Summary of Significant Accounting Policies

2.3 Adoption of New and Amended PAS/PFRS

The Bank adopted for the first time the following new PFRS, amendments to PAS or PFRS, interpretation and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2020.

a. Amendments to PAS 1, 'Presentation of financial statements', and PAS 8, Accounting policies, changes in accounting estimates and errors' – Definition of material

   The amendments clarify that obscuring information could reasonably expected to influence decisions of primary users of general purpose financial statements, which in effect is similar to omission or misstatement of those information. The reporting entity assesses materiality in the context of financial statements as a whole. The "primary users" also define as "existing and potential investors, lender and other creditors", all of whom rely on general purpose financial statements in deriving at decisions.

   The adoption of foregoing amendments had no significant impact on the financial statements.

b. Amendments to PFRS 9, PAS 39 and PFRS 7 – Interest Rate Benchmark Reform

   The amendments provide for relief on hedging relationships on interest rate-based contracts that are directly affected by the interest rate benchmark reform. The reliefs have the effect that the reform should not generally cause hedge accounting to terminate. Further, the amendments set out triggers for when the reliefs will end, which include the uncertainty arising from interest rate benchmark reform no longer being present.

   The Bank assumed that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are bases will not be materially impacted as a result of interest rate benchmark reform.

c. Amendments to the Conceptual framework

   The revised Conceptual Framework introduces the following new/main improvements:

   - definitions of an asset and a liability; criteria for including assets and liabilities in financial statements
   - revised recognition criteria refer explicitly to the qualitative characteristics of useful information
   - consideration of the factors and the cost constraint is likely to result in the selection of different measurement bases for different assets, liabilities, income and expenses

- guidance on when assets and liabilities are removed from financial statements
- coherent set of concepts, not to increase or decrease the range of assets and liabilities recognized
- describes what information measurement bases provide and explains the factors to consider when selecting a measurement basis.
- concepts on presentation and disclosure, including when to classify income and expenses in other comprehensive income

The adoption of foregoing amendments had no significant impact on the financial statements.

Standards Issued but not yet Effective

Below consists of standards and interpretations issued, which the Bank reasonably expects to be applicable at a future date. The Bank intends to adopt these standards when they become effective. Except as otherwise indicated, the Bank does not expect the adoption of these new and amended standards and interpretations to have significant impact on its financial statements.

a. Amendments to PAS 1, 'Presentation of financial statements', on classification of liabilities beginning on or after January 1, 2022 deferred to January 1, 2023.

   The amendments clarify the following to specify the requirements for classifying liabilities as current or non-current:

   - What is meant by a right to defer settlement;
   - That a right to defer must exist at the end of the reporting period;
   - That classification is unaffected by the likelihood that an entity will exercise its deferral right;
   - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

b. Amendments to PAS 16, Plant and Equipment - Proceeds before Intended Use, effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

   The amendments prohibit entities 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 costs of producing those items, in profit or loss.

c. Amendments to PAS 37, Onerous Contract - Costs of Fulfilling a Contract, effective for annual reporting periods beginning on or after January 1, 2022.

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

2.4 Foreign currency translation

Foreign currency transactions are accounted for and revalued monthly using the month-end closing rate published by the Banker's Association of the Philippines. Foreign exchange differences arising from the revaluation are charged to operations.

2.5 Fair Value Measurement

The methods and assumptions used by the Bank in estimating the fair value of the financial instruments include the following:

Cash and cash equivalents and short-term investments – Carrying amounts that approximate fair values due to the relatively short-term maturity of these instruments.

Debt securities – Fair values are generally based upon quoted market prices. If the market prices are not readily available, fair values are estimated using either value obtained from independent parties offering pricing services or adjusted quoted market prices of comparable investments.

Other financial assets and financial liabilities – Since quoted market prices are not readily available, they are reported at cost.

2.6 Financial assets and liabilities

Date of recognition

Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date. Deposits, amounts due to banks and customers and loans are recognized when cash is received or released to the borrowers.

