

DBP SUSTAINABLE DEVELOPMENT REPORT



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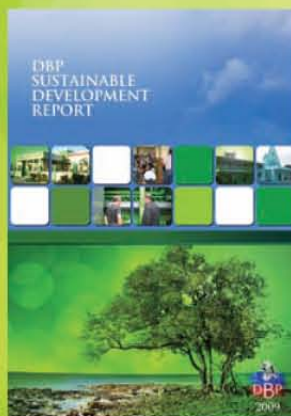
COVER STORY: Listening to the Earth

The earth speaks in many voices.

It sings to us in the sounds of nature. It talks to us in the stories of people. It hums to us in the vibrations of industry.

At DBP, we have learned how important it is to listen to the sounds of the earth and understand what each is trying to say. That is the only way we will learn how to protect the planet and ourselves, and how to rebuild what we have allowed to wear down.

In this second DBP Sustainable Development Report, we bring to the fore the programs we have created and have been supporting to



help ensure our planet's sustainability and uplift the human spirit.

In 2009, we expanded our participation beyond education and livelihood programs and put a greater focus on sustainable operations and solutions for the planet. Among our centerpiece projects are the DBP forest and water source rehabilitation programs.

In doing all these, we have learned that by caring for Mother Earth, we allow our nation -- and our dreams -- to continue.

This is what we've understood from listening very carefully.

WHAT'S NEW IN THIS REPORT

DBP marks its second year in annual sustainability reporting under the Global Reporting Initiative (GRI), and we are glad to note our continuing effort to explore our frontiers insofar as our Sustainable Development Report is concerned.

Bent on covering more ground, we endeavored to meet the requisites for a self-declared Application Level B sustainability report. We included a total of 34 GRI indicators, nearly doubling the 18 we reported on in our initial report. To the extent warranted by our database, we attempted a wider spread among the three bottom lines: economic (4 indicators), environmental (10 indicators) and social (20 indicators). We also tried to show a comparison of our performance on the same indicators appearing in both reporting periods. Aside from the performance indicators and our strategy and profile disclosures as indicated in our previous report, we now included the Disclosures on Management Approach that are intended to address the next level of our organization's approach to managing the sustainability topics associated with risks and opportunities.

At the same time, our discussions in the development report section now spans the four priority development thrusts of the Bank. We devoted several pages on how our various programs and their financing facilities fared in pursuing our thrusts for the Environment, Infrastructure & Logistics, Social Services, and Micro, Small & Medium Enterprises (MSMEs). In our 2008 Sustainable Development Report, we focused only on Infrastructure & Logistics.

Seeing the In Focus section of this report as a mode of highlighting our milestone activities, we decided to place attention on one of the DBP Board Committees – the Development Advocacy Committee (DAC) – as well as the retrofitting project for the Bank's lighting

system and our Management Associates Program (MAP). In our minds, these three In Focus topics jibe well with the sustainability concerns of this report. As presented in the following pages, each In Focus topic demonstrates a major element in our operation. In the first DBP sustainability report, we highlighted our Corporate Social Responsibility programs.

The DAC provides the forum for keen developmental thinking in the Bank, thus helping ensure that we never lose sight of the real reason for DBP's existence. The retrofitting project, on the other hand, demonstrates the cost efficiency and environmental impact of the introduction of modern technologies in our institution. Lastly, the MAP epitomizes our strategy for continuity since it addresses the serious concerns on succession caused by the Bank's Early Retirement Incentive Program (ERIP). All three In Focus topics give impetus to DBP's sustainability as a development financing institution.

One invisible change in the preparation of the 2009 DBP Sustainable Development Report is also worth mentioning. We worked on this report sans the guidance of a consultant and the head of the 2008 SDR Steering Committee. This fact demonstrates how effective their initiatives had been in ensuring that we acquired the capability to eventually take over the work for this report. Our consultant, Fatima Reyes and Director Rey Magno Teves, Chairman of the Steering Committee of the 2008 DBP Sustainable Development Report, both passed away last year. We, therefore, dedicate this report as part of their legacy to DBP.

DBP: ALL SET TO TAKE ON THE FUTURE WITH RENEWED SPIRIT

DBP continues to move with the changing times, keeping up with emerging market needs and growing with innovations and new developments.

Living up to our goal to be a responsive and dynamic development financing institution, we began outlining in 2009 a comprehensive blueprint to re-position DBP as a revitalized and forward-looking development financing institution. We wanted to present a new image of our institution — that of an effective development financing institution that is unique from the other banks in the country's banking system. We aimed to be recognized as a modern and efficient bank, and as a stable and professionally-managed organization.

In achieving these goals, we embarked on an institutional campaign project that focused on the following areas: Image, products and services; technology; infrastructure network; and organizational development and corporate culture.

Physical Remodeling

As a first step in implementing our institutional campaign strategy, we rolled out a physical remodeling initiative for our head office and branches. We redesigned our office facilities to make them more client-friendly, with our initial refurbishing efforts undertaken at our Dagupan branch in downtown Dagupan City, Pangasinan.

We also looked into plans to expand our branch network in order to further improve our development reach, while allowing our Bank to more closely work with communities. Plans were also drawn up to transfer some of our branch offices to more strategic locations to further enhance our service delivery.

Enhanced Corporate Identity

Our renewed spirit and relevant dynamism amid changing times is embodied by the new DBP logo and corporate colors. The most prominent change is the inclusion of blue and red colors adapted from the Philippine flag to underline our stance as a development institution focused on the well-being of the Filipino.

We retained our logo's original geometrical symbol and integrated it with the new corporate colors. The original DBP symbol is now colored platinum from its original green color, suggesting our adherence to the highest standards in mobilizing resources for economic growth. We also added a subtle red curvature which suggests the dawning of a new day — the promise of a secure tomorrow that DBP aspires to achieve for every Filipino.

Institutional Advertising Campaign

In order to highlight the revitalized image of our institution, we drew up plans involving strategic public relations and an advertising campaign. These focus on our Bank's stability

as a government financial institution and its role as the lead institution for financing development.

To achieve maximum outreach, strategic recommendations included using tri-media, as well as other emerging channels such as digital, billboard and transit advertising. All these were targeted at creating a positive influence across sectors as we spread the good news about our revitalized resolve to help bring progress for all. As our new corporate slogan says, *DBP. Kaunlaran ng Lahat.*

IT Initiatives and Wider Reach

Initiatives were also pushed for the introduction of new DBP products to complement the Bank's thrust of energizing its retail banking operations.

We launched five deposit products in 2009 offering attractive rates while promoting the values of saving and investing among the general public. These are the *Deposito ng Bayaning Pilipino* Double-Your-Money Account for overseas Filipino workers, Young Earners Savings Account for children 12 years and under, Wisdom Account for senior citizens, High Earner Account for high-net worth individuals, and Payroll + Savings Account (Premier Payroll Account with Payroll Savings Account).

We also put emphasis on enhancing our competitiveness by improving our IT infrastructure that should allow us to offer a more responsive and efficient range of services, including Phone banking and Internet banking.

Internally, we recognized that an institutional re-strengthening initiative must also be implemented. Building on our existing corporate culture program, we introduced an enhanced personnel training strategy that underscores commitment to excellence through the continuous improvement of the knowledge and skills of our personnel to keep them attuned to emerging market needs. Parallel to this, we also intensified training initiatives that aimed to reinforce timeless values such as *palabra de honor*, *delicadeza*, *katapatan*, *kaayusan*, *pagkamasinop*, and *kagalingan* to foster a culture of efficiency, effectiveness and professionalism within the institution. Training programs also focused on the improvement of the customer service orientation of our employees.

We also strengthened our client survey feedback project to enable us to have a clear, measurable picture of the perception of our customers and in the process, improve our service. The client survey feedback featured the prominent display of suggestion boxes in reception or client waiting areas, with readily accessible and available feedback forms. Ultimately, we see these efforts translating into better and more efficient public service.

Vision Statement

We are the pre-eminent Philippine Bank for financing development. DBP is dynamic, environmentally responsible and globally recognized.



Mission Statement

To influence and accelerate sustainable economic growth of the country, DBP works with and through others to attain its objectives, and ensures its viability by the prudent management of risk and returns.

MESSAGE

Dear Partners & Friends,

We in the Development Bank of the Philippines (DBP) look back at 2009 with much pride and fulfillment. As borne by our performance on the triple bottom line, we proved equal to the challenges and stood worthy of the opportunities of the year past.

We proudly share with you the gains we have scored in influencing sustainable growth within the key dimensions of economy, environment and society.

We managed to turn in an impressive financial performance at a time when most economies were still in the aftermath of a global economic slowdown. Then there were also twin typhoons “Ondoy” and “Pepeng” that brought considerable damage to infrastructure and many vital businesses and industries. These, too, however, failed to undermine our resolve to deliver on our development mandate. In the end, DBP kept pace with the observed growth in the national economy and posted a net income of P6 billion. This is almost twice DBP’s P3.6 billion net income in 2008, and the highest ever achieved in our 63-year history.


PATRICIA A. STO. TOMAS
Chairman


REYNALDO G. DAVID
President & CEO

Backed by our strong financial performance, we pressed on with our advocacy for environmental responsibility and continued to channel support for ecological initiatives, some of which are particularly worthy of special mention.

Under our Sustainable Solid Waste Management Program (SWMP), we are proud to have extended funding support for the waste-to-energy project of Bacavalley Ecowaste, Inc. This project allows for the collection of 5,330 tons of landfill gases in a year for conversion to about 19,780,200 kWh of electricity. The electricity generated is then supplied to over 20,000 households annually.

Also during the year, we launched the P10-billion Environmental Development Project (EDP). Funded by the Japan International Cooperation Agency, the EDP is targeted at projects in water supply and sanitation, new and renewable energy, industrial pollution prevention and control, and waste management. As of end 2009, our portfolio under the EDP comprised 10 projects amounting to P1.64 billion.

Our environmental programs also place emphasis on the development and utilization of clean and renewable energy sources, which we also consider as a step to achieving energy independence, especially for rural communities. As of 2009, we have channeled support to 22 renewable energy projects amounting to P5.862 billion. These projects contributed an additional capacity of 182.18 MW, with hydropower being the largest contributor at 155.26 MW.

On top of all these, our committed drive to influence industry and communities towards environmental protection translates to a growing number of projects addressing diverse ecological issues: 69 projects amounting to P10.9 billion under our Environmental Infrastructure Support Credit Program – Phase I and II; 70 projects amounting to P807.7 million under the Industrial Pollution Control Loan Project I & II; as well as bulk water supply projects primarily benefiting local communities. Our major accomplishment in the area of climate change, meanwhile, centered on initial efforts aimed at allowing DBP-funded projects to earn additional revenues through trading of their Certified Emission Reduction units under the Clean Development Mechanism. In 2009, the Department of Environment & Natural Resources



approved DBP's Bundle 1 of projects under this initiative comprising the Cantingas, Sevilla, and Hinubasan mini-hydro power plant projects.

Our accomplishments and efforts would be meaningless if these could not work for the common good. On this premise, we remained vigorous in ensuring that the benefits of growth are plowed back to the citizenry. Hence, our thrust to influence growth that cuts across sectors through our programs for logistics and infrastructure; micro, small and medium enterprises, and social services and community development.

Taking a step further, we realized that along with being a staunch advocate of sustainable growth comes being a good corporate citizen. We now have about 500 poor but promising high school graduates receiving scholarship support under the DBP Endowment for Education Program. Our non-credit DBP Forest Program, meanwhile, has grown to a total of 33 sites covering 5,654.77 hectares of denuded and critical watershed areas.

Profit, planet, people. In this three-pronged thrust lies the essence of DBP's existence as the Philippines' prime institution for sustainable development financing. Again, we have proven our resilience and fortitude to deliver on our mandate. That's why in DBP, optimism runs high that we can always measure up to the challenges ahead.

GOOD CORPORATE GOVERNANCE

Good governance is the stronghold of our development efforts. It is the most basic foundation that has made DBP the formidable institution that it is today – influencing various sectors into discovering and building on its own strengths to achieve long-term growth.

As the country's premier development financing institution, we support growth activities for the youth, the basic family institutions and various economic sectors broadly classified according to involvement in our key priority areas, namely: infrastructure and, logistics; the environment; micro, small and medium enterprises; and social services, including partnership initiatives with LGUs.

Our experience has shown that corporate governance can be translated into allocable practices. We have institutionalized good corporate governance as an enterprise-wide endeavor, a shared goal that has kept each and every member of the institution keenly focused on positively affecting DBP operations.

As a GFI dealing with public funds, we recognize that trust is of paramount importance to DBP. We are deeply aware that the success of all our operations is predicated on our reputation, credibility, integrity, and track record in managing public funds and channeling these to our intended initiatives countrywide.

A Top-Down Approach

Our sound governance philosophy recognizes the important role of our Board of Directors. Following a top-down approach, our basic principle underscores that good corporate governance must always start with those at the highest level of our organizational hierarchy – our directors who have always worked in tandem with management to ensure the financial health and sustainability of our operations over the years.

Our directors are appointed based on provisions under Section 8 of the DBP Charter, where among others, they should have attained proficiency, expertise and recognized competence in banking, finance, law, agriculture, business management, or government administration.

The DBP Board espouses the union of governance and risk mitigation mechanisms in the Bank's operations. As a general rule, good governance is practiced as everybody's business, and risk management has become an operational responsibility of risk-taking units.

We have formulated a Manual of Corporate Governance which sets the guiding principles in directing and governing the affairs of our Bank for the benefit of our shareholders and stakeholders.

Another basic tool in ensuring continued adherence to sound governance principles is the self-assessment and peer assessment system for our directors who have been in the Bank for at least half a year. Directors are rated on their contributions and performance. These assessment

systems, including their features, are disclosed in the Bank's annual report.

To ensure that everyone in the institution maintains a clear focus of sound governance principles and practices, a Code of Ethics guides us in carrying out our duties and responsibilities. This Code emphasizes adherence to the principles of accountability, transparency, integrity, good faith, confidentiality, as well as the imperative of avoiding conflicts of interest in handling bank transactions.

These initiatives are complemented by well-defined programs and systems on human resource training, internal communications, performance management, feedback mechanism, employee rewards, and checks and balances in the implementation of our Code of Ethics.

Collegial decision-making is another major feature of our corporate governance program, with designated Bank committees ensuring prudent levels of responsibility and accountability in DBP. Among these are the Management Committee, Credit Committee, Asset-Liability Management Committee, Executive Committee, Audit and Compliance Committee, Risk Management Committee, Human Resource Committee, Trust Committee, Development Advocacy Committee, and Governance Committee.

Instilling Good Governance

With our commitment to consistently comply with good corporate governance standards, we continue to tap various opportunities to further promote and enhance our initiatives in this respect.

we regularly revisit our governance tools and practices. Our initiatives along this line include a review of the charters of our various committees and our manual on corporate governance.

We also recognize the challenge for GOCCs and GFIs – like DBP -- to create a corporate culture that encourages and rewards integrity. At the management level, a major task has always been to be able to take the lead as stewards of corporate assets, while at the same time serving as our institution's moral compass.

With good corporate governance practice as our collective goal, we also believe in actively encouraging our teams to be open in their decision-making processes and reporting relationships. We have placed a great degree of importance on gathering diverse viewpoints that should help us determine the most advantageous decisions on issues and concerns affecting our institution. This, we trust, is a concrete representation of our resolve to integrate the basic tenets of competence, integrity, accountability, and transparency in major processes and activities involving our operations.

Simply put, we as an institution view and practice good corporate governance from the standpoint that, at the end of the day, the responsibility for ensuring that sound corporate values and practices continue to guide our operations must be borne by all of us who work for DBP, by all our stakeholders, by all who serve it, and most especially, by all of those who govern it. This must be founded on a very strong engagement from the highest level in the organizational hierarchy and cascaded to those at all levels, so that everyone is aligned to achieve the desired results. After all, it has been our long-held belief that good corporate governance should always be the centerpiece of our corporate behavior and should result in a voluntary regime of sound financial conduct.

We have embarked on a risk assessment validation seminar for members of our Board of Directors and senior management officers, as well as various training programs to instill sound governance values at all levels of the organization. These include a risk management training series in compliance with Basel II requirements; a comprehensive service re-orientation program for employees; and orientation on principles and best practices of good governance and the corollary demands of responsible citizenship.

Graduates of our Management Associates Program (MAP) also undergo an orientation on good governance and a session on Public Ethics and Good Governance. Complementing this is a seminar on corporate governance for senior officers, while the mandatory continuing legal education for DBP lawyers incorporates corporate governance as a subject matter.

Partnerships for Good Governance

Recognizing that good governance is always an evolving discipline, it has been part of our strategy to continuously link up with other organizations to keep us abreast of trends and benchmark practices in this area.

In 2008, we partnered with the Institute of Corporate Directors (ICD) in refining the corporate governance scorecard for GOCCs and GFIs. We also joined hands with the Institute for Solidarity in Asia (ISA) for an investment forum that sought to strategically link local government units that have undergone ISA's Public Governance System to the investment community. Our other corporate governance initiatives include a partnership with the *Galing Pook* Foundation for the *Galing Pook* awards program that recognizes outstanding LGUs with projects that bring positive socio-economic gains to their constituents; and briefing foreign delegations that showcase DBP as a model government financial institution that adheres to high ethical and governance standards.

Spurring Creditable Performance

Good governance, indeed, has been its own reward for us in DBP. Aside from meeting regulatory benchmarks, the positive effects of our sound corporate governance policies on our operations are best underlined by our ability to produce good financial numbers through the years. Alongside this feat, we have also remained true and steadfast in pursuing our developmental mandate.

As we continuously shape our model of good corporate governance practice in DBP to consistently make it responsive and attuned to established standards,



HARNESSING DEVELOPMENT ADVOCACY IN DBP

Development advocacy was born at the highest level of officialdom at the DBP – the DBP Board of Directors.

