Development Bank of the Philippines)
**NOTES TO THE FINANCIAL STATEMENTS**
**December 31, 2023 and 2022**
(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 is 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, machinery, vehicles, vessels, airplanes, appliances, merchandise, and facilities, limited to sale-leaseback arrangements, hire-purchase agreements and other lease financing schemes;

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.

On November 9, 2023, DBPLC limited its corporate purpose as a financing company to financial lease per Board Resolution No. 2023-11-007.

From a stockholders' equity of P6.25 million in 2004, the amount increased to P923.912 million as of December 31, 2023.

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. DBP's subscribed and paid-up capital is P1.0 billion common shares and P132.0 million 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 WITH PHILIPPINE FINANCIAL REPORTING STANDARDS/PHILIPPINE ACCOUNTING STANDARDS (PFRSs/PASs)

The financial statements have been prepared in accordance with 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 Memo 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 are as follows:

As of December 31, 2023:

| **Affected financial statements line items** | **As Reported** | **Effect of Pandemic**[1] | **Inclusive of Effect** [2] |
|---|---|---|---|
| Balance Sheet accounts | | | |
| Lease receivables | 1,229,602,633 | (5,100,283) | 1,224,502,350 |
| Financial assets at amortised cost | 843,478,282 | (43,431,313) | 800,046,969 |
| Deferred tax assets | 140,845,926 | 12,132,899 | 152,978,825 |
| Retained earnings (deficit) | (208,087,887) | (36,398,697) | (244,486,584) |
| Income statement accounts | | | |
| Non-cash expenses | 297,603,921 | 48,531,596 | 346,135,517 |
| Provision for income tax (benefit) | (17,282,678) | (12,132,899) | (29,415,577) |
| Net income (loss) | (59,887,546) | (36,398,697) | (96,286,243) |

As of December 31, 2022:

| **Affected financial statements 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) |

[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 staggered Allowance for credit losses (ACL) recognized for the year and the remaining balance as at December 31, 2023 and 2022 are as follows:

| | **2023** | **2022** |
|---|---|---|
| ACL approved for staggered booking, beginning | 119,173,224 | 115,597,280 |
| Adjustments | 0 | 3,575,944 |
| **Adjusted ACL approved for staggered booking, beginning** | **119,173,224** | **119,173,224** |
| Recognized (amortised) ACL – previous year/s | (47,132,898) | (23,119,456) |
| Recognized (amortised) ACL – current year | (23,508,730) | (24,013,442) |
| **ACL approved for staggered booking, ending** | **48,531,596** | **72,040,326** |

DBPLC received the BSP's approval for the staggered booking of ACL on December 29, 2020 amounting 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 for allowance. This resulted to an increase of P3,575,944 in 2022 and a decrease of P14,696,224 in 2021.

The Board of Directors of the DBP Leasing Corporation (DBPLC) has reviewed and approved the release of the accompanying comparative financial statements and accompanying notes to financial statements on April 11, 2024.

## 3. NEW OR REVISED STANDARDS

### 3.1 New standards and amendments issued and effective for annual periods beginning on or after January 1, 2023.

- **Amendment to PAS 1, Presentation of Financial Statements – Disclosure of Accounting Policies.** The changes amend PAS 1 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.

DBPLC adopted and applied these amendments in the preparation of these financial statements. The adoption of these amendments did not have material impact in the amounts and disclosures reported in these financial statements.

- **Amendments to PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates.** The amendments to 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.

    DBPLC adopted and applied these amendments in the preparation of these financial statements. The adoption of these amendments did not have material impact in the amounts and disclosures reported in these financial statements.

- **Amendments to PAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction.** The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of taxable and deductible temporary differences arise on initial recognition.

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

## 3.2 New standards effective after the reporting period ended December 31, 2023.

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

- **Amendments to PAS 1, Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after January 1, 2023, deferred to January 1, 2024).** 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.