Initial recognition and classification

The Bank's financial instruments, including investment securities and loans and receivables, are initially recognized at fair value. Except for financial assets and financial liabilities valued at Fair Value through Profit or Loss (FVTPL). The initial measurement of financial instruments includes transaction costs. The Bank generally classifies it financial assets in the following measurement categories as: (1) financial assets at FVTPL, (2) financial assets at Fair Value through Other Comprehensive Income (FVOCI) investments, and (3) financial assets at amortized cost.

c. **Withholding Taxes**

The amount of withholding taxes paid/accrued for the year amounted to:

Tax on compensation and benefits	436,635
Creditable withholding taxes	823,384
Final withholding taxes	
Final income taxes	163,371
Final withholding VAT	1,634,062
	3,057,452

26. Related Party Transactions

In the ordinary course of business, the bank has deposits and other transactions in 2020 with its parent, Land Bank of the Philippines (LBP), as follows:

	Transaction Amount
Due from other banks	32,364,961
Accounts Receivable-Others	30,920
Deposit liability	2,000,000,000
Accrued expenses	159,528,652
Accounts payable-others	33,643,547
PICS-common stock	428,992,000
Deposits for Stock Subscription	1,272,008,000
Interest income	61,018
Fees and Commission Expense	85,327
Interest expense	38,555,556
	3,965,269,981

Breakdown of Accrued Expenses	
Information technology	59,001,738
Management and other professional fees	94,291,155
Stationeries and Supplies	1,491,702
Repairs and Maintenance	344,057
Interest Expense	4,400,000
	159,528,652

27. Employee Benefits

Sick Leave Credits

Per existing policy, the cash value of the accumulated sick leave credits of the employees can be monetized at a maximum of 15 days in excess of 90 days accumulated sick leave credits within the year.

Employees Benefits, Plan Amendment, Curtailment or Settlement

As of December 31, 2020, the Bank already paid all retired employees pursuant to EO No. 44 series of 2017.

Effective February 17, 2020, the Bank adopted a lean and mean organizational structure where employees shall be new hires.

28. Commitments and Contingent Liabilities

The bank is contingently liable for lawsuits or claims filed by third parties, which are either pending decision by the courts or under negotiations, the outcomes of which are not determinable at balance sheet date.

29. Basic Quantitative Indicators of Financial Performance

	2020	2019 As restated
	(In percentage)	(In percentage)
Return on average equity	-13.4	-102.8
Return on average assets	-2.8	-8.5
Net interest margin	0.8	2.0
Risk Based Capital Adequacy Ratio	108.1	19.6

30. Capital Management

The overall capital management objective of the Bank is to create a more efficient capital structure while ensuring compliance with externally imposed capital requirements.

The Bank manages its capital by maintaining strong credit ratings and healthy risk-based Capital Adequacy Ratio to support its business and sustain its mandate. Adjustments to the Bank's capital structure are made in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the bank may issue capital securities. No changes were made in the objectives, policies and processes from the previous year.

31. Reclassification of Accounts

Certain accounts in the financial statements were reclassified to conform with the current year's presentation.

32. Management of Risks Related to Financial Instruments

Credit risk management

Credit risk is a possibility of a loss resulting from a borrower's failure to repay a loan or meet contractual obligations. Traditionally, it refers to the risk that a lender may not receive the owed principal and interest, which results in an interruption of cash flows and increased costs for collection.

The Bank is exposed to credit risk as lender, holder of securities and as counterparty in trading activity.

Management of Credit Risk

Credit risk management aims to maintain its risk exposure within proper and acceptable parameters set out in contractual agreement.

The process involves the identification, measurement and monitoring of actual or potential losses and implementation of appropriate measures by setting-up limits to credit exposures.

The Bank also manages the credit risk inherent in the entire portfolio as well as the risk in individual credits or transactions and the correlation of credit risk with other risks. The effective management of credit risk is a critical component of a comprehensive approach to risk management and essential to the long-term success of the Bank.

The Bank manages credit risk through a structured risk management system and structure, to wit:

Risk Management System and Structure

The risk management framework at OFB is a top-down process where all risk policies and procedures are approved by the Board of Directors (BOD). The Board sets the overall risk tolerance of the Bank that is consistent with its business plan, financial strength and organizational capability.

