Growing Passion for NATION Building

NDBANK





Table of Contents

| Vision/Mission | 1 |
|--|----|
| Financial Highlights/Gross Loan Portfolio | 2 |
| Message of the President of the Philippines | 3 |
| Chairman's and President's Report | 4 |
| Special Feature: | |
| Geared towards Responsible Progress | 10 |
| Operational Highlights: | |
| Expand Credit Outreach to Small Farmers and | |
| Fisherfolk | 15 |
| Customer Service | 24 |
| Continue Strengthening Human Resources | 34 |
| Strengthen Corporate Governance and | |
| Enhance Risk Management | 36 |
| Subsidiaries and Foundation | 40 |
| Board of Directors | 44 |
| Management Team | 46 |
| Senior Officers and Area/Regional Heads | 47 |
| List of Officers | 53 |
| Auditor's Report | 56 |
| Statement of Condition | 57 |
| Statement of Income and Expenses | 58 |
| Statement of Cash Flow | 59 |
| Statement of Changes in Capital Funds - Group | 60 |
| Statement of Changes in Capital Funds - Parent | 62 |
| Acknowledgments | 64 |



About theCover

In 2008, the Land Bank of the Philippines marked its 45th anniversary -- celebrated in various cultures around the globe as sapphire year. Its rich history, its many triumphs amid adversities, and its wide range of products and services that are relevant and responsive to the needs of our people and country are the many facets of LANDBANK. Just as in a precious stone, inherent in its goals is a lustrous, noble mission of helping make countryside development a reality and being one with the Filipino in working towards abundance and prosperity.

Vision

LANDBANK shall be the dominant financial institution in countryside development, committed to the highest standards of ethics and excellence in the service of the Filipino people.

Mission

We shall continue to provide timely financial and technical support for our farmers, fisherfolk and other priority sectors.

We shall deliver innovative products and services that are consonant with ecological enhancement and effectively address our clients' needs.

We shall embody professionalism and integrity, providing our employees with a work environment that encourages growth and rewards excellence.

LANDBANK is committed to improving the lives of all its stakeholders and working with them to lead the country to economic prosperity.



FinancialHighlights (In Billion Pesos)

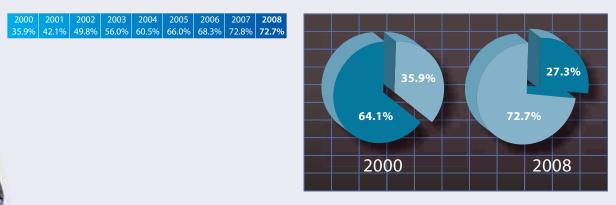
| | 2008 | 2007 | 2006 | 2005 | 2004 |
|----------------------------|---------|---------|---------|---------|---------|
| Total Resources | 436.7 | 383.7 | 362.4 | 322.9 | 306.4 |
| Liquid Assets | 116.0 | 99.8 | 99.8 | 90.0 | 68.2 |
| Earning Assets | 291.4 | 278.9 | 255.4 | 251.2 | 234.4 |
| Loan Portfolio (Net) | 211.2 | 164.9 | 157.1 | 143.2 | 139.0 |
| Investments (Net) | 117.8 | 123.9 | 113.3 | 108.2 | 99.5 |
| Deposit Liabilities | 333.5 | 287.4 | 267.7 | 242.8 | 214.9 |
| Demand | 128.1 | 102.7 | 95.7 | 81.1 | 74.3 |
| Savings | 191.9 | 169.1 | 152.5 | 135.2 | 118.6 |
| Time | 13.0 | 15.6 | 19.5 | 26.3 | 22.0 |
| LTNCD | 0.5 | | | | |
| Capital | 39.3 | 41.7 | 38.3 | 26.7 | 23.1 |
| Gross Revenues | 28.6 | 28.0 | 27.0 | 29.1 | 22.9 |
| Interest Income on Loans | 12.3 | 11.4 | 12.5 | 11.5 | 10.2 |
| Income on Investments | 12.0 | 9.2 | 8.5 | 8.2 | 8.2 |
| Net Income (in P M) | 5,024.8 | 4,221.8 | 4,156.2 | 3,019.9 | 2,705.0 |
| Return on Average Equity % | 15.36 | 11.91 | 14.52 | 12.14 | 12.70 |
| Return on Average Assets % | 1.29 | 1.13 | 1.29 | 1.00 | 0.90 |