Organizing the Development Advocacy Committee

The Development Advocacy Committee (DAC) came to life with a twin. Board Resolution No. 0099 dated March 15, 2006 created two Board committees, the DAC and the MSME Committee. In little over a year, DAC would absorb the role of its twin committee in an integration move. While it retained the membership of three Board directors only, Board Resolution No. 0012 of January 9, 2008 effectively expanded its clout to include the entire DBP Board, counting its Chairperson and Vice Chairman/President, the Chief Operating Officer, the Head of the SME Department, the Chief Legal Counsel, and the Chief Development Officer as DAC ex-officio members. Director Rey Magno Teves chaired the DAC with Director Joseph Pangilinan as his Vice Chairperson and Director Floro Oliveros as Member. DAC began to exemplify a fact of life at DBP: That to be developmental, we had to be changing and responsive.

Defining the Role of DAC

As would be characteristic of new institutional arrangements, DAC struggled early on for the significance of its being. Among the volunteered ideas, advocacy was pictured as a trinity of concepts: proactive – where DBP searches to identify both high impact projects and their proponents; catalytic – where DBP brings about a convergence of players and their resources; and leveraging – where through its financing support, DBP promotes good governance, best practices and other disciplines for businesses to thrive and be sustainable.

DAC would later on call on the Bank's Corplan office to help it craft its mandate and express its vision and mission. DAC Resolution No. 0007 issued on October 18, 2006 approved the following statements:

VISION: The Development Advocacy Committee (DAC) shall be the unifying and focal body in spearheading the Bank's drive towards accomplishing its development mandate.

MISSION: The DAC will take the lead in generating ideas, promoting awareness of development issues, advocating development programs and projects, expanding and strengthening linkages within and outside the Bank, towards a unified and distinct approach, to accomplish DBP's development mandate.

Our Corplan office also distilled the Bank's medium-term targets to initially express the components of DAC's road map. Among these targets were the scaling up of developmental loans to account for 90% of the Bank's loan portfolio, the attainment of a 1:1 ratio of deposits to loans, the push for microfinance and SME loans, and strengthening of branch operations. DAC would also affirm its understanding of development as the process of creating wealth for the nation and caring for the well-being of people and the environment. Thus, DBP's development banking initiatives are anchored on the Medium-Term Philippine Investments Plan and the country's commitments under the Millennium Development Goals.

Looking Back: DAC in 2009

Almost four years old as of end-2009, our DAC has gained significant progress towards fulfilling its defined role. One of its pivotal resolutions was the creation of the Development Sector, to be headed by the Chief Development Officer, and wherein the Bank's Program Development (PD) office was lodged. With the ensuing clarification of PD's strategic role, and the approval of the Development Sector's action plans, the impasse between PD and the Branch Banking Sector (BBS) was resolved. The points of interaction between PD as a technical unit and BBS as a marketing unit of the Bank where thus formalized. The concepts of Project Team, Project Evaluation & Endorsement Report (PEER) as part of the Credit Application (CA), and sign-off by PD on the CA were also formalized.

DAC initiated a revisit of the definition of developmental loans vis-à-vis commercial loans. The need for clarity was occasioned by shortcomings in data retrieval and by the desired responsiveness of our information systems to management requirements. Industry groupings of developmental loans include the following: Infrastructure and Logistics, Social Development, Environment, Agriculture/Agribusiness, Manufacturing, Real Estate, Wholesale and Retail Trade, and others. Industry groupings of commercial loans include the last five industry groups. Commercial loans thus exclude our priority thrusts in Infrastructure and Logistics, Social Development, and the Environment. Moreover, it should be noted that what really differentiates the two is their impact on the economy.

Developmental loans are thus identified as follows:

- Loans that help accelerate the development process through the Bank's identified financing programs and targeted sectors.
- Long and short term loans and credit lines to projects with high socio-economic impact such as increase in capacity, value-adding, foreign exchange saving, and technology upgrading.
- Long-term and short term loans to enterprises that pursue projects where markets are weak and resources are underutilized from lack of investments.

More than just clarifying the definitions of these two types of loans, sources of information were likewise reviewed, the database re-formulated, and reporting and information systems refined. These activities helped ensure the integrity of information made available to our top management and the general public. With its integration with the MSME Committee, DAC meetings also served as a venue for deliberation of MSMEs issues. Our SME Unit found this arrangement quite encouraging, for when DAC called, all concerned units came. Inputs from various units of our Bank were ample and their feedback came promptly. This was exactly the case when the SME Unit presented the Sustainable Entrepreneurship Enhancement and Development (SEED) program to DAC. DAC Resolution No. 0016 of September 16, 2009, approved SEED as the umbrella program for all MSME initiatives.

Throughout its early years, DAC provided fertile ground for nurturing development concepts and ideas. The Committee tapped resource persons to present their ideas on agribusiness development, micro-banking, mariculture, migration, social entrepreneurship, super regions, and sustainability reporting, among others. Several of these presentations led to DAC-espoused development projects.

Communicating Development

In 2009, DAC found an answer to the nagging feeling that we had not communicated enough through the traditional DBP annual report. We had always annually reported a credible financial performance since our rehabilitation in 1987. While we more than met industry benchmarks of financial performance, we had not sufficiently disclosed how well we had fared insofar as our reason for being as a development bank was concerned.

With assistance from Ms. Fatima Reyes of Sustainability Strategies (Asia), DBP's first Sustainable Development Report (SDR) was conceptualized at DAC. It proved to be a challenge – putting together a Sustainability Report that

adhered to the guidelines of the Global Reporting Initiative (GRI), and a Development Report that explored the development impact of our projects in the communities served. Unfortunately, Ms. Reyes did not live long enough to see our SDR posted in the GRI website, but she provided invaluable guidance in DBP's successful effort to be the first state-owned Philippine enterprise to complete a GRI-compliant report.

The 2008 DBP Sustainable Development Report (SDR) followed a Level C application, capturing 18 GRI indicators: 2 for Economic, 7 for Environment, and 9 for Social. It also covered the four basic sections of the GRI format that includes Strategy and Analysis, Organizational Profile, Report Parameters, and Governance Commitments and Engagement.

The Chairman of the Development Advocacy Committee, Director Rey Magno Teves, likewise did not see our first SDR published. The SDR, however, may be deemed one of his crowning achievements. No less than the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) conferred a Special Award on DBP's Sustainable Development Report, a fitting accolade to the pioneering endeavors of Director Teves in making the DAC work.

What Lies Ahead for DAC

The first four years of DAC allowed it to understand its purpose for being. Once that had been made clear, it moved on to gain ground. Development advocacy entails effectively mobilizing the players in our Bank and those outside it into working together toward common directions. It means harnessing the forces of economic growth, particularly that of MSMEs, and addressing their support requirements. As development has a snowball effect and advocacy constantly needs recruits, we must regularly communicate the ideals we champion and the grounds we gained.

DAC faces a change of administration and the subsequent replacement of its membership. In an effort to ensure the relevance of the Bank's development financing programs, it will have to align these with the new priorities and directions of the incoming government. While the partnership with MSMEs is expected to continue, there might be some shifts and new thrusts. The new administration is expected to emphasize governance issues, public-private partnerships, and social services, among others. As it has positioned itself, DAC continues to be the venue for developmental initiatives in our Bank.

STAKEHOLDERS' ENGAGEMENT

In pursuit of its developmental mandate, DBP engages with various stakeholders whose active roles are vital to ensure the continued sound management and business viability of the Bank.

In our daily operations, we work closely with our stakeholders. These include the national government and its various regulating agencies, local government units, industry associations and organizations, numerous businesses, and Bank clients.

We consider our relationship with our stakeholders as vital in determining if we are on track to fulfilling our mandate as a bank for sustainable development. Our stakeholders' feedback, interests, and concerns – gathered through our various means of interacting with them – help us in our policy-making processes.

Through various modes of engagement such as business road shows, conferences, meetings, publications, accreditation processes, training, seminars, surveys, exhibits, and various community and environmental projects, we are able to solicit and establish the necessary base of information important in the efficient, consistent and effective delivery of our mandated services.

Customers

- Local government units
- Private corporations and businesses
- Financial institutions and banks

- Micro, small and medium enterprises
- Individual depositors, investors and pensioners

Manpower (as of December 2009)

Head Office-based employees	1,362
Branch-based employees	1,926
Total	3,288

Regulators and Policymakers

- National Government
- Department of Finance
- *Bangko Sentral ng Pilipinas*
- Philippine Deposit Insurance Corporation
- Civil Service Commission
- Bureau of Internal Revenue
- Commission on Audit
- Other agencies

Industry Affiliations

- Bankers Association of the Philippines
- Asian Bankers Association
- Association of Development Financing Institutions in Asia and the Pacific
- Bankers' Institute of the Philippines
- Bank Marketing Association of the Philippines
- Makati Business Club
- Philippine Chamber of Commerce and Industry

STAKEHOLDERS	MODE OF INTERACTION	KEY SUSTAINABILITY ISSUES & CONCERNS
Government		
National government Government regulators Local government units	Bank ownership, government policies Networking, Regulatory Issuances, memos Loan transactions, development agreement, tie-ups	Dividends, policy compliance, economy building Policy compliance, payment of taxes Development financing, loan repayment, succession
Internal stakeholders		
Bank officers and employees, consultants, service personnel	Institutional events, in-house publications, intranet and email, memos, public address system, bulletin boards	Personnel development and growth, monetary and non-monetary compensation, work environment
Bank clients		
Bank clients, depositors, borrowers (current & prospective)	Branches, marketing units, marketing blitz and business road shows, client survey, transactions	Profit generation, service quality, client reach, business management, loan repayment
Professional and Non-profit organizations		
Professional development organizations/ accreditation companies	Seminars, conferences, accreditation process, consultancy and outsourcing of services	Professional recognition, accreditation advocacy, delivery of contracted services
Business partners		
Funders Banks and other financial institutions	Developmental loans, technical assistance Joint development agreement, joint ventures, tie-ups	Impact, capacity-building, project sustainability, profits Geographic & client reach, business generation
Media Organizations		
Television and radio networks, print media	Press briefings, news conferences, press releases, advertising, column feeds networking, interviews	Public information, promotion, exposure
Service firms, suppliers and consultants		
Advertising companies Event service providers Supplies/equipment suppliers	Ad conceptualization, production, airing, publishing Conceptualization, production, Purchasing process	Promotion, identification, exposure, reputation building Project/activity implementation, Operations and logistics support

DBP'S DEVELOPMENT FINANCING PROGRAMS

Four priority development thrusts have been the focus of our Bank's financing programs and our adherence to policy directions of the government. We respond to financing gaps in Environment, Infrastructure & Logistics, Social Services, and Micro, Small & Medium Enterprises (MSMEs). These thrusts are aligned with national policy concerns and commitments in global fora, such as the UN Global Compact and the Millennium Development Goals. As we cover more ground along these thrusts, we tend to stand out as a development financing institution recognized here and abroad.



A BANK FOR THE ENVIRONMENT

Concern for the preservation of natural resources and pollution prevention and control cuts across all our financing programs. We exercise uncompromising due diligence in the evaluation of environmental risks in the projects we support. On the other hand, we promote clean technologies, renewable energy, solid waste management, clean water and projects that address climate change. These are in line with the DBP Environmental Policy Statement and Environmental Management System that have earned for us the distinction of being the first Philippine bank to be ISO 14001-certified.

Monitoring Environmental Performance

We have funded 69 projects amounting to P10.9 billion under the two phases of the Environmental Infrastructure Support Credit Program (EISCP I & II). Another 70 projects amounting to P807.7 million were brought into the Bank's portfolio under the two phases of the Industrial Pollution Control Loan Project (IPCLP I & II). Projects financed under the EISCP and the IPCLP adopted cleaner technologies and production systems for reducing air and water pollution.

It has been a big challenge to monitor the environmental impact of these projects. While we require establishments to have Pollution Control Officers and our loan covenants stipulate the conduct and submission of Environmental Performance Monitoring (EPM), compliance has left much to be desired. The few borrowers that complied with the EPM registered the following environmental benefits in 2009:

- Discharge of 1,310 metric tons of organic pollution was avoided. This is equivalent to the pollution loading contributed by about 71,827 individuals;
- Conserved 3,739 metric tons of various raw materials used for production;

- Saved 32,793 megawatt hours, about the average electricity usage of 195,200 Filipinos or P207 million of electric bill for residential users;
- Conserved 12 million cubic meters of water, enough for the needs of about 106,000 Filipinos in a year; and
- Prevented damage to properties and incurrence of penalties and fees amounting approximately to P38 million.

Where Does Garbage Go?

We set up the Sustainable Solid Waste Management Program (SWMP) to support the implementation of R.A. No. 9003 or the Ecological Solid Waste Management Act of 2000. Its primary objectives are to help the local government units (LGUs) comply with RA 9003 and ensure the protection of the environment and public health.

Our initial funding for SWMP came from *Kreditanstalt fur Wiederaufbau (KfW)* which provided us a dedicated credit window amounting to EUR15 million. Loans funded from KfW's Credit Line for Solid Waste Management had total releases of P826 million, registering a utilization rate of 79.4% out of the total loan amount of P1.04 billion. As of December 2009, SWMP had approved 16 projects amounting to P1.4 billion in five municipalities, eight cities and two private operators. These projects covered the entire range of the solid waste management system, from waste collection, storage and transport, to waste processing and treatment. Loan purposes included consulting services for project preparation, closure and rehabilitation of dumpsites, acquisition of heavy equipment and construction of sanitary landfills. For the year 2009, we approved two projects amounting to P639 million and released a total of P312.5 million to five projects.

The single biggest loan was granted to Bacavalley Ecowaste, Inc. to finance the collection and utilization of landfill gas for the generation of electric power. This waste-to-energy project captures 5,330 tons of gases produced in the San Pedro Sanitary Landfill in a year, and converts it to about 19,780,200 kWh of electricity. This supplies over 20,000 households with electricity yearly.

The other project approved was the solid waste management facility of the City Government of Butuan. Its purposes include the construction of a sanitary landfill, a Materials-Recovery Facility, and the procurement of garbage bins and heavy equipment for the operation and maintenance of the landfill.

The MRF not only reduces the materials going to the landfill, but also lessens the risks of improper disposal. It prevents the clogging of canals and contamination of water bodies. The health impact of proper waste disposal cannot be overemphasized, specially in a city like Butuan where rainfall is very pronounced.

Loan releases supported initiatives such as the containerization project of the City Government of Olongapo, the closure and rehabilitation of the dumpsites in the cities of Iloilo and Butuan, the construction of an MRF in Digos City, and the waste-to-energy project of Bacavalley in San Pedro, Laguna. These projects collect a total of 363 tons of waste per day, and recover 35 tons of daily waste through MRF and composting facilities.

Continuing Environmental Protection

While second generation funds from EISCP and IPCLP allowed us to cater to more environmental projects with the conclusion of the implementation of KfW's CLSWM, there was a need for another credit facility in support of the SWMP. In January 2009, we thus launched the Environmental Development Project (EDP), a P10 billion credit facility funded by the Japan International Cooperation Agency. Four priority sectors fall under its ambit, namely: water supply and sanitation, new and renewable energy, industrial pollution prevention and control, and waste management.

By December 2009, we had approved 10 projects under the EDP portfolio amounting to P1.64 billion. These include big industrial projects that adopted energy-saving and clean technologies, wastewater treatment, dredging system, riverbank stabilization, and solid waste management. With project support available under EDP within a seven-year period, many more projects are expected to benefit under this facility.

ENERGY & WATER: BASICS FOR DEVELOPMENT



Our financing programs in support of the provision of energy and water can easily be placed under Environment given the emphasis on clean energy and potable water. We see our support to the utilities as critical in spurring development in an area. Several of our projects, especially in renewable energy, cater to island communities that are isolated from the grid. Aside from generating clean power to replace diesel and bunker oil powered generators, these projects also reduce if not eliminate subsidy on power generation in island economies.

Power Generation

We recognize that electricity is a major factor in economic development and a vital cog in the success of the government's strategy for poverty alleviation. Aside from addressing the Millennium Development Goals, our push in renewable energy is also aligned with the Medium-Term Philippine Development Plan that aims for energy independence through the development of renewable energy resources, energy efficiency and conservation program and reforms in the power sector.

Our challenge at present is how to fully energize rural areas. Based on data from the National Electrification Administration (NEA), 99% have already been energized and only 147 barangays remain unenergized. On the sitio level, the task continues to be daunting as only 72% have been energized, although some of these sitios still do not enjoy 24-hour electricity, especially in the NPC-SPUG areas.

The Philippines has the highest power rates among Asian nations, making it a less attractive destination for foreign investments. Thus, we see it as a challenge to support cheap power generation that is beneficial both to the consumer and the environment.

Towards this end, DBP has been very proactive in renewable energy development, even prior to the passage of Republic Act 9513 or the Renewable Energy Act of 2008. As of 2009, DBP has financed 22 renewable energy projects for a total loan amount of P5.862 billion. These projects contributed an additional capacity of 182.18 MW, with hydropower being the largest contributor at 155.26 MW. While this additional capacity hardly made a dent in the country's huge required additional capacity of 16,550 MW (Philippine Energy Plan 2009-2030), it has spelled a huge difference in several island economies. Overall, the impact of the energy projects we supported as of 2009 is estimated as follows:

<i>Impacts</i>		<i>As of 2009</i>
Additional Capacity (MW)	Hydropower	155.26
	Biomass	26.9
	Solar	0.018
Additional Household Connections		10,915
Barrel of Fuel Oil Replaced		1,323,695.56
Tons of CO2 Emissions Avoided		488,416
FOREX Savings (US\$)		36.17 million
Government Savings (Php)		199.20 million

These numbers are expected to improve as we continue to promote renewable energy sources for wider electrification coverage, environmental protection and sustainability.

Power Transmission and Distribution

Investments in power generation may require complementary upgrading in transmission and distribution facilities. Minus the efficiency in transmission and distribution, generated power gets dissipated from system loss. This translates into consumer dissatisfaction and poor revenue performance of the power provider. Thus, complementary investments in such projects aim to contain system loss within its defined cap. System loss up to the cap can be passed on to consumers so that further reduction below the cap correspondingly lowers electricity rates. On the other hand, system loss beyond the cap is cost absorbed by the power provider thus, affecting

project sustainability. Recovering system loss is a very effective way of responding to power shortages without actually investing in power generation.



