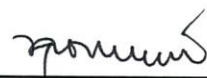


ERRATA				
Particulars	Date Published	Location/ Page	As Published in the COA Website	Correction
CY 2019 Annual Audit Report of Overseas Filipino Bank Inc. (OFBI)	September 8, 2020	Observations and Recommendations page 39	1. The recomputed amount of Allowance for Credit Losses for Loans and Receivables as at December 31, 2019 was not fully recognized, contrary to Philippine Financial Reporting Standard (PFRS) 9 and BSP Circular No. 1011, resulting in the overstatement of the Loans and Receivables by P1.841 million and understatement of the Provision for credit losses by the same amount as at December 31, 2019.	1. The recomputed amount of Allowance for Credit Losses for Loans and Receivables as at December 31, 2019 was not fully recognized, contrary to Philippine Financial Reporting Standard (PFRS) 9 and BSP Circular No. 1011, resulting in the overstatement of the Loans and Receivables by P1.840 billion and understatement of the Provision for credit losses by the same amount as at December 31, 2019.

**Authorized
by:**



ADELA L. DONDONILLA
 Director IV
 Corporate Government Sector
 Cluster I

Date: September 28, 2020

OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL AUDIT

1. The recomputed amount of Allowance for Credit Losses for Loans and Receivables as at December 31, 2019 was not fully recognized, contrary to Philippine Financial Reporting Standard (PFRS) 9 and BSP Circular No. 1011, resulting in the overstatement of the Loans and Receivables by P1.840 billion and understatement of the Provision for credit losses by the same amount as at December 31, 2019.

1.1 Relevant provisions of the PFRS 9 state that:

5.5.1 An entity shall recognize a loss allowance for expected credit losses on a financial asset that is measured in accordance with paragraphs 4.1.2. or 4.1.2A, a lease receivable, a contract asset or a loan commitment and a financial guarantee contract to which the impairment requirements apply in accordance with paragraphs 2.1(g), 4.2.1(c) or 4.2.1(d).

5.5.3 Subject to paragraph 5.5.13-5.5.16, at each reporting date, an entity shall measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on the financial instrument has increased significantly since initial recognition.

5.5.5 Subject to paragraph 5.5.13-5.5.16, if, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, an entity shall measure the loss allowance.

1.2 BSP Circular No. 1011, series of 2018, providing for the Guidelines on the Adoption of the Philippine Financial Reporting Standard (PFRS) 9 - Financial Instruments, states among others that:

d. Guidelines on the adoption of PFRS 9 Financial Instruments. BSFIs shall adopt, as part of the PFRS framework, PFRS 9: Financial Instruments upon its mandatory effectivity date of 01 January 2018.

For this purpose, BSFIs shall be governed by the following:

(1) Consistent with the duties and responsibilities of the board of directors provided under Subsection XI43.L/4L43Q.1 of the MORB/MORNBF, the board of directors or any equivalent governing body in the case of branches of foreign banks, shall ensure that the BSFI appropriately and consistently adopts PFRS 9 as part of its reporting governance process. In this respect, the board shall assess the impact of PFRS 9 on business strategies and risk management systems and ensure availability of sufficient resources, including capacity building initiatives, in adopting the standard.