



The Bigger Picture

2008 DBP Sustainable Development Report

WHAT'S Inside

- 01 About the Report
- 02 DBP: The Country's Premier Development Financing Institution
- 03 Vision / Mission Statement
- 04 Message from the Chairman and the President & CEO
- 06 Corporate Governance
- 08 Public Policy Participation
- 09 Stakeholders Engagement
- 10 Selected Development Financing Programs
- 15 Our Performance on Sustainability and Corporate Responsibility
 - Economic Performance
 - In Focus: DBP Endowment for Education Program (DEEP)
 - Environmental Performance
 - In Focus: DBP Forest Program
 - Social Performance
 - In Focus: Employee Volunteerism
 - Customer Service and Product Responsibility
 - In Focus: OFWs
- 34 View Forward
- 35 Sustainability Technical Working Group
- 37 GRI Reporting Initiative Index
- 38 Acknowledgments

COVER Story

The Bigger Picture

As more and more people become conscious of the adverse effects of rapid development to how they live, the pursuit of balance between progress and sustainability has now become not just an option for business but an essential priority. As a leading financial institution with the mandate to promote development, DBP has set out to create a world where the young can play and grow today and unleash their talents and capabilities in a future path of their own choosing. This quest for balance underscores the Bank's total commitment to align its strategies to ensure that its overall performance meets its triple bottomline goals.

Development Bank
Development Bank



ABOUT the Report

As the National Government's development banking institution, the Development Bank of the Philippines (DBP) plays a pivotal role in our nation's quest for sustainable growth. It fulfills the strategic task of supporting national policy directions by influencing both local government and private sector investments. In this partnership to pursue sustainable growth, it mobilizes financial resources while also accessing technical expertise to ensure the success of projects that are the building blocks in the challenging path to development. By consistently pursuing development, DBP serves the well-being of the Filipino people.

DBP's 2008 Sustainable Development Report (SDR) informs our stakeholders on the sustainability of our operations and on the broad scope of our development initiatives. As our first sustainability report, we prepared it under the framework of the Global Reporting Initiative (GRI). However, we aimed only for a very modest goal: to come up with a self-declared Level-C application of the GRI. What made the reporting more challenging, however, is our attempt for the SDR to be our "development" report, as well, and one which integrates various other DBP publications like the Corporate Environmental Report and the DBP Forest Annual Report.

GRI offers useful framework for reporting our sustainability concerns. Its standardized approach has been distilled from the views and feedback of various experts. Hence, it does not only assure globally accepted principles but also continuing upgrade of their applicable measurements. GRI answers our search for means to communicate our other dimensions as a development bank, beyond the usual Annual Report, to our varied stakeholders. Henceforth, we will be publishing our SDR annually, ahead of our Annual Report.

We opted to title DBP's 2008 SDR "The Bigger Picture" as it supplements the usual Annual Report that covers mainly our financial performance. Here, we look beyond the financial dimension and over the confines of our business concerns. As we perform multi-faceted roles of catalyzing growth, we gear our operations towards ensuring that our people reap its benefits in a sustainable manner. This sustainability posture means such benefits and even more should also be available to future generations.

The target audience of our 2008 SDR is all our stakeholders. We aim to communicate comprehensively our sustainability principles and practices not only to our corporate family, but also to our development partners: our multilateral and bilateral sources of funds, our investing and depositing clients, consultants, the media, and our colleagues in local government units and other government agencies who we network with in various endeavors. As we progress to higher levels of the GRI, our SDR will be the score card we present to our owner, the National Government, and to the Filipino people who constitute it.

Being our initial report, we covered indicators that we believe to be relevant and material in the pursuit of our mandate as a development bank. Of the eighteen GRI indicators, two focus on economic, seven on environmental, and nine on social concerns. Then we also reviewed the performance of our development financing programs in Maritime, Supply Chain, Energy Resources and Water Resources in 2008.

We are on a learning process in sustainability reporting. Thus, we will greatly appreciate feedback on our report, not only on how it is crafted but also on how we are pursuing our developmental role. Your views will help us in the fulfillment of our mandate as your development bank as we submit our succeeding Sustainable Development Reports. If you like to know more about this report and its contents, please visit our website at www.devbankphil.com.ph or email us at info@devbankphil.com.ph.

DBP: THE COUNTRY'S PREMIER

Development Financing Institution

The Development Bank of the Philippines (DBP) is a major conduit of Official Development Assistance (ODA) funds in the country. This is not only because we are a 100% government-owned financial institution, but also because we have established a very credible track record of performance in this area since we stepped out of our rehabilitation program in 1990. In one of our investment roadshows in 2008, DBP President & Chief Executive Officer Reynaldo G. David declared, "DBP is more than ready to provide the technical and financial tailwind to interested investors." That about encapsulates the comprehensiveness of DBP's development finance programs.

Our Beginnings

DBP is not only steeped in history giving it a distinctive role in development but also intimately intertwined with the nation's struggle to be a worthy member in the family of independent nations. Its roots trace back to pre-war years when, as the National Loan and Investment Board (NLIB), it was mandated to coordinate and manage the trust funds of the Commonwealth. The Agricultural and Industrial Bank (AIB) absorbed NLIB in 1939 and began to serve as a policy-oriented bank.

The post-war years called for reconstruction from war damages, so in 1947 AIB was renamed the Rehabilitation Finance Corporation (RFC) with a mandate to provide credit for the reconstruction and development of agriculture, commerce and industry damaged by the war. Both independence from the USA and the concomitant responsibility of charting one's own development destiny led to the reorganization of RFC into the Development Bank of the Philippines in 1958. It marked a shift from rehabilitation to accelerated development of the economy as DBP was tasked to provide medium- and long-term credit facilities to agriculture, industry and public utilities, and to promote the establishment of private development banks.

With an initial capital of P500 Million, the old DBP expanded its operations to accelerate national development efforts. It tapped both foreign and local fund sources to finance developmental projects. The late '70s and '80s, however, saw its viability being undermined by the prevailing economic difficulties and unstable political scenario. The experience also underscored the wisdom that investment decisions should not be influenced by political pressures.

Renewal of Commitment to Development

By 1989, DBP was ready to step out of its rehabilitation plan crafted in 1986 as part of an IMF-supported Financial Sector Adjustment Loan for the Philippines. The New DBP was seen as a key vehicle for putting the country back on track. A bloodless revolution that bannered "People Power" restored democracy after more than 20 years of Martial Law. With a revised DBP Charter under Executive Order No. 81 of President Corazon C. Aquino, DBP got back on its feet.

DBP's 5-year Institutional Strengthening Program (ISP), issued in 1989, declared our early graduation from rehab that was supposed to be completed in 1990. The ISP pursued a comprehensive re-orientation of our corporate culture, a thorough revision of credit processes governed by a Risk Assets Management Manual, intensive training program on credit and new lending thrusts, and collegial decision-making complemented by a delegation of credit authority for greater participation and transparency. The ISP formulated two main strategy tracks: 1) Greater access to ODA funds to support wholesale banking, and 2) Upgrading the regional offices by sending Regional Management Teams comprised of officers from head office under a cross-pollination program. Wholesale banking extended our reach beyond where our limited branch network could effectively service, while retail banking established our presence in each province of the country to spearhead development.

DBP primed itself for the challenges of pushing development in the Philippines at the turn of the century. With the approval from the Bangko Sentral ng Pilipinas to operate as a universal bank in 1995 we broadened our capabilities to include international operations, investment banking, and investments in allied and unallied undertakings. Republic Act No. 8523 enacted on February 14, 1998 amended the 1986 DBP Charter. Aside from increasing our authorized capital stock to P35 billion, the revised charter also redefined the corporate powers of the Board of Directors, and took DBP out of the Salary Standardization Law to enable it to tap the best talents in the business. We renewed our commitment to meet the challenges of development banking.



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 from the Chairman and the President & CEO

Dear Partners & Friends,

We are pleased to present the 1st Development Bank of the Philippines (DBP) Sustainable Development Report.

Through this report, we endeavor to share with you the continuing story of our efforts to help steer the country towards lasting growth and progress.

Themed, "The Bigger Picture," this report adopts the International Guidelines on Sustainability Reporting of the Global Reporting Initiatives in putting into a wider - and more holistic - perspective DBP's programs and activities to promote and influence development in three inter-connected dimensions: economic, environmental and social.

That 2008 had been less than smooth sailing was not an isolated experience of DBP. A substantial slowdown in the global economy left many businesses and the financial markets at the crossroads of assessing the impact of the downturn and rethinking their strategies to make their way out of recession.

DBP mustered its first line of defense against the daunting effects of the global financial crisis as it looked inward and concentrated on capitalizing on its strengths to continue to deliver value to our country and its people. We are proud to report that with this strategy we were able to act with enough leverage to insulate our Bank from external vulnerabilities.



This report bears witness to DBP's continued resilience as it carried on to gain the wherewithal to catalyze countrywide growth. The Bank was able to sustain its financial strength as shown by a very strong balance sheet, and a tremendously positive bottom line.

At the end of 2008, DBP was able to sustain positive earnings with a net income of P3.6 billion that reflected a 33-percent improvement from last year's P2.7 billion. DBP was also among a few Philippine commercial banks that achieved a positive growth rate for the period despite tough operating conditions.

Remaining true to its mandate of sustainable development, DBP consistently passed on the benefits of its continued viable operations to our countrymen through its various programs and activities. As its expanded loan portfolio would attest, the Bank more vigorously channeled assistance to strategic sectors which it deemed crucial to addressing the needs of our people amidst the growing challenges of environmental sustainability.

As we remained focused on building the social infrastructure for development, we were continuously on the lookout for innovative and responsive programs for health care, education, housing, and community development (for more detailed discussion of DBP's priority development thrusts, please refer to the DBP Annual Report).

Internally, DBP never failed to take into account the wellbeing of its employees. Valuing them as critical partners in carrying out the Bank's mandated development role, DBP continuously designed and implemented programs to look after the interests of its human resources.

Towards this end, DBP's thrusts included a continuing plan for the skills and knowledge enhancement and professional development of its people that also adequately prepared them for career growth opportunities. Noteworthy among DBP's employee development programs is its Management Associates Program that was launched to attract, hire and train the best candidates to assume leadership positions in key aspects of the Bank's operations. Taking notice of its relevance and contribution in enhancing the professional capacities and career growth of DBP officers and employees, the program earned the 2008 Most Outstanding Human Resource Development Project award from the Association of Development Financing Institutions in Asia and the Pacific.

Aligned with its focus to develop a well-rounded workforce, DBP also invested heavily in employee health and wellness initiatives. Aside from its health benefit program, the Bank also put in place a continuing program on nutrition, physical fitness, and occupational safety.

Recognizing that the success of our initiatives over the long run cannot be detached from the overall state of our environment, DBP's programs have always given paramount importance to environmental governance and responsibility.

We take immense pride in our experiences in green banking that date as far back as 1992, when we made a pronounced commitment to do our share in curbing soil, water, and air pollution by funding projects that promote conservation and make use of clean energy. While setting businesses and industry on the road to environmental stewardship was not easy, our accomplishments to date prove that we have successfully made our mark in this area.

To cite a few examples, the growing number of DBP-supported environmental investments involves projects that promote the use of compressed natural gas, new and renewable energy, adoption of clean technology to increase production capacity, alternative fuel, and solid waste management projects, including those being managed and implemented by local government units.

Our DBP Forest Program, meanwhile, presents an added dimension to our environmental preservation efforts with its focused approach

to reforestation through organized collaboration with government and non-government organizations, state universities and colleges, and people's organizations. A non-credit program, the DBP Forest Program carries the corollary objective of generating livelihood for farming and fishing communities involved in the forest projects. Since its inception in 2005, we are pleased to report that the number of DBP Forest projects nationwide has grown to 28, covering a total area of 5,722 hectares as of end-2008.

Tapping every available opportunity to expand our involvement in environmental initiatives, DBP is also a signatory to various environmental programs and campaigns such as the United Nations Environment Program Finance Initiative (UNEP FI) global partnership for developing and promoting linkages towards the adoption of best environmental and sustainability practice at all levels of a financial institution's operations. As a signatory to the UN Global Compact, DBP has pledged adherence to a policy platform and practical framework for aligning business operations and strategies with the identified universally accepted principles in the areas of human rights, labor, environment, and anti-corruption. We are also a charter member of the Philippine Business Group for the Environment, an environmental non-profit organization with the mission to help Philippine industry address its environmental concerns and responsibilities.

As we have vowed to be every inch a model green bank, our environmental preservation has also evolved into an institutional advocacy that cascades to all Bank personnel at all levels. Guided by our environmental policy statement, every DBP officer and employee takes to heart the call for greater concern and adherence to resource conservation and environmental protection measures.

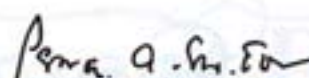
Moving towards this shared goal, we have ensured the sustained implementation of our environmental management system (EMS) in accordance with the international standard ISO 14001, which earned for DBP the distinction of being the first Philippine bank to be conferred this international certification. Taking inspiration from this achievement, the Bank is looking at replicating its EMS in five pilot branches by 2010.

It is also worthy to note that with its firm resolve towards resource conservation, the Bank's head office netted estimated savings of over P4 million in 2008, significantly higher than the P2.96 million recorded in 2007. This remarkable savings stemmed from reduced and efficient usage of basic resources such as electricity, water, paper, and fuel, among others.

DBP also successfully addressed harmful emissions to the environment, particularly with the completion of its efficient lighting initiative project that significantly reduced GHG emissions in the Bank's head office.

These are just the highlights of our efforts towards sustainable growth and development. As you will read in the following pages, DBP is into more than just banking and financial lending. With sustainable growth at the core of our operations, our Bank has taken upon itself the three-pronged challenge of being a caretaker of our nation's wealth, a protector of our one and only earth, and an advocate of total human development.

We therefore invite you to read through and appreciate the bigger picture of our sustainable development efforts.


PATRICIA A. STO TOMAS
Chairman


REYNALDO G. DAVID
President & CEO

CORPORATE Governance

Good governance is a cornerstone of institutional sustainability. As such, it provides a basic parameter of our efforts towards sustainable development. With high regard for the common good, DBP's leadership, organizational and operational structures are founded on strict adherence to the ethical standards and good corporate values of fairness, accountability and transparency. As a pervading culture in the Bank, sound corporate governance emanates from the board and senior management levels, and is cascaded to all levels in the organization through a structured approach to fostering a corporate discipline predicated on ethical best practices.

As a government financial institution, DBP operates in a highly-regulated environment. Our processes and procedures are supervised by such entities as the Department of Finance, Bangko Sentral ng Pilipinas, the Commission on Audit, and our funding partners.

Governance Strategy

Key to our governance strategy is the prevalence of the collegial approach to decision-making, with several committees providing for participative discussions, proper disclosures, and monitoring of responsibilities.

