	As Previously Reported	Effects of Restatement	As Restated
Changes in the Statement of Comprehensive Income			
Compensation and fringe benefits	91,418,310	(436,170)	90,982,140
Depreciation and Amortization	31,190,945	9,724	31,200,669
Rent	17,137,411	(317,933)	16,819,478
Miscellaneous expense	248,741,275	(1,887,631)	246,853, 644
		(2,632,010)	
Net		(2,632,010)	

21. Other Comprehensive Income (Loss)

This account consists of Unrealized Gains/Losses on FVOCI Financial Assets representing the gains and losses from mark to market valuation of FVOCI securities which is booked on a daily basis and the Cumulative Foreign Currency Translation representing the foreign exchange differences arising from the revaluation of the foreign currency assets every end of the month using the month-end closing rate published by the Banker's Association of the Philippines.

22. Miscellaneous Income

This account includes the following:

	2020	2019
Rental income	51,717	427,135
Penalties on past due loans/amortizations	0	28,584,019
Recovery on charged-off assets	0	923,152
Gain from sale/derecognition of non-financial assets	0	11,097,514
Other income	246,258	3,564,772
	297,975	44,596,592

23. Other Operating Expenses

a. Compensation and fringe benefits

	2020	2019 As restated
Salaries and Wages	6,732,185	59,081,675
Fringe Benefits	715,232	24,492,777
Government Contribution	388,205	3,870,992
Other compensation and benefits	1,530,218	3,536,696
	9,365,840	90,982,140

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b. **Provision for probable losses**

	2020	2019
Loans to Individuals for Consumption Purposes	250,192	28,511,213
Loans to Private Corporation	0	197,296,741
Small and Medium Enterprise Loans	0	76,899,999
Agrarian Reform and Other Agricultural Loans	0	22,017,715
Other Assets	50,063,658	35,685,000
	50,313,850	360,410,668

c. **Depreciation and amortization**

	2020	2019 As restated
Bank Premises, Furniture, Fixtures and Equipment	4,901,772	7,631,745
Investment Property	0	20,033,510
Other Intangible Assets	2,299,854	3,535,414
	7,201,626	31,200,669

24. Miscellaneous Expenses

This account is composed of:

	2020	2019 As restated
Information technology	52,472,162	26,870,773
Management and other professional fees	44,423,625	50,315,676
Documentary stamps used	23,539,031	38,130,238
Security, clerical, messengerial and janitorial	7,882,443	27,048,432
Insurance	5,523,067	14,231,145
Fees and commission	5,430,337	1,730,601
Power, light and water	2,460,609	9,295,473
Stationeries and supplies used	2,080,790	6,211,303
Impairment loss	1,037,811	13,018,275
Postage, telephone, cable and telegram	955,910	7,969,686
Representation & entertainment	691,158	4,730,768
Repairs and maintenance	654,274	4,839,736
Membership fees and dues	251,720	640,053
Fuel and lubricants	247,369	1,060,268
Litigation expense	123,998	5,587,860
Travelling expense	70,586	1,619,084
Advertising and publicity	62,720	74,475
Periodicals and magazines	740	73,543
Loss on financial assets held for trading	0	28,664,704
Supervision fees	0	2,054,750
Fines, penalties and other charges	0	339,052
Donation and charitable contributions	0	5,220
Other expenses	186,572	2,342,529
	148,094,822	246,853,644

25. Income and Other Taxes

Under Philippine tax laws, the Bank is subject to percentage and other taxes as well as income taxes. Percentage and other taxes paid consist principally of gross receipt tax (GRT) and documentary stamp tax (DST).

Income taxes include the corporate income tax and final taxes paid at the rate of 20 per cent, which is a final withholding tax on gross interest income from government securities.

Interest allowed as a deductible expense is reduced to an amount equivalent to 33 per cent of interest income subject to final tax.