LANDBANK GROSS LOAN PORTFOLIO

(In Billion Pesos)

| PRIORITY SECTORS | 2008 | Share to Total (%) |
|--------------------------------|-------|--------------------|
| Farmers and Fisherfolk | 21.4 | 12 |
| Microenterprises and SMEs | 18.5 | 11 |
| Agribusiness | 20.4 | 11 |
| Agri-infrastructure (LGUs) | 19.7 | 11 |
| Agri-related Projects (GOCCs) | 24.9 | 14 |
| Livelihood Loans | 3.3 | 2 |
| Environment-related Projects | 16.0 | 9 |
| Socialized Housing | 2.1 | 1 |
| Schools and Hospitals | 3.3 | 2 |
| Total Priority Sector Loans | 129.6 | 73 |
| OTHER SECTORS | | |
| Other LGU Loans | 10.1 | 6 |
| Other GOCC Loans | 3.4 | 2 |
| Infrastructure Development | 7.3 | 4 |
| Housing | 3.1 | 1 |
| Others | 24.8 | 14 |
| Total - Other Loans | 48.7 | 27 |
| Total Loan Portfolio (Regular) | 178.3 | 100 |

SHARE OF PRIORITY SECTORS



Message of the President of the Philippines

Ε

Т

Т

н

Ε

Ο

D

DS



TEN-POINT AGENDA TO "BEAT THE ODDS"

- Balanced budget
- Education for all
- Automated elections
- Transport and digital infrastructure to connect the country
- Terminate the MILF and NPA conflicts
- Heal the wounds of EDSA
- Electricity and water for all barangays
- Opportunities for 10 million jobs
- **Decongest Metro Manila**
- **Develop Clark and Subic**



MALACAÑAN PALACE MANILA

Congratulations to the men and women of the Land Bank of the Philippines for your remarkable performance in 2008, making LANDBANK's sapphire year a true milestone.

Further expanding your loan portfolio amid challenging times provided the much needed assistance to sectors that serve as key drivers of our economy. Your priority sectors - the small farmers and fisherfolk, micro, small and medium enterprises, agribusiness, agri-infrastructure, other agri- and environmentrelated projects, livelihood, socialized housing and schools and hospitals - to which the larger portion of LANDBANK's resources are directed, continue to play significant roles in the development of the countryside. Thus, I laud LANDBANK for your continued commitment to working hand in hand with them.

In the last 45 years, LANDBANK has lived up to its unique character as a financial institution with a social mandate. Your sound financial and business fundamentals have been instrumental in achieving our goals of developing the countryside and bringing progress to our fellow Filipinos.

Again, congratulations and mabuhay!

Glinia arrego Oria macapagal-arroyo

Chairman's and President'sReport

GARY B. TEVES Chairman

LANDBANK has adopted the theme "Transforming Challenges into Opportunities" to summarize our strategic thrusts and direction for 2008.

Turning Our Sapphire Year into ATRUE GEM



4

2008 ANNUAL REPORT

LANDBANK made 2008 another historic year. As we celebrated our 45th anniversary, we took pride in having turned our sapphire year into a true gem – a shining period of many triumphs and achievements in the various facets of our operations.

In the latter part of 2008, most countries around the world felt the impact of a financial crisis so immense that it was likened to the Great Depression of the 1930s. Caused largely by the US sub-prime mortgages, the global credit crunch led to business failures, unemployment, dwindling consumer wealth, and major decline in economic activities.

Unlike advanced economies, the Philippines was spared from the full gravity of the crisis. But while less vulnerable, the country is not entirely unaffected. We need to continue building on our internal strengths to ensure our ability to weather the subsequent effects of the economic storm.