Board Committees

Several Board-level committees have been formed, each headed by a designated Director in the DBP Board. The Executive Committee approves and reviews in detail progress against plans, with emphasis on those activities or units that are not performing up to agreed standards. The Audit and Compliance Committee provides oversight of the Bank's financial reporting and control, and internal and external audit functions. The Committee on Risk Management oversees the adequacy and effectiveness of existing risk policies, procedures and controls, identifies and evaluates risk exposure, and assesses the probability of each risk becoming reality. The Human Resource Committee formalizes management recommendations on HR-related matters, such as bank wide compensation and benefits programs, executive remuneration, legacy costs, organization plans and structures, manpower plans and the like. The Trust Committee oversees the investment activities and operating policies and procedures of the Trust department, and reviews overall assets held in trust to determine the safety, value, and advisability of such assets. The Development Advocacy Committee takes the lead in generating ideas, promoting awareness on 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. The Governance Committee addresses systemic breaches of the rules and regulations of good governance. It likewise reviews and evaluates the qualifications of all persons nominated to positions requiring appointment by the Board. It reviews and vets all the other committee actions from the standpoint of duty and care and concurrently ensures that all actions and resolutions taken are within the purview of best practices.

Management Committees

Complementing these Board committees are key management committees created to further ensure prudent levels of responsibility and accountability. The Management Committee is the highest collective approving body for policy recommendations and operational matters that impact on the Bank. The Credit Committee deliberates and approves all credit-related matters beyond the authority of the regional offices, while the Asset-Liability Management Committee is tasked to build and promote a stable funding structure while concurrently ensuring that there is a proper match of asset and liability maturities and ensuring liquidity for the institution.

Manual of Corporate Governance

A set of fundamental principles is laid down in our Manual of Corporate Governance that guides the Board in directing and governing the affairs of the Bank. The Manual defines the duties and responsibilities of Board members, and delineates the responsibilities of the Board vis-à-vis the responsibilities of Management. It likewise commits the Board to adopt a system of internal checks and balances, to identify key risk areas and performance indicators, and to monitor these factors with due diligence.

As our example has shown, a well-entrenched corporate governance program consequently develops into an enterprise-wide endeavor. With a sound leadership in place, good corporate values also serve as the basic guidepost in the performance of responsibilities at the individual level.

Code of Ethics

The DBP Code of Ethics guides our officers and staff in carrying out their duties and responsibilities. It also helps ensure that the Bank conducts its business within the rules of law, and within the bounds of moral and social conscience. The 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 transactions. To implement this Code, we have put in place training programs, an internal communications system, performance management system, a feedback mechanism, rewards program, and a major control system of checks and balances.

Our efforts toward this end have obviously come to fruition not only for DBP, but also for our stakeholders - society at large. Our sound

corporate governance program continues to boost our business stability and viability, allowing us to channel greater assistance to our identified sectors and beneficiaries countrywide.

Sustaining DBP's Governance Gains

Carrying on with our avowed commitment to expand our sphere of influence in promoting adherence to good corporate governance, we continue to form institutional alliances that allow us to encourage other sectors to follow our lead.

Our partnership with the Institute of Corporate Directors (ICD) - a non-profit organization promoting corporate governance reform and professional corporate directorship - saw our Bank sharing its gains and experience towards the refinement of the 2008 corporate governance scorecard for GOCCS and GRIs.

We also entered into a working partnership with the Institute for Solidarity in Asia (ISA) for an Investment Forum that aimed to strategically link Local Government Units (LGUs) that have undergone ISA's Public Governance System to the investment community.

We sustained our collaboration with the Galing Pook Foundation in recognizing outstanding LGUs and their projects that bring positive socio-economic gains to their constituents with our support for the 2008 Galing Pook Awards. The Foundation is a leading resource institution continuously promoting innovation and excellence in local governance.

Corporate governance is likewise a built-in component of our employee development plan with specific training activities covering such areas as corporate governance orientation, risk management and assessment, validation, vision and values leadership, and comprehensive service re-orientation, among others.

By year-end, DBP likewise took the first step in complying with Republic Act No. 9485 (also known as the Anti-Red Tape Law) with the creation of its Anti-Red Tape Task Force. Alongside this development, initial preparations were undertaken for the creation of the Bank's Citizens' Charter that discloses our key processes with heavy client traffic. This thrust involved a careful review of our given procedures and systems with the ultimate goal of enhancing and facilitating customer service efficiency.

PUBLIC POLICY Participation

In keeping with our commitment to contribute to both the financial and non-financial well-being of our stakeholders, we actively work with the country's legislative bodies and other concerned government agencies and private sector groups in shaping sound policies that improve the business environment and promote the common good.

Addressing Policy Issues and Concerns

We shared our experience and expertise in a number of public policy deliberations by presenting our views on issues brought up in congressional hearings in 2008. Among the more significant ones were amendments of the Land Reform/Agri-Agra Law, and the Magna Carta for Small and Medium Enterprises. Other enactments, like the Personal Equity and Retirement Account (PERA) Bill and Compressed Natural Gas (CNG) Act of 2007, also modified the local business environment. We tracked international events that impact on our people such as the world rice supply shortage, the global financial turmoil and the manifestations of climate change.

Our affiliation with various organizations involved us in their respective agenda. We interacted with professional groups like the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP), Asian Bankers Association (ABA), Banker's Institute of the Philippines (BAIPHIL), and the Bankers Association of the Philippines (BAP). We conferred with business (e.g., Makati Business Club, Philippine Chamber of Commerce and Industry) and cause-oriented (e.g., Foundation for Economic Freedom, Philippine Business for Environment) organizations alike. We also held audiences with international rating agencies, bilateral and multilateral institutions, consultants and other foreign visitors, and cooperated with global entities like the United Nations (UN) in addressing development issues.

Banking on the Environment

We have always been exerting efforts to influence the mindset of our people towards environmental awareness and responsibility ever since formalizing our Environmental Management System (EMS) in 2002. While our EMS already covers all aspects of our operations, the ISO 14001 standards urge continuing improvement. Thus, each year we raise the bar against which we assess our environmental performance.

We take pride in being the Bank for the environment. We set the trend by enhancing our corporate environmental policies to include the conduct of Environmental Due Diligence to evaluate environmental risks and address their mitigation. Moreover, we have incorporated environmental-related clauses in our loan covenant to ensure borrowers' compliance with environmental regulatory requirements.

We strongly advocate policies designed to promote environmental protection via energy conservation measures, use of new and renewable energy (NRE), low-carbon economy and adoption of other strategies to curtail greenhouse gas (GHG) emissions and lessen the harm of climate change. We are pursuing a Climate Change Program that will enable us to realize for our clients with environment projects the incentives offered by the carbon market.

Participating in Sustainable Development Initiatives

Our affiliation with ADFIAP involves us in training the personnel of development financing institutions in the Asia-Pacific region. As espoused by ADFIAP among its member institutions, we go beyond financial returns and bring into the equation the broader dimensions of the triple bottomline framework. This view of development finance aligns us closely with our ODA funders. Our funders give premium to relevance and impact, on top of sustainability. These aspects bring us face to face with access, capacity and equity issues of the various sectors of our society.

As one of the signatories of the UN Global Compact, we also strictly adhere to core values of (1) human rights, (2) labor standards, (3) environment and (4) anti-corruption. We firmly support the ten principles espoused by the Global Compact, as we also endeavor to keep abreast of critical issues related to sustainable development and corporate citizenship.

STAKEHOLDERS Engagement

Our stakeholders are our fellow-travelers on the road to sustainability. Our commitments, priorities, plans and programs are informed and guided by the interests and concerns of our stakeholders. Our stakeholders are the institutions, groups and individuals we serve, and those, who by their actions and opinions, affect the direction and operation of our organization.

STAKEHOLDERS	THEIR ATTRIBUTES	OUR ENGAGEMENTS
National Government	The Philippine Government created DBP to be its vehicle in the pursuit of the country's development ambitions. It ensures order and national security, as well as, the provision of basic public services. The welfare of the nation is its primordial concern.	We give value back to the National Government by fulfilling our mandate. The seed capital it entrusted to us has been used well in propelling development, and has since grown to underpin our institutional stability. We push development financing along the thrusts of the National Government. In this way we help create employment opportunities, alleviate poverty, and set up the country's productive capacity.
Our Employees	Our officers and staff are our most valuable resource. They are the creative and dynamic factors in responding to the challenges of development. They embody our work ethic of integrity and competence, and the spirit of teamwork and professionalism. In development initiatives, they provide the "financial and technical tailwind" that supports our partners in progress.	We ensure the economic stability and professional growth of our employees. The work environment offers career mobility, the mechanisms for performance recognition, and the opportunities for personal and professional development. For those who have devoted a good part of their lives with DBP, we have an Early Retirement Program. And we address succession issues by the Management Associates Program for those who pass our very selective recruitment process and the Management Development Program for incumbents who demonstrate excellence in their work and leadership potentials.
Local Government Units (LGUs)	LGU executives offer us effective partnerships in varied fields of country-side development. They have local presence and the devolved mandate to ensure the welfare of their constituents. Progress in the countryside is made possible by their effective governance, dedication to public service and their innate talent to marshal the factors for local area and regional development.	We work closely with the LGU executives to help them realize the development path for their localities. To open them to growth possibilities, we brief them on the development financing programs we carry. We also guide them on the procurement process, environmental risk evaluation, social safeguards and project monitoring to ensure the project's integrity and sustainability. We partner with other institutions to assist them in charting their public governance improvement path and also to recognize their exemplary achievements for others to emulate.
Businessmen & Entrepreneurs	The private sector is looked up to for adding a competitive edge in various endeavors. Businessmen have the knack for spotting opportunities and the discipline to engage them as going and profitable concerns. They have flexibilities and access to resources that a government bureaucracy often lacks.	We promote private business initiatives and invite private sector participation in development projects. Bringing in private sector participation augments the limited resources of government and helps us address sectoral gaps more effectively. We engage them in conferences, public forums and briefings where up-to-date technologies and business solutions are presented. Banking relationships with businessmen impose upon us the strict demands of service quality.
Bilateral & Multilateral Agencies	Bilateral and multilateral agencies carry out the good intentions of advanced countries in the global family of nations. They are repository of development assistance both in terms of financial resources and technical expertise. In providing access to these resources, they also influence the policy and business environment of the country.	We deem access to Official Development Assistance (ODA) funds as critical to our role as the country's premier development bank. Bilateral and multilateral agencies see us as an effective conduit for financing development. In tapping these agencies for funding support to our development thrusts, we sit down with their mission teams to prepare the project details, negotiate on the loan terms and, subsequently, to evaluate the project accomplishment. We compare notes on the relevance, effectiveness, efficiency, sustainability and impact as we rate project performance.
Regulators & Policymakers	We work very closely with various government agencies. Being a Government Financial Institution (GFI), we are under the direct supervision of the Department of Finance, and being a bank we are under the regulatory ambit of the Bangko Sentral ng Pilipinas. The Commission on Audit verifies the validity of all our transactions as well as our financial statements.	We thrive in a highly regulated industry - banking. Being the case, we are subject to regular examination, and we regularly submit monitoring reports to regulatory bodies. Our compliance with regulatory provisions is not only in line with prudential practices, but we also view the regulatory bodies as partners in upgrading our systems and procedures. In financing development projects we also actively interact with the regulatory bodies pertinent to the projects we finance. For example, we check out with the Department of Energy for our power projects, with the Department of Health for hospital projects, and with the Department of Environment and Natural Resources for the environmental aspects of all our projects. These government agencies also solicit our feedback when crafting new laws and their implementing rules and regulations.
Service Firms	Two types of service firms that we often interact with are consulting firms and the media. We tap consulting firms for their expertise in specialized fields as we provide technical assistance to our projects. On the other hand, we avail of the media to communicate our development thrusts and the grounds we gained to our stakeholders.	Our new development financing programs which access ODA funds are often provided with technical assistance grant for setting up the program and facilitate project evaluation. These grants enable us to hire consulting services on specialized areas of expertise. We also hold press conferences and give our development milestones press coverage. Since our role is more than just the provision of funding support, we need the media to help us communicate the other facets of development.
NGOs & People's Organizations (POs)	These are groups that organize themselves to pursue their own specific interests and goals. As such, they are a very committed organization and are thus effective in forwarding their goals.	Many of our corporate social responsibility projects are in tandem with local People's Organizations and NGOs. In our forest projects, for example, the POs host the projects and take care of the trees. They contribute their sweat equity in the completion of the projects.

SELECTED Development Financing Programs

The role of the Development Bank of the Philippines as the country's premier development bank has always been very clear in our minds. Despite the changing of our Bank's stewardship that parallel the change in government administration after each national election, our mandate has remained as it has been etched in our charter. What we have modified over time is the emphasis on certain priority development thrusts and how our various units pursue them as part of their key result areas.

In their 2004 Executive Strategy Session, our Board of Directors and Senior Management reached a consensus that our priority development thrusts should be grouped into four: Infrastructure & Logistics, Environment, Social Development, and Enterprise (mSME) Development. We should also realized the need to step up lending activities in these areas because the ballooning debt service was rapidly eating up the national budget. Very little of the national budget would be left for infrastructure spending, likewise with an increased slice going to local government units (LGUs) as their internal revenue allocation (IRA).

In the process of re-ordering our activities according to our four development thrusts, we lodged our Sustainable Logistics Development Program (SLDP), Energy Resources and Water Resources programs under the Infrastructure & Logistics development thrust. SLDP was the umbrella program for the development of the Road Roll-on Roll-off Terminal System (RRTS) together with the Bulk Grains Highway and the Cold Chain. In subsequent organizational refinements, we reconstituted our teams involved in Infrastructure & Logistics to Maritime (shipping and RRTS), Supply Chain (merged Bulk Grains and Cold Chain), Energy Resources and Water Resources.

The Challenge of the Philippine Archipelago

In 2002, we unearthed from our vaults an old plan on Regional Area Development that espoused the establishment of a roll-on/roll-off transport system. This plan could not work because the prevailing policy environment entrenched the port system for long shipping hauls. However, on January 22, 2003, President Gloria Macapagal-Arroyo signed Executive Order No. 170 which redefined the Philippine transport system, particularly inter-island travel. EO 170 made the short nautical networks spanning the Philippine islands part of the National Highway System. In an archipelago like the Philippines, the challenge has always been how to link up its 7,107 islands. The RRTS was the answer. And DBP could fund the establishment of "moving bridges" spanning the country.

Development Impact of the RRTS

The RRTS unleashed island potentials. Mr. Meneleo J. Carlos, Jr., chairman of the Infrastructure Working Group of the National Competitiveness Council observed, "What is truly amazing is the fact that not only do the connecting ports develop but also all the towns and cities traversed by our National Highway System."