Summary of taxes paid during the year:

	2020	2019
Documentary stamp taxes	23,539,031	38,130,238
Final income taxes (1602)	163,371	21,481,108
Income taxes on compensation (1601C)	436,635	3,616,087
Percentage taxes (2551M)	3,553,481	5,835,506
VAT & other percentage taxes (1600)	1,634,062	2,070,778
Creditable income taxes (1601E)	823,384	1,404,573
Annual registration	500	500
	30,150,464	**72,538,790**

Supplemental Information Required under Revenue Regulation No. 15-2010

Presented below is the supplementary information which is required by the Bureau of Internal Revenue (BIR) under its existing revenue regulation to be disclosed as part of the notes to financial statements.

a. Documentary stamp tax

The documentary stamp tax (DST) on loan instruments and other transactions subject thereto for the tax period 2020 are as follows:

Documents/Transactions	DST Paid
Certificate of time deposits/Other deposits	23,539,031
	23,539,031

b. Other taxes and licenses

In 2020, Taxes and licenses presented as part of "Other Operating Expense" accounts in the statement of comprehensive income includes the following:

Local taxes	10,500
National	
BIR annual registration	500
Percentage taxes (2551)	3,553,481
	3,564,481

The Bank classifies its financial assets under the following categories:

a. Financial assets at Fair Value through Other Comprehensive Income

These investments are measured at fair value through other comprehensive income that meets the following conditions:

i. the Financial Asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
ii. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

b. Financial assets at Fair Value through Profit or Loss

This refers to the debt and equity securities held for trading that are measured at fair value through profit or loss that the company may, at initial recognition, irrevocably designate as such to eliminate or significantly reduce a measurement or recognition inconsistency. The financial assets are:

i. acquired principally for the purpose of selling or repurchasing them in the near term; or
ii. part of a portfolio of identified securities that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

c. Financial assets at amortized cost

The financial asset shall be measured at amortized cost if the following conditions are met:

i. The financial asset is held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows; and
ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

This represents loans and receivables, due from BSP, due from other banks, and securities under agreement to resell.

The financial liabilities are classified as financial liabilities at FVTPL and financial liabilities at amortized cost. Under PFRS 9, the classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Determination of fair value

The fair value of financial instruments traded in active markets at the statement of financial position date is based on their quoted market price or dealer price quotation. In the absence of an available current bid or asking prices, the price of the most recent transaction is used because it provides evidence of the current fair value as long as there has no significant change in the economic circumstances since the time of the transaction. For other financial instruments not listed in an active market, the Bank determines fair value using relevant valuation models.

2.7 Impairment of Financial Assets

The Bank determines at each reporting date if there is objective evidence that assets may be impaired.

Financial assets at FVOCI

The Bank opted to apply the impairment requirements for the recognition and measurement of loss allowance for FVOCI investments. The said allowance is to be recognized in other comprehensive income and will not reduce the carrying amount of the financial asset in the statement of financial position.

Financial assets at amortized cost

The Bank calculates the allowance for credit losses by considering on a discounted basis the cash shortfalls it would incur in various default scenarios for prescribed future periods and multiplying the shortfalls by the probability of each scenario occurring. The allowance is the sum of these probability weighted outcomes. Because every loan and receivable carries with it some risk of default, every such asset has an expected loss attached to it – from the moment of its origination or acquisition.

The Bank recognizes in profit or loss, as impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized in accordance with PFRS 9.

Uncollectible loans are written off against the related allowance account for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of loss has been determined. Subsequent recoveries of amounts previously written off are recognized as deductions to provisions in the statement of comprehensive income.

The Bank measures expected credit losses of a financial instrument that reflects:

a. an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
b. the time value of money; and
c. reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions."

The maximum period considered when measuring expected credit losses is the maximum contractual period (including extension options) over which the entity is exposed to credit risk and not a longer period, even if that longer period is consistent with business practice.

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Investment Property, Property and Equipment and Other Assets

Where an indicator of impairment exists, the Bank makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Recoverable amount is the higher of its fair market value less cost to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset. The impairment loss on non-revalued asset is recognized in the profit or loss and an allowance account is set up to reduce the carrying amount of the asset.