- **Amendments to PAS 1, Presentation of Financial Statements – Non-current Liabilities with Covenants (effective for annual periods beginning on or after January 1, 2024).** The amendments modify the requirements introduced by Classification of Liabilities as Current or Non-current on how an entity classifies debt and other financial liabilities as current or non-current in particular circumstances: Only 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.

- **Amendments to PAS 7 Statement of Cash Flows and PFRS 7 Financial Instruments: Disclosures – Supplier Finance Arrangements (effective for annual periods beginning on or after January 1, 2024).** The amendments add disclosure requirements and 'sign-posts' within existing disclosure requirements that ask entities to provide qualitative and quantitative information about supplier finance arrangements. The amendments:

    - Do not define supplier finance arrangements. Instead, the amendments describe the characteristics of an arrangement for which an entity is required to provide the information. The amendments note that arrangements that are solely credit enhancements for the entity of instruments used by the entity to settle directly with a supplier the amounts owed are not supplier finance arrangements;

    - Add two disclosure objectives. Entities will have to disclose in the notes information that enable users of financial statements to assess how supplier finance arrangements affect an entity's liabilities and cash flows and to understand the effect of supplier finance arrangements on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available to it;

    - Complement current requirements in PFRSs by adding to PAS 7 additional disclosure requirements about:

- the terms and conditions of the supplier finance arrangements;

- for the arrangements, as at the beginning and end of the reporting period:

(a) the carrying amounts of financial liabilities that are part of the arrangement and the associated line item presented;
(b) the carrying amount of financial liabilities disclosed under (a) for which suppliers have already received payment from the finance providers;
(c) the range of payment due dates of financial liabilities disclosed under (a) and comparable trade payables that are not part of a supplier finance arrangement; and,

- the type and effect of non-cash changes in the carrying amounts of the financial liabilities that are part of the arrangement.

- Add supplier finance arrangement as an example within the liquidity risk disclosure requirements in PFRS 7.

• **Amendments to PFRS 16 Leases – Lease Liability in a Sale and Leaseback (effective for annual reporting periods beginning on or after January 1, 2024).** The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognizing in profit or loss any gain or loss relating to the partial or full termination of a lease.

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

## 4. MATERIAL ACCOUNTING POLICIES

### 4.1 Basis of financial statement preparation

These financial statements are prepared on the historical cost basis. The financial statements preparation in conformity with PFRS 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 Corporation adopts the accrual method of accounting. The financial statements are presented in Philippine Peso, the Corporation's functional currency.

### 4.2 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 28 to the financial statements.

### 4.3 Financial instruments

**Initial recognition**

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

Financial instruments are classified as financial assets and financial liabilities or equity instruments in accordance with the substance of the contractual agreement.

**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.

The Corporation has no assets under this category.

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.

The Corporation has no assets under this category.

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 Corporation's short-term investments, Loans receivable – others, accounts 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; (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; (5) DBPLC has determined that the asset has been transferred, it then determines whether or not it has transferred substantially all of the risks and rewards of ownership of the asset. If substantially all the risks and rewards have been transferred, the asset is derecognized.

Where an existing financial asset is replaced by a new financial asset, or the terms of an existing financial asset is modified, such an exchange or modification is treated as a derecognition of the original financial asset and the recognition of a new financial asset if the modification or change is at least 10 per cent of the original amount and the new term is not less than 13 months or over a year. If the modification or change is lower than 10 per cent, no derecognition and/ or recognition of the financial assets shall take place but will only be treated as an adjustment to the existing Receivables. The difference in the respective carrying amounts is recognized in the statements of comprehensive income.

The Corporation shall recognize a new Finance Lease or Loan Receivable account upon DBPLC board approval of Payment Work-out Plan or payment arrangement/restructuring and the borrower signs new documents reflecting new amounts and signs new amortization schedule. Recognition of Income/Loss shall be one-time and non-recurring.

*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 lease receivables and assets carried at amortised cost*

DBPLC, being a corporation with simple operations, as classified by the BSP, followed 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.

**4.4 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 statement 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.