Comparing the traditional port system to the RRTS or the Strong Republic Nautical Highway (SRNH, when RRTS was adopted as the flagship project of the National Government), Mr. Enrico Basilio of CRC Foundation pointed out that shipping goods through the traditional system involved nine steps, while through the RRTS the shipping process could be cut down to three steps only. His assessment also showed transport cost savings: fresh fish (from Visayas to Manila) by 31%, electronic raw materials (from Manila to Cebu) by 46%, motorcycles (from Manila to Dumaguete) by 47%, and passengers (from Batangas to Calapan, Mindoro) by 32%. In charting the impact on tourism of the RRTS in the Western Nautical Highway between 2003 and 2006, he noted increases in the number of tourists bound for Boracay by more than 50%, for Iloilo by 30%, for Bacolod by 15%, and for Dapitan by 200%. New enterprises also sprouted in islands where the RRTS linked the national highways.

Prices and the availability of various commodities that move across the country are greatly influenced by the RRTS. Producers and service providers that cater to markets in various parts of the country modified their business protocols to adapt to the alternatives the RRTS offers. Aboitiz Transport Service (ATS) was reported to have scaled down its shipping activity and launched 2GO, a van/trucking service. Nestlé Philippines reduced both inventory levels and distribution centers, while Universal Robina began to rely on more frequent deliveries by trucks to reach their customers. One would also notice that in subsequent years, domestic airline companies would lower their fares to enable them to compete with the RRTS.

The RRTS has simplified the logistics riddle posed by the Philippine archipelago



Roxas Port in Oriental Mindoro

Funding the RRTS

Inter island shipping was one of the original four industries covered by the technical grant provided by the World Bank for us to undertake restructuring studies in 1988. With the problems and prospects unearthed by these restructuring studies, we took on the challenge to modernize the domestic shipping industry. The then Japan Bank for International Cooperation supported our Domestic Shipping Modernization Program. DSMP I & II served to address problems of an aging and inefficient shipping fleet, low standards of safety, and a general lack of support facilities like regional ports and shipyards.

DSMP II was in place when we launched the SLDP, and it coincided with the promotion of the SRNH by the National Government. The SRNH, as incorporated in the Medium-Term Philippine Development Plan, aimed



RRTS in Kalambuyan, Lanao del Norte

to lower transport costs, increase regional trade, attract tourists, and invite investments - all to decentralize progress and bring development to the countryside. The RRTS, as part of the SRNH, gained much-needed support from concerned government agencies brought to task by President Arroyo. The interface of the SLDP with DSMP II resulted in extensive synergies such that the latter garnered an "A: Highly Satisfactory", the highest project performance rating of the Japan International Cooperation Agency (JICA).

Since the inauguration of the RRTS in 2003, 250 vessels now run in 68 destinations. A total of 11 RRTS projects, amounting to P1.1 Billion, have been approved by DBP. These projects resulted in the formation of 16 new routes:

ROUTE	SRNH COMPONENT
Esperanza, Masbate - Kawayan, Biliran Island	Eastern Nautical Highway
Liloan, Southern Leyte - Lipata, Surigao	Eastern Nautical Highway
Cawayan, Masbate - Bogo, Cebu	Central Nautical Highway
Beroni, Camiguin - Balingao, Misamis Oriental	Central Nautical Highway
Jagna, Bohol - Mambajao, Camiguin	Central Nautical Highway
Roxas, Oriental Mindoro - Catidan, Aklan	Western Nautical Highway
Sinulan, Negros Oriental - Santander, Cebu	Lateral Links
Santander, Cebu - Larena, Siquijor	Lateral Links
Batangas - Romblon - Sibuyan Island - Masbate	Lateral Links
Calbayog, Samar - Kawayan/Naval, Biliran Island	Lateral Links
Sta. Fe, Bantayan Island - Hagraya, Cebu	Lateral Links
Palompon, Leyte - Bogo, Cebu	Lateral Links
Davao, Cebu - Poro, Camotes Island - Ormoc, Leyte	Lateral Links
Masin, Leyte - Ubay, Bohol	Lateral Links
Ozamis, Misamis Occidental - Mukas, Kolambuyan, Lanao del Norte	Lateral Links
Currimao, Ilocos Norte - Basco, Batanes - Sta. Ana, Cagayan	Lateral Links

True to our catalytic role, once the major nautical highways had caught everyone's attention, we shifted our sights to the lateral links. To give them added boost, we labeled them "missionary" routes (see bottom part of above table). These routes connect isolated small islands to more developed population centers either through vessel financing (Ozamis City - Mukas, Kolambuyan, Lanao del Norte route) or port development at one or both ends of the route (Santander, Cebu - Sinulan, Negros Oriental route). In some cases, missionary routes link a series of under developed communities, as if part of a chain, in an effort to spur economic activities among them (passenger-cargo ferry for the Basco, Batanes - Currimao, Ilocos Norte - Sta. Ana, Cagayan route).

Sailing the RRTS On

To fast-track the RRTS, we acquired the NDC Maritime Leasing Corporation (NMLC) from National Development Company on June 12, 2008. We renamed it DBP Maritime Leasing Corporation (DMLC) given its snug fit in the RRTS by offering lease financing options. As an alternative to loans, leasing is responsive to the needs of missionary routes. First, for the operator, it does not entail huge capital outlays nor require collateral cover because he only rents the vessel or whatever leased facility. Second, to the funder, it does away with the tedious process of foreclosure in the event of project failure and allows us to relocate the vessel to another route because we retain ownership over the leased vessel.

The closure of DSMP II saw our Project Management Office (PMO) for Maritime meriting an "A: Highly Satisfactory" rating for a job well done. But the work of upgrading domestic shipping is far from done. RRTS projects will continue to be funded by the Logistics Infrastructure Development Project (LIDP), a ¥30.380 Billion facility from the Japan International Cooperation Agency (JICA). Our advocacy and support for the "National Highway System" continues.

Linking Up the Supply Chain

We came to realize that with the RRTS exerting its influence on the ease and cost of travel and transport, producers now have a clearer view of the markets they serve. The streamlining of the distribution and logistics systems tracks both production and consumption trends as demonstrated by ATS, URC, Nestlé and company. What remains to be addressed are on-land support systems for producers, especially small scale farmers and their agricultural outputs. The archipelagic make-up of the country all the more heightens the need for these post-harvest facilities to facilitate market access and reduce wastage. Abundant fish and agricultural harvests in Mindanao, and livestock and vegetables production in Luzon, dictate a pressing need for such facilities.

Development Impact of the Supply Chain Program

As component parts of our SLDP, the Cold Chain and Bulk Grains Highway may seem to have taken the backseat to the RRTS. We view increasing awareness about supply chain projects (cold chain and bulk grains) as an offshoot of the integration of road networks with RRTS routes. The need for aggregating, processing, and storage facilities has become more pronounced as domestic production responds to market requirements, and especially because of our fragmented island economies that have product sources and market destinations in different locations. Since the movement of commodities from farmgate to consumer outlets involve various handling activities, product deterioration and quantity losses are likely to be incurred without adequate support systems.

PROJECT	NUMBER	AMOUNT (P)	CAPACITY
COLD CHAIN	8	1,027.68	
Cold Storage/Freezing Facility	6	698.00	14,771 MT
Ice Plant	1	9.68	21.76 MT
Refrigerated Vessel	1	320.00	975.00 MT
GRAINS HIGHWAY	6	139.45	
Corn Mill	2	85.00	11,000 MT
Corn Dryer	1	11.00	1,375 MT
Farm-to-Market/LGU Road	3	43.45	780M
TOTAL	14	1,167.13	

Cold Chain Projects

Four out of our eight cold chain projects are situated in Mindanao, three of which directly support the fishing industry in General Santos and Zamboanga. Fish supply in Mindanao caters to export markets, provides fish to domestic consumers, and supports the raw material needs of local fish processing and canning enterprises. Our fourth project in Misamis Oriental addresses the needs of vegetable farmers in Northern Mindanao. The remaining four other projects are in Masbate (fishing), Navotas (fishing), Pampanga (meat) and Nueva Ecija (vegetables), respectively. As the cold chain ensures the availability, quality, and lower cost of food supplies that reach consumer tables, it also improves the income of farmers and fisherfolk as it minimizes quality and quantity losses.



Cold Storage project in Sta. Tamas, Batangas

Cold Chain facilities especially target high value commodity crops such as fruits and vegetables. Production volumes of fruits and vegetables can increase if these reach consumption centers fully processed and packaged without great loss or at too much cost. Post-harvest losses in fruits range from 23 - 32%; vegetable losses average 42%.

Bulk Grains

The response of interior farm areas to our SLDP in the form of grains post-harvest facilities and farm-to-market roads has not been so pronounced. Of the six bulk grains projects, three are farm-to-market roads all through LGU loans in Samar island. We have two feedmill projects in General Santos which have access highways to corn-producing areas in the Cotabato provinces and Bukidnon. Luzon accounts for only one farm-to-market loans courtesy of an LGU in Isabela.

We cannot underestimate the vital importance of production support services for bulk processing, handling, and grains storage. Desired investments include mechanical dryers and other mechanized farm implements, corn mills, silos, and other storage facilities. These investments pre-empt large post-harvest losses. Physical losses in rice reach as high as 33% of total production (15% in threshing, 30% in drying, 21% in milling and 18% in storage). For corn, losses reach an average of 13% of total production, the bulk of which is incurred in the drying (37%), storing (24%), and shelling/cleaning (21%) processes.

Funding Supply Chain Projects

In our desire to help develop a more efficient supply chain for food, we will also tap the Logistics Infrastructure Development Program (LIDP) to be funded by JICA. LIDP integrates transport and logistics infrastructures by supporting the efficient flow and storage of commodities from point of production to point of consumption.

The "National Highway System," where we integrate our RRTS to respond to the need for moving bridges, will also need to upgrade its road networks. Even with seamless inter-modal transport, there is still need for farm-to-market roads and post-harvest facilities to optimize the economic benefits from completed national highways. With LIDP funding our SLDP projects, we hope to see "Philis, Inc." roar into steady activity.



Post-harvest facility in Ilogan, Isabela

Harnessing Rural Power

The investment and production possibilities stimulated by our SLDP in countryside areas cannot go very far without reliable power supply. Post-harvest facilities and the entire supply chain need to be complemented by rural electrification. Rural electrification primes community development as it opens up opportunities for manpower development, utilization of indigenous resources, and overall community welfare. It comes as no surprise then that power and energy ranks high among our priority development thrusts, and even to foreign funders.



Power Sub-Station project in Batangas

Development Impact of Renewable Energy (RE)

We pursued more deliberate efforts at RE with the availability of the first Adaptable Program Loan (APL) of US\$10 million under the Rural Power Program (RPP) of the World Bank. RE, from our point of view, stands for two significant objectives: Renewable Energy and Rural Electrification. We aimed to hit these two birds with one stone.



Mini Hydro-Power project in Bohol

APL I funding would be fully disbursed eight months ahead of its targeted closing of December 31, 2009. It supported a total of nine projects, with a total loan amount of ₱516.23 million, and with five of these projects located in off-grid areas. These projects consist of two mini-hydropower plants in Bohol and Romblon, with a combined capacity of 3.4 MW; one solar power project providing 57 solar home systems in Laguna; two projects involving the acquisition and rehabilitation of diesel power plants in Masbate and Palawan; and four projects involving the rehabilitation and upgrading of transmission and distribution systems.

DIMENSION	RPP EXPECTATION	APL I
1. ADD'L CAPACITY	75 MW	5.3 MW
Generation Project	New capacity installed	3.8 MW
Distribution	Capacity equivalent	1.5 MW
(System loss reduction)		
2. GENERATION	395 GWh/Additional p.a.	33 GWh
Generation Project	New capacity installed	20 GWh
Rehabilitation/Upgrade	Capacity equivalent	13 GWh
3. HH CONNECTION	200,000 Households (HHs)	10,000 HHs
4. CO ₂ AVOIDED (p.a.)	200,000 Tons	18,260 Tons
5. OIL REPLACED (p.a.)	745,000 Barrels	55,647 Bbls
6. FOREX SAVED (p.a.)	US\$54 Million	\$4.05M

The estimated impact of the initial APL I includes: 1) access to electricity through mini-grid connections or individual renewable energy technology services of at least 10,000 new customers (upon operation of 2 mini-hydros in 2009); and 2) avoidance of over 18,000 tons of Carbon Dioxide emission annually. The renewable energy generated translates to more than 55,000 barrels of crude oil or US\$4 million saved. Projects to be funded under the entire Rural Power Project of \$150 million are expected to result in impacts and outcomes demonstrated by APL I but at much greater magnitudes.

Funding Support for RE

The passage of Republic Act 9513, also known as the Renewable Energy Act of 2008, mandates Government Financial Institutions to provide preferential financing packages to renewable energy project developers. A sharper focus on renewable energy, particularly in off-grid and rural areas, is the way forward for the RPP. This direction goes hand in hand with improvements in the transmission and distribution systems of electric utilities in on-grid areas. It also complements the SLDP as the latter links up isolated island communities to the mainstream of regional travel and trade.

The entire RPP is for a total amount of US\$ 150 million, available in 4 APLs. APL I at US\$10 million is a small fraction that proved to be an excellent trial balloon to test both the capacity of our Project Management Office and market appetite. Our performance in the Rural Power Project (RPP) has impressed the World Bank. After full disbursement of APL I's US\$10 Million, World Bank plans to fast-track its support through an Additional Financing of US\$40 million under APL I. With our robust pipeline for APL I Additional Funding, it wants to already initiate the processing of APL II next year.

Opening the Taps of Urban Water

While lack of reliable power sources is a major drawback in rural areas, we also see the lack of potable water as an escalating problem in urbanizing communities. Water is the fourth sector under our Infrastructure & Logistics priority development area. We aimed to support the government's goal of ensuring access to safe and reliable water supply for 90% of the urban population when we launched the LGU Urban Water Supply Program (UWSP) at the turn of the new millennium. LGU UWSP is also funded by the World Bank and was the precursor of the Adaptable Program Loan (APL) that worked quite well in power projects.

Impact of Water Projects

LGU UWSP offered financing to waterless LGUs for the construction of water utilities to be managed privately on commercial principles so as to provide consumers with safe, reliable, sustainable water and sanitation services. One of the key features of our water program is a technical assistance component designed to assist LGUs in project preparation of the water supply system. The technical assistance has helped 100 LGUs prepare a Rapid Feasibility Study of their proposed water supply system including the Detailed Engineering Design.

Six towns in Isabela put up new Level 3 water systems, giving 12,930 households or about 64,650 urban residents access to piped water. The communities of Magdalena and Cavinti in Laguna constructed new water systems with about 4,689 household connections for 14 barangays. In Bukidnon, the municipalities of Lantapan and Kallangan availed of the program to set up water systems that provided piped water to 8,063 households consisting of 40,315 residents. The towns of Calamba and Lopez Jaena in Misamis Occidental connected 5,375 residents of 1,691 households in nine barangays to water supply systems. Six other water systems covering 44 barangays in six LGUs benefited 111,936 residents through 18,915 service connections.