2.8 Investment Property

These are generally land and buildings acquired by the Bank either through foreclosure (legal proceedings initiated by the Bank to acquire the collateral securing the loan of the defaulting borrowers) or dacion en pago in settlement of loans and advances of defaulting borrowers, or assets acquired through the implementation of an execution of attachment of real properties in settlement of the Bank's deficiency claims against defaulting borrowers (legal proceedings initiated by the Bank in case there are still deficiency claims after all the underlying collaterals of the borrowers were judicially/extra-judicially acquired by the Bank). These assets are being held until such time that these are readily available for disposition and are reclassified to Non-Current Assets Held for Sale.

Investment property is measured at cost less accumulated depreciation and any accumulated impairment losses. Straight line method was being used in depreciating the properties over 10 years useful lives.

Expenditures such as repairs and maintenance are charged against operations in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of acquired assets beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of acquired assets held for sale.

2.9 Property and Equipment

Property and equipment including leasehold improvements are stated at cost less accumulated depreciation and amortization and any impairment in value. Depreciation is computed based on a straight-line method net of 10 per cent residual value of acquisition cost over the estimated useful lives of the related assets as follows:

	Number of Years
Building	10 – 20
Furniture, fixtures and equipment	5 -10
Leasehold improvements	5 (maximum)
Transportation equipment	5

Impairment is only recognized when there is substantial evidence of the decline in the value of the property and equipment.

The cost of leasehold improvements is amortized over the term of the lease or the estimated useful life of the improvements not exceeding five years whichever is shorter. Minor expenditures for replacement, maintenance and repairs are expensed as incurred. Major renovations and improvements that will extend the life of the asset are capitalized.

Properties that are no longer needed or uneconomical to maintain are disposed of in accordance with the existing guidelines on disposal. The cost and the related accumulated depreciation and amortization of the disposed assets are derecognized in the books and any resulting gain or loss is credited or charged to current operations.

2.10 Non-Current Assets Held for Sale

The Bank classifies a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable. For the sale to be highly probable, the appropriate level of management is committed to a plan to sell the assets and an active program to locate a buyer and the plan has been initiated. Further, the assets are actively marketed for sale at a price that is reasonable in relation to its current fair value. Events or circumstances may extend the period to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude an asset from being classified as held for sale if the delay is caused by events or circumstances beyond the Bank's control and there is sufficient evidence that the Bank remains committed to its plan to sell the asset.

Non-current assets classified as held for sale should be measured at the lower of its carrying amount and fair value less cost to sell. The Bank recognizes an impairment loss for any initial or subsequent write-down of the asset to fair value less cost to sell.

2.11 Sales Contract Receivable (SCR)

These are receivables from assets acquired in settlement of loans through foreclosure or dation in payment and subsequently sold on installment basis whereby the title to the said properties are transferred to the names of the respective buyers only upon full payment of the agreed selling price. These are recorded initially at the value of the installment receivables due from borrower. Discounts are accreted over the life of the SCR by crediting interest income. Any difference between the present value of the SCR and the derecognized assets shall be recognized in profit or loss at the date of sale in accordance with the provisions of PFRS 15 Revenue from Contracts with Customers.

2.12 Intangible Assets

Intangible assets represent costs of software licenses and cost incurred directly in the development and maintenance. These are measured at cost and amortized based on a straight-line method with an expected maximum useful life of 10 years. Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Cost that are directly associated with the production of identifiable and unique software products controlled by the bank and that will probably generate economic benefits exceeding costs, beyond one year, are recognized as intangible assets.

Direct costs include software licenses, software development, employee costs and the related overheads.

2.13 Leases

The leases entered into by the bank are primarily operating leases. The payments made under operating leases are recognized as an expense on a straight-line basis over the period of the lease. The Bank leases the premises of its 3 branches (Cagayan de Oro, Baguio and Dagupan) from Philippine Postal Corporation (PPC), its former mother corporation, for periods ranging from five to 10 years renewable upon mutual agreement of both parties. The costs of renovations effected by the bank on PPC premises are charged against future rentals payable.

The Bank leases the premises occupied by its provincial branches. The terms of these contracts are renewable at the mutual agreement of both lessee and lessor. Various lease contracts contain escalation clauses. In 2020 and 2019, rent expenses were included in the statement of comprehensive income amounting to P3.67 million and P16.82 million, respectively.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

Future minimum rentals payable under non-cancellable operating leases as at December 31, 2019 are as follows:

Within one year	1,573,264
After one year but not more than five years	263,648
	1,836,912

Due to the closure of branches in 2019, the Bank assessed that the impact of adopting PFRS 16 was insignificant.