**4.5 Intangible Assets**

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

The Corporation'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 |

**4.6 Other Assets**

Other assets pertain to other resources controlled by the Corporation 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 unamortised 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 balance sheet date.

### 4.7 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 Corporation 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 Corporation'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 Corporation.

### 4.8 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.

### 4.9 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 Corporation that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements.

### 4.10 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 statements of comprehensive income, reduced by the amount of dividends declared.

### 4.11 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 Corporation 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 amortised 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 Finance Lease Revenue “.

b. Lease income from operating lease – Revenue from operating lease contracts is recognized in the statements 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.

### 4.12 Leases

Finance leases, where the Corporation 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 deferred finance lease revenue All income resulting from the receivable is included as part of “Lease Income” in the statements of comprehensive income.

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

Operating lease, in which the Corporation 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 Corporation is a lessee of an office space reflected on the balance sheet 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 Corporation 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 Corporation 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 Corporation must incur maintenance fees on such items in accordance with lease contract.

## 4.13 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.

## 4.14 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 Corporation 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.

## 4.15 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. Unrecognize 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 Corporation 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 Corporation 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.

### 4.16 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 Corporation expects to pay as a result of the unused entitlement.

### 4.17 Related Party Transactions

Related party transactions are the transfer of resources, services, or obligations between the Corporation 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.

### 4.18 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 Corporation’s position at the 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.

## 5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Corporation'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 credit losses of Lease Receivables and Financial Assets at Amortised Cost*

The Corporation reviews its lease receivables and financial assets at amortised cost at least on an annual basis to assess whether additional provision for credit losses should be recognized. In particular, judgement 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 2023 and 2022 amounted to P290,250,556 and P10,825,379, respectively.

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

The Corporation 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 a 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 4.4.

*Estimation of impairment of property and equipment and foreclosed assets/properties*

The Corporation 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 Corporation 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 Corporation recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of the asset's 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, 2023 and 2022 (Note 10). There are no impairment losses recognized on foreclosed assets/properties and property and equipment for the years 2023 and 2022.

*Realizability of deferred tax assets*

The Corporation 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 Corporation'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 Corporation'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:

*Classification of financial instruments*

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

*Determination Whether an Arrangement Contains a Lease*

The Corporation assesses whether an arrangement contains a lease based on PFRS 16, as disclosed in Note 4.12.

*Classification of leases*

The Corporation 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 P97,324,973 and P67,693,506 in 2023 and 2022, respectively, as disclosed in Note 21 of the financial statements.

*Evaluating Deferred Tax*

In determining the amount of current and deferred tax, the Corporation takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Corporation 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 Corporation 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 P140,845,926 and P67,327,188 as of December 31, 2023, and 2022, respectively, as disclosed in Note 24.

## 6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and in banks as follows:

| | **2023** | **2022** |
|---|---|---|
| Cash in bank | 181,235,631 | 67,682,980 |
| Petty cash | 40,000 | 40,000 |
| Emergency contingency fund | 0 | 100,000 |
| | **181,275,631** | **67,822,980** |

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

Interest income from deposits in banks reported in the statements of comprehensive income totaled P138,201 and P238,594 for the years ended December 31, 2023 and 2022, respectively.

Final tax expense recognized related to the interest income from deposits in banks amounted to P27,640 and P47,719 for the years ended December 31, 2023 and 2022, respectively.

## 7. LEASE RECEIVABLES

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

| | 2023 | 2022 |
|---|---|---|
| Finance lease receivables | 943,203,946 | 1,191,982,705 |
| Residual value of leased assets | 472,753,452 | 463,291,132 |
| Deferred finance lease revenue | (105,730,653) | (166,062,959) |
| Net investment in finance lease receivables | **1,310,226,745** | **1,489,210,878** |
| Operating lease receivable | 912,365 | 912,365 |
| | **1,311,139,110** | **1,490,123,243** |
| Allowance for credit losses | (81,536,477) | (78,027,882) |
| | **1,229,602,633** | **1,412,095,361** |