Water Supply project in Cavinti, Laguna

Private Sector Participation

One of our most notable water projects financed through Bank funds is the Rio Verde Bulk Water Supply. The project supplies safe water to 68,421 service connections in 80 barangays consisting of about 342,105 residents of Cagayan de Oro City and 9,299 service connections in 14 barangays in the nearby Municipality of Opol equivalent to about 46,495 constituents. The bulk-water project intends to supply 150,000 cmd of water to the Cagayan de Oro Water District serving residents of Cagayan de Oro City.

By November 2008, when APL I and II closed, we had financed the construction of Level 3 water systems in 18 communities with a total loan approval of P634.5 million. Four of these water systems are managed by private operators for LGUs, and are thus considered a major inroad in encouraging private participation in the provision of water supply services. The Program had provided safe, potable water to 245,721 Filipinos in about 46,288 households with the water systems operated either by LGUs or private operators.

Projects in the pipeline which will benefit about 20,959 households equivalent to 104,795 Filipinos having access to piped water consists of water projects in six municipalities in Leyte, Romblon, and Bohol. These include the bulk water project of Isabel, Leyte which will increase water supply to the city by 15,000 cmd and increase coverage from 31% to 80% of the population or an additional 4,907 service connections.

Funding Support for Potable Water

Our involvement in the LGU UWSP has proven to be very instructive for our future funding programs. The lessons learned, and experience gained, touch on various facets including capacity building, policy support, networking and partnerships. There are strong indications of private sector capability and appetite to pursue water supply projects. We have used these inputs in working out the framework for the Philippine Water Revolving Fund (PWRF) with various partners.

PWRF is the product of the collaboration between the United States and Japan when they launched the Clean Water for People Initiative in 2002. USAID/Philippines and JBIC Manila Office proceeded to enlist the participation of DBP and LGU Guarantee Corporation in an effort to mobilize private sector funds. In 2005, the PWRF Steering Committee was formed, followed by the signing of the implementation memorandum in January 2007. USAID and JBIC also included the National Economic and Development Authority (NEDA), the Department of Finance (DOF), and the Bankers Association of the Philippines (BAP) in the PWRF loop.

The PWRF was formally launched in September 2008 to follow through on the gains earned under LGU UWSP. Carved out of the Environmental Development Project (EDP) financed by the Japan International Cooperation Agency (JICA), PWRF provides a sustainable loan facility that leverages private capital with public funds for water supply. Designed as a co-financing facility, it combines the EDP funds lent to DBP with Partner Financial Institutions' (PFIs) funds to support creditworthy water service providers. Under this funding scheme, we are given the challenge of making LGUs and private banks comfortable with each other in a credit relationship.

OUR PERFORMANCE

on Sustainability and Corporate Responsibility

Economic Performance

A global financial crisis saddled the business performance of enterprises across the world. Hardest hit were the more advanced economies where many established multinational corporations succumbed to the financial meltdown and had to be bailed out by their governments. For national economies to go back on track, their respective administrations had to put together huge stimulus packages. And being a global malaise these leading economies in the world needed to put their stimulus acts together.

Continued Value Contribution

As at end 2008, our financial performance demonstrated resiliency against the lingering global financial crisis. We recorded a Net Income of P3.6 Billion, a 33% improvement over the previous year's P2.7 Billion.

Our robust performance could be largely attributed to prudent lending standards and continued initiatives to build up capital and implement risk management measures to cushion the pressures on earnings, liquidity and asset quality. We are one of very few Philippine universal and commercial banks that achieved year-on-year Net Income growth amid tough operating conditions.

VALUE DISTRIBUTED TO STAKEHOLDERS

2008 (In Million Pesos)		
Employees:	salaries and wages	2,299
Suppliers:	goods and services	998
Shareholders:	dividends	1,000
Government:	taxes paid	1,157
Community:	donations and contributions*	35

* 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

The continued value contribution of our operation benefits our various stakeholders. As we strive to sustain business productivity, the resulting profitability supports our stakeholders and the continued well-being of the Filipino people en masse. We recognize and respond appropriately to the needs of all stakeholders for continued engagement. Our employees are the key to ensuring that we remain a profitable and sustainable organization as we forge partnerships with reputable suppliers to assist us in our operations. We provide our shareholders as well as the National Government (NG) a fair share of our earnings in the form of dividends and taxes to uplift the economic and social condition of the civil society. And to remain relevant to our role in the NG's 10 Point Agenda and the Millennium Development Goals (MDG), we contribute to the community to boost its capacity to rise above the challenges of squalor, disease, illiteracy, and environmental degradation.

Pushing Forward through Subsidiaries

Two strategic corporate acquisitions were made in 2008, bringing the total number of DBP subsidiaries to four. The earlier two subsidiaries include the DBP Data Center Inc. and the DBP Management Corporation. Bringing the Al-Amanah Islamic Investment Bank of the Philippines (AAIBP) and the DBP Maritime Leasing Corporation (DMLC) into the DBP fold was just in time.

AAIBP is now poised for a fresh start. DBP has recapitalized AAIBP which owns a universal banking license and exclusive rights to do Islamic banking in the country. It has also undertaken organizational and physical (office) preparations for undertaking Shari'a banking. It should then be able to respond to the developmental financing needs of Mindanao, particularly its Muslim areas.

DMLC, on the other hand, is seen to augment DBP's financing program for the Road-RORO Terminal System (RRTS). The main arteries of the nautical highways have been connected by RRTS. However, the lateral connections, involving smaller islands, remain a challenge. These "missionary" routes have yet to find a responsive non-loan approach. DMLC, a leasing company, is DBP's response to this challenge.

These two investments continue to push forward the economic and developmental objectives of DBP. They have their strategic niches in the realm of the DBP mandate.

Good Corporate Citizenship

Not so many Government Owned and Controlled Corporations (GOCCs) register profits from operations because they are mostly engaged in the provision of public goods. Those who do, however, are also expected to contribute to, if not initiate, the funding of projects as modes of paying back society for its trust and support. We are a few of those GOCCs privileged to be in a position of giving back.

Responding to the call of the National Government to contribute to the Agricultural Guarantee Fund Pool (AGFP), DBP put in P100 Million. The Department of Agriculture set up the AGFP in May 2008. AGFP serves to mitigate risks in agri-lending, thereby encouraging private financial institutions and other credit conduits to reach out to small farmers and fisherfolk.

We also participated in the Coopreneurs Surety Fund (CSF), a brainchild of the Bangko Sentral ng Pilipinas. The CSF went into operation in August 2008 with the launching of the first CSF in Cavite. DBP made an initial fund allocation of P15 Million in support of the CSF, with our first contribution of P4.45 Million going to the Cavite Coopreneurs Surety Fund. We see CSF as a very determined move toward easing the collateral cover. We expect our support to grow stronger as the CSF idea catches nationwide interest.

Besides donating money, computers and furniture to requesting government and private organizations in support of their various advocacy programs, perhaps our most meaningful initiative is the DBP Endowment for Education Program or DEEP. It is a 10-year program where DBP allocated P1 Billion to support deserving students who could not proceed to higher studies because of poverty. We are proud to be able to give back to the community P31.5 million through the DEEP for our first batch of scholars for AY 2008-2009.



IN FOCUS: DBP ENDOWMENT FOR EDUCATION PROGRAM

DBP: Banking on the Youth

Marveling at her newfound opportunity to finally pursue her dream of becoming a nurse someday, Gina Baylosis could not express her gratitude enough when she was named one of the scholars under the DBP Endowment for Education Program (DEEP).

Sharing how DEEP came as a sign of relief for financially challenged students like her, Gina said, "Who would have thought that we would have an opportunity to have our four years of college fully supported! Most of us do not have enough resources to proceed to college in the first place."

Like Gina, Jeane Dianne Sual comes from a poor family in Cagayan de Oro City whose meager resources would not suffice for their daily needs, more so for their education. Her father takes on odd jobs, while her mother helps support the family by selling food items. "Although we are poor, our parents encourage us to apply for scholarships and educational assistance in order to finish school. They don't want us to end up like them," she said.

While she was among the top graduates of her high school class, Rose Ann Atienza of Dasmariñas, Cavite was unsure if she could even go to college. The daughter of a security guard, Rose Ann knew that her family's income would be hardly enough to support her through college. Starting with an invitation to apply for a DEEP scholarship, her twist of fate happened, and she said, "This is a very big opportunity which I am thankful for. With the help of DEEP, I have a chance now to fulfill my dreams for myself and my family."

Youth empowerment

DEEP responds to the educational needs of brilliant but underprivileged Filipino youth. This P1-billion corporate social responsibility project was launched in 2008 with the goal of supporting qualified high school graduates who wish to pursue higher education.

DBP President & Chief Executive Officer Reynaldo G. David said that the P1-billion funding for DEEP will finance the 10-year program that will support 10 batches of scholars.

DEEP scholars graduated in the top 20% of their high school class, and belong to families with annual incomes that do not exceed P150,000. Most of them are children of farmers, laborers, drivers, teachers, housewives, electricians, mechanics, vendors, retired policemen, and soldiers. Scholarship assistance extended to them under the program covers the whole range of their requirements including cost of living and allowances.

DBP Chairman Patricia A. Sto. Tomas said DEEP enables the Bank to focus on directly providing a timely and much-needed social development intervention. "We have focused this intervention on helping young and truly poor Filipinos to have access to better opportunities so that in the end, we can help build a liberated and liberating national economy," she added.

Supporting Future Nurses

Gina, Jeane and Rose Ann are among more than a hundred nursing students who made it to the initial batch of scholars on the first year of implementation of DEEP in 2008. Selected from among applicants across the regions, they are now enrolled in DEEP partner-schools selected from the best in the country. These partner-schools include: St. Louis University in Baguio City; West Visayas State University in Iloilo City; Cebu Normal University in Cebu City; Mindanao State University in Lanao del Sur; Xavier University in Cagayan de Oro City; Trace College in Los Baños, Laguna; and Our Lady of Fatima University in Valenzuela City.



Through DEEP-Nursing, DBP aims to ensure the adequate and continuing supply of qualified nurses for the country's domestic requirements; respond to the growing demand for trained and qualified Filipino nurses in global markets; and thus, enhance the country's earning potential from its overseas Filipino workers.

Changing times, emerging needs

Inspired by the initial success of DEEP, DBP carries on with the program with a re-focused thrust of assisting more than 300 high school graduates who wish to take up technical/vocational and maritime courses.

This year, DEEP addresses the projected huge demand for Filipino seafarers to man international vessels in the next 15 to 20 years, as well as the continued demand for skilled workers such as cooks, welders, caregivers, lift machine operators, and electronic technicians.

"We have tweaked the program to respond to these international job market requirements. We also see these technical and vocational courses as providing easier and faster employability to our DEEP graduates. The relatively cheaper cost of these courses likewise means we can support more DEEP scholars," President David explained.

He also expressed optimism that DEEP's shift to short-term courses can help more Filipino families cope with the current economic crunch. "DEEP resources can be best utilized in short-term skills courses to match the precise needs of the job market and help the most number of unemployed. We will, thus, continue and expand DEEP's implementation in this direction."

DBP's network of partner-schools has been expanded on its second year of implementing DEEP with the addition of Philippine Merchant Marine Academy in Zamboanga; Maritime Academy of Asia & the Pacific in Bataan; NYK-TDG Maritime Academy in Carlsbad, Laguna; John B. Lacson College Foundation in Iloilo City; DMMA College of Southern Philippines in Davao City; Manner's Polytechnic Colleges Foundation in Camarines Sur; Don Bosco Technical College in Mandaluyong City; SEAMAC International Training Institute, Inc. in Manila; and Mindanao Polytechnic College in General Santos City.

Taking program implementation one step further, DBP has also partnered with principals or employers – Norwegian, Japanese, and German shipping companies – that can assure employment for DEEP graduates.

Paying it forward

A unique feature of DEEP is its operative principle of "paying it forward." While scholars are not required to pay back the cost of their education, they are encouraged – through values formation – to contribute to the sustainability of the program.

"Through DEEP we hope to tap the potential of talented and gifted Filipino youth, and thus build a small yet significant pool of Filipino professionals who can truly appreciate and put to action the value of paying it forward," President David explained.

"In DBP we take very seriously our corporate social responsibility. This is embedded at the very core of our mandated developmental role. DEEP is a mechanism for giving underprivileged Filipino youth the opportunities to make a concrete contribution not only for the benefit of their immediate families but the Philippine society at large. We would like to encourage our scholars to sustain the program. This way, other poor but deserving students may likewise benefit from the project," he added.



Environmental Performance

Our experience in environmental management and protection spans 16 years of actively responding to the growing call for concern and responsibility towards preserving the gifts of nature. To this date, this advocacy continues to help shape our policies and banking operations.

Since 1992, we have been implementing environmental credit and technical assistance programs that attest to our consistent efforts to strike a delicate balance between economic progress and environmental sustainability. Beyond improving efficiency and the competitiveness of Filipino industries, our programs also encourage the active involvement of industry sectors in addressing the environmental impacts of their operations.

Environmental Policy

In 1997, we launched our full-scale efforts to put in place the DBP Environmental Management System (EMS). Our Environmental Policy Statement was approved by the Bank's Management Committee on the same year, with a subsequent revision in 2001 to ensure its continuing relevance and responsiveness to evolving environmental challenges.

Our Environmental Policy Statement articulates our commitment to environmental protection and sustainable development. It formalizes the integration of environmental considerations into all aspects of our operations and business decisions.

The DBP EMS was officially established and implemented in 2002, which led to our distinction as the first and only Philippine bank at that time to receive an international certification under the ISO 14001 standards. The results of the succeeding surveillance audits attested to our consistent performance under the highest standards of this international certification. An upgrade audit in 2004 revealed our sustained compliance with the new ISO 14001:2004 standards. In November 2008, DBP EMS was issued its 3rd round of certification.



Environmental Practices

We are proud to have made great headway, both in our environmental lending and in our internal environmental management competence.



EMS champions during the EMS planning conference

In implementing the EMS from 2001-2008, we were able to generate considerable savings of about P 20 million from our conscious effort towards more prudent use of our resources, particularly water, electricity, fuel, and paper.