As of 2009, we have financed eight distribution utilities with projects ranging from construction of substation and transmission lines to rehabilitation or upgrading of distribution systems. All these projects reduce system loss equivalent to 12,561 MWh, avoiding carbon dioxide emission of as much as 10,716 tons and saving foreign exchange amounting to about US\$2 million per year for the importation of approximately 32,162 barrels of fuel oil.

Bio-fuels

In 2009, San Carlos Bioenergy, Inc. (SCBI) started operations. DBP, together with four other banks, extended a P1.778 billion syndicated loan to finance SCBI's bioethanol fuel plant in 2006. The project supports Republic Act 9367 otherwise known as the Biofuels Act of 2006. The law requires blending of biofuels with liquid fuels for motors and engines to reduce negative environmental impact caused by fossil fuels and support the agricultural sector as well.

The integrated ethanol distillery and power cogeneration plant has a capacity of 125,000 liters of ethanol per day and can generate approximately eight megawatts of power from the biomass plant. Total volume of ethanol produced was 20.061 million liters and electricity generated was 22,569.46 MWh in 2009. Two outcomes have been achieved by this project: pollution abatement in the transportation industry and zero reliance on fuel oil by distillery plants.

Funding Support for Energy

Energy projects, especially those that access renewable technologies, enjoy consistent funding support. Concerns for climate change issues have prompted sources of Official Development Assistance funds to prioritize development initiatives in the energy sector. The World Bank-funded Rural Power Project (RPP) of US\$40 million, Japan International Cooperation Agency's Environmental Development Project (EDP) of JPY23 billion and Japan Bank for International Cooperation Industry Support Loan Project or JBIC 6 of JPY1.5 billion are available. Not counting our internally-generated funds, these ODA funds can support over P15 billion of loans to energy and environmental projects.

Water Supply and Sanitation

Access to safe water remains a daunting challenge not only for the Philippines but also for the rest of the developing world. Sixteen million Filipinos need access to safe water

while 18 million need access to basic sanitation services such as toilets and septic tanks. Only 44% of Filipinos have access to piped water supply and the rest rely on shallow wells, communal faucets or vended water. The government is committed to achieve the Millennium Development Goal of providing at least 87% of the country's population with safe water and 84% with sanitation services by 2015. Consistent with these objectives, one of our priority sectors is water supply and sanitation.

In 2009, 12 water projects were approved amounting to P457.58 million. Upon implementation of these projects, 11,544 service connections equivalent to 57,720 households will be provided with clean and safe water. One of our notable water initiatives in 2009 using our internally generated funds was the LGU-Isabel, Leyte bulk water supply project. The project enables the Isabel Water District to supply water for the central barangays of the municipality, industries inside the Leyte Industrial Development Estate and coastal barangays through the Barangay Water Cooperative Association. The project intends to increase water supply by 15,000 cubic meters per day and widen coverage of Level 3 connections from 31% to 80% of the population or an additional 4,907 service connections in 10 years.

The build-up of our portfolio of water projects was facilitated by World Bank's fund support under the LGU Urban Water Supply and Sanitation Program (LGU UWSP) amounting to US\$38.30 Million for APL I and APL II. Launched in 1999, the LGU-UWSP was designed to promote Level 3 water system and sanitation services to LGUs with population ranging from 10,000 to 60,000. We assisted 20 water projects of LGUs and Water Districts by extending a total loan of P657.85 million. Most of these water projects were fully operated by the LGUs while the rest were operated by private corporations.

While implementation of the LGU UWSP was concluded in November 2008, we kept its momentum going by tapping our internally generated funds, second generation funds and the Philippine Water Revolving Fund (PWRF). We approved 55 projects for a total loan amount of P5.614 billion using internally generated funds and second generation funds. Some of these projects have already been fully implemented. Metro Cebu Water District availed itself of a P1.25 billion loan to refinance its loan from the Local Water Utilities Administration that helped enhance its water system. The water district now has total service connections of 116,417 serving four cities and four municipalities.

The PWRF is a new initiative borne from the tripartite collaboration of the Philippines' Department of Finance, the United States Agency for International Development (USAID) and the Japan International Cooperation Agency (JICA). Designed to provide implementation support to Executive Order No. 279 of February 2004, it aims to leverage ODA funds with private resources especially for creditworthy water utilities. A private partnership scheme, the PWRF was deemed necessary given the estimated water sector investment needs of about P145 billion, or P14.5 billion annually over the 2005-2015 investment period.

Initial fund allocated for PWRF amounts to JPY1.5 billion or about P750 million, carved out of the JICA EDP facility. At an average investment cost of P15,000 per service connection, the amount translates to roughly 50,000 service

connections that can be provided with piped water service or about 250,000 Filipinos. The figure is a mere 4% of the total targeted number of Filipinos that the government is committed to provide access to safe water by 2015.

CLIMATE CHANGE INITIATIVES

To maximize borrower benefits, our Climate Change Team tracks the financial impact under the Clean Development Mechanism (CDM) of the projects we financed. Potential additional revenues from the trading of their Certified Emission Reduction (CER) units are tapped to augment repayment capacity and enhance their credit performance. Thus, as early as the initial call report made, the CDM aspects were already discussed with the prospective client.

Our First Bundle

We made significant strides in our climate change initiatives in 2009. The country's Designated National Authority (DNA), the Department of Environment and Natural Resources, released on September 18, 2009 its approval of DBP's Bundle I, composed of Cantingas, Sevilla, and Hinubasan Mini-hydro Power Plant Projects. These projects have a combined capacity of 3.9 MW to 4.35 MW capacity at expansion. This was largely facilitated by the Monetization Agreement between DBP and the UK-based CarbonAided, Ltd. in 2008. We are now a step closer to the registration in the CDM project cycle.

The three mini-hydro projects generate 21.789 GWh of electricity each year. Being clean sources of energy, they forego release of 109,190 tons of greenhouse gases into the atmosphere during the seven-year crediting period, or an annual average of 15,584 tCO₂-e. These projects also exhibit other vital economic, environmental and social benefits in their host communities.

Our First Program of Activity

Progressing along the stages in the CDM registration process was our Program of Activity (PoA) for less than 1 MW hydropower plants for connection to the grid. In 2009, the Design Document of its first CDM Project Activity, the 400 KW Kalinga Mini-hydro Power Plant Project, had been completed. We would be proceeding on to the request for DNA approval, validation and registration.

Our pipeline of CDM projects continued to build up during the year. Endorsement of project proposals that have environmental impacts became an integral component of the Project Evaluation and Endorsement Report (PEER) in the Credit Application approval process. Five such projects were endorsed for CDM processing in 2009. The list also included a PoA for methane capture in hog farms.

SUSTAINABLE LOGISTICS DEVELOPMENT

If there's one sector that was affected by the business and economic malaise that gripped the economies here and abroad in 2009, it would be the logistics sector. Aside from actual slippage in production and consumptions figure, there was also the prevailing pessimism on the capability of leading

countries to pump-prime their economies back to their normal or pre-financial meltdown growth tracks. The domestic scene could not deviate much from how the other countries performed, despite the deficit spending strategy pursued by the country's economic managers.

ROROs in More Missionary Routes

Some investors remained forward-looking despite the business slowdown in 2009. Notable among the Road-RORO Terminal System (RRTS) projects supported by DBP in 2009 were the acquisition of five RoRo vessels deployed by a major Cebu RoRo operator to ply the missionary routes of Oslob, Cebu to Larena, Siquijor; Maasin, Leyte to Ubay, Bohol; Surigao City to Dinagat Island; and Dumaguít, Aklan to Batangas City. These initiatives have yielded immense economic benefits to the Visayas and Mindanao areas and made far-flung islands accessible to trade and travel.

Leasing Option

To further support the RRTS, the DBP Leasing Corporation (DLC) expanded its leasing portfolio to include small RoRo operators. The leasing option facilitated the operation of missionary connections originating from Batangas and Oriental Mindoro to Marinduque and Romblon. These projects have succeeded in connecting these island provinces to the rest of Southern Tagalog.

Improving Access to Markets

Local farm-to-market road projects in Negros Occidental, Negros Oriental, and Southern Leyte were also beneficiaries of DBP loans. The improved roads have resulted in shorter travel time and reduced spoilage of agricultural products. These projects have also eased traffic during the rainy season, and lowered transportation costs particularly in terms of fuel consumption and vehicle maintenance.

Other logistics infrastructure projects in 2009 included a public market, a corn post harvest facility in the Mountain Province, and a cold storage project in Batangas. With the signing of a loan agreement last November 9, 2009 between DBP and the Japan International Cooperation Agency (JICA) for the seven-year ¥30.380 billion facility, Logistics Infrastructure Development Project (LIDP), DBP hopes to accelerate its funding support to projects that will not only improve the transport and distribution system in the country but more importantly, contribute to economic development and poverty alleviation in the countryside.



DEVELOPMENT OF POOR URBAN COMMUNITIES

Through the Asian Development Bank-funded Development of Poor Urban Communities Sector Project (DPUCSP), we continue to intensify the delivery of socialized housing projects to urban poor families outside Metro Manila and home improvement and enterprise development loans to the informal sector.

In 2009, we approved P264.6 million in socialized housing and microfinance projects. Our intervention in the housing component will contribute to the acquisition of secure tenure and delivery of basic services to 296 new socialized housing units to benefit employees in the Cebu City Jail and low-income households in Tarlac. On the other hand, we will support an estimated 5,000 households (*P50M divided by P10, 000 average enterprise and home improvement loan*) through our microfinance component.



These interventions support the national government's urban poverty reduction strategy by creating sustainable systems for (i) making funds available for site development and distribution of tenure to poor informal settlers; (ii) expanding the access of poor urban informal settlers to microcredit for shelter finance and small enterprise development; and (iii) facilitating participatory community-driven planning by strengthening the role and capacity of participating stakeholders.

To further improve project sustainability and long-term impact of the projects, the e-Tools for Community Focused Urban Poverty Reduction in the Philippines (e-Asia Project), a supplementary technical assistance to the DPUCSP, was designed. The said program aims to facilitate monitoring of DPUCSP housing projects and likewise improve access of urban communities to housing finance services through the use of appropriate and cost-effective Information and Communication Technology (ICT) applications. This project aims to establish 12 ICT kiosks to enable urban poor communities to access and use e-Tools for housing projects and exchange experiences with other users in other regions of the country.

In 2009, ICT kiosks were made operational in the following areas: 1) Pamayanang Maliksi, Cavite; 2) Enterprise Bank, Inc., Davao City; 3) ASKI Office, Cabanatuan City; 4) Province of Pangasinan, Pangasinan; 5) First Macro Bank, Manila; 6) Pagtambayayong Foundation, Inc., Cebu City, and

7) HUDCC and Chamber of Real Estate Builders' Association (CREBA). Six (6) additional kiosks in strategic areas will be established by January 2010.

Future Directions

With the closing of the DPUCSP facility in April 2010, we will propose the implementation of the new Sustainable Shelter Development Program (SSDP). Through the program, we will be able to address the shelter needs of a wider variety of households and also improve the overall approach to housing and shelter delivery in the country by promoting the use of alternative construction technologies and environmentally sound approaches to community building.

Through SSDP, we will scale up the interventions which we have started in DPUCSP and further strengthen our presence in the housing sector through the following SSDP components: 1) Land Acquisition for LGUs, 2) Site Development and Shelter Construction, 3) Government Employee Housing, 4) Green Housing, 5) Housing Microfinance, and 6) Shelter Project Preparation Financing.



TOWARDS UNIVERSAL PRIMARY EDUCATION

With the impending target date for achieving the goals of the Education for All (EFA) Movement launched by UNESCO, we set our focus on assisting the country's education sector and supporting the Millennium Developmental Goal (MDG) to achieve universal primary education or get 100% of the school-age population in school by 2015.

In 2009, we supported education-related projects which contributed to the country's EFA targets. Through a P90 million loan from the Bank, the local government of Cabanatuan City assisted 47 elementary and secondary schools in several barangays and districts in the city, making basic education accessible to city residents and those from neighboring municipalities. One hundred twenty five (125) classrooms were built, each able to accommodate a maximum of 50 students. Each classroom has a fully-tiled toilet for the student's convenience and is equipped with multi-media tools (i.e. television set) for a better learning experience. Aside from the noticeable advantage of being able to accommodate more pupils, the project also opened a number of job opportunities for teachers, administrative staff and technical personnel.

Inspired by the success of this project and similar initiatives, we are studying the development of a financing program for the Local School Boards (LSBs) chaired by the Local Chief Executives of local governments and co-chaired by officials from the Department of Education. We intend to leverage the Special Education Fund (SEF). The SEF is a fund for education-related projects derived from the LGU's real estate tax (1%) collection, to enable the LSBs to implement more ambitious development projects (e.g. construction of school buildings, automation of school operations, improvement of laboratories). The program will allow the use of the SEF as the primary source of loan repayment, instead of Internal Revenue Allotment (IRA). It is likewise being developed to promote proper and maximized use of the SEF through projects that permanently address the main problems of the LGU's education sector.



KfW	ADB
Urban City Centers Curative Care Lifestyle Diseases	Rural Unserved/underserved areas F1 sites/provinces Preventive & Promotive Care Poor, women & children
Commercial Private hospitals, State-of-the-art medical equipment, Medical tourism, Medical / nursing schools	Developmental LGU-owned health facilities Public-Private Partnerships Small scale health care providers

PUSHING FOR THE MDGs FOR HEALTH

To contribute to the achievement of the country's MDG-related health targets through our Sustainable Health Care Investment Program (SHCIP), we worked doubly harder to narrow the gap and improve the delivery of health care services in unserved and underserved provinces in the country. Our program extends credit for health care investment projects that promote availability, accessibility and affordability of health care services to people belonging to the lowest income group and in areas where health care services are direly lacking. It facilitates an adequate referral system from lower level to higher level health facilities. It also aims to put in place the institutional framework and working arrangement to harness private participation in government health facilities.

Funding Support for SHCIP

We support the SHCIP through a loan facility of USD 50 million from the ADB called the Credit for Better Health Care Project (CBHCP), and USD 50 million from KfW. Under the loan facility from KfW which became available in April 2008, we targeted urban areas particularly the city centers in financing curative facilities that address lifestyle diseases. The facility supports private hospitals and acquisition of state-of-the-art medical equipment. Under ADB's CBHCP, we target rural areas particularly the underserved or unserved areas. CBHCP supports projects in the area of promotive and preventive care that respond to the health needs of the poor, women and children. This loan facility supports public-owned hospitals, rural health units, barangay health stations, lying-in clinics, and public-private partnerships in health.

Adding Hospital Beds and Equipment

Of the P1.39 billion approved in 2009 under SHCIP comprising 15 projects, Php 500.67 million was disbursed. In Luzon, we assisted hospitals in Mexico and San Fernando in Pampanga, Camiling, Tarlac and Balanga City, Bataan. In Mindanao, we supported projects in Davao Oriental and General Santos City. In the Visayas, we have two in Bohol. These projects added a total of 688 new beds to the health sector. There are also projects in the pipeline that involve rehabilitation and construction of barangay health stations and small private medical clinics in the Visayas and Mindanao regions.

One of the notable projects approved by DBP in 2009 was the expansion of Davao Oriental Provincial Hospital (DOPH) to accommodate additional 100 hospital beds to decongest the existing hospital facility that consistently recorded an occupancy rate of more than 100 percent. As a result, the project helped improve bed to population ratio of the province from 1:2,342 to 1:1,586. This ratio still falls below DOH standard of 1:1,000 and still far away from attaining the World Health Organization's ideal ratio of 1:500.

Technical Assistance for Health

We do not just lend money. We provide clients with technical assistance or advisory services. Under the ADB CBHCP is a technical assistance grant to study the policy framework for Public-Private Partnership in Health (PPPH) and examine existing PPPH projects. Consultants under this TA assist the Bank in developing approaches to finance PPPH projects. A grant was also provided by the ADB for capacity building of midwives, enabling them to become capable birth attendants, and effective entrepreneurs of their own health enterprises. Project consultants for this grant are expected to be on board in October 2010.



LIVELIHOOD INITIATIVES

We are putting in place financing support for the development of aquaculture in the country through our Sustainable Mariculture Investment Program (SMIP). Under the program, we offer credit support towards the establishment of viable Mariculture Parks (MPs), usually comprising a minimum of 400 hectares of municipal waters for the cage culture of fish, and the ancillary/support industries in strategic locations.

Under the SMIP, we engage local governments, private firms and most importantly the fisherfolks and their associations or cooperatives. This is being done in partnership with the Bureau of Fisheries and Aquatic Resources and relevant government agencies such as the Department of Trade and Industry. Since the concept of mariculture parks is relatively new in the country, we also strengthen our institutional capacity to cater to the financing requirements of more than 40 mariculture parks already operating in the country.

In 2009, the Norwegian Agency for Development Cooperation approved our proposal for a Technical Assistance Project to: (i) provide technical advisory support to at least 5 mariculture parks; (ii) develop approaches and credit schemes to finance mariculture projects, especially the micro and small enterprises owned or operated by fisherfolks; and (iii) develop a technical assessment manual to evaluate projects proposed for financing. We will also task our consultants to prepare a project concept framework for fund sourcing purposes as more investors in aquaculture seriously consider the mariculture parks as viable alternatives to capture fishing. Consultants for this TA project are expected to start their assignments in late 2010.

ADDRESSING THE MSMEs' CHALLENGE

As has been the experience in developed countries, the micro, small and medium enterprise (MSME) sector plays a significant role in a country's development. Accounting for about 99.6% of the total registered businesses according to the Department of Trade and Industry (DTI), the MSME sector serves as the backbone of the Philippine economy. MSMEs employ more than 60% of the total labor force (2008 data) and also contribute about 30% of the total sales and added-value in the manufacturing industry, according to the National Statistics Office (NSO).