BOD has created the Corporate Governance and Risk Management Committee (CGRMC), composed of five members of the Board, to oversee the implementation of risk management process that includes development of various risk strategies and principles, implementation of risk measurement tools, monitoring risk indicators and approval of risk limits.

The Risk Management Office (RMO) is the direct support of the CGRMC in the day-to-day identification, measurement, monitoring and control of risks. As an independent unit reporting directly to the Board, RMO consults with business units in identifying, measuring, and implementing risk management methodologies and controls. It assists business and operating units in measuring risk/return to better manage their risk profile.

Senior Management of OFB is also actively involved in the planning, reviewing and assessing different risks being managed by the Bank through the various committees. The Management Committee ensures that all business objectives are align with the risk tolerance set by the Board. The Assets and Liabilities Management Committee (ALMC) is responsible for ensuring that market and liquidity risks are adequately addressed on long-term and daily basis.

The Lending Committee (LendCom) which has been delegated with credit authority limits, reviews, approves / recommends loan proposals and credit policies to the Board.

Internal Audit provides another layer for independent check and balance to further strengthen risk controls and compliance. Internal Audit ensures that risk-takers comply with standards and established policies. It also evaluates the effectiveness and adequacy of the Bank's risk management framework particularly on its control processes.

Legal Office has the primary responsibility of reviewing all Banks' documents for completeness and enforceability under respecting legal jurisdiction.

Compliance Office oversees that the Bank is effectively managing compliance of regulatory risk as prescribed by the Compliance Manual. The same unit is also responsible for the implementation of the Anti-Money Laundering Program.

To effectively monitor and maintain the quality of its loan portfolio, the Bank conducts annual qualitative and impairment review to assure proper loan classification and setting-up of valuation reserves.

The Bank estimated a total of P0.250 million additional credit losses as of December 31, 2020 computed using Expected Credit Losses (ECL) Model of parent bank, LBP, with total booked allowance for credit losses of P0.97 million. For the same period, the Bank's Non-Performing Loan (NPL) stood at P0.04 million or 1 per cent of the total loan portfolio of P3.327 million.

Credit Risk Rating

The Bank adopts the industry-specific and borrower-specific credit risk scorings with consideration on Single Borrower's Limit (SBL) rule.

In addition, the Bank shall also continue to use the expert-based credit rating system for banks and financial institutions.

Credit Risk Monitoring

The Bank has continuously adopted a formal reporting system for the BOD and Senior Management to be able to monitor the credit quality of individual and loan portfolio using asset quality indicators such as past due ratio, NPL ratio, level of non-performing assets, coverage ratio and concentration risk. Large exposures, breaches in regulatory and internal limits, potential credit risk, Directors, Officers, Stockholder and their Related Interests loans, Related Party Transactions and compliance with Real Estate Stress Test (REST) are intensively monitored by the CGRMC. The recovery of written-off accounts is also within the radar of the OFB Board, CGRMC and Management.

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ECL assessment shall be applied to the following exposures:

1. Loans and receivables measured at amortized cost;
2. Investments in debt instruments that are measured at amortized cost;
3. Investments in debt instruments that are measured at fair value through other comprehensive income (FVOCI);
4. Due from Bangko Sentral ng Pilipinas and Due from Other Banks

Credit exposures follow the staging assessment:

Factor	Stage	Criteria
Age	Stage 1	• Current • One (1) to thirty (30) days past due
	Stage 2	Thirty one (31) to ninety (90) days past due
	Stage 3	• More than ninety (90) days past due (monthly installments) • More than thirty (30) days past due (lump sum payment, and quarterly, semi-annual and annual installments)
Observable Impairment Indicators	Stage 1	General economic and market conditions
	Stage 2	• Economic and market conditions adverse to the borrower • Industry specific issues
	Stage 3	Company-specific business, operational and financial (PFRS 9 loss events)
BSP Classification/ Internal Rating	Stage 1	• 1 (Prime) • 2 (High Grade) • 3 (Good) • 4 (Very Satisfactory) • 5 (Satisfactory) • 6 (Watchlist)
	Stage 2	• 7 (EM) • 8 (Substandard)
	Stage 3	• 9 (Doubtful) • 10 (Loss)

The Bank's exposures shall be further classified into the following stages:

Stage	Characteristics	ECL Assessment
1	credit exposures that are considered "performing" and with no significant increase in credit risk since initial recognition or with low credit risk	12 month
2	credit exposures that are considered "under-performing" or not yet non-performing but with significant increase in credit risk since initial recognition	lifetime
3	credit exposures with objective evidence of impairment, these are considered as "non-performing"	lifetime

The result of the credit evaluation is used as basis in adjusting credit lines periodically. To efficiently manage credit exposures, collateral and other applicable agreements are executed with counterparties whenever possible.