Current portion consists of:

| | 2023 | 2022 |
|---|---|---|
| Finance lease receivables | 626,571,447 | 746,873,014 |
| Allowance for credit losses | (65,004,226) | (63,460,318) |
| | **561,567,221** | **683,412,696** |
| Operating lease receivable | 912,365 | 912,365 |
| Allowance for credit losses | (912,365) | (912,365) |
| | 0 | **0** |
| | **561,567,221** | **683,412,696** |

Non-current portion consists of:

| | 2023 | 2022 |
|---|---|---|
| Finance lease receivables | 683,655,298 | 742,337,864 |
| Allowance for credit losses | (15,619,886) | (13,655,199) |
| | **668,035,412** | **728,682,665** |

A maturity analysis of DBPLC's finance lease receivables as of December 31, 2023 and 2022 is shown below:

| | 2023 | 2022 |
|---|---|---|
| Finance lease receivables | | |
| Within one year | 481,402,363 | 614,324,375 |
| Beyond one year but not beyond five years | 446,943,041 | 576,285,281 |
| Beyond five years | 14,858,542 | 1,373,049 |
| | **943,203,946** | **1,191,982,705** |

| | 2023 | 2022 |
|---|---|---|
| Residual value of leased assets | | |
| Within one year | 196,036,381 | 225,154,361 |
| Beyond one year but not beyond five years | 276,717,071 | 232,469,255 |
| Beyond five years | 0 | 5,667,516 |
| | **472,753,452** | **463,291,132** |
| Deferred finance lease revenue | | |
| Within one year | 50,867,297 | 92,605,722 |
| Beyond one year but not beyond five years | 53,556,013 | 73,432,989 |
| Beyond five years | 1,307,343 | 24,248 |
| | **105,730,653** | **166,062,959** |

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

| | 2023 | 2022 |
|---|---|---|
| Due within one year | 626,571,447 | 746,873,014 |
| Due beyond one year but not beyond five years | 670,104,099 | 735,321,547 |
| Beyond five years | 13,551,199 | 7,016,317 |
| | **1,310,226,745** | **1,489,210,878** |

Impaired finance lease receivables amounted to P171,741,575 and P57,943,720 as at December 31, 2023 and 2022, respectively.

## 8. FINANCIAL ASSETS AT AMORTISED COST

This account consists of the following:

| | 2023 | 2022 |
|---|---|---|
| Loans receivable – others | 1,482,463,441 | 1,411,667,886 |
| Unearned revenue/income | (188,394,647) | (181,342,221) |
| | **1,294,068,794** | **1,230,325,665** |
| Allowance for credit losses | (452,560,045) | (165,464,234) |
| | **841,508,749** | **1,064,861,431** |
| Other receivables: | | |
| Interest receivable | 5,887,274 | 9,390,488 |
| Accounts receivable | 9,952,052 | 9,663,246 |
| Inter-agency receivables | 865,926 | 745,058 |
| Car loan receivable | 189,349 | 264,949 |
| | **16,894,601** | **20,063,741** |
| Allowance for credit losses | (14,925,068) | (15,278,918) |
| | **1,969,533** | **4,784,823** |
| | **843,478,282** | **1,069,646,254** |

Current portion consists of:

| | 2023 | 2022 |
|---|---|---|
| Loans receivable – others | 421,976,155 | 925,928,319 |

| | 2023 | 2022 |
|---|---|---|
| Allowance for credit losses | (200,209,403) | (153,816,302) |
| | **221,766,752** | **772,112,017** |
| Interest receivable | 5,887,274 | 9,390,488 |
| Allowance for credit losses | (4,287,112) | (5,198,367) |
| | **1,600,162** | **4,192,121** |
| Inter-agency receivables | 865,926 | 745,058 |
| Allowance for credit losses | (865,926) | (402,821) |
| | **0** | **342,237** |
| Accounts receivable | 9,952,052 | 9,663,246 |
| Allowance for credit losses | (9,648,831) | (9,554,531) |
| | **303,221** | **108,715** |
| Car loan receivable | 179,899 | 198,799 |
| Allowance for credit losses | (123,199) | (123,199) |
| | **56,700** | **75,600** |
| | **223,726,835** | **776,830,690** |