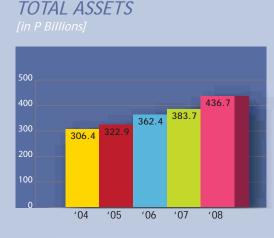
It is timely that LANDBANK has adopted the theme "Transforming Challenges into Opportunities" to summarize our strategic thrusts and direction for 2008. The year also marked the start of implementing our new set of strategies for the new fiveyear business plan (2008-2012) captured in the words WE CARE: Widening credit outreach to

- small farmers and fisherfolk Enhancing customer service through effective delivery of products and services and expanding consumer and retail lending
- Continuous strengthening of our human resource
- Augmenting LANDBANK's support to CARP
- Retain the Bank's top 5 ranking and strategically position LANDBANK as the dominant
- government universal bank Enforcing good governance and risk management

With the continued support of our clients, partners, employees and other stakeholders, LANDBANK made 2008 another historic year. As we celebrated our 45th anniversary, we took pride in having turned our sapphire year into a true gem – a shining period of many triumphs and achievements in the various facets of our operations. We believe that clear goals, the proper mindset, and resolute actions helped us transcend the obstacles and seize the year's prospects.

Rarity and distinction

Our dual functions of fulfilling our social mandate and maintaining profitable operations make LANDBANK rare, and distinct among the commercial banks in the Philippines. We focus on directing the greater part of our resources to our priority sectors – the small farmers and fisherfolk, micro, small and medium enterprises, agribusiness, agri-infrastructure







GILDA E. PICO President and CEO

The loans to priority sectors increased to ₱129.6 billion from ₱96.5 billion in 2007, up by 34 percent or ₱33.1 billion.

A Shining Period of Many TRIUMPHS & ACHIEVEMENTS

6



LANDBANK gave greater emphasis on expanding credit to our mandated clients, the small farmers and fisherfolk. For 2008, our loan releases to these sectors amounted to ₱23.5 billion, which is 29 percent higher than the ₱18.2 billion released in 2007.

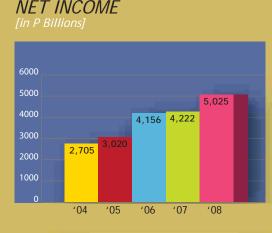
projects of local government units, other agri-related projects, environment-related projects, schools, and hospitals. As of end-2008, LANDBANK loans to these priority sectors reached 72.7 percent of our total regular loan portfolio of ₱178.3 billion. The loans to priority sectors increased to ₱129.6 billion from ₱96.5 billion in 2007, up by 34 percent or ₱33.1 billion.

As several banking and financial institutions experienced weak growth in their loan portfolio during difficult times, LANDBANK continued expanding its loan portfolio in 2008. With our continued support for the undertakings of our priority sectors, we hope to help stimulate economic and livelihood activities that would have multiplier effects in the development of the country. From ₱134.6 billion as of end-2007, our total regular loan portfolio as of end-2008 reached ₱178.3 billion, for a significant increase of 37 percent.

LANDBANK also gave greater emphasis on expanding credit to our mandated clients, the small farmers and fisherfolk. For 2008, our loan releases to these sectors amounted to **P**23.5 billion, which is 29 percent higher than the **P**18.2 billion released in 2007.

Apart from credit support, new policies and programs were launched in response to the pressing needs of the agricultural sector that included the rising costs of production inputs. LANDBANK supported the national government's rice productivity and food sufficiency programs. We have expanded our credit conduits to include rice millers, input suppliers and other SMEs engaged in agribusiness. We have also adopted concessional interest rates at 8.5 and 7.0 percent per annum for loans of farmers' organizations and SMEs, respectively. We also increased our loan ceilings per hectare for inbred and hybrid rice to \$37,000 and \$42,000, respectively.

To further encourage private financial institutions to support the agricultural productivity program, the Agricultural Guarantee Fund Pool was created, which LANDBANK now administers. The Fund guarantees loans of borrowers engaged in the production of palay and other food commodities.