The Bank monitors and reviews from time to time the credit practices and reporting, and if appropriate, approve credit policy changes and procedures to ensure that credit policies are appropriate and are being complied with. Accounts for write-off shall also approved by the BOD.

The Bank prepares a monthly report on credit quality as summarized below (in million Pesos):

	2020	2019
Neither past due nor impaired	3.291	578
Past Due but not impaired	0	462
Impaired	0.036	2,356
	3.327	3,396
Less: Specific allowance for credit losses	0.739	969
	2.588	2,427

Collateral and Other Credit Enhancements

The Bank adopts a cash flow lending principles and collateral is not the primary factor in granting credit. The required amount and type of collateral and other credit enhancements to mitigate credit exposures depend primarily on the results of the holistic and prudent credit assessment. When needed, the Bank diligently evaluates the enforceability, realizable value and marketability of offered collaterals. The Bank's Manual of Lending Operations and issued policies provide the guidelines on the acceptability of loan collateral and maximum valuation for each type of collateral.

The primary collaterals accepted are Holdout on Deposits, Government Securities (GS), Real Estate Mortgage, Chattel Mortgage and eligible guarantees. In the case of agricultural and agriculture-related loans that are vulnerable to the effects of climate and weather disturbances, borrowers are encouraged to avail of crop insurance guarantees and other insurance mechanisms to protect them from these risks.

The Bank further classifies its NPL into secured and unsecured (in million Pesos):

	2020	Per cent	2019	Per cent
Secured	0	0	868	37
Unsecured	0.04	100	1,488	63
	0.04	100	2,356	100

Credit Stress Test

The Bank regularly conducts stress testing of individual large exposure and its loan portfolio taking into account plausible risk events with high probability of occurrence. Utilizing such scenarios with documented assumptions, tests are done to determine the magnitude of impact on the loan portfolio, on the Credit Risk Weighted Assets, and finally on the Common Equity Tier 1 (CET1) Ratio. The stress testing also includes prescribed regulatory tests such as uniform stress test and REST. Likewise, various loan portfolio assessment and review are conducted to determine impact of a certain event and government regulation to the Parent's loan portfolio: past due ratio and CET 1. Results of the stress testing, together with the contingency plans, are escalated to LendCom and CGRMC.

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Risk concentrations of the maximum exposure to credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

The Bank has established concrete guidelines and procedures relative to managing, monitoring and reporting large exposures and credit risk concentrations in accordance with the rules and regulations issued by the BSP.

Overall credit risk management oversight is a function of the BOD-level CGRMC. In general, mitigation measures on credit risks are implemented at various levels.

As of December 31, 2020, the Bank's qualifying capital covering credit risk is P899 million. On the other hand, the SBL is pegged at P224 million for direct lending.

The following shows the concentration of credit risk by industry at the reporting date (in million Pesos):

	2020	2019
Real Estate Activities	0	1,171
Wholesale and Retail Trade	0	744
Salary-Based General-Purpose Consumption Loans	3.327	269
Public Adm. and Defense/Compulsary Social Sec.	0	259
Agriculture, Hunting and Forestry	0	250
Financial and Insurance Activities	0	98
Administrative and Support Service Activities	0	177
Education	0	115
Construction	0	70
Mining and Quarrying	0	74
Others	0	169
	3.327	3,396
Allowance for Credit Losses	(0.739)	(969)
	2.588	2,427

Others include the following Sector: Other Service Activities, Arts, Entertainment and Recreation, Manufacturing, Transportation and Storage, Accommodation and Food Service Activities, Water Supply, Sewerage and Waste Management, Motor Vehicle Loans, Professional, Scientific and Technical Activities, Human Health and Social Work Activities, Information and Communication, Electricity, Gas, Steam and Air conditioning Supply and Activities of Extra-Territorial Org. and Bodies.