Non-current portion consists of:

| | 2023 | 2022 |
|---|---|---|
| Loans receivable – others | 872,092,639 | 304,397,346 |
| Allowance for credit losses | (252,350,642) | (11,647,932) |
| | **619,741,997** | **292,749,414** |
| Car loan receivable | 9,450 | 66,150 |
| | **619,751,447** | **292,815,564** |

*Loans Receivables – Others*

This account represents total amounts to be collected from the borrowers under Amortised Commercial Loan and Receivable Financing/Discounting facility. A maturity analysis of DBPLC's Loans receivable - others as of December 31, 2023 and 2022 is shown below:

| | 2023 | 2022 |
|---|---|---|
| Due within one year | 421,976,155 | 925,928,329 |
| Due beyond one year but not beyond five years | 720,285,021 | 303,881,297 |
| Beyond five years | 151,807,618 | 516,039 |
| | **1,294,068,794** | **1,230,325,665** |

Impaired loans and receivables financed amounted to P825,718,816 and P171,289,704 as of December 31, 2023 and 2022, respectively.

Income on lease and loan receivables

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

| | 2023 | 2022 |
|---|---|---|
| Lease Income (Note 21) | 97,324,973 | 67,693,506 |
| Interest Income on Loans (Note 20) | 49,665,667 | 53,164,212 |
| | **146,990,640** | **120,857,718** |

**BSP Reporting**

Details of finance lease receivable and loans receivable – others as to industry sector and collateral type at December 31, 2023 and 2022 are as follows:

a) As to industry

| | 2023 | 2022 |
|---|---|---|
| Services | 884,243,140 | 1,032,227,022 |
| Manufacturing | 552,180,776 | 656,213,605 |
| Wholesale and retail trade | 282,455,034 | 260,859,367 |
| Real estate | 211,884,484 | 293,127,765 |
| Public sector | 104,754,599 | 183,993,088 |
| Mining and quarrying | 35,593,349 | 50,535,945 |
| **Total** | **2,071,111,382** | **2,476,956,792** |

b) As to collateral

| | 2023 | 2022 |
|---|---|---|
| Secured | | |
| Chattel mortgage | 1,731,851,988 | 52,701,339 |
| Property under finance lease | 39,576,270 | 1,951,577,159 |
| Unsecured | 299,683,124 | 472,678,294 |
| **Total** | **2,071,111,382** | **2,476,956,792** |

As of December 31, 2023, and 2022, the non-performing loans (NPLs) fully covered by allowance for credit losses amounted to P165,840,269 and P1,404,000, respectively.

## 9. INVENTORIES

This account consists of the following:

| | 2023 | 2022 |
|---|---|---|
| Semi-expendable properties | 462,250 | 417,910 |
| Office supplies | 324,405 | 307,003 |
| | **786,655** | **724,913** |

Inventories recognized as expense for the years 2023 and 2022 amounted to P861,584 and P1,076,289, respectively, as disclosed in Note 23.

The Corporation sold semi-expendable properties resulting to a gain of P16,611 in 2022 presented under miscellaneous income account.

## 10. OTHER ASSETS

This account consists of the following:

| | 2023 | 2022 |
|---|---|---|
| Foreclosed assets/properties | 4,069,085 | 5,072,421 |
| Other Assets – LFMS | 1,814,000 | 1,814,000 |
| Refundable deposits | 1,216,689 | 1,216,689 |
| Prepayments | 348,083 | 1,476,933 |
| | **7,447,857** | **9,580,043** |
| **Current** | **348,083** | **1,476,933** |
| **Non-current** | **7,099,774** | **8,103,110** |