Recognizing that our stability depends largely on the support of our customers and other stakeholders, we continued embarking on programs that would enhance the quality of service we provide to them.

In keeping with our role as a government financial institution, LANDBANK served as a channel of the national government's pro-poor programs in 2008. Among these programs were the Ahon Pamilyang Pilipino and Pantawid Kuryente: Katas ng VAT programs in partnership with the Department of Social Welfare and Development.

Strength and durability

As we aggressively continued with our developmental efforts, LANDBANK has, on the other hand, scored gains in our other performance indicators. We have achieved a net income level that was the highest ever for the institution. Our 2008 net income of P5.02 billion was 19 percent or P800 million higher than our P4.22 billion net income in 2007. We are proud to note that LANDBANK achieved the second highest net income among local banks, and is one of only two local banks to post a positive net income growth rate among the country's ten biggest banks in 2008.

We maintained our strong balance sheet as we continued to increase our assets, deposits and capital adequacy ratio (CAR). As of end-2008, LANDBANK's assets stood at P434 billion, 14 percent more than the P382 billion for 2007. Deposits increased by 16 percent or P46.2 billion to P333.3 billion from P287.1 billion a year ago. From 14.0 percent in 2007, our CAR strengthened further to 14.5 percent in 2008. Moreover, our return-on-equity improved from 11.9 percent in 2007 to a high 15.6 percent in 2008 which is one of the highest ROE among the commercial banks.

Our asset quality likewise improved with the continued decline in our non-performing loans (NPL). In 2008, our NPLs were reduced to P6.5 billion, a 6 percent decrease from P6.9 billion in 2007. Our NPL ratio also dropped from 4.2 percent in 2007 to a low 2.9 percent in 2008.

Useful and flexible

Recognizing that our stability depends largely on the support of our customers and other stakeholders, we continued embarking on programs that would enhance the quality of service we provide to them. Part of our efforts is to improve the accessibility of our products and services and provide greater banking convenience to our clients.

We continued to develop and promote our electronic banking channels. As of end-2008, our phone banking facility, Phone Access, had 871,146 enrollees, up by 31.5 percent from 662,408 enrollees in 2007. We have also increased the number of LANDBANK ATMS to 813 in 2008 from 777 in 2007, affording greater access to our nearly 2.7 million ATM, e-Card and Cash Card holders.

In 2008, our retail internet banking facility, iAccess, was also launched. Now, our clients may conduct banking transactions, such as balance inquiry, bills payment and funds transfer, 24 x 7, via www.lbpiaccess.com.

Apart from expanding the range of our products, services, and delivery channels, we work diligently at improving our systems and processes, consistent with our goal of achieving service excellence. We started the shift from the traditional to the risk-based internal audit approach in 2008. This new approach aligns our audit process with international standards. Through it, we can effectively zero in on threats and risks and therefore, come out with more effective internal controls for the critical areas of our operations.

Moreover, having successfully secured ISO 9001:2000 certification for the Quality Management System (QMS) of our wholesale lending and trust banking processes, we sought LANDBANK was among the institutions cited during the 10th Philippine Quality Awards held in Malacañan Palace for our exemplary organizational performance and commitment to service excellence.

the expansion of our ISOcertified QMS to our other critical processes. For 2008, LANDBANK expanded the coverage to include the branch banking operations of our PEZA-Roxas Boulevard Branch, ATM operations in Metro Manila, and lending operations of our Public Sector Department and Pampanga Lending Center.

Lustrous and valuable

LANDBANK's lustrous performance in 2008 was affirmed by the several institutions that bestowed awards for our various initiatives. Our commitment to customers as well as the recognitions we receive serve as inspiration to continue with our efforts to excel.

On February 28, 2008, LANDBANK was among the institutions cited during the 10th Philippine Quality Awards held in Malacañan Palace for our exemplary organizational performance and commitment to service excellence. LANDBANK was one of only three government institutions honored for institutionalizing a QMS and securing ISO 9001:2000 certificates.