2.14 Recognition of Income and Accounting for Expenses

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

3. Significant Accounting Judgments and Estimates

The following are the critical judgments and key assumptions that have significant influence in the carrying amounts of assets and liabilities:

3.1 Operating lease commitments

The Bank assesses at contract inception whether a contract is, or contains a lease. A contract contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for considerations. It applies a single recognition and measurement approach for all leases, except for short term leases and leases of low value assets. Also, the Bank applies the short term and low value assets lease recognition exemptions to its lease of branch premises with remaining lease term which are non-cancellable when they ceased operations. The Bank has no lease liabilities and Right of Use Assets recognized.

3.2 Impairment losses of loans and receivables

The Bank reviews its loan portfolio to assess impairment at least annually or as the need arises. In determining whether an impairment loss should be recorded in the books, the Bank makes judgment as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows including information indicating that there has been an adverse change in payment status of borrowers, or national or local economic conditions that correlate with defaults on assets.

The Bank estimated a total of P0.25 million additional credit losses as of December 31, 2020 computed using Expected Credit Losses Model of Parent Bank. Net carrying value of loans from customers stood at P2.357 million, net of allowance for credit losses amounting to P0.97 million.

3.3 Impairment of FVOCI investments

The Bank considers FVOCI investments as impaired when there has been a significant or prolonged decline in fair value (market value) below its carrying amount. The determination of significant or prolonged decline in fair value requires judgment. In making this judgment, the Bank evaluates among other factors, the normal volatility in prices. Impairment may also be appropriate when there is evidence of deterioration in the financial health of the Investee Company, industry and sector performance, changes in technology and operational and financing cash flows.

3.4 Impairment of Property and Equipment /Other Assets

Assets are reviewed and tested whenever there is indication of impairment at least annually. Impairment of assets requires estimates and judgments through the use of certain tools/devices/factors/market data/existing conditions.

Management determines the estimated useful lives and related depreciation charges for its property and equipment. The Bank will increase the depreciation charge where useful lives are less than previously estimated, or it will write-off or write-down technically obsolete or items that have been sold.

4. Fair Value Hierarchy

These levels are based on the inputs that are used to determine the fair value and can be summarized in:

- Level 1 : quoted prices in active markets for identical assets or liabilities
- Level 2 : inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
- Level 3: inputs that are not based on observable market data or unobservable inputs

5. Cash and Cash Equivalents

This is broken as follows:

	Note	2020	2019
Cash and other cash items		0	265,041
Due from Bangko Sentral ng Pilipinas	6	2,475,820,036	1,834,723,024
Due from other banks	7	32,364,961	60,518,088
Loans and receivables arising from RA/CA/PR/SLB	8	835,828,167	247,549,214
		3,344,013,164	2,143,055,367

6. Due from Bangko Sentral ng Pilipinas

This account consists of the following deposits/placement accounts which the bank utilizes in its clearing operations and reserve requirements of the Bangko Sentral ng Pilipinas:

	2020	2019
Term deposit account	0	1,500,000,000
Demand deposit account	78,820,036	162,723,024
Overnight deposit account	2,397,000,000	172,000,000
	2,475,820,036	1,834,723,024

7. Due from Other Banks

This account represents demand deposit account, short-term investments in special savings deposits and premium savings account deposited with the Parent Bank:

	2020	2019
Land Bank of the Philippines	32,364,961	60,518,088

8. Loans and Receivables Arising from Repurchase Agreements (RA)/ Certificates of Assignment (CA)/Participation with Recourse (PR)/ Securities Lending and Borrowing (SLB)

This pertains to loans arising from repurchase agreement with Bangko Sentral ng Pilipinas amounting to P835.828 million and P247.549 million in 2020 and 2019, respectively.