**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 | 2023 | 2022 |
|---|---|---|
| **Cost** | | |
| Beginning balance | 15,172,140 | 15,172,140 |
| Additions | 0 | 0 |
| **Ending balance** | **15,172,140** | **15,172,140** |
| **Accumulated Depreciation** | | |
| Beginning balance | 3,010,008 | 2,006,672 |
| Depreciation | 1,003,336 | 1,003,336 |
| **Ending balance** | **4,013,344** | **3,010,008** |
| **Accumulated Impairment** | | |
| Beginning balance | 7,089,711 | 7,089,711 |
| **Ending balance** | **7,089,711** | **7,089,711** |
| **Net Book Value** | **4,069,085** | **5,072,421** |

Depreciation charges were recognized both for 2023 and 2022 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 amounted to nil in 2023 and P1,180,409 in 2022.

Refundable deposits pertain to the three months security deposit on lease of office space refundable at the end of the lease term.

## 11. PROPERTY AND EQUIPMENT

The composition and movement in this account are as follows:

| 2023 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **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 | 481,623 | 1,769,652 | 1,947,850 | 2,100,000 | 25,637,597 | 3,073,382 | 37,568,925 |
| Additions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals/Adjustments | (121,000) | 0 | 0 | 0 | 0 | 0 | 0 | (121,000) |
| **Ending balance** | **2,437,821** | **481,623** | **1,769,652** | **1,947,850** | **2,100,000** | **25,637,597** | **3,073,382** | **37,447,925** |
| **Accumulated Depreciation** | | | | | | | | |
| Beginning balance | 1,256,109 | 291,959 | 1,610,214 | 1,315,922 | 465,406 | 10,597,060 | 1,097,636 | 16,634,306 |
| Disposals/Adjustments | (120,998) | 0 | 0 | 0 | 0 | 0 | 0 | (120,998) |
| Depreciation | 364,405 | 50,326 | 30,545 | 109,286 | 68,108 | 4,878,012 | 658,582 | 6,159,264 |
| **Ending balance** | **1,499,516** | **342,285** | **1,640,759** | **1,425,208** | **533,514** | **15,475,072** | **1,756,218** | **22,672,572** |
| **Net book value** | **938,305** | **139,338** | **128,893** | **522,642** | **1,566,486** | **10,162,525** | **1,317,164** | **14,775,353** |

| 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** |

In CY 2023, the Corporation sold information technology equipment with book value of P2 for a consideration amounting to P22,273 on an “as is, where is” basis, resulting to a gain of P22,271 presented under miscellaneous income account.

Depreciation charges were recognized for 2023 and 2022 amounting to P6,159,264 and P6,358,805, 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.

## 12. INTANGIBLE ASSETS

The composition and movement of this account are as follows:

| | **2023** | **2022** |
|---|---|---|
| **Cost** | | |
| Beginning balance | 1,370,253 | 791,038 |
| Additions | 528,919 | 579,215 |
| **Ending balance** | **1,899,172** | **1,370,253** |

| | | |
|---|---|---|
| **Accumulated Amortization** | | |
| Beginning balance | 786,793 | 560,788 |
| Amortization for the year (Note 22) | 190,765 | 226,005 |
| **Ending balance** | **977,558** | **786,793** |
| **Book value** | **921,614** | **583,460** |

## 13. ALLOWANCE FOR CREDIT AND IMPAIRMENT LOSSES

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

| | 2023 | 2022 |
|---|---|---|
| Beginning balance | 265,860,745 | 255,035,366 |
| Provision for credit losses for the year | 290,250,556 | 10,825,379 |
| | **556,111,301** | **265,860,745** |

An analysis of DBPLC's allowance for credit and impairment losses as of December 31, 2023 and 2022 is shown below:

| | At January 1, 2023 | Provision for the year | At December 31, 2023 |
|---|---|---|---|
| Allowance for credit losses | | | |
| Financial assets at amortised cost | 180,743,152 | 286,741,961 | 467,485,113 |
| Lease receivables | 78,027,882 | 3,508,595 | 81,536,477 |
| Allowance for impairment losses | | | |
| Other non-current assets | 7,089,711 | 0 | 7,089,711 |
| | **265,860,745** | **290,250,556** | **556,111,301** |

| | 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** |

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

| | 2023 | 2022 |
|---|---|---|
| Loans receivable – others | 452,560,045 | 165,464,234 |
| Accounts receivable | 9,648,831 | 9,554,531 |
| Interest receivable | 4,287,112 | 5,198,367 |
| Inter-agency receivables | 865,926 | 402,821 |
| Car loan receivable | 123,199 | 123,199 |
| | **467,485,113** | **180,743,152** |