MSME By Asset Size

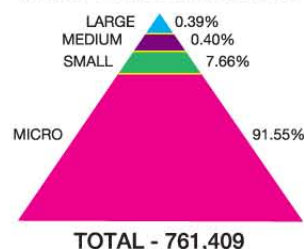
- Micro : Up to P3M
- Small : >P3M to P15M
- Medium : >P15M to P100M
- Large : >P100M

As of 2008, there were 761,409 business enterprises operating in the Philippines. Of these, 99.61% (758,436) are MSMEs and the remaining 0.39% (2,973) are large enterprises. Of the total MSME number, 91.55% (697,077) are micro enterprises, 7.66% (58,292) are small enterprises, and 0.4% (3,067) are medium enterprises.

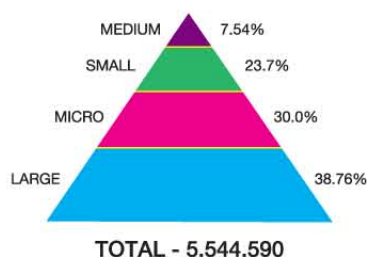
MSMEs contribute to wealth, employment and income generation, both in rural and urban areas. This ensures a more equitable income distribution. They also provide the economy with a continuous supply of ideas, skills and innovations necessary to promote competition and the efficient allocation of scarce resources.

MSMEs' CONTRIBUTION TO THE ECONOMY (As of 2008)

NO. OF ESTABLISHMENTS



JOBS GENERATED



The DBP SEED Program

To address the need to enhance MSME's access to financing and for us to comply with R.A. 9501, we set up the DBP-Sustainable Entrepreneurship Enhancement and Development (SEED) Program. DBP-SEED serves as the umbrella program designed to consolidate the Bank's initiatives in MSME financing. We lodged under it all credit facilities for MSMEs as well as for the member cooperatives of the Credit Surety Fund. It also covers our efforts to work out a non-credit facility, our Venture Capital Program.

CSF Credit Facility

The Credit Surety Fund (CSF) is a program of the *Bangko Sentral ng Pilipinas* designed to give MSMEs better access to credit by augmenting their bankability. Central to the CSF concept is the pooling of funds from credible cooperatives, the LGU counterpart and fund participations from other institutional partners like DBP, the Industrial Guarantee and Loan Fund (IGLF), Land Bank of the Philippines, and other private financial institutions. A certificate of surety cover issued by the CSF's Oversight Committee secures the loans of member MSMEs. Thus, lack of collateral cover is no longer reason for rejecting a loan application of qualified SME borrowers.

In support of the program, we formulated the CSF Credit Facility under the DBP-SEED Program. The facility fast tracks the provision of credit to MSMEs and cooperatives which are members of the Credit Surety Fund. To give credence to the reliability of the CSF surety, we grant CSF member cooperatives credit lines on the basis of their contribution to the surety fund. The credit process is effectively streamlined since the acceptability of surety cover vice hard collateral not only shortens the credit process but also significantly simplifies documentation.

DBP was the first financial institution to support the Credit Surety Fund (CSF) program of the *Bangko Sentral ng Pilipinas* (BSP). Our support came in different forms: as contributor to CSFs organized across the country, as a trustee of the fund contributions, and as a lender to CSF qualified members.

The DBP contribution to 14 Credit Surety Funds nationwide amounts to P27.05 million. The first beneficiary was the Cavite Coopreneurs Surety Fund (Cavite CSF) with the Bank's counterpart contribution of P4.45 million. It was the pioneer CSF launched by BSP. Other CSFs have soon followed, assuring the strong impact of the CSF movement in the country.

The table below shows the summary of approved DBP counterpart contributions to CSF:

Cooperative/ Coopreneur	No. of Participating Coops	Date of Launching	Amount Approved (Million)	Date of Approval
Cavite CSF	22	September 27, 2008	4.55	December 03, 2008
Aurora CSF	11	January 20, 2009	2.50	December 03, 2008
Bohol CSF	17	February 15, 2009	1.00	February 02, 2009
Negros Oriental (Dumaguete) CSF	16	February 15, 2009	1.00	June 17, 2009
Compostela Valley CSF	26	July 31, 2009	1.00	July 29, 2009
Davao del Norte CSF	22	July 31, 2009	1.00	July 29, 2009
Iloilo CSF	11	August 26, 2009	1.00	August 25, 2009
Negros Occidental (Bacolod) CSF	10	September 22, 2009	1.00	August 25, 2009
North Cotabato CSF	18	October 09, 2009	1.00	August 25, 2009
Davao Oriental CSF	6	October 09, 2009	1.00	August 25, 2009
Cebu City	17	October 16, 2009	5.00	October 7, 2009
*General Santos CSF	no	to be scheduled	1.00	October 7, 2009
*Digos City CSF	final		1.00	August 25, 2009
*Davao City CSF	figure		5.00	January 13, 2009
Total	176		27.05	

MSME Program Advocacy Activities

To intensify the collaboration with program partners on MSME Development, we initiated meetings with MSME clients and business development organizations from both government and private sectors. We touched base with the Regional Operations and Development Group and the Bureau of Micro, Small and Medium Enterprises of the Department of Trade and Industry, the Department of Tourism, the Department of Science and Technology, PhilEXIM, the SB Corporation, the Philippine Chamber of Commerce and Industry, and Go Negosyo, among others.

On top of the briefings that were conducted in Cavite, Davao, Dumaguete, Cebu, and Bohol on the CSF Program and Credit Facility, consultancy service and project visits were also undertaken for some MSME clients such as JEP, Inc., Katilingbanon Pamahandi sa Mindanao Foundation, Inc., BUNEKO; and My Own Meat Shop, among others.



Clockwise from top, left: (1) MOA Signing for Aurora CSF on January 20, 2009; (2) DBP President and CEO Reynaldo G. David hands over the P4.45 million check, representing DBP's contribution to the Cavite CSF; (3) MOA Signing for the Cavite CSF on September 27, 2008; (4) MOA Signing for the Cebu CSF on October 16, 2009

Moving Forward

Firmly believing that MSMEs play a vital role in the country's economic development, we have formulated plans to provide stronger financing support to the sector, as follows:

1. Continue supporting the Credit Surety Fund Program :
 - Support BSP in the launching of three (3) more CSFs
 - Release DBP contribution to approved CSFs
 - Evaluate and enhance CSF Credit Facility

2. Continue providing information support to MSMEs and program partners
 - Launch DBP MSME Hub
 - Enhance and continuously update data
3. Intensify advocacy activities for DBP SEED Program
4. Develop more flexible guidelines for retail lending to Micro and Small Enterprises
5. Develop program facility for franchise business, venture capital, Eco-Tourism, and other enterprise-development activities.

DBP'S PERFORMANCE ON SUSTAINABILITY AND CORPORATE RESPONSIBILITY

ECONOMIC PERFORMANCE

We sustained growth despite the odds. We believe that achieving and sustaining growth shall enable DBP to continue and increase support to our stakeholders, customers, and employees. Despite the challenges of the operating conditions amidst the global financial crisis and effects of natural calamities, DBP embarked on an institutional campaign that enhanced its image, products and services, technology, IT infrastructure, and organizational development. In the process, we enhanced our competitiveness. At the same time, we sustained socially responsible banking.

CONTINUED VALUE CONTRIBUTION

Still reeling from the effects of the global financial crisis that started in 2008, the Philippines suffered another setback in 2009 in the form of twin typhoons "Ondoy" and "Pepeng." Against a backdrop of economic slowdown and a severely stressed operating environment, the Philippine economy still managed to grow by 0.9%. The growth was supported by the expansion in finance, retail trade, mining and house repairs; robust remittance inflows; and a resilient business outsourcing industry.

Despite the calamities and lingering global financial crisis, we achieved strong financial performance in 2009 from sustained income from loans and investments. DBP's net income grew to P6 billion, almost doubling last year's P3.6 billion and setting the highest record in DBP's 63-year history. Amidst the economic challenges, 2009 proved to be a banner year for the Bank.

As the Bank continued to grow, our various stakeholders continued to benefit as well from our expanding operations. The resulting profitability in 2009 provided us with the means to increase support to our stakeholders in various forms, translating to an enhanced focus on the well-being of the Filipinos and a more determined pursuit of the country's development goals as a whole.

Foremost among our stakeholders, we gave paramount importance to the welfare of our employees as indicated by a total of P2.55 billion paid in salaries and wages -- a P227 million increase from last year's P2.30 billion. We also saw a rise in the purchase of goods and services from P998 million in 2008 to P1.58 billion in 2009, pointing out our sustained partnership with suppliers who assist us in our various operational requirements.

Living up to our mandate, we continued to be a strategic ally of the National Government, contributing part of our earnings in the form of dividends and taxes. Maintaining our social relevance, we strengthened our contribution to the community by extending much-needed assistance in the form of donations to various institutions. Our continuing thrust to empower underprivileged sectors is best reflected in our centerpiece corporate social responsibility initiative -- the DBP Endowment for Education Program (DEEP).

VALUE DISTRIBUTED TO STAKEHOLDERS (In Million Pesos)

		2009	2008 **	Percentage (%) Increase/(Decrease)
Employees	Salaries and Wages	2,549	2,322	9.80
Suppliers	Goods and Services	1,578	998	58.1
Shareholders	Dividends	1,000	1,000	0.0
Government	Taxes Paid	1,227	1,402	(12.5)
Community	Donations & Contributions*	84	35	140.00

* excludes expenses related to the conduct of volunteer work and outreach activities, implementation of the DBP Forest program, and contributions to the AGFP and CSF

** based on the 2009 DBP Audited Financial Statement

Banking on the Youth

DEEP was launched in 2008 as part of our contribution to the sustainable development of the country's human capital base -- the 90 million strong Filipinos. This 10-year scholarship program with a P1 billion seed-fund supports the continuing education of underprivileged students who graduated in the upper 20% of their high school graduating class and came from families with annual income not exceeding P150,000.

On the premise that its people are the country's most important asset, DEEP focuses on the primary objective of ensuring the adequate and continuing supply of qualified and highly skilled professionals for domestic and overseas requirements, which we deem critical to wealth creation and nation-building.

The first batch of scholars consisted of 120 nursing students enrolled in 7 partner-schools nationwide. Most of these scholars are children of farmers, laborers, drivers, mechanics, electricians, teachers, vendors, retired policemen, and soldiers.

On its second year of implementation, DEEP supported another batch of 359 scholars enrolled in 10 partner schools nationwide. Most of these scholars were enrolled in maritime education (184) and technical/vocational courses (122). We considered this refocused thrust as a strategy to help meet the huge demand for skilled workers such as seafarers, cooks, welders, caregivers, lathe machine operators, and electronics technicians.

Innovative Partnership

In collaboration with our institutional partners, the program has been instrumental in molding our scholars into honest, responsible, empowered, productive, and competitive global citizens.

Values Formation. The DEEP philosophy is rooted in uplifting levels of behavior, raising the standard of values and principles, promoting a culture of excellence and living a legacy of good citizenship and good governance practices.

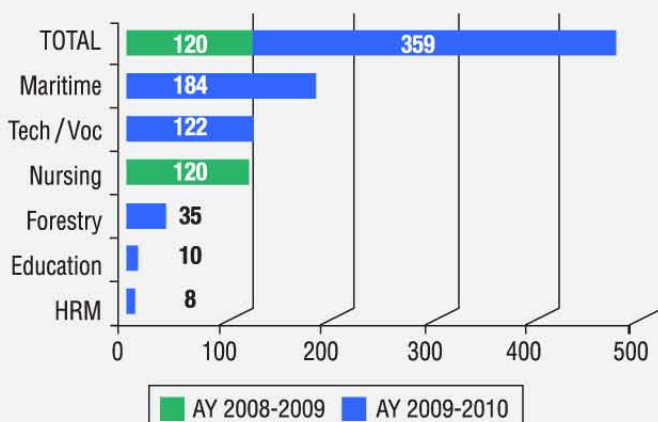
Endowment. The Program's endowment, equivalent to the upfront full payment of tuition fees, enables partner institutions to hire professional and competent teachers, build more classrooms, improve facilities and undertake upgrading of educational standards. Priority focus on quality is an overriding consideration to institute improvement at all levels.

Employment. Supporting DEEP are German, Japanese, and Norwegian employers who actively participate in the pre-qualification, assessment and selection of scholars. A stringent selection process is adopted to address the gaps between academic skills and employer qualification standards. This will ensure the employability of our DEEP graduates.

Paying It Forward. To help sustain our initiatives under the Program, we are counting on the voluntary contribution of our scholars to the DEEP Scholars Association (DEEP SA). Through their contribution, we envision to make available the same educational opportunity to more and more underprivileged but promising students. We see this as a strategy to ensure program continuity even after the P1 billion DBP seed fund has been fully disbursed by 2018.



Summary Allocation as of December 2009



International Recognition

The Association of Development Financing Institutions in Asia and the Pacific conferred the 2009 Development Award for Most Outstanding Corporate Social Responsibility (CSR) Project to the DBP Endowment for Education Program in May 2009. The recognition affirms that the Bank is on the right track in its serious efforts to make its CSR initiatives work for the benefit of more and more people in need of urgent and responsive interventions.



DEFINED BENEFIT PLANNED OBLIGATION

The retirement benefits of the Bank's employees are covered by laws applicable to all government employees. Gratuities are paid by the Bank for those employed prior to June 1, 1977. The Bank pays through a funded non-contributory gratuity plan consisting of actuarially determined normal annual service costs plus amortization of past service liability over a ten-year period. These are charged to operations. Those employed after June 1, 1977 are paid directly by the Government Service Insurance System. However, in view of the Early Retirement Incentive Program (ERIP) IV, which is geared at ensuring the vitality of the Parent Bank for the next 10 years through the infusion of new blood, cost savings in its personnel budget and creation of new opportunities for career advancement in the Bank, retirement incentive is paid to avalees and invitees upon effectivity of their separation from the Bank.

In compliance with applicable laws, the Bank established a Provident Fund for the benefit of its employees. Contributions made to the fund based on a predetermined rate are charged to operations.

The present value of incentives accruing to officers and employees who responded to the Bank's offer for early retirement, as of end of year 2009, amounted to P224 million. Philippine Accounting Standard (PAS) 19 provides that benefits which fall due for more than 12 months after the balance sheet date shall be rediscounted using average market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as of statement of condition dates.

Accrued retirement incentives of the Bank for 2008 amounted to P204 million, nil for 2009.

DBP Subsidiaries

Two subsidiaries of the Bank continue to support the Bank in the pursuit of its developmental mandate. The DBP Leasing Corporation (DLC) leases modern vessels to qualified shipping operators with the aim of supporting the integration of maritime logistics across islands in the Philippines, also known as the Roll-on Roll-off Terminal System, while Al-Amanah Islamic Investment Bank (Al-Amanah), the first and only Islamic bank in the Philippines, serves the banking needs of the Muslim community.

ENVIRONMENTAL PERFORMANCE

We are conscious of our environmental impact. Environmental protection shall never be compromised in all aspects of our operations and services, asset management and business decisions. We walk the talk. We practice what we preach. We are willing to walk extra miles and require additional procedures to reduce our environmental impact and influence others including our clients to be more responsible institutions.

The DBP Environmental Policy Statement remains true and relevant to the Bank's existing operations, services and programs. The Bank continues to uphold the principles embodied in its environmental policy. This includes being conscious of our impact on the environment, and finding solutions to the increased consumption of precious resources as inputs to our operations. In the language of the Environmental Management System (EMS), we refer to these continuing efforts as OTPs, or our objectives and targets to significantly reduce the impacts of our products and services on the environment, and the corresponding programs to achieve these targets.

This section focuses on the 2009 operational performance of the DBP Head Office and the Bank's five Regional Marketing Centers located in branch offices piloted for ISO 14001 certification, namely: Metro Manila/ Commonwealth; Southern Tagalog/ Lucena; Northeastern Luzon/ Ilagan; Central Visayas/ Cebu; and, Northern Mindanao/Cagayan de Oro.

Resource Consumption for Head Office Operations

Our target reductions at the Head Office were attained at 3.79% and 17.22% on electricity and water consumption respectively, mainly due to the completion of the Bank's Efficient Lighting Initiative (please see related story), and installation of waterless urinal and sensorized lavatory faucets. This registered the per capita consumption for the year at 22.43 cu.m on water and 2,558 kWh on electricity.

Fuel consumption (gas and diesel) decreased by 20.13%. The decrease is attributed to shorter distances traveled, and the installation of an aeronox in all Bank vehicles to further reduce fuel consumption.

Paper consumption decreased by 3.94% mainly due to strict implementation on the usage and consumption of paper in the Bank. Re-use of used paper was encouraged.

ENVIRONMENTAL POLICY STATEMENT

The DBP, in its developmental mission and initiatives, is committed to environmental protection and sustainable development and shall integrate and implement environmental considerations into all aspects of its operations and services, asset management, and business decisions.

In pursuit of this policy, DBP commits to:

- Develop, implement, and continually improve an Environmental Management System (EMS);
- Encourage other institutions to pursue environmental protection and pollution prevention through the Bank's lending and technical assistance programs, and pursue environmental management practices, including environmental due diligence inquiry in risk assessment and management;
- Comply with relevant environmental laws, regulations and agreements to which DBP subscribes;
- Set and review environmental objectives and targets along identified significant environmental aspects; and
- Ensure that all employees at all levels are made aware of and are actively involved in the Bank's Environmental Policy and programs through appropriate training and information.

Head Office Resource Consumption, 2009

Consumption	2009	2008*	Increase / (Decrease)	% Change
Electricity (in kWh)	4,970,000	5,166,000	(196,000)	-3.79%
Fuel (in liters)	76,571	95,869	(19,298)	-20.13%
Water (in cubic meters)	30,051	36,301	(6,250)	-17.22%
Paper** (in boxes)	12,854	13,381	(527)	-3.94%

* Figures adjusted from 2008 SDR based on validated details of monitoring reports

** Paper consumption decreased by 3.94% mainly due to strict implementation on the usage and consumption of paper in the Bank. Re-use of used paper was encouraged.