Meanwhile, the Association of Development Financing Institutions in Asia and the Pacific or ADFIAP bestowed recognition to LANDBANK's Environmental Due Diligence System under the Environmental Development Category of its 2008 Outstanding Development Project Awards held in Tehran, Iran.

At home, we have successfully expanded the scope of our ISO 14001:2004-certified Environmental Management System or EMS to cover not only the LANDBANK Plaza, but also 10 branches in Metro Manila. LANDBANK branches and units all over the country are now adopting the EMS best practices of these ISO-certified units.

Other recognitions and citations we received in 2008 include two Anvil Awards of Merit and one Anvil Plague of Recognition from the Public Relations Society of the Philippines, and one Philippine Quill Award from the International Association of Business Communicators-Philippines for our public relations and communications programs and projects. The Social Security System also conferred the Best Paying Commercial Bank award to LANDBANK during the 2008 Balikat ng Bayan Award which coincided with the SSS' 51st anniversary.

Our precious partnership From its creation 45 years ago, LANDBANK has grown in size and scope as one of the country's leading universal banks. With a positive trend in key indicators, we are confident that we will be able to sustain our good performance even in the face of a volatile economy.

Like a valuable jewel, LANDBANK has taken on an important role in the country's rural development. We reaffirm our commitment to ensure our stability in order to provide the needed support to the national government's development agenda. Likewise, in the coming years, we will further intensify our support to our clients, and work with our partners and employees in turning worthy endeavors into reality. Your continued trust in LANDBANK and our partnership are the precious bonds that hold together our hope for a more prosperous and developed Philippine countryside.

GARY B. TEVES Chairman

Julda E. Pico **GILDA E. PICO** President and CEO

SpecialFeature

GEARED TOWARDS RESPONSIBLE



In keeping with its mandate to spur countryside development, Land Bank of the Philippines ardently moves forward with its mission to make a difference in the lives of Filipinos in rural areas. Fueled by this same passion, the Bank embarks on corporate social responsibility (CSR) projects which complement its developmental efforts by providing holistic service to the community, environment, and the country as a whole.

CSR is increasingly given priority as part of LANDBANK's commitment to promote a greener, better, and more progressive society and ultimately foster an improved quality of life for Filipinos of present and future generations. In line with this, a CSR Task Force was created in 2007 to provide support to the Management Committee in the planning, coordination and monitoring of the Bank's CSR activities.

LANDBANK'S corporate social responsibility is mainly anchored on environmental protection and community development facilitated through six major projects, namely: Adopt-a-Watershed, Tree Planting, Manila Bay Cleanup, the adoption of six coastlands/wetlands, the Tulong Aral scholarship program and the Scholarship Incentive Program for Agricultural Growth (SIPAG).



SpecialFeature

Adopt-a-Watershed/ Tree-Planting Programs

A world without freshwater may be difficult to imagine for as long as we still have water flowing directly to our homes. We often hear experts point out that if we do not protect and preserve the planet's freshwater resources; we may eventually run out of enough water to live by. However, very few of us take this warning seriously, not realizing the gravity of the situation and its implications, especially on the quality of life of future generations.

The Philippine ecosystem is not in any way impervious to these environmental threats, as many of its forestlands and watersheds are already denuded while widespread water pollution and careless water usage only worsen the situation.

LANDBANK, refusing to sit on the problem, heeded the pressing call to protect the country's remaining freshwater resources through one of its major CSR initiatives – the Adopt-a-Watershed Program. A partnership with the Department of Environment and Natural Resources (DENR), the program cements the Bank's commitment to protect the country's natural forests and watersheds through the adoption of six watersheds in the country.

LANDBANK committed to protect the following watersheds: Angat-Ipo River in Bulacan, Bago River in Negros Occidental, Binahaan River in Leyte, Lasang River in Davao del Norte, Magat River in Nueva Vizcaya, and Silway River in South Cotabato. Enjoining its employees to take part in this noble cause, LANDBANK sees to it that regular clean-up and tree-planting activities are conducted in the watersheds.