Resource Consumption - Internal Operations

DBP's bankwide resource consumption for 2008 registered a significant reduction in usage. This was due to continued efforts of employees to conserve electricity, water and other resources, except for the direct energy consumption by primary energy source (usage of fuel), as shown in the table below:

Description	2008	2007	Increase (+)/ Decrease (-)	% change
<i>Direct energy consumption by primary energy source (in liters)</i>				
Head Office	130,560.06	125,459.45	+ 5,100.61	4.07%
Branches	383,101.57	322,998.67	+ 60,102.90	18.61%
Total Fuel Consumption (for transport)	513,661.63	448,458.12	+ 65,203.51	14.54%
<i>Indirect energy consumption by primary source (in kWh)</i>				
Head Office	5,026,000.00	5,571,999.94	- 45,999.94	- 0.80%
Branches	5,403,686.39	5,421,160.34	- 17,473.95	- 0.32%
Total Electric Power Consumption	10,429,686.39	10,993,160.28	- 563,473.89	- 5.13%
<i>Total water consumption (in cubic meters)</i>				
Head Office	35,858.00	44,181.07	- 8,323.07	- 18.84%
Branches	89,264.31	92,087.90	- 2,823.59	- 3.07%
Total Water Consumption	125,122.31	136,268.97	- 11,146.66	- 8.18%

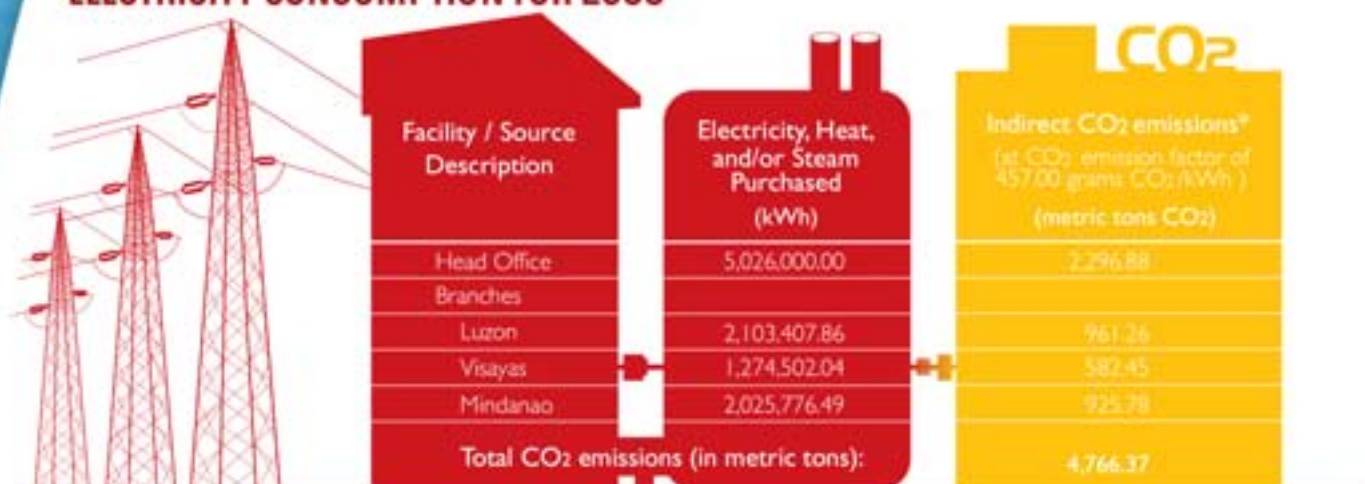
The 14.54% bankwide increase in direct energy consumption by primary energy source was attributed to the increased number of trips and additional new bank vehicles to intensify the marketing activities in the Head Office and Branches. Intensified marketing was a strategy to blunt the slowing down effects of the Global Financial Crisis.

The remarkable reduction in the resource consumption in the Head Office was attributed to the following:

- Completion of the Efficient Lighting Initiative (ELI) project in the Head Office which significantly reduced its GHG emissions from its electricity consumption, also generating P2.5M savings.
- Installation of waterless urinals and sensor lavatory faucets and flush valves in the HO helped reduce the building's water consumption.
- Conversion of gas-fed engine vehicles to gas/LPG which was completed in November 2008, increasing the HO's total number of gas/LPG vehicles from 18 to 43 units.

Resource conservation initiatives also included reduced operation time for air-conditioning, lighting, elevators and other utilities in the Head Office and Branches. Other austerity measures were also in line with the Bank's continued implementation of environmental and energy conservation measures aligned with the Malacañang issued Administrative Orders (AOs) 126 s 2005 and AO 228 s 2008.

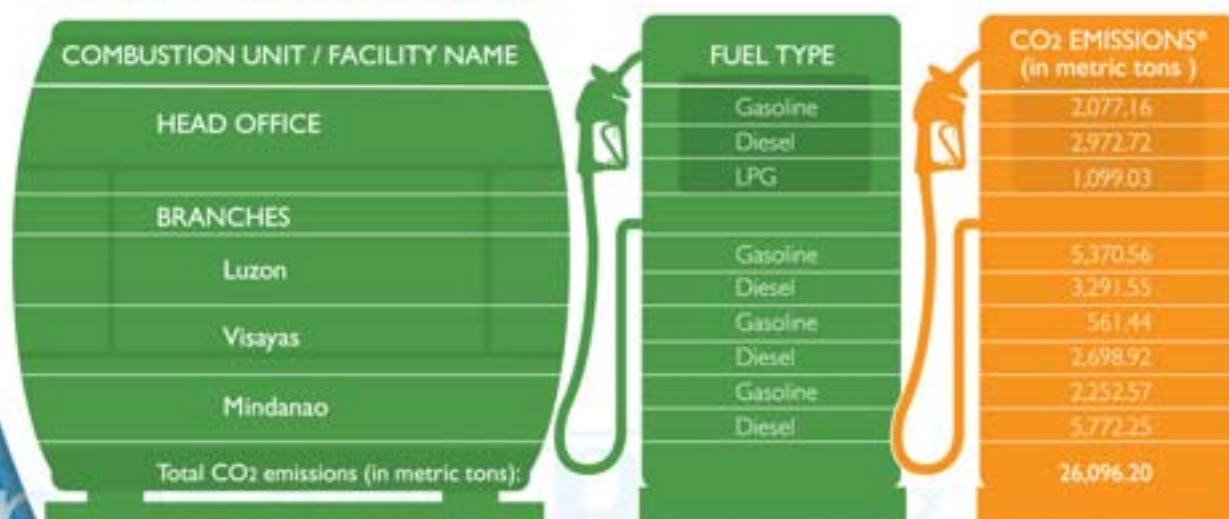
ELECTRICITY CONSUMPTION FOR 2008



*CO₂ emissions were computed using the WRI/WBCSD GHG Protocol Initiative calculation tool (<http://www.ghgprotocol.org/>)

Likewise, the Bank reduced its CO₂ emissions resulting from increased use of gasoline-fueled vehicles. As a pilot case, the CO₂ indirect emissions (refers to non-DBP transport) measured from the Credit & Appraisal Management's (CAM's) appraisal-related business travels registered at 0.00104 ton and 0.000479 ton for air and land travels, respectively.

FUEL CONSUMPTION FOR 2008



* CO₂ emissions were computed using the WRI/WBCSD GHG Protocol Initiative calculation tool (<http://www.ghgprotocol.org/>)

Consumption of Other Resources - Head Office

Reduced and efficient usage of other resources by the DBP Head Office in 2008 is demonstrated as follows:

- The reduction in solid waste generated recorded at a rate of 27.67% (from 9,970 bags in 2007 to 7,213 bags in 2008) as well as the sale of old/unserviceable EFF and scrap materials netted savings of P509,676.49.
- Paper consumption was down from 59,043.53 kilos to 58,513.10 kilos. This saved P34,949.77 for the Bank.
- An 11% reduction in the use of lubricants and chemicals was also recorded from 871 kilos in 2007 to 775.22 kilos.
- Use of R-22 refrigerants declined by 44.07% from 767 kilos to 429 kilos, generating savings amounting to P60,840.00. A decline in CFC emission was also measured from 0.35 tons in 2007 to 0.20 tons.
- Disposal of the Bank's two units of 2.5 MVA transformers containing polychlorinated biphenyl (PCB), a toxic waste oil, was undertaken in France in November 2008, with our designated Pollution Control Officer on hand to witness the said waste disposal activity. In addition, 1000 pieces of busted fluorescent tubes were also disposed of after securing appropriate permits.
- To enhance air quality inside the building, tests were conducted on dust concentration from sampled air ducts within the building. The result of 0.19mg/m³ is above the 15mg/m³ standard for occupational safety & health standard in terms of dust particulates.



Waste segregation & sensor lavatory faucets



T5 linear fluorescent lamps

EMS Rollout in Five Pilot Branches

Taking our institutional advocacy to protect the environment a step further, we have launched our EMS rollout in DBP branches nationwide.

For 2009 and 2010, our efforts will focus on the certification of five pilot branches - Ilagan, Commonwealth, Lucena, Cebu, and Cagayan de Oro -- under the ISO 14001 standards.

Electricity consumption in our Ilagan, Commonwealth, Lucena, and Cagayan de Oro (CDO) branches registered an average reduction of 7.58% at 700,668.12 kwh. DBP Cebu, however, recorded an electricity consumption of 97,689 kwh, reflecting an increase rate of 24.64%. This was attributed to the increased need for overtime services by account officers assigned to various ward branches of the Bank's Super Region Management Office-Central Philippines (SRMO-CP) II and Regional Marketing Center -Central Visayas (which are both housed at Cebu branch).



Branches Roll-out teams in discussions

In terms of water consumption, Commonwealth, Lucena, Cebu, and CDO branches achieved a 20.17% average reduction rate. Ilagan branch, meanwhile, recorded a 16.46% increase in water consumption, which was attributed to the assignment of additional account officers to our Regional Marketing Center-Northeastern Luzon, which holds office at our Ilagan branch.

Gasoline consumption increased by an average of 46.24% in Cebu, Ilagan, and CDO branches. Moreover, an average increase of 28.50% in diesel consumption was recorded for our Ilagan, Lucena and Cebu branches. The upsurge in consumption was due to the intensified marketing activities undertaken by the RMCs housed in the said branches. Diesel consumption of our Commonwealth and CDO branches, meanwhile, was noted to decline by an average of 33.39%.

Support for Environmental Projects

It is our firm belief that banks play a strategic role in preserving ecological balance because we fund projects that can significantly impact on our environment. Taking environmental stewardship to the core of our business, our policies provide for strict due diligence measures to ensure that only companies that comply with environmental protection standards and regulations are granted credit support by the bank.

Aside from financial risks, possible environmental risks are likewise considered in our project loan evaluation procedures. To ensure that loan borrowers exercise responsibility for addressing the significant impact of their operations on communities and the environment, their compliance with relevant environmental laws must be established and adequately supported by necessary environmental compliance certificates and local government permits. We also require these projects to put in place the necessary equipment and systems for proper waste disposal and management.

To attain these objectives, standard clauses that point out environment-related issues and concerns are provided for in our loan agreements. These provisions include the required submission by our clients of the following:

- Environmental Compliance Certificate based on the results of Environmental Impact Assessment;
- Environmental Performance Monitoring Report;
- Other permitting requirements (e.g., building permit, permit to operate, LLDA clearance, or use of water resources)

Also during the loan evaluation process, issues and concerns considered potential ground for closure orders from the Department of Environment & Natural Resources (DENR) or forced shut down by their communities due to environmental non-compliance are likewise identified. Our bank officers, as part of their environmental due diligence, take into careful consideration the environmental impacts and benefits of potential and existing projects, following the general procedures stipulated under DBP Credit Policy Memorandum 110. For more complex cases, marketing units in the Head Office are provided with technical staff support or consultants.

Concretizing our environmental responsibility efforts is our assistance to projects that promote and implement water and air pollution abatement and control, including cleaner technology, and solid and hazardous waste management, among others.

Seventy-seven (77) approved accounts amounting to P8.3 Billion (as of December 2008) under the Air and Water Pollution Management Program demonstrate our resolve to carry out our commitment to improve the quality of the environment. Catering to a variety of industries, which include manufacturing, printing, health, education and transportation, among others, this program extends DBP's influence to nearly all facets of commerce.

Approved Air and Water Pollution Prevention and Control Projects:

Type of Environmental Project	Number of Projects	Loan Amount (in Million Pesos)	Distribution (in %)
Water Pollution Treatment	14	698.02	8.42
Air Pollution Control	12	2,750.30	33.19
Pollution Prevention/Cleaner Production	28	2,603.96	31.43
Conservation of Natural Resources	7	462.89	5.59
Environmental Laboratory	5	36.00	0.43
Water Supply Improvement	2	1,321.54	15.95
Solid Waste Management-Collection and Transport	1	125.00	1.51
Solid Waste Management-Recycling	1	2.83	0.03
Toxic and Hazardous Waste Treatment/Management	3	130.00	1.57
Environmental Relocation	2	120.00	1.45
Occupational Health and Safety	2	34.94	0.42
TOTAL	77	8,285.48	100.00



Biogas digesters for piggyery project in Laoag City



Waste collection and transport project in Mandaue, Cebu



Purchase of heavy equipment for the construction of sanitary landfill project in Malasiqui, Pangasinan

Fourteen (14) approved accounts totaling P684.2 Million under the Credit Line for Solid Waste Management has granted local government units nationwide the assistance they need to comply with the requirements of RA 9003 (Ecological Solid Waste Management Act of 2000). Financed projects include the construction of materials recovery facilities (MRF), purchase of mobile garbage bins and waste collection and transport equipment, closure and rehabilitation of dump sites, and purchase of equipment for the construction, operation and maintenance of sanitary landfills.

Approved Solid Waste Management Projects

Type of Environmental Project	Number of Projects	Loan Amount (in Million Pesos)	Distribution (in%)
Materials Recovery Facility/Composting Facility	4	321.70	47.01
Mobile Garbage Bins & Waste Collection/ Transport Equipment	3	256.25	37.45
Closure and Rehabilitation of Dumpsites	2	30.50	4.46
Heavy Equipment for the Construction, Operation and Maintenance of Sanitary Landfill	5	75.80	11.08
TOTAL	14	684.25	100.00

Climate Change Program

Under our Climate Change Program (CCM), our borrowers' CDM projects are translated into Certified Emission Reduction (CER) units, while enhancing project viability and providing for additional revenues from sales of CERs. On February 19, 2008, we entered into a Monetization Agreement with UK-based CarbonAided, Ltd. for the CDM registration of several DBP-funded hydropower plant projects, namely: the Cantingas, Sevilla, and Hinubasan mini-hydro power plant projects. This was followed in May of the same year by another monetization agreement with CarbonAided, Ltd. for the CDM registration of Salug Daku and Colasi hydropower projects.

Furthermore, the development of several Programs of Activity (PoA) CDM Projects has also been approved. These PoAs cover nationwide planting, improvement of efficiencies of rural electric cooperatives, promotion of efficient lighting, methane capture and flaring from landfill gas or wastewater or biogas, composting, and installation of solar panels.

We have also completed the draft PoA Design Document for the generation of electricity from a micro and mini-hydropower plant, as well as the draft CDM Project Activity (CPA) Design Document for the Kalinga mini-hydro power plant project.