Market Risk

Market risk is the risk that changes in interest rates, foreign exchange rates, equity prices, commodity prices and other market indicators which may affect the Bank's income or values of its financial assets. The Bank uses mark-to-market and factor sensitivity to manage risk on its securities portfolios.

The Bank is exposed to market risk that originates primarily from its risk-taking activities on fixed income investments in securities and foreign exchange effects. Transaction limits are used to operationally manage market risks.

Treasury market risks originate from its holdings of debt securities mainly as compliance to liquidity reserves for government deposits. Further, it classifies its debt securities exposures under trading and non-trading portfolios.

The Bank uses a combination of stress testing, CET 1 ratio and capital metrics to manage market risks and establish limits. The OFB BOD, CGRMC and ALMC, define and set the various market risk limits for each treasury portfolio. The Electronic Business *Unit manages the liquidity and reserve positions, conducts risk-taking activities and* seeks approval from President and CEO.

The Bank also adopts the following staging assessment for its treasury exposures based on external rating:

Stage 1 - investment grade
Stage 2 - downgrade to speculative/non-investment grade; risk ratings downgraded by at least two rating grades
Stage 3 - default

As of December 31, 2020, remaining GS classified under FVOCI with average yield to maturity of 3.5 per cent registered an unrealized gain/mark-to-market gain of P1.5 million for a P50 million portfolio.

Market Risk Measurement

Treasury portfolio is measured at mark-to-market to measure market risk in the books under normal conditions.

Liquidity Risk Management

Liquidity Risk Management (RM) Framework

The Bank's liquidity RM process is consistent with its general RM framework covering risk identification, measurement and analysis, monitoring and control. The Management through the ALMC is responsible for the implementation of sound policies and procedures keeping in mind the strategic direction and risk appetite of the Bank. The basic liquidity policy of the Bank is to maintain fund availability at all times and hence, to be in a position to meet all of its obligations, in the normal course of business.

The Bank considers liquidity risk based on market and funding liquidity risk perspectives. Market liquidity risk refers to inability to unwind positions created from market, exchanges and counterparties due to temporary or permanent factors. It is the risk that the Bank cannot easily offset or eliminate a position at the market price because of inadequate market depth or through market disruption.

Market liquidity risk is also associated with the probability that large transactions may have a significant effect on market prices in markets that lack sufficient depth. This liquidity risk perspective is captured through stress testing or scenario analysis.

Funding liquidity risk is the risk that the Bank will not be able to meet efficiently both expected and unexpected current and future cash flow and collateral needs without affecting either daily operations or the financial condition of the Bank. It occurs from the mismatch of asset, liability, exchange contract and contingent commitment maturities. Funding liquidity risk is being monitored and controlled through the classification of maturities of assets and liabilities over time bands and across functional currencies as reflected in the Liquidity Gap Report (LGR).

The Bank's Board exercises oversight through CGRMC and has delegated the responsibility of managing overall liquidity to ALMC. The ALMC and Electronic Business Unit (EBU) are responsible for the daily implementation and monitoring of relevant variables affecting liquidity position. The EBU presents to ALMC the assets and liabilities position on a regular basis where ALMC recommends measures to promote diversification of its liabilities according to source, instrument and currency to minimize liquidity risks resulting from concentration in funding sources. The Bank performs a comprehensive liquidity risk measurement and control using LGR.

Liquidity Risk Measurement Models

The Bank conducts liquidity gap analysis using the LGR. This risk measurement tool is used in identifying the current liquidity position and the Bank's ability to meet future funding needs. It categorizes balance sheet items according to estimated maturities of assets and liabilities in order to determine any future mismatch such as long-term assets growing faster than long term liabilities.

Financial ratio analysis is another liquidity risk measurement tool that calculates and compares liquidity leverage ratios derived from information on financial statements against set liquidity/ leverage limits.

The following table sets out the liquidity ratios as of December 31, 2020.