This year, more than 70 Landbankers from the head office trooped to the Angat-Ipo Watershed in Norzagaray, Bulacan for the fourth tree planting and clean-up activity in the area. Narra and Mahogany seedlings were planted over the four-hectare land adopted by the Bank since 2006.

Landbankers from the Visayas likewise marched to the Bago River Watershed in Don Salvador Benedicto, Negros Occidental and planted 800 seedlings of eucalyptus, narra, and fruit trees.

Also a major CSR initiative of the Bank, treeplanting has already become an annual tradition among head office and field unit employees. In celebration of the Bank's 45th anniversary, LANDBANK volunteers from across the country proceeded to their selected sites, parks, public schools, and other public areas to plant trees.

Continuously molding its employees to become socially aware and environmentally responsible, LANDBANK regularly enjoins volunteers from Metro Manila, Luzon, Visayas, and Mindanao units to participate in the weeding and tree planting activities organized regularly by the Bank.

Manila Bay Clean-Up



Another key environmental initiative of the Bank is the annual Manila Bay Clean-up, which is now a major anniversary activity wherein employees from the Head Office and NCR branches gather to clean the Manila Bay.

On its fifth year in 2008, the program was expanded through the signing of a Memorandum of Agreement (MOA) between LANDBANK and its program partners, namely: the Manila City Government, DENR, Manila Yacht Club (MYC), and the 101st Squadron of the Philippine Coast Guard Auxiliary (PCGA). LANDBANK helped in financing the construction of trash traps in Remedios and Padre Faura in Manila and shouldered the fuel and the annual engine-tune up expenses of the trash boats of the MYC and PCGA which remove debris from the trash traps and the Manila North Harbor.

This expanded program serves to ensure the sustainability of the Bank's efforts in cleaning and protecting the Manila Bay. Hoping to spread the spirit of CSR, LANDBANK is likewise actively urging more establishments and institutions, particularly those holding offices near the Manila Bay area, to take part in the project.

Adopt-a-Coastland/ Wetland



One of the Bank's recent environmental CSR programs is its adoption of six coastlands / wetlands and bird sanctuaries in the country: the Cabusao Avian Sanctuary in Camarines Sur, the Guiuan Wetland in Eastern Samar, Lake Mainit in Surigao del Norte, the Las Piñas-Parañaque Critical Habitat and Eco-Tourism Area in Metro Manila, the Olango Wetland Sanctuary in Cebu and the Vitali Wetland in Zamboanga.



12



Experts note that more than a hundred species of birds from Central Asia migrate to warmer countries including the Philippines from October to April during the height of the winter cold. Another project in partnership with DENR, LANDBANK adopted the six bird sanctuaries to supplement the government's efforts in protecting and conserving the environment.

The Bank has committed to take care of portions of the adopted coastlands and wetlands by cleaning the surroundings of the bird sanctuaries and planting mangroves and other suitable plants species.

Tulong Aral Scholarship

As part of its commitment to community development, particularly the development of the Filipino youth, LANDBANK this year pledged a total of P4 million to support 100 scholars through secondary education. Spearheaded by Petron Foundation in partnership with LANDBANK, the Department of Social Welfare and Development and the Department of Education, the Tulong Aral Scholarship Program aims to address poverty in the country by educating Filipino children.

LANDBANK employees, through the LBP Employees Association and the Middle Management Officers' Association, Inc. committed 50 percent of their accumulated one hour's worth of earnings in CY 2006-2007 to support students from Mandaluyong, Parañaque, Pasay, Pateros, and Taguig. Meanwhile, the Bank donated the remaining P2 million to cover the total expenses of each scholar over a four-year period.

Aside from financial support, the Bank also provides the scholars with opportunities for field exposures such as study tours to LANDBANK-assisted cooperatives or successful small and medium enterprise clients to provide the students additional learning experiences.



SIPAG

With cooperatives being a key client sector of the Bank, LANDBANK and the LANDBANK Countryside Development Foundation, Inc. launched a program designed to develop the capacity and competence of cooperative leaders, managers and middle-level management staff on the professional management of cooperatives.

