### 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 or LANDBANK). 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, 2022, the Bank has eight 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, 2022 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, 2022 and 2021. 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)

1. Comparative Financial Position

|  |  |  |  |
| --- | --- | --- | --- |
| **Particulars** | **2022** | **2021****As restated** | **Increase** |
| Assets | 4,490,042,694 | 3,884,879,455 | 605,163,239 |
| Liabilities | 3,244,816,488 | 3,031,297,189 | 213,519,299 |
| Equity | 1,245,226,206 | 853,582,266 | 391,643,940 |

1. Comparative Results of Operations

|  |  |  |  |
| --- | --- | --- | --- |
| **Particulars** | **2022** | **2021****As restated** | **Increase/ (Decrease)** |
| Income  | 194,119,859 | 58,500,317 | 135,619,542 |
| Personal services | 7,189,973 | 5,839,859 | 1,350,114 |
| Maintenance and otheroperating expenses | 174,009,676 | 151,513,422 | 22,496,254 |
| Financial expenses | 26,778,866 | 31,533,019 | (4,754,153) |
| Total expenses  | 207,978,515 | 188,886,300 | 19,092,215 |
| Net income (loss)  | (13,858,656) | (130,385,983) | (116,527,327) |
| Other comprehensive income(loss) | (2,489,404) | (2,356,675) | 132,729 |
| Total comprehensive income | (16,348,060) | (132,742,658) | (116,394,598) |

1. Comparative Budget and Actual Expenditures

|  |  |  |
| --- | --- | --- |
|  | **2022** | **2021** |
|  | **Approved Budget** | **Expenditures** | **Approved Budget** | **Expenditures** |
| Personal services | 7,880,000 | 7,189,973 | 5,848,900 | 5,839,858 |
| Maintenance & other operating expenses | 144,360,000 | 174,009,677 | 153,201,100 | 143,754,732 |
| Financial expenses | 26,780,000 | 26,778,866 | 31,540,000 | 31,533,019 |
| Capital outlay | 26,500,000 | 6,158,106 | 40,000,000 | 16,879,437 |
| Total | 205,520,000 | 214,136,622 | 230,590,000 | 198,007,046 |

The overdraft on Maintenance & other operating expenses was due to the accrual of the manpower and related cost of seconded personnel from the Parent Bank.

**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, 2022 and 2021.

**SIGNIFICANT AUDIT OBSERVATION AND RECOMMENDATIONS**

1. The faithful representation of Property and Equipment account amounting to P283.004 million as at December 31, 2022, was not established due to: (a) unreconciled variance amounting to P42.020 million between the Report on the Physical Count of Plant, Property and Equipment (RPCPPE) and accounting records; and (b) derecognition of Furniture, Fixture and Equipment (FFE) amounting to P9.334 million not supported with documents.

We recommended and Management agreed to:

1. Reconcile the variance in balances between the RPCPPE and the accounting books to establish the existence of properties and propriety of recorded amounts;
2. Support the derecognition of FFE amounting to P9.333 million with complete documents to establish the propriety of recorded amounts;
3. Prepare the necessary adjusting entries to correct the balance of the Property and Equipment account in the financial statements as at December 31, 2022; and
4. Consider one-time cleansing of fixed assets and perform the necessary procedures, including, among others, the disposition of non-existing/ missing properties, pursuant to COA Circular No. 2020-006 dated January 31, 2020.

**SUMMARY OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES**

Total disallowances amounted to P26.790 million as at December 31, 2022. There were no outstanding audit suspensions and charges as at year end.

**STATUS OF IMPLEMENTATION OF PRIOR YEAR’S AUDIT RECOMMENDATIONS**

Out of the 14 audit recommendations embodied in the CY 2021 Annual Audit Report, 10 were fully implemented and four were partially implemented.