Liquid Assets (Cash and Due From BSP/ Local Bank, Government Securities)	P3,395,520,150
Financial Ratios:	
Liquid Assets to Total Assets	93%
Liquid Assets to Total Deposits	133%

Miscellaneous assets

The account consists of various security deposits and advance rentals of building and utilities transferred from the closed branches. This account also includes the amount of P2.568 million resulting from the payments of quarterly income tax of prior years which was recorded under Deferred Tax Assets account in CY 2019. However, the year-end operations resulted in a loss. Said amounts shall be applied in the future payments of income tax.

16. Deposit Liabilities

This account is composed of the following:

	2020	2019
Domestic:		
Savings deposits	2,555,944,367	3,944,711,618
Time certificate of deposits	2,012	17,732,502
Foreign:		
Savings deposits	630,691	816,540
Time certificate of deposits	97,197	255,627
	2,556,674,267	3,963,516,287

Domestic deposit liabilities earns annual fixed interest rates ranging from 0.05 to 1.5 per cent and 0.25 to 4.25 per cent in 2020 and 2019, respectively. Foreign deposits range from 0.05 to 0.75 per cent and 0.15 to 0.5 per cent in 2020 and 2019, respectively.

17. Accrued Expenses

This account represents:

	2020	2019 As restated
Management and other professional fees	94,728,305	63,526,110
Information technology	61,335,130	0
Accrued interest expense in financial liabilities	5,588,928	14,801,626
Other taxes and licenses	3,476,791	1,829,364
Security, clerical, messengerial and janitorial	2,265,291	12,610,621
Fringe benefits	1,374,269	137,253,930
Rent	553,609	527,533
Power, light and water	476,717	728,273
Repairs and maintenance	426,815	30,989
Postage, telephone, cables and telegrams	176,118	670,621
Salaries and wages	121,599	311,053
Fuel and lubricants	35,239	82,961
Others	3,547,569	25,308,752
	174,106,380	257,681,833

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Others include accruals for internet connection and subscriptions, PDIC Insurance, offsite storage services, disaster recovery collocation site services, preventive maintenance services for data center's UPS, air conditioning units and ATM units, card embossing services, travelling expenses, rental of PCSO with PPC Baguio, photocopy charges, advertising expenses, membership fees and representation expenses.

The accrual as of December 31, 2019 includes the P137.16 million employee benefits representing the Early Retirement Incentive Plan (ERIP) per E.O. 44, dated 28 September 2017. As of December 31, 2020, the remaining accrual on ERIP is P1.24 million.

18. Other Liabilities

This account comprises of:

	2020	2019 As restated
Accounts payable – others	41,982,794	16,991,780
Sundry credits	7,054,066	871,229
Unclaimed balances	3,368,861	3,368,861
Due to the Treasurer of the Phil.	851,205	851,205
Withholding tax payable	107,022	250,490
SSS, PHIC, Employee Compensation and Pag-ibig Fund Payable	72,968	416,077
Unearned income and other deferred credits	0	68,898,924
Miscellaneous liabilities	101,499	298,591
	53,538,415	91,947,157

The Accounts Payable – others account represents unpaid obligation to LBP, overpayment on loans pending refund, loans payment pending posting, contributions payable to BIR, SSS, PHIC, Bancnet, delivered items of supplies and equipment not yet paid and others.

Unearned income relates to loans and receivable accounts that was approved by the Board for reversal in 2020.

19. Capital Stock

The Bank is authorized to issue 10,000,000 shares at P100 par value of which 10,000,000 shares amounting to P1 billion were fully paid and issued.

Four million four hundred thousand (4,400,000) shares were issued and were fully paid by Philippine Postal Corporation (PPC) amounting to P440 million Additional issuance of 1,310,080 common shares of stock for the National Government was made by Philippine Postal Savings Bank, Inc. (PPBSI) corresponding to the latest appraised value of parcel of land where Head Office is situated per Board Resolution No. 2014-142 dated June 10, 2014. These shares were then approved for transfer to Land Bank of the Philippines

(LBP) on October 10, 2017 per PPC Board Resolution no. 2017-147 in compliance with Executive Order no. 44, dated September 28, 2017.