Implemented in partnership with the Polytechnic University of the Philippines-College of Cooperative and the National Cooperative Movement, the Scholarship Incentive Program for Agricultural Growth (SIPAG) aims to keep local cooperatives resilient and help them maximize their opportunities in the local economy.

The SIPAG-PBDCM (Post-Baccalaureate Diploma on Cooperative Management) curriculum includes subjects like Co-op Values and Culture, Co-op Laws and Social Legislation and Taxation, Co-op Education and Program Designing, and Co-op Entrepreneurship.



Continuous Commitment to the Community & Environment

It is often said that progress comes with greater responsibility. This is why, while LANDBANK remains steadfast in its drive towards development in the countryside, it continues to expand its horizon in search of new avenues through which it can contribute to the country's holistic progress.

Aside from striving to constantly improve its profits and grow its operations, LANDBANK also sets its goals on fostering a more socially-responsible culture among its employees, stakeholders, and the communities it serves and works with, in relentless pursuit of a better Philippines.



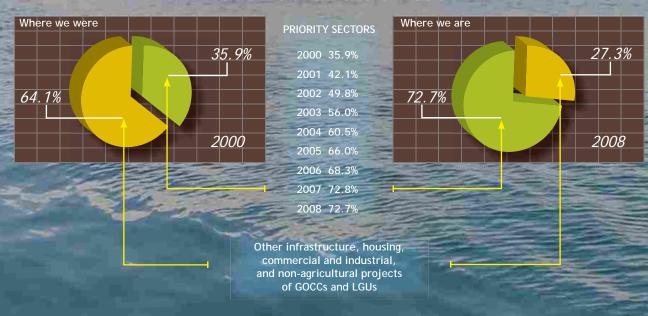


Expand Credit Outreach to Small

A. Loans to the Priority Sectors

LANDBANK's commitment to its mandate has been fortified through years of relentlessly pursuing its social mission of promoting countryside development. This is quantified through its support to the priority sectors.

LANDBANK extended in 2008 a total of P129.6 billion or a 73 percent share in loans to the priority sectors out of the total regular loan portfolio of P178.3 billion. The continued growth in the share of loans to the priority sectors reflects its efforts to sustain the flow of more funds in the rural areas in pursuit of its commitment to sustainable growth of local economies.

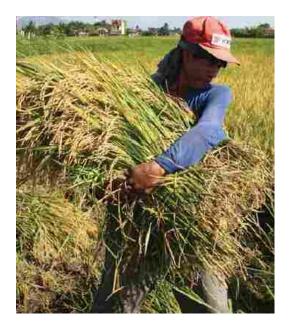


Loan Portfolio Transformation

TRATEGIC THRUST [2000-2008

WING PASSION FOR NATION BUILDING







• Loans for Small Farmers and Fisherfolk

In 2008, Ioan releases to small farmers and fisherfolk increased by 29.1 percent and reached ₱23.5 billion. These were lent through 1,052 accredited farmers and fisherfolk cooperatives and 400 countryside financial institutions (rural banks, cooperative banks, and development banks). There were more than 438,000 small farmers and fisherfolk benefited by these loans.

As of December 31, 2008, loans outstanding to small farmers and fisherfolk expanded by 18.9 percent and reached ₱21.4 billion. These represented 12 percent of the Bank's loan portfolio. These loans benefited a cumulative 3.1 million small farmers and fisherfolk nationwide. The bulk of these loans were utilized for crop production, particularly palay, corn, coconut, sugarcane and high-value crops. LANDBANK also financed other activities such as fishery, livestock production and trading.

Credit Support Programs

Agriculture and Fisheries Modernization Act Program

The Agricultural and Fisheries Modernization Act (AFMA) Program, enacted through Republic Act No. 8435, is aimed at modernizing the agriculture and fisheries sectors and preparing them for the challenges of globalization.