9. Fair Value thru Other Comprehensive Income

This account is composed of:

	2020	2019 As restated
Investment in Treasury Bills/Fixed Treasury Notes purchased from Security Bank Corp.	51,506,986	48,087,121
Investment in QUEDANCOR Bonds	30,000,000	30,000,000
Allowance for credit losses	(30,000,000)	(30,000,000)
	51,506,986	48,087,121

The investment in QUEDANCOR bonds amounting to P30.0 million with allowance for probable losses of the same amount was recorded initially under Unquoted Debt Securities Classified as Loans (UDSCL) and subsequently reclassified to Miscellaneous Assets account in 2018 in accordance with BSP Circular No. 1011 dated August 14, 2018 and to FVOCI account in 2020 with restatement in 2019. This investment was made for the Bank's Agri-Agra compliance which is now under negotiation for the replacement of QUENDANCOR Restructured Notes.

10. Loans and Receivables - net

This account consists of:

	2020	2019 As restated
Loans to Private Corporation	0	1,564,712,484
Small & Medium Enterprises	0	530,657,960
Consumption loans	0	287,403,673
Contract to Sell	0	402,861,900
Agrarian Reform & other Agricultural Loan	0	345,004,230
Loans to Government	0	173,715,986
Loans to Individuals for Housing Purposes	0	44,343,072
Loans to Individuals for Other Purposes	3,327,244	38,078,608
Microfinance Loans	0	8,931,734
	3,327,244	3,395,709,647
Allowance for Losses	(970,134)	(977,957,672)
Net of Allowance	2,357,110	2,417,751,975

In January 10, 2020, the Bank transferred the loans and related accrued interest receivable to the Parent Bank amounting to P3.376 billion and P37.671 million respectively. The remaining loans represent salary loans.

Allowance for Losses

The details of specific allowances on loans are:

	2020	2019 As restated
Balance, January 01	969,334,673	637,847,724
Provisions	250,192	324,725,668
Write-Offs	0	(5,012,863)
Transfers and other adjustments	(968,846,182)	11,774,144
Balance, December 31	738,683	969,334,673

The movement of the general loan loss provisions are:

	2020	2019
Balance, January 01	8,622,999	29,328,497
Transfers and other adjustments	(8,391,548)	(20,705,498)
Balance, December 31	231,451	8,622,999

As to Status:

	2020	2019
Current Loans	3,291,339	1,040,170,953
Non-Performing Loans	35,905	2,355,538,694
	3,327,244	3,395,709,647

As to Security:

	2020	2019
Secured Loans	0	2,482,160,676
Unsecured Loans	3,327,244	913,548,971
	3,327,244	3,395,709,647

As to Type of Security:

	2020	2019
Real Estate Mortgage	0	1,407,647,322
Other Collaterals	0	1,074,513,354
	0	2,482,160,676

11. Sales Contract Receivable

This account represents the amortized cost of assets acquired in settlement of loans through foreclosure or dation in payment and subsequently sold on installment basis whereby the title to the said property is transferred to the buyers only upon full payment of the agreed selling price. In CY 2020, the SCR was transferred and paid by the Parent Bank amounting to P18.160 million

12. Property and Equipment - net

This account consists of:

	Land	Building	Furniture Fixture & Equipment	Motor Vehicles	Computer and Peripherals	Lease, Right And Improvements	Totals
Cost							
January 1, 2020	131,008,000	44,116,201	28,960,621	1,285,497	128,467,895	0	341,538,216
Additions	0	0	0	0	145,960	0	145,960
Disposals	0	0	(15,922,467)	(999,440)	(5,579,481)	0	(24,401,408)
Reclassifications	0	0	(190,643)	0	0	0	(190,643)
31-Dec-20	131,008,000	44,116,201	12,847,491	296,057	123,034,374	0	317,092,128
Accumulated Depreciation							
January 1, 2020	0	18,763,994	26,912,606	687,512	120,906,512	0	175,270,624
Provisions	0	2,583,718	482,380	0	1,835,069	0	4,901,772
Disposals	0	0	(16,090,736)	(589,438)	(4,683,423)	0	(21,363,597)
Reclassifications	0	0	0	0	0	0	0
31-Dec-20	0	21,347,712	11,304,850	298,074	118,058,158	0	155,808,799
Carrying amount 31-Dec-20	131,008,000	22,768,490	1,342,638	187,983	4,976,215	0	160,283,326