PROJECTS	CANTINGAS	SEVILLA	HINUBASAN	TOTAL
Capacity (MW)	0.9 can expand to 1.35	2.5	0.5	3.9 to 4.35 at expansion
Location	Sibuyan Island, Romblon	Sevilla, Bohol	Loreto, Dinagat Island	
ECONOMIC DIMENSION				
Electricity Generation (GWh/yr)	4,714	14,447	2,628	21,789
Oil Imports Saved (kg/yr)	394,660 594,000 (w/ exp)	1,209,516	220,019	1,824,195 2,023,535 (w/ exp)
ENVIRONMENTAL DIMENSION				
7-yr GHG Emission Reduction (metric tons CO ₂)	381,145	56,228	14,717	109,190
Watershed Protected (ha)	4,421	579,000	800	584,221
SOCIAL DIMENSION				
Access Roads Opened (km)	1.0	0.9	2.0	3.9
Construction Cost (PhP M)	2.0	2.0	4.0	8.0
Households Connected (no.)	5,000	2,739	1,500	9,239

On December 16, 2008, we submitted the complete documentary requirements for the CDM registration of our first bundle of hydropower plant projects to the Environment Management Bureau of the Department of Environment and Natural Resources, the country's CDM Designated National Authority (DNA). This bundle of 3 mini hydropower plant projects with 3.9 MW to 4.35 MW capacity at expansion, that could generate electricity of 21,789 GWh, will reduce 109,190 tons of Greenhouse Gases for the seven-year crediting period, or an annual average of 15,584 tCO₂-e. These projects have been established to exhibit other economic, environmental and social dimensions.



Public consultation for the CDM project in Sibuyan Island, Romblon



Sevilla mini-hydro power plant in Bohol, showing one of the "Two units (2 x 1250 KW) Vertical Flexible Kaplan turbines" connected to a two units (2x1250 KW) 6600 Volts, 60Hz Synchronous Generators and associated controls.



Addressing Climate Change Issues

Our Climate Change Program has been designed to continuously respond to the urgent need for an extensive strategy and adaptation measures to mitigate and address the impacts of climate change. Our efforts under the program are firmly founded on a working collaboration with our employees, customers, other stakeholders, and with the global community at large.

Consistent with our Environmental Policy, we have taken on a continuing pledge to:

- support / increase the efficiency of energy use, and conserve use of resources;
- set and review targets and programs along identified significant environmental aspects, including identification of risks and opportunities under climate change;
- conduct greenhouse gas accounting for our company and promote reduction of carbon emissions;
- promote reforestation and afforestation and support watershed protection; and
- comply with relevant environmental laws, regulations and agreements while at the same time encouraging other institutions to pursue environmental protection.

Recognition

Our efforts towards environmental responsibility and protection have not gone unnoticed. Our programs and initiatives for the environment have caught the attention of our colleagues and peers in the industry. As we have set the example towards efficient and effective green banking, we have been afforded honor and recognition by various local and international institutions.



Awards and Citations

Association of Development Financing Institutions in Asia and the Pacific

- 2006 Environmental Development Project Award for DBP Forest
- 2002 Environmental Development Award for DBP EMS

The Asian Banking Awards

- 2001 Most Outstanding Environmental Program for New and Renewable Energy Financing Program
- 1999 Most Outstanding Environmental Program for Environmental Management Program

Office of the President / Dept. of Energy National Energy Efficiency and Conservation Program in Government Buildings

- 2005 - 2008 "A" Grade for DBP Energy Conservation Program

IN FOCUS: DBP FOREST PROGRAM

Getting our Forests Back in Shape

The great flood of 2004 that claimed countless people's lives in Quezon Province served as an impetus for the DBP Forest Program.

Conceived to empower communities towards the prevention of similar calamities in the future, the Program is a reforestation initiative intended to restore and enhance the country's forest cover particularly in the countryside.

The first DBP Forest project was launched in Abucay, Bataan on April 22, 2005. Barely a year hence, our re-greening advocacy earned international recognition as Most Outstanding Environmental Development Project from the Association of Development Financing Institution in Asia & the Pacific (ADFIAP).

Program Objectives

With its specific focus on restoring the country's forest cover, the DBP Forest Program also represents our response to the global call for climate change mitigation.

Recognizing the role of forest trees in the sequestration of carbon dioxide in the atmosphere, our committed efforts to reduce the level of this harmful emission to the environment has taken shape through the DBP Forest Program.

Our confidence in the program is postulated on the fact that each tree can sequester an estimated four kilos of carbon dioxide per year on the average. The roots of these trees also serve the added benefit of minimizing or reducing soil erosion, as well as conserving and improving water quality - which is especially important in the rehabilitation of our country's critical watershed areas and river basins.

Our forests also provide habitat to wildlife and promote biodiversity. As such, our efforts through the Program also give particular attention to revive the healthy state of our country's mangrove swamps, which serve as spawning ground for fishes and crustaceans, which have immense ecological and economic importance. These mangrove forests also play a pivotal role in rehabilitating the coastal areas by preventing coastal erosion, and thus, protecting communities by serving as a natural guard against strong wave incursion.

Ultimately, we envision the benefits of our forest projects to also cascade to the surrounding communities by spurring rural livelihood opportunities in areas where these projects are located.

Getting on with the cause of re-greening

Taking our advocacy towards natural restoration a step further, the DBP Forest Program actively encourages, supports and promotes the reforestation of open and denuded areas through the planting of relatively high value fruit trees, forest trees and other useful species. These include mango, durian, pomelo, lanzones, rambutan, mangosteen, citrus, tamarind, jackfruit, coffee, cacao, cashew, ilang-ilang, bamboo, rubber, abaca, narra, mahogany, high value dipterocarps, mangrove, and other endemic planting species.

In partnership with local government units (LGUs), state universities and colleges (SUCs), and people's organizations (POs), reforestation activities are undertaken on denuded forest areas under the jurisdiction of these identified forest partners, including Community-Based Forest Management sites of the Department of Environment & Natural Resources (DENR).

Other government agencies which have large forest areas under their management are also eligible to become our forest partners under the Program. As an established process, our prospective forest partners are required to submit a completely accomplished Application Form, and a Planting and Maintenance Plan for evaluation and approval of the DBP Forest Program Committee. A qualified upland project site is also assessed for its criticality, slope and land use, while a forest partner is evaluated based on its capability and commitment in implementing the project.

Through the DBP Forest Program, we provide financial assistance to eligible partners for the cost of planting stocks. We also extend additional assistance equivalent to 40% of the cost of planting stocks for maintenance and operating expenses. For their part, our forest partners contribute to the project, mostly in the form of sweat equity.

Reaping the fruits

As of 2008, 28 forest projects located nationwide have already been approved for implementation under the DBP Forest Program. These forest projects are now at varying stages of implementation, and cover a total of 5,722 hectares. Out of this total area, 3,024 hectares has already been planted. Reforestation activities in these forest sites have yielded benefits for at least 4,282 member-beneficiaries.

Two forest projects in Davao, which were launched in 2005, have already benefitted two of our partner-POs from the harvest of cacao. An estimated three to five kilos of cacao are harvested per tree. A saleable produce, cacao is processed for various chocolate products and other food items, which provide additional income for our forest beneficiaries.

Our partnership with Cagayan State University for a forest project has also shown encouraging prospects of crop harvest. Harvested corn and other intercrops serve as regular source of income for the farmers. To sustain the success of the project, a growing number of interested government institutions contribute to the project towards its continuous growth and development.

The West Visayas State University in Iloilo likewise implemented its Progress through Economic, Socio-Cultural and Agro-Forestry Cooperation Extension Program (PEACE) that mobilized the involvement of illegal settlers in its land area. Through the DBP Forest Program, collaborating families are provided a one-child scholarship slot in the University. The University also implements the Work-for-Study Program, which provides assistance covering tuition and other school fees to incoming freshmen under its BS Forestry program. In exchange for this educational assistance, students who qualified for support under this program render services for the maintenance of the forest project.

Exploring more prospects

To expand the scope of benefits that can be achieved through the DBP Forest Program, we have explored greater opportunities to further maximize its potential under the Clean Development Mechanism. Towards this end, discussions with possible carbon investors were also held.

While we have made significant advances through the Program, we share the perspective of our forest partners, the academe and other stakeholders in the projects that a lot of lessons continue to be learned in program implementation. To document these lessons, we engaged the Philippine Agroforestry Education and Research Network (PAFERN) for the conduct of Participatory Assessment, Monitoring and Evaluation (PAME). We give particular consideration to the types of species identified and observed to either grow well or poorly survive in different areas. We also continue to take notice of the social and economic benefits derived by communities involved in our forest projects. As such, our sights are also trained on maximizing the potential of the DBP Forest Program in empowering more and more countryside communities to be active participants in our environmental protection efforts and poverty alleviation strategy rolled into one through their collective participation and involvement in our forest projects.



DBP FOREST Location Map

As of Dec. 31, 2008

DBP Funding Assistance
P106.063 Million

PO	- 11
LGU	- 10
SUC	- 6
OGA	- 1
	28

Luzon	- 17
Visayas	- 5
Mindanao	- 6

5,722 Hectares
20 Uplands - 5,324
10* Coastal - 398

Planted Area
3,024 has.

*2 Projects have both upland and coastal forests



Upland forest in Akabel, Sarangani Prov.



Launching & Ceremonial Planting of DBP forest project in Nueva Vizcaya



Mangrove forest in San Jose, Northern Samar

SUMMARY of DBP Forest Projects

As of December 31, 2008

NO.	FOREST PARTNER	LOCATION/TYPE OF PROJECT/TOTAL AREA (IN HAS.)	LAUNCHING DATE	TYPE OF PROJECT PLANT SPECIES	DBP SHARE	NO. OF MEMBER/BENEFICIARIES
1	Balikatan ng mga Mangingisda para sa Bakawan, Inc. (BAMABA)	Abucay, Bataan/10	April 22, 2005	Coastal Rehabilitation Mangrove	253,000.00	15
2	Kinkalang Mangingisda ng Mabatang, Inc. (KIMAMA)	Abucay, Bataan/10	April 22, 2005	Coastal Rehabilitation Mangrove	253,000.00	85
3	Cagayan State University (CSU)	Lal-lo, Cagayan/ 151	June 10, 2005	Upland reforestation/ Fruit & Forest trees	3,065,872.50	172
4	Provincial Government of Sarangani	Alabel, Sarangani/100	June 30, 2005	Upland reforestation/ Fruit & Forest trees	1,017,000.00	77
5	Kibalang Balikatan sa Kaunlaran ng Pagkakaisa Association (BALIKATAN)	Marilog Dist., Davao City/300	Sept. 23, 2005	Upland reforestation/ Fruit & Forest trees	3,171,693.00	198
6	Upper Kibalang Agroforestry Farmers Association (UKAFA)	Marilog Dist., Davao City/250	Sept. 23, 2005	Upland reforestation/ Fruit & Forest trees	2,491,292.00	249
7	Liguron, Dagundalahon, Sagarin Farmers Association (LIDASAFA)	Talakag, Bukidnon/ 500	Oct. 27, 2005	Upland reforestation/ Fruit & Forest trees	11,250,000.00	150
8	Palawan Council for Sustainable Development (PCSD)	Quezon, Palawan/20	Nov. 11, 2005	Coastal Rehabilitation Mangrove	900,000.00	92
9	Palawan State University (PSU)	Rizal, Palawan/157	Nov. 11, 2005	Upland reforestation/ Fruit & Forest trees	4,785,718.00	100
10	Provincial Government of Cagayan	Nassiping, Cagayan/172.01	Nov. 24, 2005	Upland reforestation/ Fruit & Forest trees	3,003,730.50	50
11	West Visayas State University (WVSU)	Lambunao, Iloilo/500	Dec. 7, 2005	Upland reforestation/ Fruit & Forest trees	11,526,555.00	75
12	Provincial Government of Guimaras	Nueva Valencia, Guimaras/26.46	Dec. 8, 2005	Coastal Rehabilitation Mangrove	684,783.30	59
13	Binulusan Fisheries and Aquatic Resources Management Association, Inc. (BFARMA)	Infanta, Quezon/80	Dec. 12, 2005	Coastal Rehabilitation Mangrove	880,750.00	77
14	Multi-Sectoral Watershed Management Council (MSWMC)	Real & Infanta, Quezon/130	Dec. 12, 2005	Upland reforestation/ Fruit & Forest trees	3,058,680.00	1,000
15	Provincial Government of Bulacan	Malolos, Bulacan/1.3	April 26, 2006	Riverbank reforestation/ Fruit & Forest trees	298,125.00	10 LGUs
16	Mamamayang Sapi Kalkasan Association, Inc. (MASAGKA)	Bagac, Bataan/200	June 30, 2006	Upland reforestation/ Fruit & Forest trees	3,177,150.00	116
17	Carangan Fisherfolks Development Cooperative (CFDC)	San Jose, Northern Samar/50	July 5, 2006	Coastal Rehabilitation Mangrove	1,012,500.00	50
18	Local Government of Garay	Garay, Northern Samar/42	July 5, 2006	Coastal Rehabilitation Mangrove	1,059,187.50	70
19	Provincial Government of Occ. Mindoro	Sta. Cruz, Occ. Mindoro/450	Aug. 8, 2006	Upland reforestation/ Fruit & Forest trees	5,090,288.00	215
20	Provincial Government of Aurora	Ma. Aurora, Baler, Casiguran/498	Aug. 17, 2006	Upland reforestation/Fruit & Forest trees Coastal Rehabilitation Mangrove	7,932,646.00	138
21	Tarlac College of Agriculture	San Clemente, Tarlac/250	Dec. 16, 2006	Upland reforestation/ Fruit & Forest trees	1,942,713.00	100
22	Provincial Government of Marinduque	Sta. Cruz, Torrijos, Bayut, Boac/500	Feb. 12, 2007	Upland reforestation/Fruit & Forest trees Coastal Rehabilitation Mangrove	9,388,515.00	660
23	Provincial Government of Nueva Vizcaya	Namamparan, Diadi, Nueva Vizcaya/400	May 19, 2008	Upland reforestation/ Fruit & Forest trees	9,121,875.00	TBD
24	Bambang Fruit and Vegetable Growers' Asso.	Bngy. Sto Niño and Duliao, Bambang and Bngy. Mungua, Dupax, Nueva Vizcaya/1.25	May 19, 2008	Upland reforestation/ Fruit & Forest trees	2,238,291.03	444
25	UP Los Banos	Bngy. Magsaysay, Sinloan, Laguna & Bngy. Lubayit, Real, Quezon/200	July 21, 2008	Upland reforestation/ Fruit & Forest trees	4,950,000.00	80
26	Mahaba Tribal Council for Cultural Communities, Inc.	Bngy. Mahaba, Cabadbaran City, Agusan del Norte/405	Oct. 9, 2008	Upland reforestation/ Fruit & Forest trees	8,941,122.00	70
27	Visayas State University/ LGU Palompon	Baybay, Leyte/185	For launching	Upland reforestation/ Fruit & Forest trees	4,075,987.00	112
28	LGU Tagum City	Bngy. Bincungan, Tagum City/10	For launching	Coastal Rehabilitation Mangrove	492,187.50	38
TOTAL					106,062,661.33	4,502

Partner Share 97,208,474.59

Fruit trees include mango, rambutan, pomelo, lychee, durian, tamarind, lanzones, mangosteen, satsuma, pili, cashew, etc. Forest trees include mahogany, narra, ipil ipil, bamboo, rubber, gmelina, dipterocarps, non-dipterocarps, indigenous species, etc., including fire breaks like abaca, banana, kakawate, jatropha, partly as DBP-funded species or as Project counterpart.