FIVE PILOT RMCs AND BRANCHES

Compared to the Head Office, which has been implementing EMS conservation measures, the average per capita consumption of the five branches was high, at 72.99 cu.m on water and 3,653 kWh on electricity. Nonetheless, our Ilagan, Lucena and Cagayan de Oro branches achieved their target reduction in electricity, water, and fuel consumption. Our Cebu branch achieved its target reduction on electricity and water consumption. However, a 26.49% increase in fuel consumption was recorded and attributed to increased marketing and banking operations activities such as the


regular servicing of three additional off-site ATMs, more appraisal activities, and the increased number of big clients requiring servicing.

Only Ilagan and Lucena branches succeeded in reducing paper consumption. Three other branches were unable to measure their paper consumption due to absence of data.

Meanwhile, the increase in resource consumption of Commonwealth branch is attributed to the transfer of 30 personnel from RMC Metro Manila.

DIRECT ASPECTS - RESOURCE CONSUMPTION AND WASTE MANAGEMENT, 2009

Indirect Energy Consumption By Primary Source




ELECTRICITY (kWh)	HEAD OFFICE	RMC/BRANCH						TOTAL
		COMMON WEALTH	LUCENA	ILAGAN	CEBU	CAGAYAN DE ORO	OTHER BRANCHES	
Consumption (A)	4,970,000	232,321	125,368	95,529	247,216	223,852	4,601,183	10,495,469
Increase (B)	(196,000)	25,761	(22,312)	(3,242)	(7,112)	(36,297)	304,984	65,782
Savings (in Pesos)	2,474,882	(202,796)	43,010	73,384	(44,492)	287,762	(2,119,640)	512,110
CO ₂ Emissions Emitted (MT) Formula: A x Emission Factor/1000	2,147	100	54	41	107	63	2,397	4,910
CO ₂ Emissions Avoided (MT) Formula: B x Emission Factor/1000	85	(11)	10	1	3	10	(159)	(61)

Emission Factors used:

- .432 kg CO₂/kWh for Luzon & Visayas, based on 2008 IGES Computation
- .280 kg CO₂/kWh for Mindanao, based on 2008 IGES computation
- .521 kg CO₂/kWh for other branches, based on WRI computation

Direct Energy Consumption By Primary Energy Source

FUEL (Liters)	HEAD OFFICE	RMC BRANCH						TOTAL (REDUCTION & SAVINGS)
		COMMON WEALTH	LUCENA	ILAGAN	CEBU	CAGAYAN DE ORO	OTHER BRANCHES	
Consumption, Diesel (A)	38,933	6,799	4,948	5,358	2,906	8,890	217,159	284,993
Consumption, Gasoline (B)	37,638	5,999	2,388	5,708	4,357	2,086	55,754	113,930
Total Fuel Consumption	76,571	12,798	7,336	11,066	7,263	10,976	272,913	398,923
Increase, Diesel (C)	(14,406)	(1,645)	(4,441)	(2,629)	(69)	(1,209)	(3,039)	(27,438)
Increase, Gasoline (D)	(4,893)	2,274	(2,143)	(1,978)	1,590	(1,475)	(45,984)	(52,609)
Total Savings (in Pesos)	1,758,203	156,019	351,796	333,830	(4,116)	248,767	1,938,287	4,782,787
CO ₂ Emissions Emitted, Diesel (MT) Formula: A x Emission Factor/1,000,000	104	18	13	14	8	24	582	764
CO ₂ Emissions Avoided, Diesel (MT) Formula: C x Emission Factor/1,000,000	39	4	12	7	0	3	8	74
CO ₂ Emissions Emitted, Gasoline (MT) Formula: B x Emission Factor/1,000,000	84	13	5	13	10	5	124	253
CO ₂ Emissions Avoided, Gasoline (MT) Formula: D x Emission Factor/1,000,000	11	(5)	5	4	(4)	3	102	117
TOTAL CO ₂ EMISSIONS FROM ELECTRICITY & FUEL (MT)	2,335	132	73	68	124	91	3,103	5,926
TOTAL CO ₂ EMISSIONS AVOIDED FROM ELECTRICITY & FUEL (MT)	134	(12)	26	13	0	16	(49)	130



Emission Factors used:

- 2220 grams CO₂/liters, Gasoline based on UNEP GHG calculator
- 2680 grams CO₂/liters, Diesel based on UNEP GHG calculator



LPG-fueled DBP vehicle. A DBP employee points to the LPG cylinder connected to the LPG tank from the compartment.



The LPG tank at the trunk of a DBP car.

Total Water Consumption

WATER (cubic meter)	HEAD OFFICE	RMC BRANCH						TOTAL (REDUCTION & SAVINGS)
		COMMON WEALTH	LUCENA	ILAGAN	CEBU	CAGAYAN DE ORO	OTHER BRANCHES	
Consumption	30,051	3,681	3,378	1,961	344	4,219	73,922	117,556
Increase	(6,250)	499	(475)	(431)	(18)	(15)	(1,318)	(8,008)
% Target Reduction	2.00%	5.00%	0.00%	2.00%	2.00%	0.00%	n.a.	
Actual Reduction Rate	17.22%	(15.68%)	12.33%	18.02%	4.97%	0.35%	n.a.	
Savings (in Pesos)	125,355	(42,700)	5,498	30,226	(972)	800	40,041	158,248

NOTE : Cebu recorded no savings despite the decrease in its water consumption due to the increase in water rates.

Paper Consumption

Paper (No. of reams/boxes)	HEAD OFFICE	RMC BRANCH						TOTAL (REDUCTION & SAVINGS)
		COMMON WEALTH	LUCENA	ILAGAN	CEBU	CAGAYAN DE ORO	OTHER BRANCHES	
Consumption	12,854	n.a	83	200	n.a	n.a.	n.a.	13,137
Increase	(527)	n.a	(393)	(39)	n.a	n.a.	n.a.	(959)
% Target Reduction	4.00%	n.a	2.00%	2.00%	n.a	n.a.	n.a.	
Actual Reduction Rate	3.94%	n.a	82.56%	16.31%	n.a	n.a	n.a.	
Savings (in Pesos)	213,733	n.a	67,759	11,225	n.a	n.a.	n.a.	292,717

NOTE : Combined total paper consumption of bond paper in reams and continuous forms in boxes.

COST SAVINGS AND ENVIRONMENTAL IMPACT

Cost Savings

The 2009 targeted savings from reduced resource consumption compared to 2008 was estimated at P5,453,145, of which P4,358,440 was generated from the Head Office.

With proper waste management, the Bank generated an income of P348,165 from the sale of recyclable waste. Recyclable waste included spent toners and batteries, scrap paper and metals, and aircon spare parts. An income of P2,024,899 was likewise generated from the sale of old/unserviceable equipment, furniture and fixtures (EFF) which included a dismantled escalator, scrap elevator motor and transformers, Bank vehicles, and firearms.

Environmental Impact

A total of 8,008 cu.m of water was conserved, which was equivalent to the daily water consumption of about 24,000 people.

Total greenhouse gas (GHG) emitted from resource consumption was 5,926 metric tons of CO₂. However, the Bank's overall reduction in electricity and fuel consumption resulted in the avoidance of GHG emissions of 162 metric tons of CO₂ into the atmosphere.



PESOS	HEAD OFFICE	RMC BRANCH						TOTAL (REDUCTION & SAVINGS)
		COMMON WEALTH	LUCENA	ILAGAN	CEBU	CAGAYAN DE ORO	OTHER BRANCHES	
TOTAL SAVINGS ON RESOURCE CONSUMPTION (Electricity, Fuel & Water)	4,358,440	(89,477)	400,304	437,440	(49,580)	537,329	(141,312)	5,453,145
TOTAL INCOME (Sale of Recyclable Wastes)	339,695	-	-	8,470	-	-	-	348,165
GRAND TOTAL (INCOME & SAVINGS)	4,698,135	(89,477)	400,304	445,910	(49,580)	537,329	(141,312)	5,801,310

NOTE : Recyclable waste includes spent toners and batteries, scrap paper, and aircon spare parts.



SUMMARY PERFORMANCE 2009 Resource Consumption & Waste Management

Site	E	W	F	P
Head Office	✓	✓	✓	✗
MM/ Commonwealth	✗	✗	✗	✗
ST/Lucena	✓	✓	✓	✓
NEL/Ilagan	✓	✓	✓	✓
CV/Cebu	✓	✓	✓	✓
NM/Cag de Oro	✓	✓	✓	✓

E = Electricity; W = Water;
F = Fuel; P = Paper
✓ = target reduction attained
✗ = target reduction not attained

Environmental Impact

- ▶ Decrease in electricity and fuel consumption
 - Avoided 162 MT of CO₂
 - 2,558 kWh = Per capita (HO)
 - 3,653 kWh = average per capita of the 5 branches
- ▶ Reduction of 8,008 m³ of water consumption
 - 1 day water consumption of about 24,000 people
 - 22.43 cu.m = per capita (HO)
 - 72.99 cu.m = average per capita of the 5 branches

Cost Savings & Income of P5.8M

- Head Office - P4.36M (savings); P.34 M (sale of recyclable wastes)
- 5 Pilot Branches - P1.09M (savings) P.008M (sales of recyclable wastes)

INDIRECT ENVIRONMENTAL ASPECTS

Environmental Lending Programs

As we fund projects that can significantly impact on our environment, we have consciously taken upon ourselves the pivotal role of promoting environmental protection. All project proposals received for funding are subjected to the Environmental Due Diligence process through the preparation of a Project Evaluation and Endorsement Report (PEER). This is covered by DBP Credit Policy Memorandum 110. The PEER includes an evaluation of the technical aspects and viability of the proposed project as well as its compliance with environmental requirements, social safeguards, and procurement procedures. It also identifies project performance indicator/s for monitoring purposes. (Please see related story on DBP's Development Financing Programs).

The environmental impact of our clients' activities in operating DBP-funded projects is what we call indirect environmental impact. To measure the indirect environmental impact of DBP's environmental lending programs, the Bank implements the Environmental Performance Monitoring (EPM) system which was developed to evaluate the success of funded projects and to quantify the significant environmental benefits and gains of these projects. EPM is also used as a tool for Bank clients to improve their environmental performance, including compliance with laws and regulations, and to likewise assist them in managing and improving productivity and profitability. EPM is performed on DBP-funded environmental projects starting from the development stage and even after the project is fully paid to ensure that the project continues to operate within sound environmental practices. Clients are required to submit an EPM report to DBP.

Based on EPM reports submitted by clients, we measure the extent of pollution reduction or avoidance, conservation of resources, as well as volume of waste collected, treated or disposed. Even reductions in greenhouse gas emissions are measured.

Estimated environmental benefits from the operation of DBP-funded projects for 2009

Environmental Benefits	No. of Projects	Quantity
Mass of Water Pollutants Avoided		
BOD, MT/year	4	1,310.80
COD, MT/year	4	3,824.40
TSS, MT/year	2	36.44
Oil and Grease, MT/year	2	1.45
Color, MT/year	1	10.87
Chromium Hexavalent (Cr ⁺⁶), kgs./year	1	0.13
Iron, kgs./year	1	26.73
Surfactants, kgs./year	1	97.20
Coliforms, MPN/year	1	161,001,610.28
Resources Conserved or Waste Recycled/Reused		
Energy, MWH/year	4	32,793.67
Water, m3/year	4	12,070,803.41
Fuel, m3/year	3	206.96
Fuel, MT/year	1	24,552.00
Raw Materials, MT/year	2	3,739.24
Solid, Healthcare and Hazardous Waste Collected Treated and Disposed,		
Solid Hazardous Waste, MT/year	1	16,420.43
Liquid Hazardous Wastes, MT/year	1	2,912.04
Solid Waste, MT/year	5	41,285.70
Hazardous Waste, MT/year	2	4,842.14
GhG Emission Reduced MT/yr	1	5,035.24

Over the years, we have noted, however, that some clients submit EPM reports containing incomplete information as well as the same data year after year. Thus, we have formulated several assumptions to come up with the annual estimated environmental benefits of funded projects. There is certainly a need to strengthen and enhance the EPM reporting system particularly with regard to data gathering by clients.

Fund Sourcing

We successfully forged a new loan agreement with the World Bank for an additional US\$40-million under the Rural Power Project APL-1 credit facility. The facility caters to renewable energy projects.

ISO 14001 Certification

By the end of the year, results of a surveillance audit further upheld our Internal Audit office's favorable assessment of the Bank's Environmental Management System – citing that overall implementation of the EMS at the Head Office was satisfactory and that the Bank continued to demonstrate its commitment to continual improvement. The external auditor did not raise non-conformances, He instead suggested observations and opportunities for continual improvement of the Bank's EMS. As a result, there was no monetary value of significant fines and no non-monetary sanctions for non-compliance with environmental laws and regulations imposed on the Bank.

Other Initiatives for EMS Improvement

AREAS	ACTION TAKEN
Measurement of indirect GHG emissions from business travels in the Head Office All Bank units shall be briefed on the measurement of indirect GHG emissions from business travels	Initial briefing conducted to about 30 EMS Champions. It focused on how each employee will take part in the measurement of the Bank's GHG emissions from business travel. A circular covering the proposed format to capture the necessary metrics on air miles, land travel, nautical miles, etc. was drafted.
Measurement of GHG emissions from various funded environmental projects To document the carbon footprint of the Bank's funded environmental projects	Expected GHG emission reduction of 119,724 tons of CO2 per annum is estimated to be achieved from seven (7) approved energy projects covering hydropower, biomass, and rehabilitation and upgrading of distribution system.
Pursue Implementation and Integration of EMS with QMS by 2011 PrM and PD shall lead this undertaking with the active involvement of all Bank units.	Conduct consultative meetings and training on QMS as part of preparation for the integration of EMS and QMS. Initiate discussions of plans for the future integration of EMS with QMS.
OTHERS	ACTION PLAN
Development of Proof of Concept for the Bank's energy and GHG emissions inventory and monitoring system To assist the bank in developing automated tools that will facilitate the quantification and reporting of GHG information that is reliable, verifiable and in accordance with international GHG accounting standards.	Conduct briefings and negotiations with technology sources for collaboration work; seek management approval. Activities include identification and gathering of data; identification of DBP's reporting requirements; automation of the measurement of GHG emission; systems orientation and live use; and, analysis and recommendations.
Site Inclusion Certification Audit of Five Pilot RMCs/Branches	Certification by 2010. EMS rollout to other batches of RMCs/Branches.

DBP FOREST PROGRAM

A call for Biodiversity and habitat protection/reforestation

The DBP Forest Program was conceived in 2004 in response to the call for the protection of the environment, specifically through the planting of trees to prevent the occurrence of flooding similar to the Infanta, Quezon tragedy that year. Hand in hand with its objective of preventing soil erosion and the conservation of water, the program promotes healthy biodiversity, habitat protection and restoration, as well as the provision of rural livelihood opportunities.

In the reforestation of denuded localities, priority is given to the planting of high value trees that will restore the habitat in the area. In Occidental Mindoro, the planting of the Mindoro Pine, which is considered the heart and soul of Mindoreños, has been undertaken. In the Laguna-Quezon Land Grant area, the University of the Philippines, Los Baños has started to replenish the numbers of high-value dipterocarps in order to restore critical watershed areas. Prospects are promising with a survival rate pegged at 95%.

Different endemic species are planted by forest partners to help ensure that surviving forest trees will flourish, multiply, and thrive in their natural habitats. This development is also expected to promote biodiversity, including the nurturing of native flora and fauna species. It has been observed that forest wildlife continues to be restored little by little as reported by residents who have observed the presence of different species of birds, wild boar, and other animals. Residents also noted that with the planting and care of mangroves, seabirds have returned to the area, while other fish have found a spawning ground in the area. The adoption of silviculture technology has also paved the way for bigger harvests of fish, shrimps, and crabs.

With six additional forest projects in 2009, DBP has established a total of 33 forest partnerships all over the country, 16 of which are with people's organizations (POs), 10 with local government units (LGUs), six with state universities and colleges, and one with a government agency. These covered a total area of 5,654.77 hectares approved for planting with various tree species totaling around 4,711,317, as follows:

	Area (Hectares)		Area (Hectares)		Area (Hectares)
Fruit trees:		Forest trees:		Forest trees:	
• Cacao	150	• Acacia Mangium	23.75	• Narra	266.51
• Cashew	148.07	• Bamboo	109	• Neem	50
• Citrus	25.50	• Banaba	25	• Rain Tree	24
• Coffee	25.00	• Dao	50	• Rattan	374
• Durian	278.29	• Falcata	50	• Red River Gum	30.80
• Guyabano	17.23	• Gmelina	18.75	• Rubber	418
• Jackfruit	175.20	• Hanga	50	• Tuai	25
• Lanzones	511.50	• Ilang-ilang	155	• Abaca	50
• Lychee	1	• Ipil-ipil	14.28	• Dipterocarps	103
• Mango	746.42	• Jathropa	30	• Endemic Species	10
• Mangosteen	63.50	• Kakawate	26.68	• Exotic Species	185
• Pili	15.50	• Mahogany	152.91	• Indigenous Species	6
• Pomelo	211.83	• Mangrove	330.46	• Medicinal Plant	14.29
• Rambutan	348.78	• Mindoro Pine	50	• Native Trees	55
• Satsuma	30.23	• Molave	25	• Non-Dipterocarps	100
• Tamarind	84.29				





Mangrove project with the Palawan Council for Sustainable Development and Barangay Isugod Fishermen's Association.



Mangrove plantation in San Jose, Northern Samar, a coastal forest project with the Carangian Fisherfolks Development Cooperative.



Flowering mango trees intercropped with corn in Cagayan Valley.



A cacao plantation on a hillside slope in Marilog, Davao City

As of end 2009, **3,577.40 hectares** have already been planted, equivalent to a completion rate of **63%**. Overall **survival rate is 75%**.