	Land	Building	Furniture Fixture & Equipment	Motor Vehicles	Computer and Peripherals	Leasehold Rights and Improvements	Totals
Cost							
January 1, 2019, As restated	131,008,000	41,501,900	52,917,855	2,822,648	135,430,150	26,245,745	400,925,298
Additions	-	2,614,301	775,488	-	211,601	-	3,601,390
Disposals	-	-	(24,732,720)	(1,537,151)	(1,909,503)	(26,245,745)	(57,425,119)
Reclassifications	-	-	-	-	(5,264,353)	-	(5,264,353)
31-Dec-2019	131,008,000	44,116,201	28,960,623	1,285,497	128,467,895	-	341,538,216
Accumulated Depreciation							
January 1, 2019	-	16,572,421	47,732,812	1,836,580	125,293,503	21,936,015	224,371,311
Provisions	-	2,191,573	1,224,798	83,413	3,378,263	743,698	7,621,745
Disposals	-	-	(22,056,004)	(1,232,481)	(7,765,254)	(22,679,713)	(56,732,432)
Reclassifications	-	-	-	-	-	-	-
31-Dec-2019	-	18,763,994	26,912,606	687,512	120,906,512	-	175,270,628
Carrying amount 31-Dec-2019 As restated	131,008,000	25,352,207	1,748,017	597,985	7,561,383	-	166,267,592

OFB (formerly PPSBI) building was acquired thru Dacion En Pago from Philippine Postal Corporation on November 02, 2012 with booked value amounting to P37.567 million

13. Non-Current Assets Held for Sale

These are real and other properties acquired that are available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and the sale must be highly probable.

	2020	2019
Cost	0	389,313,657
Accumulated depreciation	0	0
	0	389,313,657
Allowance for losses	0	(34,849,940)
Net of allowance	0	354,463,717

On November 27, 2019, the OFB Board of Directors under Board Resolution No. 2019-142 approved the transfer of ROPAs to LBP as of December 31, 2019. The consideration for the sale shall be the net carrying value as of December 31, 2019.

The **Non-Current Assets Held for Sale** amounting to P354.463 **million** were transferred to **the Parent Bank on January 10, 2020.**

14. Other Intangible Assets - net

This account is composed of the following:

	2020	2019
Other intangible assets	89,121,798	87,321,798
Accumulated amortization	(72,566,118)	(70,266,264)
	16,555,680	17,055,534
Allowance for losses	(10,000,000)	(10,000,000)
	6,555,680	7,055,534

15. Other Assets - net

This account is composed of the following:

	2020	2019 As restated
Accounts receivables	197,964,704	199,156,080
Accrued interest income from financial assets	829,984	37,878,383
Miscellaneous assets	10,838,880	8,632,627
Documentary stamps on checks	912,644	429,593
Stationery and supplies on hand	1,965,127	2,024,870
Prepaid expenses	267,910	1,115,556
Deferred tax asset	0	2,549,904
Returned checks and other cash items	0	21,597
Other investments	153,333	153,333
Sundry debits	6,367,839	305,473
Inter-office float items	0	2,946,379
	219,300,421	255,213,795
Other Assets - Allowance for Losses	(113,214,060)	(83,954,522)
	106,086,361	171,259, 273

Accounts receivable

The Accounts receivable account includes the amount of P4.105 million and P8.635 million misappropriated by the former Cashiers of Sorsogon and Tacloban Branches for which cases were already filed in court.

In addition, outstanding accounts receivable from Naga branch amounts to P179.37 million as of December 2019 as restitution for losses expropriated by a former employee. On the last quarter of 2018, the Bank requested for staggered booking of the estimated P237.9 million provision for losses arising from Naga branch fraud.

On March 2019, the BSP approved the staggered booking of allowance at P11.895 million quarterly starting March 31, 2019 for five years ending in December 2023.