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

| | 2023 | 2022 |
|---|---|---|
| Finance lease receivables | 80,624,112 | 77,115,517 |
| Operating lease receivable | 912,365 | 912,365 |
| | **81,536,477** | **78,027,882** |

## 14. PAYABLES

This account consists of the following:

| | 2023 | 2022 |
|---|---|---|
| Accrued expenses payable | 26,740,331 | 5,319,784 |
| Accounts payable | 8,262,484 | 5,318,931 |
| Due to officers and employees | 3,805,884 | 3,693,988 |
| | **38,808,699** | **14,332,703** |

Breakdown of Accrued expenses payable as of December 31, 2023 and 2022 are as follows:

| | 2023 | 2022 |
|---|---|---|
| Accrued gross receipts tax | 21,656,114 | 2,445,283 |
| Retirement pay | 2,591,433 | 1,286,967 |
| Audit fees | 1,666,000 | 1,259,000 |
| Accrued operating expenses | 826,784 | 328,534 |
| | **26,740,331** | **5,319,784** |

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.

Breakdown of Accounts payable as of December 31, 2023 and 2022 are as follows:

| | 2023 | 2022 |
|---|---|---|
| Accounts payable – advances from clients | 6,993,349 | 4,596,855 |
| Accounts payable – supplier of goods and services | 650,060 | 0 |
| Accounts payable – unreleased checks | 619,075 | 722,076 |
| | **8,262,484** | **5,318,931** |

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.

## 15. INTER-AGENCY PAYABLES

This account consists of payables to the following:

| | 2023 | 2022 |
|---|---|---|
| BIR | 55,214,818 | 7,339,758 |
| SSS & ECC | 94,036 | 94,915 |
| PHIC | 82,811 | 60,052 |
| HDMF | 18,907 | 14,083 |
| | **55,410,572** | **7,508,808** |

## 16. LOANS PAYABLE

This account represents amount drawn from the Corporation's loan facilities with various local banks. New borrowings in 2023 and 2022 amounted to P248.41 million and P814.91 million, respectively, and were used principally to paydown more expensive loans.

Details of this account are as follows:

| | 2023 | 2022 |
|---|---|---|
| Bank of the Philippine Islands | 339,609,459 | 371,927,177 |
| Eastwest Banking Corporation | 218,750,000 | 456,250,000 |
| BDO Unibank, Inc. | 210,862,745 | 182,588,235 |
| Security Bank Corporation | 150,000,000 | 150,000,000 |
| | **919,222,204** | **1,160,765,412** |
| Accrued interest on borrowings | 4,253,458 | 1,570,086 |
| | **923,475,662** | **1,162,335,498** |
| **Current** | **629,725,662** | **922,222,753** |
| **Non-current** | **293,750,000** | **240,112,745** |

Interest rates on loans payable range from 7.00 to 8.50 per cent and 4.50 to 6.0 per cent in 2023 and 2022, respectively.

Interest expense on borrowings presented as financial expenses in the statements of comprehensive income amounted to P76,970,781 and P60,057,865 for the years ending December 31, 2023 and 2022, respectively.

## 17. LEASE LIABILITY

The movement of lease liability is as follows:

| | 2023 | 2022 |
|---|---|---|
| At January 1 | 15,466,161 | 20,620,603 |
| Payments | (5,076,958) | (5,154,442) |
| **At December 31** | **10,389,203** | **15,466,161** |
| **Current** | **5,021,114** | **5,076,958** |
| **Non-Current** | **5,368,089** | **10,389,203** |