The first forest projects established in Davao have started to reap fruits from the harvests. Forest partners gain additional income from the sale of cacao which they process into tablea (chocolate chips). Durian, pomelo and rambutan trees have likewise started fruiting. In Palawan, harvest from the forest project has paved the way for the initial production of abaca fiber which is now ready for the market.

The program also encourages intercropping by the community. Member-beneficiaries of most forest projects earn additional income from the intercrops planted in the project sites. They have harvested corn, vegetables, cassava, banana, peanuts, palay, ginger, ube, sweet potato, gabi, pineapple, papaya, lemon grass, edible fern, seaweeds, among others. In Aurora province, forest partners have ventured into vermi-culture and vermi-composting, which are used to produce fertilizers for the trees and sold for additional income. This gives them an additional source of income while waiting for their trees to bear fruit.

RETROFITTING DBP'S LIGHTING SYSTEM

We recognize that the DBP head office building, by present standards, is a facility that presents a significant potential for increased energy efficiency and lighting quality.

Built in 1969, the 12-storey DBP building has an area of approximately 18,572 square meters. It accommodates the work space requirements of 1,010 regular and 352 casual and contractual employees as of December 2009. Total lighting system operating hours are estimated at 220 hours per month or 2,640 hours per year.

The lighting system of the Bank used to be composed mostly of fluorescent lamp fixtures, supplemented by Compact Fluorescent Lamps (CFLs), incandescent bulbs, circular lamps with spotlights, halogen lamps, and candle lamps used as special lighting in exhibit areas, executive suites and the auditorium. Fluorescent lamps fixtures of 2 x 40 watts and 1 x 40 watts, recessed in the ceiling and usually in plain plastic diffusers or plastic egg diffusers, were used for general lighting in the office, encompassing approximately 58.9 percent of the building's total floor area. These fixtures operated on two types of ballasts, the electronic ballast and the rapid start ballast. The lighting system was estimated to consume 94,800 kWh per month or 1,138,000 kWh per year.

In line with the establishment and implementation of our Environmental Management System, we considered tapping the services of an energy service company as our strategic contribution to the promotion of the Energy Service Company (ESCO) industry in the Philippines. This initial effort, however, proved unsuccessful and prompted us to proceed with the development, engineering and implementation of a complete efficient lighting system retrofitting project for the DBP head office building. This entailed a total project cost of P14,850,000.

Objectives

Through the retrofitting project, we intended to accomplish the needed upgrading and replacement of our existing lighting system. Additionally, we expected that the project would:

- Improve lighting quality and aesthetics to create a better work environment for DBP employees
- Reduce lighting energy consumption and costs
- Reduce lighting system maintenance costs, both for labor and material and,
- Reduce air conditioning load, by reducing internal gains from the lighting system.

DBP expected to recover the project cost from the projected energy and maintenance cost savings, given a period of one to four years. The project commenced on February 2008, and was completed in May 2008.

Programs to Energy Efficiency Plan

In August 2002, the Department of Energy (DOE) - Energy Efficiency Division (EED), in coordination with the DBP Property and Security Management (PSM), conducted a thorough energy audit of our head office building's lighting and air conditioning systems. The said audit pointed out the need for an energy conservation project that would

primarily focus on cost effectiveness, functionality of our facilities, and comfort for the building's occupants. First on our agenda of recommended programs was the reduction of the number of lighting fixtures from the original 8,630 units to 4,915 units of 2x40W, 2x30W, 1x40W, 2x20W and 1x20W fluorescent lights. We projected the deactivation of some of the Bank's lighting fixtures to translate to an annual estimated savings of 821,961 kWh, equivalent to a total savings of P4,709,838 (computation was based on P5.73/kWh, with the lighting system operating at about 220 hours per month). The estimated average Lighting Power Density (LPD) of 43.945 watts per square meter on the planned new number of lighting fixtures was still above the allowed maximum lighting power density of 21 watts per square meter specified in the Guidelines for Energy Conserving Design for Building and Utility Systems set by the Department of Energy. However, even with the high LPD, we assumed the estimated illumination level to be below the required 300-700 lux.

The second stage of the recommended program, which was to replace the remaining 4,915 units of 2x40W, 2x30W, 1x40W, 2x20W and 1x20W fluorescent lighting with the 2,600 units of 2x32W fluorescent lighting with multi-line louvers, anodized reflectors and electronic ballasts. While we estimated the replacement to cost the Bank the total amount of P10,019,970, we also saw this as translating to an estimated additional annual savings of 780,545 kWh, equivalent to P4,472,522 in savings. Furthermore, we also considered this to bring an improvement on the illumination level with lower LPD.

These two stages of our original energy conservation plan were expected to generate an annual potential savings of 1,602,506 kWh, equivalent to P9,182,360 vis-à-vis an investment cost of P10,019,970.

Implementation of Efficient Lighting

This recommended energy conservation plan, however, was not implemented. The results of the EED audit, while it provided us with an important reference point, were considered preliminary, and other alternative project designs were also assessed. Our Property & Services Management (PSM) office conducted further study on how to reduce the monthly energy consumption of the Bank and at the same time improve its lighting system. After a series of exploratory studies, a process of consultation and research activities, and with the availability of the T5-28 W FL — a newer and more efficient type of lamp -- our Project Team recommended the replacement of the original 8,630 units of 2 x 40 W FL, 2 x 30 W FL, 1 x 40 W FL, 2 x 20 W FL, 1 x 20 W FL with the T5-28 W FL instead of the initially planned 2 x 32 W FL. Though the T5-28 W FL was relatively more costly than the 2 x 32 W FL, we expected this higher priced alternative to also give us a higher potential savings at 1,644,878 kWh, equivalent to P9,425,151 annually.

In terms of efficacy, the T5-28 W FL has more than 103 lm/W, thus making it the most efficient fluorescent lighting system. We took note of the need for some rewiring on feeder lines of our lighting fixtures, which was required as part of the lighting system retrofit. Further design work was undertaken, in collaboration with our contractor, to determine the extent of the required rewiring. To keep project costs at a minimum, we replaced existing activated lighting fixtures with T5-28 watts, installed alternately with unused fixtures following the approved design.

We likewise consulted our contractor on the most responsive lighting system architectural and aesthetic design. Our basic consideration was that the chosen design must balance costs with lighting quality and aesthetic appearance. In assessing the chosen design vis-à-vis its acceptability to our employees as users, we initially required its test installation in a selected area in our head office building. The deactivation of some of our lighting fixtures formed part of the overall activities under the retrofitting of our lighting system project.

thus further reduce our energy consumption. As an added benefit, the improved appearance of our ceilings also complemented our efforts to provide a better working environment for our employees.

The project, costing P49.5 million, covered an approximate ceiling area of 18,282 square meters. With our new metal ceiling, achieving the required working temperature of 24°C now takes only 10 to 15 minutes, as compared with the 30-minute cooling period with our old ceiling boards. This has allowed us to generate savings amounting to P263,465.40 per month or P3.2 million in savings per year. Upon project completion, room temperature is also expected to be significantly above the recommended 24°C for a typical office building. To produce the same cooling effect, the air-conditioning cooling system chiller units total compressor motor power (kW) demand was computed to have an estimated reduction of 66kW per month from 635 kW to 569 kW, generating an additional annual savings equivalent to P1,198,074. Project commencement began in November 2009, with target completion set in March 2010.



Replacement of the Bank's Ceiling Boards

The DOE/EED audit report likewise disclosed that the Bank consumed about 5,691,000 kWh annually, equivalent to P32,627,799. This consumption record was based on our utility bills from July 2001 to July 2002. A study conducted by the Energy Utilization Management Bureau of the DOE showed that our airconditioning system accounted for a major portion of our electricity consumption, taking up 60.46% or an equivalent of 286,729 kWh. This was followed by our lighting system and office equipment, among others. The DOE thus, made various recommendations, and these were implemented to reduce the monthly energy consumption of our air-conditioning system.

With the completion of our retrofitting program in May 2008, our next task was the replacement of our Bank's previous acoustic ceiling to perforated powder coated metal ceiling type boards. This initiative was proposed by the Engineering and Building unit of our PSM office. The perforated powder-coated metal ceiling type board was particularly selected as said material was considered more durable, corrosive resistant, and more cost-efficient than our previous ceiling material which was wet mineral fiber.

We also implemented the replacement of our ceiling boards to further improve room temperature in the building and increase the efficiency of our air conditioning system, and

Performance as of 2009

HEAD OFFICE ELECTRICITY CONSUMPTION (vs. Base Year Average 2003-2007 at 5,787,950 kWh)

	Actual Consumption (kWh)	Increase/Decrease (kWh)	Savings (Pesos) vs. Base Year
2008	5,166,000	(621,950)	3,563,773
2009	4,970,000	(817,950)	4,686,853

Note: Cost of electricity P5.73 per kilowatt-hour

Our electricity consumption records for 2009 reflected savings shortfall vis-à-vis our expected savings of about 1,644,878 kWh per annum. Possible contributing factors to this savings shortfall were the increase in the number of Bank activities undertaken during the year, as well as the increase in the office equipment, which both led to a corresponding increase in power consumption. We, however, project that with our retrofitting program, a return on project investment in the form of annual savings will be realized in approximately three years.

SOCIAL PERFORMANCE

We are investing in human resources and institutional strengthening. We are aware that fulfilling our vision and mission towards development can only be made possible with the help of the people who make up and steer our institution.

On this premise, we continue to focus on accelerating long-term national growth by investing in our human resource through rigorous selection, continuous local and international training, and the promotion of a well-rounded lifestyle that balances career goals with health and wellness concerns. It also includes strategies and conscious efforts to encourage employee mobility.

Incentive Compensation and Benefits in Place

Aside from decent pay, our organization offers attractive incentives and benefits to full-time employees. These include bonuses, food and living allowances, vacation and sick leave benefits, health care assistance, loyalty incentives, and death benefits. Additional compensation such as housing and car loans are given to employees through the Provident Fund, which is an employees and bank-shared trust fund established by DBP pursuant to RA 4537. It is for the exclusive benefit of our officers and employees, and represents a fitting reward for their faithful and dedicated service. Often, security of tenure and attractive retirement benefits are the attractions for those who work in government institutions.

Local Hiring

Our standard process during local hiring applies to both rank-and-file employees and officers. Recruitment is initiated with the Department/Branch/RMC Head concerned recommending the filling up of a certain position in their respective departments/branches, subject to the concerned Sector Head's approval. This is then forwarded to HRM for evaluation.

If all are in order, the HRM Head signs the clearance for filling up and submits it to the President and CEO through the COO for approval. Once the clearance is approved, the bulletin of vacant position/s for filling up is then posted in conspicuous areas, bankwide, for 10 calendar days.

Interested applicants submit their applications to HRM within the prescribed period. If more than one application is received, applications are referred to the Sector/Department/Branch/RMC concerned for screening and evaluation after which the concerned Department/Branch informs HRM of the results of their evaluation. HRM then prepares regret letters to applicants who were not selected for the position.

HRM requests for a background investigation, audit report from the Internal Audit, attendance records and clearance from the HRM-Administrative Discipline Unit. The HRM analyst evaluates the qualifications of the recommendee based on his/her passing mark in the Bank's pre-employment examination, existing qualification standards, applicant's performance rating, background investigation, audit report, accomplishments, and other criteria as needed.

If everything is in order, HRM prepares the selection line-up for submission to the Personnel Selection Board (PSB) for deliberation. All applicants for the position to be filled up are included in the selection line up with the evaluation of the Department/Sector/Branch/RMC Head.

The PSB convenes to deliberate on the candidates. The PSB Secretariat prepares recommendations for the approval of the President & CEO. For candidates not favorably endorsed, the PSB Secretariat prepares a memo to the concerned Department/Branch/RMC Head regarding the reason for the deferment.

Once the recommendation is signed by the President & CEO, HRM shall inform the concerned applicants to submit all requirements for assumption of duty. HRM then proceeds to prepare appointment papers for signature of the President & CEO. The final step is the submission of the signed appointment papers to the 201 File, while copies are given to the employee and CSC together with the supporting documents.

Our records reflect our continuing objective of achieving a workforce profile that balances expertise and fresh talents – a fusion of experience and new ideas. It is also worth mentioning that through our early retirement incentive program (ERIP), we are able to sustain our manpower management strategy that ensures a steady inflow of new talents into the DBP workforce.

Introducing Dynamism in the Workforce

A big difference between a government organization and a private organization is the latter's apparent dynamism. One's tenure in public service tends to be stable and prolonged, unlike in private employment where mobility characterizes career paths. The lack of dynamism in public service, and quite often service orientation as well, is ascribed to the civil service protection. In DBP, we ensure an ample degree of organizational dynamism through the continuing application of an Early Retirement Incentive Program (ERIP). While ERIP entails costs, these might just be the price of ensuring consistent dynamism among the workforce.

ERIP led to 60 retirees in 2008 and another 35 in 2009. The turnovers in 2009 were highest in the age brackets of employees above 50 years old, at 8.6 percent for the 50-59 years old and 17.4 percent for the 60 and above age bracket. In raw numbers, these age brackets accounted for 28 of the 35, or 80 percent, of those who retired in 2009. In 2008, 26 of the 60 retirees, or 43.3 percent came from these age brackets, as well. DBP thus, hired more employees on contractual basis to address the impact of this personnel reduction, which was attributed to qualified officers and employees availing themselves of the Early Retirement Incentive Program (ERIP) effective December 31, 2008.

WORKFORCE												
OFFICE	REGULAR			CASUAL			CONTRACTUAL			TOTAL		
	2009	2008	%	2009	2008	%	2009	2008	%	2009	2008	%
Head Office	1,010	1,110	-9.0	30	38	-21.0	322	297	8.4	1,362	1,445	-5.7
Branches	1,199	1,137	5.4	40	46	-13.0	687	683	0.6	1,926	1,866	-3.2
Total	2,209	2,247	-1.7	70	84	-16.7	1,009	980	3.0	3,288	3,311	-0.7

The figures in the above table do not quite tell our story. Total workforce of 3,288 in 2009 was only 0.7 percent lower than in 2008. Regular employees only dipped by 1.7 percent or by thirty-eight heads. A closer look at the table, however, discloses that Head Office workforce was reduced by a net of 100 persons and was offset by the net increase in the branches of 62 employees. These numbers confirm the observation that the ERIP was availed of by the most senior executives of the Bank who are based in the Head Office. While early retirement of officers also affected the branches, the exigency of the service, including the upkeep of control measures, requires that they be immediately replaced.

EMPLOYEE TURNOVER								
AGE DISTRIBUTION	RESIGNED		RETIRED		TOTAL		% TURNOVER	
	2008	2009	2008	2009	2008	2009	2008	2009
20 to 29	2	9	0	0	2	9	0.7	2.4
30 to 39	16	14	2	2	18	16	3.8	3.1
40 to 49	9	6	24	5	33	11	3.9	1.3
50 to 59	3	8	26	25	29	33	5.0	8.6
60 & ABOVE	0	1	8	3	8	4	13.1	17.4
TOTAL	30	38	60	35	90	73	4.0	3.3

Continuing replacements tended to obscure the movements in our workforce. While the number of regular employees was reduced by only 38, the actual number was bigger. Most of the casuals that "left" were actually "regularized" during the year. The regular employment category lost a total of 73 employees in 2009 due to resignations and retirement, of which 35 were replaced from the ranks of casuals. During the year, there were 111 new hires, however, 38 vacated plantilla positions remained unfilled. The organizational streamlining impact of manpower reduction was mainly at Head Office.

Leadership and Top Management

At the helm of organizational management is our Board of Directors composed of nine members. In 2009, the demise of one director reduced their number to eight (one female, seven males). Their leadership is complemented by the expertise of our corps of 35 Senior Officers (19 female, 16 male).

The ERIP made a huge impact on Senior Management in several dimensions. First, it tilted the balance in the gender distribution in favor of the Female Group so that it accounted for 19 out of 35 senior executive positions, or 54 percent. Second, it made Senior Management younger; those 50 years old and above comprise 83 percent, from 88 percent in 2008. These subtle changes brought about by the ERIP may just have resulting adjustments in the pervading management style in the Bank.

GENDER AND AGE DISTRIBUTION								
GENDER/AGE	BOARD OF DIRECTORS				SENIOR OFFICERS			
	NUMBER		PERCENT		NUMBER		PERCENT	
	2008	2009	DIST.	CHANGE	2008	2009	DIST.	CHANGE
GENDER								
Female	1	1	12.5	0.0	21	19	54.3	-9.5
Male	8	7	87.5	-12.5	21	16	45.7	-23.8
DISTRIBUTION								
30 to 39	0	0	0.0	1	1	1	2.8	0
40 to 49	3	2	25.0	-33.3	4	5	14.3	25.0
50 to 59	2	3	37.5	50.0	27	22	62.9	-18.5
60 & ABOVE	4	3	37.5	-25.0	10	7	20.0	-30.0
TOTAL	9	8	100.0	-11.1	42	35	100.0	-16.7

"Greening" the Regular Workforce

The changes caused by ERIP, while more pronounced in senior management positions, were also apparent for the regular workforce. Female employees gained in number and raised their share among regular employees to over 61%. The number of male employees, on the other hand, declined by 5% between 2008 and 2009, to settle for a lower share of 38.6% from close to 40 percent in 2008. These proportions could be the combined effects of more males availing of the ERIP (see table on Turnover) and more female new hires.

The age distribution of the regular employees in 2009 favored the younger generation with those below 40 years old accounting for 40.2%. The 40-49 age bracket contributed 39.1%. And the biggest loser is the 50 & above age bracket which had an eroding share of only 20.7% from over 26% in 2008. Given the age distribution of our regular workforce, it has been observed that the institutional memory of the rehabilitation years (1986 to 1990) had significantly narrowed, while the age group that is more open to innovative and out-of-the-box thinking expanded. In a way, this is regarded as a way of "greening" our regular workforce.