NOTE: 3 POs in Bukidnon backed out of the project and termination of the MOA was officially approved in March 2009.

Social Performance

DBP strongly agrees with the claim that "The Filipino people are the nation's most valuable resource." And for the nation's growth to be sustained, its benefits must accrue to each citizen. Thus, a paramount component of DBP's strategy for long-term national growth is the promotion of opportunities towards total human development. Internally, this is clearly set out in our corporate vision that firmly affirms our commitment as an institution that "provides a work environment that is conducive to generating the best from its people even as it optimizes its organizational resources to the fullest."

Investing in Our People

In pursuit of a people-oriented growth path, our policies are continuously shaped by the importance we place on the need to invest heavily in the continued professional development and well-being of our people. More than being important assets to our institution, we look upon our corps of dedicated and competent officers and employees as our most trusted partners towards the successful fulfillment of institutional goals and advocacies.

TOTAL WORKFORCE 2008			
	REGULAR	CASUAL	CONTRACTUAL
HEAD OFFICE	1110	38	297
BRANCHES	1137	46	683
	2247	84	980

As of 2008, DBP has a total workforce of 3,311 personnel working at our Head Office and 15 Regional Marketing Centers/ 77 Branches nationwide. Majority or 68 percent of the workforce enjoy regular employment status while only 3 percent are casual employees. The remaining 29 percent were hired on contractual basis in recognition of work requirements. With the branch network accounting for 56 percent of the total workforce, we have not only brought banking services to the countryside but also employment and family income.

GENDER

	REGULAR	CASUAL	CONTRACTUAL
FEMALE	1351	13	92
MALE	896	71	888
	2247	84	980

Regular employment is in favor of female employees as they account for 60 percent of the regular workforce. Since our training programs address the needs of regular employees, it stands to reason to deduce that our female employees benefit from the Bank's professional development programs. DBP has gone a long way in espousing gender equality and development.

AGE

	REGULAR	CASUAL
21 - 30	332	0
31 - 40	517	8
41 - 50	798	41
51 - 60	542	33
61 & above	58	2
	2247	84

What is peculiar to government service, and in this case applies also to DBP given its workforce profile, is minimal mobility. Unlike in the private sector where a fast-tracker butterflies from company to company, civil service is often until retirement. Our age profile,

where 62 percent are 41 years old and older, argues for early retirement incentive programs (ERIPs) to be a regular tool in manpower management. The positive side of it is that the Bank stands to fully benefit from the training programs it offers its employees.

Governance Bodies

Top Management, which we may define as the composite number of the Board of Directors and Senior Officers (Vice President and up) at 51 persons or 15 percent, is a small fraction of the total workforce of 3,311. Top level supervision may be computed at 1:64 junior officers and rank & file. This ratio, however, hides the fact that DBP has a broad base of junior officers who work their way up through the ranks.

BOARD OF DIRECTORS			SENIOR OFFICERS		
PROFILE	NO.	%	PROFILE	NO.	%
SEX			SEX		
Female	1	11.1	Female	21	50.0
Male	8	88.9	Male	21	50.0
TOTAL	9	100.0	TOTAL	42	100.0
AGE			AGE		
30-39	0	0.0	30-39	1	2.4
40-49	3	33.3	40-49	4	9.5
50-59	2	22.2	50-59	27	64.3
60 & Above	4	44.5	60 & Above	10	23.8
TOTAL	9	100.0	TOTAL	42	100.0

The age profile of Top Management points to its members' proximity to the compulsory retirement age of 65. Confining the observation to the rank of Senior Officers, one may hazard a guess that majority of the VPs and up are qualified candidates for early ERIP. Not only does this reality pose a concern to management succession, but it also underscores the necessity for manuals to be up-to-date and for record-keeping to be consciously made and properly organized. These is need to ensure that we keep our institutional memory intact.

TOTAL NO. AND RATE OF EMPLOYEE TURNOVER

SEPARATED FROM SERVICE				
Age Distribution	Resigned	Retired	Total	Turnover
21 - 30	11	0	11	3.31%
31 - 40	11	9	20	3.87%
41 - 50	7	17	24	3.01%
51 - 60	1	28	29	5.35%
61 & above	0	6	6	10.34%
	30	60	90	
Gender	Resigned	Retired	Total	Turnover
Female	23	33	56	4.15%
Male	7	27	34	3.79%
	30	60	90	

Tapping the Best and Brightest

Believing that from their ranks emanate creativity, industry and results, our long-standing thrust has been to hire, develop and retain the best and the brightest. Toward this end, we have established a stringent screening process that requires interested applicants not only to meet the given civil service eligibility standards, but also to undergo and make it through a rigorous pre-employment examination.

One of our significant human resource initiatives is the DBP Management Associates Program (MAP), a premium human resource development program for attracting, hiring and training the best candidates to assume leadership positions in key aspects of the Bank's operations. Launched in 2004, MAP envisions to nurture a pool of well-trained and highly-qualified junior officers in the Bank.



Attesting to the MAP's responsiveness to the Bank's human resource development objectives, the Association of Development Financing Institutions in Asia & the Pacific (ADFIAP) voted it the 2008 Most Outstanding Human Resource Development Project. The award recognized its contribution in enhancing the professional capacities and career growth of our officers and employees.

As of 2008, MAP had already yielded a total of 108 graduates who have been deployed to assume key positions in the head office and branches. These successful MAP graduates underwent a rigorous

training that combined the development of both technical and behavioral skills necessary to develop an enhanced base of committed, efficient and dedicated public servants.

In addition to MAP, our efforts are likewise directed at exploring other modalities to attract and retain highly qualified individuals who can help drive the success of our institution.

Talent Sustainability

With a keen focus on affording our people with opportunities towards personal development and professional success, we have put in place a systematic means of assisting them towards enhancing their skills and knowledge base.

AVERAGE HOURS OF TRAINING PER EMPLOYEE PER CATEGORY

	Number	Training Hours	Average Hours
SENIOR OFFICERS (SL 16 & UP)	42	1,304.50	31.06
JUNIOR OFFICERS (SL 12 - 15)	577	15,839.50	27.45
SUPERVISORY (SL 11)	213	3,945.00	18.52
TECHNICAL/CLERICAL (SL 5 - 10)	1,132	13,889.50	12.27
SERVICE (SL 4 & BELOW)	161	805.00	5.00
GRAND TOTAL	2,125	35,783.50	16.84

Feedback and evaluation through dialogues and regular performance reviews are tapped as effective reference points to gauge employees' satisfaction, and provide an objective basis for promotion and the grant of applicable rewards and incentives. As in previous years, 100 percent of our regular and casual employees underwent annual performance evaluation through DBP's Performance Management System (PMS). PMS aims to continuously foster improvement of employee performance and efficiency leading to a high performance culture and enhanced organizational effectiveness and productivity.

Increasing competencies and job-related skills through training is a critical endeavor of the Bank. We make sure that all employees are given access to capacity-building trainings and seminars, which we deem critical not only in fueling organizational efficiency and success but also in promoting employee empowerment.



Our being a government financial institution has also given our employees access to scholarships in foreign universities and learning institutions.

Further reflecting the Bank's high regard for continuing education is its advocacy to extend the same opportunities to the children of our employees. Under the DBP Scholarship Program, qualified candidates enjoy Bank support that allows them to obtain a college degree.



Equal Opportunities and Inclusivity

Another indicator of our thrust towards inclusivity is the growing number of our female employees. This reflects our institution's regard for women as equal and able partners towards the achievement of our development goals.



There has been a steady increase in the number of female employees joining our roster of Bank officers, led currently by our Chairman Patricia A. Sto. Tomas.



Based on our experience, we have benefited much from the critical perspective and involvement of our female officers and employees, and this has greatly influenced the framework and implementation approach of a gender and development (GAD) program that recognizes the unique needs of the female population of our work force.

Investing in Wellness

Complementing our talent sustainability measures are our efforts to engage all employees, and in some instances, their immediate family members, in health and wellness programs.

Our inclusive health benefit program has components that were designed to respond to the needs of our employees in order that they may lead a truly sustainable way of life. Resources and other initiatives to promote wellness were likewise instituted that include the conduct of nutrition workshops, integrated physical fitness program, health and lifestyle seminars, and safety drills.



IN FOCUS: EMPLOYEE VOLUNTEERISM



Volunteerism: Participation in Nation-Building

The expansion and enhancement of our talent base, however, is only one facet of our Bank's responsibility towards developing our social infrastructures for growth. Taking our goal of developing a base of competent and committed public servants to the next level, we also mold them to become deeply-involved in advocacies that will influence, empower and benefit communities in our continuing mission of nation-building.

In the journey towards self-actualization, one feels the desire to contribute more and be of tangible service to the most vulnerable in society. DBP has embraced its role as a conduit for our people to contribute to nation-building outside of being just a productive worker of the Bank.

Volunteerism has caught the mind of our employees as shown by their enthusiastic participation in an activity organized in partnership with Hands on Manila Foundation on October 11, 2008. 40 DBP personnel welcomed the privilege to help build a two-storey house for homeless residents of the Habitat for Humanity site in Rodriguez Street, Barangay 165, Malibay, Pasay City.

These volunteers excitedly embraced handling construction work, pouring concrete slabs, hauling interlocking blocks, fabricating reinforcement bars and mixing of cement. They left the site exhausted yet comforted to have taken an active part in helping the disadvantaged.

DBP's annual Share-a-Gift project went beyond its usual this year by setting aside the customary donations of Noche Buena baskets. On December 12, Bank officers and staff gave away slippers, bags and school supplies to students of Masukol Elementary School in Paombong, Bulacan, which they reached after two hours of land travel and a 40-minute boat ride.

Our People, Our Responsibility

We bring our firm commitment of social responsibility to all aspects of the Bank's business, including the needs of our people and the various methods, programs and policies that can address the same. We will remain guided by the basic principle of upholding the dignity of each employee and ensuring the promotion and protection of their rights in the workplace. In equal measure, our people will be constantly reminded of our partnership in driving this Bank and our country towards a more progressive future.



Customer Service and Product Responsibility

Without any doubt, the adage "The customer is always right" has gained the stature of an incontrovertible truth. Not only do Marketing professors preach it, but many successful business establishments have adopted it as a rallying point to excel over stiff competition. The maxim is even more apt in a service industry as banking, where what is offered is an intangible and is personified by the banker himself.

Our Reason for Being

We at the DBP are no exception. Our customers are our reason for being. As such, we hold them in high esteem for they have kept their trust and business with us as the country's pre-eminent development bank. Relatedly, we at DBP strongly believe that good customer service can not simply be fashioned overnight. It is a relationship cultivated and nurtured over a lifetime. We continually keep our minds open to our customers - by tuning in and listening to them. And, thus, we learn from them.



Along this line, we are guided by our Policy Statement on Quality Service:

"In DBP -

We commit ourselves to the pursuit of excellence in all aspects of our operations.

We aim for the highest efficiency and effectiveness and productivity improvement as our continuing concern.

We do all our ordinary duties extra ordinarily well.

For us, details matter and small things count big towards success.

We serve with care and grace upright individuals who come in contact with us in our daily work."

We work and make others work, like our clients who are our partners in progress.

Furthermore, we at DBP keep in the strictest confidence all personal information entrusted to us by our clients to ensure security and protect their privacy. Corollary to this, we faithfully enforce the following privacy statements:

- We will ensure the security and confidentiality of any information our customers share with us.
- We will limit the collection and use of customer information to the minimum.
- We will permit only authorized employees, who are knowledgeable in the handling of customer information, to have access to that information.
- We will 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.
- For purposes of credit reporting, verification and risk management, we will exchange information about our customers with reputable reference sources and clearing house services.
- We will 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.

All our employees abide by these assurances so it is worthy to note that there have been no substantiated complaints relative to breach of customer privacy filed against DBP for 2008.

We likewise utilize the following marketing practices related to customer satisfaction:

- Timely processing of loan recommendations.
- Deep understanding of customer needs achieved through loan counseling and project study.
- Provision of advice or consultancy services to ensure success and increased growth potential of the project.
- Openness. Terms and conditions of the loan are fully explained to the client.

Responsive Products & Services

The DBP offers a wide range of products and services that address the specific funding and banking needs of its various clients - from project financing to a broad range of deposit and investment products and services. We likewise offer trade products and services, transfer and remittance services, and treasury products and services. Loans are available through the Bank's retail lending and wholesale lending operations for capital assets investments and working capital. (For a complete list of the Bank's products and services, please refer to the 2008 DBP Annual Report).

In our continuing quest to provide quality and efficient service to our clients, we make ourselves visible and readily available. Our visibility bridges are constantly made longer and wider as we undertake regular calls and visits, which can be more frequent if warranted, so

as to be thoroughly responsive to the needs of financed projects. These calls and visits not only facilitate closer monitoring of compliance of customers to loan covenants, but likewise allows us to assess possible future directions based on the current status of financed projects.

Moreover, DBP's senior officers make themselves accessible as speakers and resource persons in various investment fora and symposia. In this way, we provide our customers additional information, particularly on the latest activities DBP is embarking on, or about the newest product/s being launched. In the process, we are able to introduce ourselves to new/prospective customers - we get to enlighten them about what DBP is, and how we can be of assistance to them.

Road Shows & Marketing Blitzes

This year, under the theme "Accelerating Investments Towards Sustainable Development," President and CEO Reynaldo G. David conducted a series of road shows in key cities of the country, including Cebu, Iloilo, Bacolod, Davao, General Santos, and Zamboanga. The road shows aimed to touch base with existing clientele and reach out to potential investors as well. The high level of representation, since our president was joined in the road shows by members of the DBP Board and senior officials, especially those from our Branch Banking Sector (BBS), assured clients and potential clients alike that quality service emanates from the topmost levels of the institution.

The road shows also included visits to various DBP-financed projects, and courtesy calls to local government officials. Local government units have been steadfast partners of the DBP in pursuing the development potentials of their regional city centers. The road shows provided occasions for Top Management to personally express their gratitude and appreciation to Local Chief Executives for their generous patronage of our services.

