

EXECUTIVE SUMMARY

INTRODUCTION

Overseas Filipino Bank, Inc. (OFB or the Bank), A Savings Bank of LANDBANK, formerly known as Philippine Postal Savings Bank, Inc. (PPSBI) is a subsidiary of the Land Bank of the Philippines (LBP or the Parent Bank). On September 26, 2017, President Rodrigo Duterte issued Executive Order (EO) No. 44, which mandates the Philippine Postal Corporation and the Bureau of Treasury to transfer their PPSBI shares to Landbank at zero value. The EO further stated that PPSBI will be converted into the Overseas Filipino Bank.

On January 5, 2018, the PPSBI registered with the Securities and Exchange Commission the Amended Articles of Incorporation bearing the new corporate name. The Bangko Sentral ng Pilipinas (BSP) through its Circular Letter No. CL-2018-007 dated January 18, 2018 approved the change of corporate name of the PPSBI to “Overseas Filipino Bank, Inc., a Savings Bank of LANDBANK”.

The Monetary Board (MB) of the BSP, in its Resolution No. 358 dated 25 March 2021, approved the application of the Bank to convert its banking license from a thrift bank to a digital bank license, subject to the fulfillment of certain conditions.

As stated in its Vision/Mission, OFB is the first digital bank in the country and the official digital bank of the Philippine government committed to provide convenient, reliable and secure banking solutions responsive to the needs of the global Filipinos, focused on developing long-term relationship with customers and other stakeholders through strategic alliances and partnerships. By 2024, OFB shall be the country’s leading OFW-centric Branchless Digital Bank committed to provide competitive and innovative products and services through convenient, reliable and secure banking platforms.

As of December 31, 2021, the Bank had six organic employees and seven seconded employees from the Parent Bank. Its principal place of business is at Liwasang Bonifacio, Intramuros, Manila.

SCOPE AND OBJECTIVES OF AUDIT

The audit covered the examination, on a test basis, of transactions and accounts of OFB for the period January 1 to December 31, 2021 in accordance with the International Standards of Supreme Audit Institutions to enable us to express an opinion on the fairness of presentation of the financial statements for the years ended December 31, 2021 and 2020. 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

Particulars	2021	2020 As restated	Increase/ (Decrease)
Assets	3,886,419,541	3,682,984,256	203,435,285
Liabilities	3,026,354,324	2,696,659,332	329,694,992
Equity	860,065,217	986,324,924	(126,259,707)

II. Comparative Results of Operations

Particulars	2021	2020 As restated	Increase/ (Decrease)
Income	57,224,577	137,531,973	(80,307,396)
Personal services	5,839,859	9,365,840	(3,525,981)
Maintenance and other operating expenses	143,754,731	138,827,878	4,926,853
Financial expenses	31,533,019	39,978,801	(8,445,782)
Total expenses	181,127,609	188,172,519	(7,044,910)
Net income (loss)	(123,903,032)	(50,640,546)	(73,262,486)
Other comprehensive income(loss)	(2,356,675)	3,216,572	(5,573,247)
Total comprehensive income	(126,259,707)	(47,423,974)	(78,835,733)

III. Comparative Budget and Actual Expenditures

	2021		2020	
	Approved Budget	Expenditures	Approved Budget	Expenditures
Personal services	5,848,900	5,839,858	12,780,000	9,365,840
Maintenance & other operating expenses	153,201,100	143,754,732	224,270,000	214,613,660
Financial expenses	31,540,000	31,533,019	43,890,000	39,978,801
Capital outlay	40,000,000	16,879,437	20,000,000	145,960
Total	230,590,000	198,007,046	300,940,000	264,104,261

INDEPENDENT AUDITOR'S OPINION

The Auditor rendered an unmodified opinion on the fairness of presentation of the OFB financial statements for the years ended December 31, 2021 and 2020.

SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

The following are the significant audit observations and recommendations:

1. The faithful representation of the balance of Accrued Expenses account amounting to P44.873 million as at December 31, 2021 was not established due to unreconciled variance of P11.292 million between the payable to LBP in OFB books and receivable from OFB in LBP books.

We recommended and Management agreed to reconcile the variance between the payable to LBP in the OFB books and the receivable from OFB in LBP books, and prepare the necessary adjusting entries to correct the balances of the Accrued Expenses and other affected accounts as at December 31, 2021.

2. The faithful representation of the balance of Miscellaneous Assets account amounting to P 10.839 million as at December 31, 2021 was not established due to the inclusion of assets amounting to P3.051 million not supported with documents to ascertain its existence.

We recommended and Management agreed to:

a. Sustain representation efforts and other appropriate actions taken for the refund to OFB of the payments of security deposits and advance rentals to the lessors and utility companies amounting to P3.051 million;

b. Assess the recoverable amount of the advance rentals and recognize impairment loss, if any, pursuant to PAS 36, *Impairment of Assets*, to faithfully represent the balance of Miscellaneous Assets account as at December 31, 2021; and

c. Perform the necessary procedures for the disposition of non-existing/missing properties included under Miscellaneous Assets pursuant to COA Circular No. 2020-06 dated January 31, 2020.

SUMMARY OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

Total disallowances amounted to P26.790 million as at December 31, 2021. There were no outstanding audit suspensions and charges as at year end.

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Out of the 19 audit recommendations embodied in the prior years' Annual Audit Reports, 13 were fully implemented, five were partially implemented and one was not implemented. Three out of the partially implemented recommendations are reiterated in Part II of this Report.