Bringing the Workforce up to Speed

Without a corresponding acceleration in the conduct and number of training programs, the physical changes in our workforce could hardly cope with the challenging world of development banking. The impact of ERIP on senior management needed to be addressed by nurturing the capabilities of junior officers. What we designed as a response to the expected decimation of experienced managers, the Management Associates Program (MAP, see In-Focus), would now reach its culmination.

REGULAR EMPLOYEES: GENDER AND AGE DISTRIBUTION				
GENDER/AGE	NUMBER		PERCENT	
	2008	2009	CHANGE	DIST.
GENDER				
Female	1,351	1,357	0.4	61.4
Male	896	852	-4.9	38.6
TOTAL	2,247	2,209	-1.7	100
AGE DISTRIBUTION				
20 to 29	289	381	31.8	17.2
30 to 39	468	508	8.5	23.0
40 to 49	848	863	1.8	39.1
50 to 59	581	425	-26.9	19.2
60 & ABOVE	61	32	-47.5	1.5
TOTAL	2,247	2,209	-1.7	100

We address continuing employee development needs with our skills management and lifelong learning programs that support the continued employability of our human resource, while extending assistance in managing career endings. All employees, from the senior officers to those at the lowest levels, receive an average of over a month's worth of capacity-building training, workshops and seminars every year. The 33 days average training period in 2009 nearly doubled the 17 days recorded in 2008.

For 2009, among the training programs and seminars conducted were the Entrepreneurship Seminar, John Maxwell Leadership Summit: Leading in Challenging Times with Dr. John C. Maxwell; Personal Finance Management; Promoting Efficiency, Effectiveness and Professionalism (PrEP), Workshop on Improving Human Performance, Seminar on Money Matters and, Viva Leadership. Annual programs on the Performance Management System (PMS), Supervisory Development and Group Panel Interviews (GPI) were also conducted as part of a continuing program to assist our personnel in managing their career growth. These were in addition to the yearly regular performance and career development reviews received by all (100%) DBP regular and casual employees.

REGULAR EMPLOYEES: TRAINING							
EMPLOYEE LEVEL	TRAINEES (NO.)		TRAINING HOURS		AVERAGE PERIOD		
	2008	2009	2008	2009	2008	2009	%CH
Senior Officers	42	37	1,304	1,708	31.1	46.1	48.2
Junior Officers	577	580	15,840	26,898	27.4	46.4	69.3
Supervisory	213	220	3,945	6,737	18.5	30.8	66.5
Tech/Clerical	1,132	1,188	13,890	34,130	12.3	28.7	133.3
Service	161	164	805	2,579	5.0	13.8	176.0
TOTAL	2,125	2,158	35,784	72,052	16.8	33.4	98.8

On its fifth year, our Management Associates Program (MAP) produced 32 new junior officers who completed a year-long training program consisting of nine modules and 68 subjects. Twenty-five of these MAP graduates were assigned to the Branch Banking Sector as part of our strategy to complement our countryside development thrust with fresh talents and new development approaches and ideas.

Consistent and Uninterrupted Service

We have always assimilated the value of placing our clients' needs above our personal interests. Guided by this value, our zeal for consistent service is mirrored in our resolve to promptly and continuously attend to our duties and responsibilities. As part of our standard conduct in DBP, we are called upon to always be present in our respective work areas.

For the year 2009, a total of 241 working days was recorded. Of these, an aggregate of only 5,772 absences from 1,010 employees in the Head Office, or a mere 2.37%, proportion of absences in 2009, was tallied. In the case of our

RMCs/Branches, records show a total of 6,232 cases of leave availed of by 1,199 workers or a minimum of 2.16% out of the total working days for the whole year.

	LEAVE AVAILMENTS*	NO. OF PERSONNEL	RATE
Head Office	5,772	1,010	2.37%
Rmc's/Branches	6,232	1,199	2.16%

* Excluding Forced Leaves and Special Leaves
 ** No. of Working days for 2009:241

Developing a Well-rounded Workforce

Our health promotion programs highlight our organization's focus on promoting a sustainable and healthy lifestyle among our employees and their families. Along this line, we have conducted in 2009 health lectures on liver, hepatitis and skin care. Complementing these were consultations on lifestyle diseases extended to all newly-hired employees. Free health screening activities were also organized that included: Liver Function Tests, Anemia screening and Blood Sugar Tests. We also offered information dissemination on AH1N1; and mass vaccinations for flu and anti-cervical cancer.



Promoting a safe and conducive working environment for our personnel has also been of paramount importance to us. For the current year, a minimal rate of injury (.09 percent) was recorded for our Head Office and the branches. In terms of occupational diseases, a slightly higher percentage (2.47 percent) was recorded for 2009, corresponding to 55 cases in the Head Office and 11 in the Branches. The top three occupational diseases listed were Metabolic Syndrome (MS), Coronary Heart Disease and Cancer. We continue to undertake initiatives on lifestyle, health, physical fitness, and workplace safety.



Community Immersion

Typhoon Ondoy, one of the most destructive typhoons to hit the Philippines, provided a venue for showcasing the spirit of volunteerism among DBP employees. In response to the call for relief assistance for the typhoon victims, our officers and employees wasted no time in volunteering for the Bank-initiated outreach project for affected communities.



While there were some DBP employees who were themselves affected by this calamity, many of our officers and staff members still managed to share their resources by donating food and clothes, solicited via a donation drive that ran for two weeks following the typhoon Ondoy tragedy.



Selected members of the DBP personnel also participated in the DBP Share-a-Gift project conducted on December 15, 2009 in Sta. Cruz, Laguna – one of the areas worst hit by typhoons Ondoy and Santi. The beneficiaries were the elementary students of Santo Angel Central, who also enjoyed a school-wide Christmas Party, as part of our outreach activity.



Promoting Human Equity in the Workplace

We adhere to the universal tenet that “All human beings are born free and equal in dignity and rights. They are endowed with reason and conscience and should act towards one another in a spirit of brotherhood.” (Article 1 of the United Nations Universal Declaration of Human Rights)

As we consistently placed emphasis on putting this declared principle into practice, we are proud that, as in the past years, there was no reported incident of discrimination in the workplace for 2009. We also place a premium on allowing employees representation through the DBP Employees Union (DBPEU), which serves as the sole and exclusive bargaining agent for all our rank-and-file employees. The DBPEU is registered with the Department of Labor and Employment under Registration Certificate No.199 dated November 19, 1991, as approved by then Labor Secretary Ruben D. Torres, and the Civil Service Commission as approved by then CSC chairman Patricia A. Sto. Tomas. It has also been accredited by the Civil Service Commission under Certificate of Accreditation No.111 conferred on August 17, 1995 by then CSC Chairperson Corazon Alma G. De Leon.

As a recognized legitimate labor organization, the DBPEU is vested with all the rights and privileges of a representative body for its rank-and-file members, on whose behalf it is authorized to enter into negotiations and consultations relating to terms and conditions of employment with the appropriate branches, subdivisions and agencies of the Government. Including government-owned and controlled corporations, with original charters. It also rested with the right to promote the moral, social and economic well-being of its members, subject to all provisions of existing laws and regulations relating to labor organizations and employees in the Civil Service. Presently and in prior years, there has been a healthy employee-employer relationship in the Bank as manifested by the openness and harmonious interaction in all pre-identified union activities.

Currently, 65% of our total workforce is covered by a collective negotiation agreement (CNA) between the DBPEU and the DBP management. Only the rank-and-file and casual employees of the bank are entitled to the benefits and privileges stated in the CNA.

In addition to the DBPEU, the Association of DBP Career Officials (ADCO) was organized, as aligned with the Bank's continued adherence to an institutionalized system of employee communication. The ADCO also shares our vision of maintaining a healthy dialogue between management and the staff, while promoting direct resolution of employee-related concerns in an atmosphere of mutual trust, sustaining a culture of trust, and keeping our employees abreast of developments on the Bank's operations and work environment.

SOUND STEWARDSHIP

DBP, as the government's prime institution for development financing, also shows its firm resolve to look after the common good with its active participation in the advancement of good governance. Thus, our adherence to the basic governance principles of transparency, accountability and public service ethics in ensuring national prosperity.

Public Policy Participation

Our continuing public policy participation demonstrates our commitment to influencing regulations that impact on our economy and the society in general. In 2009, our involvement included the preparation of position papers and/or attendance to congressional hearings on:

- House Resolution Nos. 196, 837, 868, and 876 on the Impact of the Global Financial Crisis on the Philippine Economy by the Joint Lower House Committee on Economic Affairs and Committee on Banks and Financial Intermediaries.
- House Resolution No. 383 on DBP Assistance to Exporters and Overseas Filipino Workers (OFWs) through the DBP Hedging Program in view of the peso appreciation.
- House Bill No. 6499 and Senate Bill No. 2005 both amending Republic Act No. 7160, Section 311 or the 1991 Local Government Code for flexibility for Local Government Units (LGUs) in choosing their depository bank.

We are trusted to provide an industry perspective to policy development on Agri-Agra Law, Rural Bank Act, investments in Philippine Development Banks and other issues related to banking, economic and social development that must be addressed in anticipation of, and in response to, changing situations.

Our commitment to public policy participation includes working with the government, other financial institutions, private and government agencies, private organizations (POs), and professional associations to deepen our understanding of issues and to share our experiences and expertise as part of an informed public policy development process. We are actively engaged in a number of priority policy efforts like:

• Gender and Development

We support the yearly observance of the month of March as National Women's Month through agency provided capacity building workshops, briefings and other activities to promote gender equality as well as increase awareness on women's rights laws.

• Environmental Protection and Conservation

We have sustained the implementation of an Environmental Management System (EMS), as well as the observance of energy efficient operational standards in line with our thrust of helping mitigate negative environmental impacts, while encouraging our suppliers, clients and our partner-communities to adopt the same standards. We also advocate sustainable development financing by looking into the impact of an eligible project particularly on the poor in terms of jobs and livelihood it will generate and the carrying capacity of the environment within which it will operate.

• Sustainable Development

As one of the signatories of the UN Global Compact, we strictly adhere to the core values in the areas of (1) human rights, (2) labor standards, (3) environment, and (4) anti-corruption. We firmly support the 10 principles espoused by the Global Compact and we will continue to keep our Bank abreast of critical issues related to sustainable development and corporate citizenship. Through membership and participation in committees, public information campaigns and advocacy, we help shape policies and frameworks that may have a material effect on our business, the industry and the future of the society.

Participation in Government Initiatives

We at DBP actively participate in the government's initiatives to fight graft and corruption. These can be measured in our different activities that support these actions:

1. Setting-up of our Citizen's Charter in compliance with the Anti-Rep Tape Act of 2007 that requires government offices to review and evaluate their respective systems and procedures towards making transactions more efficient, faster and easier for clients.
2. Participation in the Anti-fixer campaign by displaying anti-fixer posters at various Bank offices that encourage clients to report fixers through the hotlines of the Office of the Ombudsman and Civil Service Commission.
3. Institutionalization of a Quality Management System (QMS) consistent with ISO 9001:2008 standards in line with various government decrees.
4. Implementation of the Bank's Integrity Development Action Plan (IDAP) as required by the Presidential Anti-Graft Commission (PAGC) and the World Bank.

To further increase the Bank's awareness on these initiatives, selected employees — representing 12.88 percent — attended seminars on Anti-Corruption policies and procedures. As aligned with the current administration's thrusts, we also implemented programs on: How to Detect and Combat Clearing Fraud, Legal Elements of Fraud, Outwitting the Criminal Mind: Fighting Fraud through a Strategic Enterprise-Wide Fraud Management Framework, Corporate Governance Orientation Program, Public Governance Forum, Seminar on Government Procurement and Contract Administration, Consultation Workshop on the Implementing Rules and Regulations Part A of RA 9184 (Government Procurement Act), Seminar on IT AUDIT, Security and Governance, SEC's Revised Corporate Governance, 4th Multi-Country Study Mission on Public Governance and the 48th Breakfast Roundtable entitled "The Inevitable Effect of Asset Development Decisions on Corporate Governance in the Philippines and Asia Pacific Regions."

Wiping Out Corruption

Considered as anathema to the progress and development of the Bank, DBP's advocacy towards obliterating corruption never ceases. In fact, there was only one recorded administrative disciplinary case involving unofficial reimbursements by two Bank officers in 2007. After due proceedings, these officers were dismissed from the service.

MANAGEMENT ASSOCIATES PROGRAM (MAP)

Our Management Associates Program (MAP) was launched in 2003 as both a recruitment and training strategy for infusing new blood and establishing a pool of junior officers to mainly support our marketing and core banking functions. Since its inception, we have produced four batches of MAP graduates, totaling 129 new junior officers. Fifty-six of these MAP graduates have been assigned to the head office, while the remaining 73 have been deployed in our branches.

Based on its program design, MAP exposes candidates to management competencies of problem solving and decision making, leadership, customer relations, communication and stress tolerance as anchored on our corporate values and virtues. In collaboration with module directors, the Bank's sectors heads, senior officers and Training-HRM, the program has been successful in integrating management competencies with technical know-how, thus making it a strategic management development program, more than just a skills training program. MAP candidates are trained on the basics of development banking, administration and supervision. With our Management Committee steering the program, our Training-HRM also harnessed all available resources to maintain the high standards of the training course. In-house seasoned resource speakers and respected personalities from the academe were tapped to support the development and implementation of each module to ensure that candidates are given all the necessary tools and skills needed to prepare them to face the challenges of the positions they will assume upon deployment.

As testament to our success in implementing the program, majority of our MAP graduates turned in performance ratings of Outstanding and Very Satisfactory ratings. Such noteworthy performance records were attributed to exceeded targets in business volume, profitability, contributions to the Bank's service quality, and operational efficiency.

MAP STATISTICS AS OF DECEMBER 2009			
WARMBODIES	H.O.	BRANCH	TOTAL
MAP I	6	18	24
MAP II	18	24	42
MAP III	15	15	30
MAP IV	17	12	29
TOTAL NO. OF MAPees	56	69	125
(as of Dec. 2009)	45%	55%	

H.O./BRANCH BREAKDOWN	MAP I	MAP II	MAP III	MAP IV	TOTAL
HEAD OFFICE					
OFFICE OF THE PRESIDENT	0	0	0	2	2
OFFICE OF THE DEPUTY CEO (OCCO)	0	5	1	2	8
MARKETING SECTOR	4	2	4	9	19
DEVELOPMENT SECTOR	0	4	0	1	5
FINANCE SECTOR	2	5	9	3	19
BRANCH BANKING SECTOR					
OPERATIONS	0	1	0	0	1
BRANCH					
RMC Northeastern Luzon	0	0	0	1	1
RMC Western Luzon	0	1	0	1	2
RMC Metro Manila	3	4	2	1	10
RMC Central Luzon	1	4	2	1	8
RMC Southern Tagalog	1	1	3	1	6
RMC Bicol	0	2	0	1	3
RMC Eastern Visayas	0	2	1	2	5
RMC Central Visayas	4	4	1	0	9
RMC Panay	1	1	1	2	5
RMC Negros	2	0	1	2	5
RMC Northern Mindanao	2	0	0	0	2
RMC Northeastern Mindanao	0	0	1	0	1
RMC Southern Mindanao	1	1	0	0	2
RMC Southeastern Mindanao	2	3	1	0	6
RMC Western Mindanao	1	1	2	0	4
	24	42	30	29	125



CUSTOMER SERVICE AND PRODUCT RESPONSIBILITY

We at DBP consistently aim to provide efficient customer service to our clients. We consider efficient customer service as a function not only of work-related activities but more importantly, of the manner by which we relate and interact with our customers.

We live by DBP's Brand of Customer Service as defined by the following basic tenets:

1. Concern for client's needs and welfare
2. Competence
3. Candor or truthfulness
4. Commitment to go the extra-mile for value added services
5. Continuous process improvement to meet varying needs and wants for client satisfaction

Citizen's Charter

To further serve our clients well, we have set up a Citizen's Charter in compliance with the Anti-Red Tape Act of 2007, which requires government offices to review and evaluate their respective systems and procedures towards making transactions more efficient, faster and easier for clients. The Citizen's Charter provides a detailed list of DBP's frontline services including:

- a. Procedures to obtain a particular service
- b. Person/s responsible for each step
- c. Maximum time to conclude the process
- d. Documents to be presented by the customer, if necessary
- e. Fees, if necessary
- f. Procedures for filing complaints

Ensuring Customer Privacy

We respect and protect the privacy of our clients. We also value the trust given to us in keeping their information secure. We are guided by the following key principles:

1. We ensure the security and confidentiality of any information our customers share with us.
2. We limit the collection and use of customer information to the minimum.
3. We permit only authorized employees, who are knowledgeable in the handling of customer information, to have access to that information.
4. We do not reveal customer information to any external organization unless we have previously informed the customer in disclosures or agreements, have been authorized by the customer, or are required by law.
5. For purposes of credit reporting, verification and risk management, we exchange information about our customers with reputable reference sources and clearinghouse services.
6. We do not use, or share – internally or externally – personally identifiable medical information for any purpose other than the underwriting or administration of a customer's policy, claim or account.



With our continued resolve to maintain proper customer information confidentiality, no substantiated complaints relative to breach of customer privacy were filed against DBP in 2009.

Sustaining DBP's Culture of Service Excellence

To better equip our employees with the knowledge and skills necessary for delivering excellent customer service, we rolled out a comprehensive service re-orientation program. The program takes off from President & CEO Reynaldo G. David's vision of continuously improving DBP's customer service standards under the framework, "*Bayan Muna Bago ang Sarili.*" It draws attention to the growing demand for efficient customer service as a strategy for our Bank to get ahead, if not keep pace with the mounting competition in the industry.

Our blueprint for improved customer service involved the conducting of seminar-workshops on "Building a Culture of Service Excellence," that underscored the basic dimensions of our renewed focus on service efficiency. These dimensions are the cognitive aspect of clarifying perspectives and gaining a better understanding of some fundamental concepts of excellence in customer service; the effective aspect that



focuses on the enthusiasm and interest about oneself and towards other people when engaging in relationship-building activities, especially involving customers; and the behavioral aspect that underscores the need to demonstrate the Bank's desired level of top quality service.