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PART II

OBSERVATIONS AND RECOMMENDATIONS

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A. FINANCIAL ISSUES

1. The faithful representation of the balances of Accrued Expenses and Accounts Payable amounting to P174.106 million and P41.983 million, respectively, as at December 31, 2020 were not established due to the inclusion of payables to its parent bank, the LBP of P193.172 million which did not reconcile with the corresponding amount of receivables recognized in LBP's books showing a total variance of P121.284 million. Out of the total recognized payables to LBP, the amount of P121.314 million were also not supported with complete documents.

1.1 Paragraphs 4.26 and 4.27 of the 2018 Conceptual Framework for Financial Reporting define liability as:

> *4.26 A liability is a present obligation of the entity to transfer an economic resource as a result of past events.*
>
> *4.27 For a liability to exist, three criteria must be satisfied:*
>
> *(a) the entity has an obligation*
>
> *(b) the obligation is to transfer an economic resource*
>
> *(c) the obligation is a present obligation that exists as a result of past events*

1.2 Whilst, Application Guidance of the Philippine Financial Reporting Standard 10 provides among others that:

> *B86. Consolidated financial statements:*
>
> *(a) X x x*
> *(b) X x x*
> *(c) Eliminate in full intragroup assets and liabilities, equity, income expenses and cash flows relating to transactions between entities of the group (profit or losses resulting from intragroup transaction that are recognized in assets, such as inventory and fixed assets, are eliminated in full). X x x*

1.3 The financial statements of OFB, as a subsidiary of LBP, are being consolidated with LBP. The balance of each account of LBP and its subsidiaries are added together and thereafter the account balances and transactions between LBP and its subsidiaries or the intragroup balances and transactions are eliminated to come up with the consolidated financial statement of the LBP Group.

1.4 The reconciliation of the intragroup account balances of the OFB and LBP books is necessary to ensure that transactions are properly recorded and account balances are faithfully represented in the separate financial statements of OFB and LBP and the consolidated financial statements of the LBP Group.

1.5 Review of the balances of Accrued Expense Payable (AEP) amounting to P174,106,380.13 and Accounts Payable (AP) amounting to P41,982,793.40, or an aggregate of P216,089,173.53, as at December 31, 2020, disclosed that P193,172,198.23 were payables to its parent bank, LBP. However, the amount recognized as payables to the parent bank showed a variance of P121,284,396.43 with the corresponding receivables recognized in LBP's books based on schedules submitted by the LBP Administrative Accounting Department (AAD), Loan Implementations Department (LID), Treasury Operations Department (TOD) and ATM Operations Support Department (AOSD). The total variance of P121,284,396.43 yet to be reconciled with LBP is composed of the following:

Particulars	OFBI Books		LBP Books			Variance
	Account	Amount	Booking Unit	Account	Amount	
Salaries of detailed/seconded personnel (CYs 2017-2020)	AEP	94,291,155.23	AAD	Accounts Receivable	67,163,674.71	27,127,480.52
IT Systems	AEP	59,001,737.82			0	59,001,737.82
IT Equipment	AP	1,206,231.90			0	1,206,231.90
Cost of initial ATM cards issued in LBP branches	AEP	1,491,702.00			0	1,491,702.00
Overpayment of ROPA	AP	31,563,144.90			0	31,563,144.90
OFBank Main Bldg. repainting and minor repairs	AP	391,442.72			0	391,442.72
OFBank Main Bldg. Repairs	AEP	344,056.57			0	344,056.57
Maintenance of OFBank MBA	AP	159,600.00			0	159,600.00
Provision of OFBank PDOS		324,127.09		Accounts Receivable	324,127.09	0
Interest on deposit of LBP to OFBank	AEP	4,400,000.00		Accrued Interest Receivable	4,400,000	0
Total		**193,172,198.23**			**71,887,801.80**	**121,284,396.43**

1.6 Further, out of the recognized payables to LBP totaling P193,172,198.23, the amount of P121,313,970.04 were also not supported with complete documents to establish the accuracy and validity of obligations of OFB to LBP.

1.7 For the above variance, Management explained that OFB has been in continuous coordination with LBP-counterparts and made reconciliation of the intragroup accounts. They averred that the discrepancies noted between the two books represent the outsourced IT systems and support services rendered under the approved Memorandum of Agreement (MOA). Since services had already been rendered,