The Board of Directors of the Bank, through Board Resolution No. 2011-274, approved the issuance to the Republic of the Philippines of common shares of stock with par value equal to the cash balance of the Project Dagdag Regular Income Via Entrepreneurship (DRIVE) Fund, a microfinance program for the transport sector, amounting to P249.24 million or equivalent to 2,492,348 shares last 2011. The National Government consented to the treatment of the Fund as capital in the books of PPSBI per memorandum from the Executive Secretary of the Office of the President of the Philippines dated December 16, 2011.

On September 28, 2017, the President of the Philippines, through Executive Order (EO) No. 44, directed the Bank to return to the National Treasury (NT) the balance amounting to P249.23 million from the previously released P500 million to fund the Project DRIVE Fund.

On January 19, 2018, pursuant to EO 44, the Bank transferred to the NT the amount of P249.23 million which is the equivalent value of the Capital Stock issued for the remaining balance of the Project DRIVE Fund.

On July 6, 2018, the LBP subscribed and paid four million two hundred eighty-nine thousand nine hundred twenty (4,289,920) shares amounting to P428.99 million.

EO No. 44 series of 2017 provides that "In order to strengthen the capital base of OFB and enable the same to attain its primary agenda of servicing the various financial and banking needs of overseas Filipinos, the LBP is hereby directed to infuse the necessary capital to OFB".

Relatedly, at the respective meetings of the stockholders and Board of Directors held on May 18, 2018, approved the increase in the authorized capital stock from P1.0 billion to P3.5 billion divided into 30.0 million common shares with a par value of P100 per share and 5.0 million preferred shares with a par value of P100 per share.

In January and December 2019, the parent bank, LBP contributed cash of P500 million and P772 million, respectively, and recognized as deposit for stock subscription.

The Bank received the endorsement by the Government Commission on GOCCs on the proposed increase in capital stock which was also filed and approved by the Securities and Exchange Commission through issuance of Certificate of Approval of Increase of Capital Stock from P 1.0 billion divided into 10.0 million shares of the par value of P100.00 each, to P3.5 billion divided into 30.0 million common shares of the par value of P100.00 each and 5.0 million preferred shares of the par value of P100.00 each, and Certificate of Filing of Amended Articles of Incorporation dated March 18, 2021.

20. Retained Earnings Deficit

In consonance with PAS 8, the balance of this account as of December 31, 2019 was restated for prior period adjustments. The adjustments principally relate to reclassification of various accounts, recognition of expenses and the reversal of income.

Details of the restatement of Retained earnings of the Bank as December 31, 2019 are as follows:

Particulars	Debit	Credit	Balance
Retained earnings, as of January 1, 2019 before restatement			(726,806,000)
Adjustments :			
Reversal of various expenses		72,904,942	72,904,942
Retained earnings as of January 1, 2019, as restated			(653,901,058)
Net loss for CY 2019 before restatement			(609,274,581)
Adjustments:			
Compensation and Fringe Benefits		436,170	
Rent		317,933	
Security services		377,809	
Management & Other Professional Fees		205,755	
Power, Light and Water		103,166	
Postage, Tel., Cables and Telegrams		468,066	
Information Technology		926,704	
Repairs and Maintenance	391,443	190,348	
Depreciation -BPFFE	9,724		
Fees and Commissions (PCHC)		7,224	
	401,167	3,033,177	2,632,010
Net loss for FY 2019, as restated			(606,642,571)
Retained earnings as of December 31, 2019, as restated			(1,260,543,629)

The effects of these restatements in the financial statements as of and for the year ended December 31, 2019 are summarized below:

	As Previously Reported	Effects of Restatement	As Restated
Changes in the Statement of Financial Position			
Assets			
Loans and Receivables - net	2,417,557,121	194,854	2,417,751,975
Property and Equipment - net	165,953,189	314,403	166,267,592
		509,257	
Liabilities			
Accrued Expenses	333,425,097	(75,743,264)	257,681,833
Other Liabilities	91,231,587	715,569	91,947,156
		(75,027,695)	
Equity			
Retained earnings deficit	(1,336,080,581)	75,536,952	(1,260,543,629)
		509,257	