DBP's Products and Services

DBP is classified as a development bank that may perform all other functions of a thrift bank. Its primary objective is to provide banking services principally to cater to the medium and long-term needs of agricultural and industrial enterprises with emphasis on small and medium-scale industries.

We offer a wide range of products and services that address specific funding and banking needs of our various clients – from project financing to a host of deposit and investment products and services. We also offer trade products and services, transfer and remittance services, and treasury products and services. Loans are available through the Bank's retail and wholesale lending operations for capital assets investments and working capital.

We have diligently put in place a comprehensive framework to spur progress in vital sectors of the economy by focusing on four major areas – infrastructure and logistics; social services; micro, small and medium enterprises; and, environment.

We work hand-in-hand with key players from both the private and public sectors: such as local government units, national agencies, private corporations, multilateral and bilateral lending institutions, private banks, rural banks, cooperatives, among others, in carrying out our various development programs and initiatives.

Our website provides easy access to information about our products and services as enumerated below, including information about rates, fees, terms, requirements, and relevant contact details to better help our customers. *(For a complete list of our products and services, you may also refer to the 2009 DBP Annual Report.)*

Products and Services

- Investment Banking
- Deposit Products and Cash Services
- Trade Products and Services
- Treasury Products and Services
- OFW Remittance Products and Services
- Trust Services



Development Financing

- Infrastructure and Logistics
- Environment Initiatives
- Social Services
- Micro, Small and Medium Enterprises

Our marketing units serve as major vehicles in building high grade, quality portfolio for the Bank as they provide demand-driven banking services to our clients.

The following retail products and services are available through the utilization of both bank and ODA funds in order to meet the financing needs of different industries/programs:

- a. Term Loans – Credit transactions with a specific stipulated limit and expiry dates of more than one year. It is not reusable, is liquidating in nature through a repayment program and payable in full at maturity.
- b. Short Term Loans/Credit Lines – Credit facility available to a client for use and reuse up to the specified limit unless amended, revised or revoked and has maturity of one year or less. These are utilized to finance specific components of a borrower's working capital requirements.
- c. Back to Back Deals - Loans secured by placements or deposits (1:1 loans).
- d. Bill Purchased Line – Facility wherein the Bank purchases local checks/negotiable instruments for collection from other banks which are either encashed or credited to the customers accounts.

For credit facilities, acceptable collaterals for loans are real estate properties, buildings, machinery and equipment, and other mortgageable assets which are already owned by the applicant or to be acquired partly or fully with proceeds of the loan applied for. Hold-out on savings and time deposits as well as government security placements are also considered acceptable collateral. The rates of interest and other charges for loans and credit accommodations are market-based and determined with the guidance of our Treasury group. The debt-equity requirements of the Bank will depend on the type of project to be financed and the Bank's assessment of risk factors.

Strengthening Ties

To further strengthen our relationship with our clients, we touch base with them during road shows and marketing blitzes led by our top management and senior officers. To further increase

accessibility of our products and services, we have been working on expanding the Bank's physical network by opening more branches, as well as by expanding partnerships and our network of ATMs. Through this strategy, we envision DBP to be a government bank that is truly instrumental in spurring development country-wide and making available creative financial programs that are responsive to every Filipino's needs.

As of 2009, the Bank has an existing network of 77 branches, which we target to expand to 128 branches in the next few years.

Regular Client Feedback

While building business relationships has always been a major challenge for us, earning client loyalty poses an even more challenging task-considering the strong competition in the industry.

To address this challenge, we undertake constant communication through regular client calls by our marketing officers. Through this, we are able to assess our performance vis-à-vis our commitment to adequately serve our clients with utmost care and efficiency. Call reports are submitted to the Credit Committee to provide updates on project proposals and/or status. These call reports also serve to point out issues and concerns that may require a review of existing policies and processes to allow us to keep pace with emerging trends concerning our business relations with both our existing clients and new markets. Our marketing officers' responses to clients' immediate needs are also reflected in their recommendations to management for the adoption of more responsive processes and practices in accordance with applicable laws and regulations.

We likewise continue to implement a regular client feedback survey to solicit comments and suggestions from clients of our Cash Management office and other marketing departments in the head office, as well as from our branches. Undertaken in line with our continuing customer relations program, our client survey feedback program represents a tool to directly measure clients' perception of the quality of our processes, products and service delivery.

Respondents are requested to rate DBP in terms of the following parameters:

1. Quality of Service of our Staff (Professionalism, Promptness, Friendliness/Courteousness, and Overall Knowledge/Expertise)
2. Speed of transaction processing
3. Premises and Facilities (Cleanliness, Orderliness and Accessibility)

In addition to these parameters, a space in the client feedback form is provided for client's comments/suggestions. Customer feedbacks are analyzed, consolidated and reported to the Management Committee in order to institute service improvement strategies. With these established procedures, we are able to ensure that our products and services consistently address our client's needs and expectations, while recognizing opportunities for the development of more innovative products and services.

In 2009, a total of 116 respondents participated in the survey. Sixty-one percent or 71 respondents rated us "Excellent" in terms of professionalism. Overall, we earned an adjectival rating of "Very Good" from 88 percent or 102 respondents. Some of these client-respondents likewise expressed personal views on their banking experiences with us. Most of them provided positive feedback, while others suggested ways on how we can better serve their banking needs and enhance our Bank's competitiveness.

GETTING OUR MESSAGE ACROSS Through Mindful and Responsive Communication

We recognize the vital role that effective communication plays in ensuring that our thrusts and initiatives cut across all sectors of our society. We have formulated, and continue to implement a corporate communication program that taps the wide reach and impact of advertising and promotions, marketing communications, and sponsorships.

Our mission and vision guide us in strictly adhering to a sound communication strategy targeted at our publics. Being a government institution, our specific communication activities are strictly governed by applicable regulations and laws, as well as our internal controls and guidelines.

From conceptualization and content development to actual production and implementation, our advertising and marketing communication programs and campaigns are subjected to stringent efforts to ensure legal and regulatory compliance and fulfill our ethical commitment to our institutional partners, clients and various other stakeholders.



Our communications and sponsorship activities and projects are particularly guided by the following applicable laws and industry regulations:

1. Ad Standards Council (ASC) Standards of Advertising. As an organization handling the screening of all broadcast, Out-Of-Home and print advertising and settlement of all disputes regarding advertising content, the ASC has a prescribed set of guidelines that promotes its principles on self regulation of advertising content, consumers' interest and truth in advertising.
2. Megalink Merchandising Guidelines on Logo Application. As a member bank of the Megalink automated teller machine (ATM) network, our merchandising and communication materials comply with these guidelines on logo specifications, applications and other merchandising requirements.
3. Certification International Philippines Regulations. This set of guidelines includes provisions on the use of the certification mark – including for advertising and promotional materials – indicating that DBP has been assessed as an ISO 14001-Certified organization for its environmental management system.
4. Bangko Sentral ng Pilipinas Circular No. 61, Series of 1995 - Consolidated Rules and Regulations on Currency Notes and Coins. Chapter II, Sections 8-11 of this BSP Circular points out specific guidelines on the reproduction and/or use of facsimiles of legal tender Philippine currency notes.
5. Republic Act. 6713 – An Act Establishing a Code of Conduct and Ethical Standards for Public Officials and Employees, to Uphold the Time-Honored Principle of Public Office Being a Public Trust, Granting Incentives and Rewards for Exemplary Service, Enumerating Prohibited Acts and Transactions and Providing Penalties for Violations Thereof and for Other Purposes. This law provides for commitment to public interest among government offices in the utilization of their resources and powers (Section 4), and prompt action on letters and requests (Section 5.a).
6. The Philippine Constitution. In the grant of sponsorship support and donations, we are also guided by Article II - Declaration of Principles and State Policies of the Philippine Constitution that states, "The State shall encourage non-governmental, community-based, or sectoral organizations that promote the welfare of the nation." (Section 23). Section 24 of the provision also influences our communication design and strategy as it underscores: "The State recognizes the vital role of communication and information in nation-building."

Our continuing resolve to ensure strict observance of the foregoing legal and regulatory codes, as well as our internal controls and guidelines, has consistently provided for an orderly and efficient implementation of our advertising and promotions, marketing communications and sponsorship programs and activities – without incidents of non-compliance and legal violations.



VIEW FORWARD

Overall, 2009 has been another banner year for DBP, gauging from the results produced by our sustained performance along the triple bottom line framework. We proved successful in effectively translating our financial achievements – topped by a record net income of P6 billion – into concrete intervention programs and initiatives that address environmental threats and issues, and uplift social conditions both within the institution and on the larger national scale.

Moving forward, we feel an inspired optimism that stems from the proven effectiveness of our sustainable development strategy. Building on this success, we will carry on with our strategy that is specifically premised on the following tenets:

- Sustaining active support to identified priority sectors;
- Diversifying funding sources and expanding commercial market reach;
- Enhancing market penetration for the Bank's financial products and services;
- Strengthening the Bank's operation systems and efficiency; and,
- Continuing the implementation of good corporate governance and corporate social responsibility policies.

We are set to shift to high gear with our campaign to reinforce DBP's image as a truly transformational, dynamic and responsive development financing institution. Central to this institutional campaign project is the need to reassure our publics that we remain steadfast in fulfilling DBP's role in countrywide growth. Aggressive support to infrastructure, environmental, MSME, and social development initiatives will continue to be the order of the day for us as we embark on the year ahead. As our history has shown, these programs constitute our extensive way of giving back to the country and our people the fruits of our successes and continued viable operations.

To ensure that we gain adequate financial strength to allow us to sustain – and even expand – our assistance to these sectors, maintaining a solid balance sheet and strong bottom line will still be our top priority. We have drawn up plans to broaden our market reach through a branch expansion initiative, complemented by a focused approach to enhancing the responsiveness of our products and services. Our platform

for success in this respect will also continue to be hinged on our corporate governance program that gives utmost importance to the basic principles of accountability, transparency and ethics in the performance of our public duties.

The end-result of all our development efforts should be an empowered society. The benefits of development must trickle down to those who need them most – the underprivileged, the jobless, those requiring support to set up and grow their businesses, those in the countryside – all of those who need interventions so that they may be brought to the development mainstream.

Our corporate social responsibility will also continue to speak of DBP's tirelessness in seeking many other ways of furthering our advocacy to bring about progress for all. We see more and more bright, but poor students being empowered to fulfil their dreams through the DBP Endowment for Education Program. Our DBP Forest program, meanwhile, continues to be a boon not only to our local community-partners, but to the country as a whole. With more forests and watersheds that must be restored back to their original healthy state, we certainly can only be more committed and determined to carry on with the program. We will also continue to look after the plight of our modern-day heroes – the overseas Filipino worker – whose needs we meet through a comprehensive package of assistance for livelihood, remittance, and financial and investment programs.

Internally, there is simply no stopping us from aiming for continual improvement. Our environmental management system will always be a constant reminder that our concern for the environment does not stop at achieving an international certification. As an urgent concern deeply ingrained in our business operations, environmental preservation will always be a responsibility of each and every DBP employee.

Lastly, to ensure that DBP officers and employees would continue to measure up to the challenges of the changing times, our human resource program will constantly be assessed, improved and attuned to their planning, proper motivation and performance monitoring, assessment and rewards.

All told, we are confident that DBP will remain clearly focused, firmly grounded, and strongly committed to maintaining the delicate balance between profitability and the equally important thrust of looking after our planet and our people.

GRI REPORTING INITIATIVE INDEX



We include GRI Application level table in our report to support our self-declaration at Application Level B.

Report Application Level	C	C+	B	B+	A	A+
G3 Profile Disclosures output	Report on: 1.1 2.1 - 2.10 3.1 - 3.8, 3.10 - 3.12 4.1 - 4.4, 4.14 - 4.15		Report on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5 - 4.13, 4.16 - 4.17		Same as requirement for Level B	
G3 Management Approach Disclosures output	Not Required	Report Externally Assured	Management Approach Disclosures for each Indicator Category	Report Externally Assured	Management Approach Disclosures for each Indicator Category	Report Externally Assured
G3 Performance Indicators & Sector Supplement Performance Indicators output	Report on a minimum of 10 Performance Indicators, including at least one from each of: Economic, Social and Environmental.		Report on a minimum of 20 Performance Indicators, at least one from each of Economic, Environmental, Human Rights, Labor, Society, Product Responsibility.		Report on each core G3 and Sector Supplement* Indicator with due regard to the Materiality Principle by either: a) reporting on the Indicator or b) explaining the reason for its omission.	

*Sector supplement in final version

ACKNOWLEDGEMENTS

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2.5 Countries of operations	back cover
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2.9 Significant changes during the reporting period	2
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3.3 Reporting cycle	1
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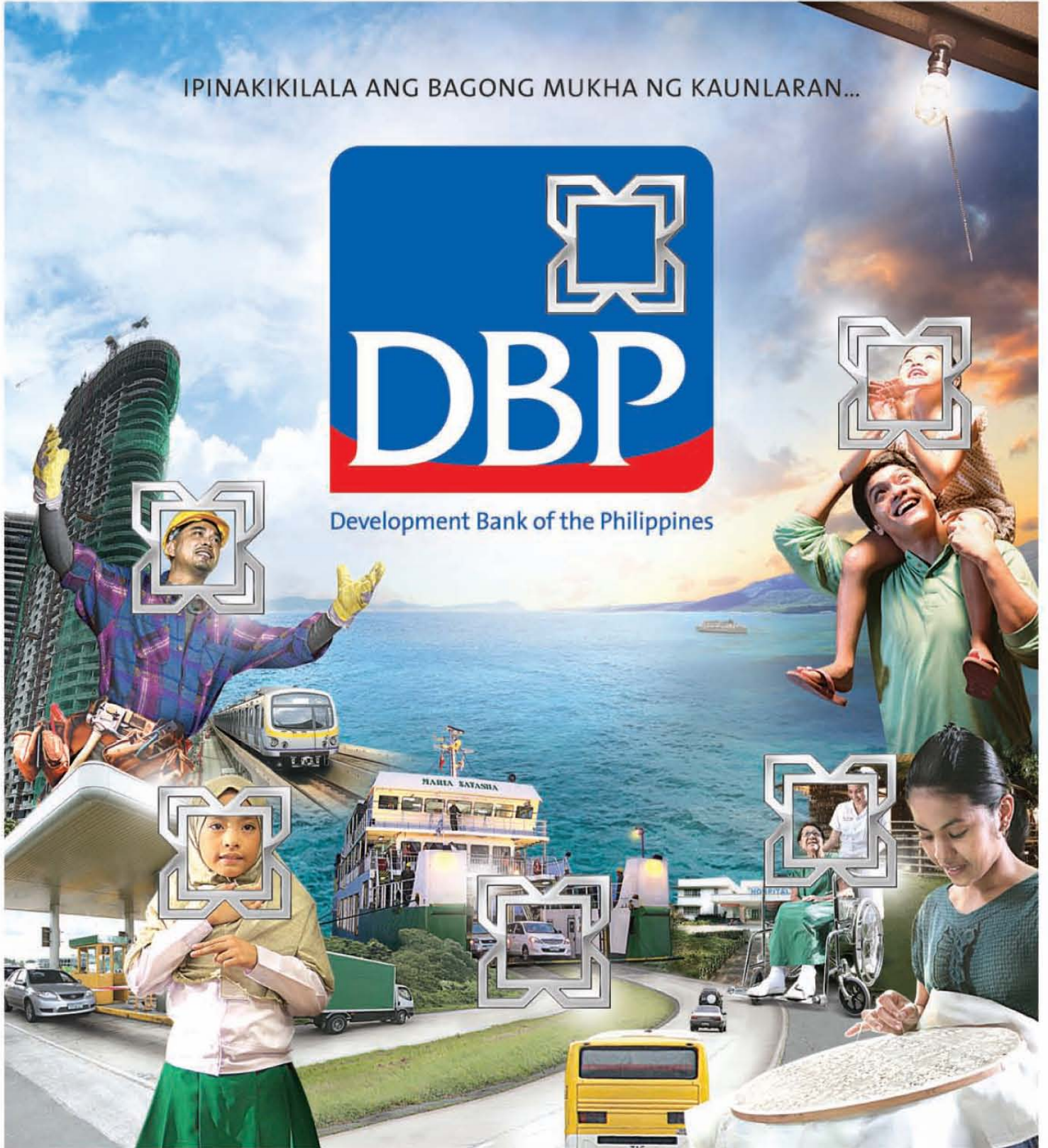
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IPINAKIKILALA ANG BAGONG MUKHA NG KAUNLARAN...



Development Bank of the Philippines



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KAUNLARAN NG LAHAT.

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Dahil Bawat Pilipino
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May kakayahang umangat.
At nagtutulong tulong, para maabot ang pangarap.

Kasama mo ang DBP sa pagtupad ng hangad na kaunlaran
para sa sarili at sa bayan.



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for Each Depositor up to P500,000



ISO 14001:2004
Cert No: CIP/4145/08/11/601



BANKING ON THE ENVIRONMENT FOR A SUSTAINABLE TOMORROW

This gas engine in a DBP-assisted waste-to-energy project uses methane – a greenhouse gas – as fuel in producing electricity.

As the country's premier development financing institution, the Development Bank of the Philippines believes that sustainable progress must always be attached to the urgent call for environmental preservation. Working with industry to prove that profit targets are compatible with preserving the gifts of nature, DBP provides credit and technical assistance to environmentally-sound projects involving new and renewable energy, waste management, pollution abatement, and clean technology.

To know more about DBP and its environmental lending programs and services, please contact
818-95-11 to 20; 818-96-11 to 20
 or visit the DBP branch nearest you.



ISO 14001:2004
 Cert No: 02914-02/001/1/001



MEMBER: PDIC Maximum Deposit Insurance for Each Depositor up to ₱500,000

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DBP. KAUNLARAN NG LAHAT.



Development Bank of the Philippines



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