On the other hand, the Bank's BBS conducted marketing blitzes to assess the performance of its 15 Regional Marketing Centers (RMCs). BBS likewise conducted mini-investment fora to complement marketing efforts. These marketing blitzes regularly attracted audience sizes of about 50 prominent local personalities from the business sector, depositors, borrowers, representatives from LGUs, and other government agencies. These fora proved to be lively and dynamic opportunities to enlist more committed partners in the bank's pursuit of sustainable development.



Our development advocacies likewise saw our senior officers participating in various national and international fora. We were ready to share our insights on current and strategic issues in shipping and the nautical highways, socialized housing, health care, waste management, mariculture, renewable energy technologies and climate change, among others. The trappings differed, from exquisite podiums in plush hotels to makeshift gatherings in forest clearings to exhort our partner people's organizations to care for our forest projects. The in-the-know call these activities social marketing, also a crucial ingredient in the pursuit of sustainable development.

Gauging Client Satisfaction

Building a business entails consistent nurturing of relationships with our clients, and a sincere concern for their welfare. For this purpose, we regularly conducted client surveys simultaneous with marketing blitzes in the 15 RMCs. The results enabled us to gauge client sentiments, and acquire related information which proved useful in enhancing interactions with our clients. These client satisfaction surveys cover the following factors:

- Speed of transaction processing
- Accuracy and quality of service
- Behavior/attitude of Bank personnel to customers
- Display of product/service brochures and information materials in Bank premises
- Knowledge of personnel on products and services offered by the Bank
- Adequacy of office/service facilities (e.g., ATMs)
- Physical environment (e.g., Cleanliness, Orderliness)

Respondents were likewise asked to compare DBP vis-à-vis other banks relative to the following parameters: (a) over-all service; (b) facilities; and (c) products.

The results of the surveys were remarkably encouraging. A high 95% of the respondents were satisfied clients, and 85% ranked DBP as their No. 1 bank.

Regular Client Feedback

With personnel of our front-line departments in regular and frequent interaction with clients, they are also in a good position to feel their clients' pulse. The conduct of client feedback surveys is thus regularly done in the Cash Management office.

In 2008, a total of 27 customers/respondents participated in the survey. Sixty seven percent (18 respondents) gave Cash Management an overall rating of "Very Good".

Such feedback inspires our front-liners to carry on with their jobs with even greater enthusiasm. At the end of the day, we look back to events that transpired with smiles in our faces - happy and contented about the kind of services we have extended to our clients and fellow Filipinos. Such feelings also assure us that we have served our country well and earned our keep at DBP.

IN FOCUS: OFWs

SAVING GRACE

The Philippines is one of the world's top suppliers of manpower. About nine million Filipinos, or 10 percent of the country's total population of 90 million, are working in 140 foreign countries, either as skilled or unskilled workers. They are popularly referred to as Overseas Filipino Workers, or OFWs. Despite facing various risks such as homesickness, racial discrimination, sexual abuse, and unsecured working tenure, OFWs continue to make sacrifices not just for themselves but more so for the welfare of their families.

OFWs are regarded as the saving grace of the Philippine economy because of their contributions to the domestic economy. It is estimated that OFW remittances contribute to about 10 per cent of the Gross Domestic Product (GDP) of the country.

In 2008, OFW remittances reached a record high of \$16.4 billion, exceeding the government's target by about \$100,000. This was remarkable considering the challenges posed by the global financial market strains and economic downturn experienced by the host countries.

But who is supposed to "save" the "saving grace of the Philippine economy?"

Heeding the Call

We at the DBP believe that the OFW sector is a valuable contributor to the continued growth of the Philippine economy. Along this premise and in order to respond to the demands of this particular market niche which has been growing at a rate faster than any other workforce, we have expanded our coverage by adapting a global perspective to our OFW assistance program.

We were the first bank to develop a hedging facility to protect OFW earnings against the effects of the peso appreciation. We launched the said pioneering facility on January 20, 2008 in Hong Kong during a business road show headed by our Chairman Patricia A. Sto. Tomas and President Reynaldo G. David.

The OFW hedging facility allowed OFWs to protect the value of their remittances in two ways - (1) FX insurance and (2) outright forwards.

The first product enables OFWs to sell their US dollars against the peso to DBP at a specified price on a specified date. The process would provide them the opportunity to gain in case the peso depreciates and to shield their remittances against a stronger peso on the basis of an agreed protection rate.

On the other hand, the outright forwards method is principally a foreign exchange contract where OFWs may sell their US dollars and buy Philippine pesos at a pre-agreed rate to be delivered on a future date.

After launching the hedging program in Hong Kong, we joined President Gloria M. Arroyo in a trip to the United Arab Emirates where we introduced the DBP hedging program among OFWs working in the said country.

We initially met with 11 large and reputable Emirati companies employing around 30,000 Filipino migrant workers. These companies include Emirates Airlines, Dubai Drydock Authority, Red Sea Housing Services, Roshan Construction, Dubai Duty Free, Dubai International Hotel, EMKE Group, KEMPINSKI Hotel, Mall of the Emirates, Al Wasil Travel and RAK Ceramics.



Launching of the OFW Hedging program in Hong Kong

We implored the cooperation of these companies relative to information dissemination on the Bank's hedging facility. They had since affirmed their support to the program.



Ramaskong Handog (Solubong) for OFWs

The hedging program immediately picked up momentum as several OFWs availed themselves of the facility to protect their earnings from peso appreciation. Among them were Hong Kong-based OFWs Fenita Cariaga, Tita Antipuesto, Yolanda Ducusin, Eden Lucena, Jose Sapio, Cherly Vicente and Araceli Darugo.

On March 30, 2008, during a business road show in Hong Kong attended by President Arroyo, we awarded certificates of participation to Hong Kong-based migrant workers who participated in and supported the hedging facility.

Secure, fast, easy and reliable remittance

Our first overseas remittance center in Hong Kong - the DBP Remittance Center HK Ltd - was established to provide our Hong Kong migrant workers with a secure, fast, easy, efficient and reliable way of sending their hard-earned money to their loved ones back in the Philippines.

Using an aptly-crafted slogan "Ngayon, ang pagpapadala ay ECI" the program combines electronic-based and traditional remittance services which include the following: DBP EC Card, DBP EC Door-to-Door, DBP EC Pick-up, DBP EC Bank-to-Bank Credit and DBP EC Credit to Account.

We also forged collection agreements with other government agencies such as OWWA, POEA, Phil-Health, Pag-IBIG and SSS, which enabled membership and premium contributions and loan amortizations of OFWs to be remitted using the DBP EC Card.

Additional remittance centers shall be established in the U.S. and Italy to serve the remittance needs of the increasing number of OFWs in these countries.

Encouraging investments

The DBP likewise launched its SMART-OFW i-Net Negosyo Program that aims to provide livelihood opportunities for their families in the Philippines. The said program in partnership with telecommunications firm Smart Communications provides reintegration and entrepreneurship opportunities for OFWs via the establishment of mini Internet cafes. Through the said program, we encouraged OFWs to invest their hard-earned money in a potentially lucrative business that will prepare them for their eventual retirement. Likewise, it allows their beneficiaries back home to become more financially-independent with the additional income generated by the Internet café business.

Before the year 2008 ended, we also launched another program - this time a savings facility which provided OFWs with a facility to save at an attractive rate of 8.5 percent per annum and prepare them for their retirement by doubling their money in a period of nine years. The savings facility, dubbed as "Deposito ng Bayaning Pilipino" with a minimum deposit of P 50,000, was launched during President Arroyo's working visit to Qatar and in response to her call for increased and more meaningful assistance to Filipino migrant workers. With the said facility, we hoped to imbibe the importance of saving and investing among OFWs.

We also participated in the "Pamaskong Handog sa OFWs 2007" program of the OWWA. We donated a multi-cab which was given to a lucky OFW returnee. The program also featured a red carpet reception and Presidential Salubong with President Arroyo.

Partnership with DTI

We also forged a partnership with the Department of Trade and Industry (DTI) for its One Town, One Product (OTOP) program that promotes entrepreneurial undertakings in the country using raw

materials endemic to each region. The program encouraged OFWs to establish start-up businesses to contribute to the economic activity of their respective home provinces.

Among the first beneficiaries of the program was AML Food Products, Inc., which we provided with financial assistance in 2008. The micro-enterprise, owned by seafarer Angelito Loyzaga and wife Amalia of Iloilo City, produces coated polvoron. The said product had been declared as "OTOP of the Year" of Iloilo Province in 2007. The Loyzaga couple handles the day-to-day operations of the project. Our loan was used to finance the project's showroom and working capital requirements.



Chairman Patricia A. Sta. Tomas congratulates spouses Angelito and Amalia Loyzaga of AML Food Products, Inc. during a brief loan release ceremony.

OWWA Citation

Our efforts to uplift the lives of our OFWs and their families did not go unnoticed as OWWA awarded us a Certificate of Recognition during their 26th anniversary celebration. The award also cited our contributions in implementing OWWA's various programs and project.

These recognitions serve as inspiration for us at the DBP to continually look for more pioneering ways to facilitate changes and positive impact on the lives of OFWs.



SVP Arister Quebol accepts the plaque of recognition from OWWA officials.



VIEW Forward

As presented in the preceding discussions, DBP has already made significant advances in bringing to the fore sustainability issues amidst the growing call for progress. The groundwork has been completed; the necessary systems have been put in place. It is now time to take our advocacy for sustainable development off the ground.

For 2009, we are training our sights on a back-to-basic strategy which, we deem, will more practically allow us to respond to the needs of the times.

As top level pronouncements put it, our Bank will continue to stand fast in its financial viability targets, ensuring the safety of its balance sheet and earnings predictability. This, we envision, is necessary if we are to maintain our relevance as a development financing institution that makes available opportunities and programs that are sustainable, reliable, and provide continuity for the greater good.

We are bent on expanding our support for initiatives that will further strengthen our drive towards socio-economic development. To further our efforts in building the infrastructures for social development, our new thrusts for the coming year shall give prime importance to more projects that will lead to job creation and employment. Of particular significance are projects that promote greater efficiency and opportunities in our priority development areas.

Our corporate social responsibility thrusts shall continue to be the anchor of our plans to be more responsive to the needs of our overseas Filipino workers and their families, as well as the disadvantaged sectors.

We pledge to carry on with our advocacy to lead more and more businesses and individuals towards an important realization: that true and lasting progress will not be possible against a backdrop of apathy for the environment.

We are set to expand our ISO 14001-certification by rolling out our environmental management system in five pilot branches, namely: Ilagan, Commonwealth, Lucena, Cagayan de Oro, and Cebu branches. This is projected to turn in more savings in terms of improved resource use efficiency.

Our own people in DBP shall continue to be given priority attention in terms of a comprehensive human resource program. Aside from economic security, our HR program shall continue to be skewed towards enhancing their competencies and equipping them with skills and knowledge that will be responsive to the demands of the market.

We have started on our corporate efforts to re-introduce DBP as a dynamic, responsive and transformational sustainable development financing institution. With this refreshed image of DBP, we have resolved to make our products and services a satisfying experience for our publics.

On the whole, we leave to our stakeholders this assurance: DBP shall continue working with greater vigor, commitment and clearer focus to make sustainable development more than just mere concept, but a reality on the ground for a greater number of our fellow Filipinos.

SUSTAINABILITY Technical Working Group



STEERING Committee

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Chairman, Director

Edgardo F. Garcia
Member, SEVP / COO

Benedicto Ernesto R. Bitonio, Jr.
Member, EVP / CDO

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GRI Reporting Initiative Index

GRI INDICATOR AND DESCRIPTION		REFERENCE / Page Number
1. Strategy and Analysis		
1.1	Statement from the most senior decision maker(s) of the organization	04 - 05
2. Organizational Profile		
2.1	Name of the organization	02
2.2	Primary brands, products, and/or services	02, 30-31
2.3	Operational structure and major divisions	Not covered
2.4	Location of the company headquarters	back cover
2.5	Countries of operations	back cover
2.6	Nature of ownership and legal form	02
2.7	Markets served	09, 01
2.8	Scale of the reporting organization	15
2.9	Significant changes during the reporting period	N/A
2.10	Awards and recognitions received during the reporting period	5, 22, 27
3. Report Parameters		
3.1	Reporting period	01
3.2	Date of most recent previous report	N/A
3.3	Reporting cycle	01
3.4	Contact point for questions about the report and its contents	01, back cover
Report Scope and Boundary		
3.5	Process for defining report content	01
3.6	Boundary of the report	01
3.7	Limitations on the scope or boundary of the report	01
3.8	Basis for reporting on joint ventures, subsidiaries, and other related entities	12, 15
3.10	Explanation of the effect of any re-statements of information provided in previous reports	N/A
3.11	Significant changes from previous reporting period	N/A
GRI Content Index		
3.12	GRI Content Index Page	37
4. Governance, Commitments, and Engagement		
4.1	Governance structure of the organization	06 - 07
4.2	Indicate if the Chair of the highest governance body is also an Executive Officer	05
4.3	Number of independent and non-executive members	06 - 07
4.4	Mechanisms for shareholders and employees to provide recommendations	06 - 07
Stakeholders Engagement		
4.14	List of stakeholders groups	09, 01
4.15	Basis for identification and selection of stakeholders groups	09, 01
Explanatory Notes to the Report		
GRI INDICATOR AND DESCRIPTION		REFERENCE / Page Number
ECONOMIC PERFORMANCE INDICATOR		
EC1	Economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	15 - 10 - 14
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	15 - 16, 10 - 14
ENVIRONMENT PERFORMANCE INDICATOR		
EN3	Direct energy consumption by primary energy source.	17, 18
EN4	Indirect energy consumption by primary source.	17, 18
EN5	Energy saved due to conservation and efficiency improvements.	17, 18
EN8	Total water withdrawal by source.	17, 18
EN13	Habitats protected or restored.	23 - 25
EN16	Total direct and indirect greenhouse gas emissions by weight	18
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	19 - 22, 23 - 25
SOCIAL PERFORMANCE INDICATOR		
LA1	Total workforce by employment type (permanent, probationary, and contractual)	26
LA2	Total number and rate of employee turnover by gender, age	26
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	28
LA10	Average hours of training per year per employee by employee category (e.g., seniors, juniors, rank and file; utilize your HR categorization).	27
LA12	Percentage of employees receiving regular performance and career development reviews.	27
LA13	Composition of governance bodies and breakdown of employees per category (gender, age, ethnic grouping)	26
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	30-31
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	30
SOS	Public policy positions and participation in public policy development and lobbying.	08



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

Report Application Level		C	C+	B	B+	A	A+
Standard Disclosures	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 Externally Assured	Report on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5 - 4.13, 4.16 - 4.17	Report Externally Assured	Same as Requirement for Level B	Report Externally Assured
	G3 Management Approach Disclosures OUTPUT	Not Required		Management Approach Disclosures for each Indicator Category		Management Approach Disclosures for each Indicator Category	
	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 10 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

ACKNOWLEDGMENTS

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