LANDBANK supports the AFMA program by providing credit support and technical assistance to the agriculture and fisheries sector.

In 2008, LANDBANK released P31.4 billion in credit support and technical assistance for AFMA. LANDBANK's credit assistance under this program

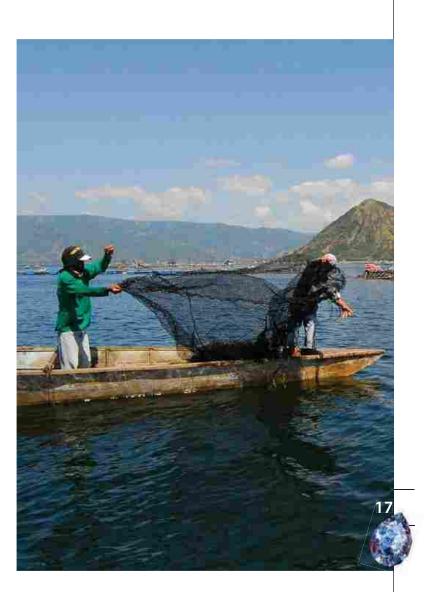
LOAN RELEASES TO SMALL FARMERS & FISHERFOLK



LOANS OUTSTANDING TO SMALL FARMERS & FISHERFOLK







reached more than 386,000 small farmers and fisherfolk and generated an estimated 477,373 new jobs in the agricultural sector.

Rice Productivity Program

LANDBANK's Rice Productivity Program supports the government's efforts to increase rice production and eventually achieve food self-sufficiency. Loans released for palay production in 2008 reached ₱9.3 billion and assisted 207,865 rice farmers through 1,526 conduits.

The following initiatives were also implemented in 2008:

- Adoption of a concessional interest rate of 8.5 percent per annum for palay production loans of farmers organizations and 7.0 percent for small and medium enterprise (SME) conduits;
- LANDBANK reduced interest rates by 1 percent as an incentive to Bank-assisted cooperatives which absorb at least 50 new farmers;

CREDIT AND TECHNICAL ASSISTANCE UNDER AFMA PROGRAM 2008

| AFMA COMPONENTS | LOANS GRANTED (in P Million) | |
|--|------------------------------------|--|
| 1. IRRIGATION | 51.3 | |
| 2. POST-HARVEST FACILITIES | 647.4 | |
| 3. OTHER INFRASTRUCTURE | 875.7 | |
| 4. PRODUCTION, PROCESSING, MANUFACTURING | 20,795.9 | |
| 5. FARMERS-FISHERFOLK MARKETING ASSISTANCE | 8,870.0 | |
| TOTAL [CREDIT ASSISTANCE] | 31,240.3 | |
| 6. CAPABILITY-BUILDING OF FARMERS & FISHERFOLK | | |
| CO-OPs & LGUs | 134.4 | |
| TOTAL [TECHNICAL ASSISTANCE] | 134.4 | |
| GRAND TOTAL | 31,374.7 | |

No. of jobs generated-477,373

No. of farmer-beneficiaries assisted-386,125

 Increase of loan ceilings from P22,000 to P37,000 per hectare for inbred rice production and from P26,000 to P42,000 per hectare for hybrid rice; and

 Expansion of credit conduits to include other farmers organizations (such as irrigators' associations, NGOs) and SMEs (such as input suppliers and millers). LANDBANK now lends to these conduits and provides credit enhancements such as market contracts, crop insurance and guarantees.

The Bank also partnered with the Department of Agriculture (DA) and the House of Representatives to boost corn and palay production.

Under the agreement, LANDBANK will allocate funds equivalent to three times the amount to be contributed by the participating Representatives who will appropriate a portion of their Priority Development Assistance Fund to support corn and palay production in their respective congressional districts. The DA will identify areas suited for rice and corn production, provide technical assistance for the project and provide infrastructure such as irrigation facilities.

The total amount will be made available as credit on a wholesale basis to qualified farmers' organizations or through other eligible conduits.

Agricultural Guarantee Fund Pool

To encourage private financial institutions to support the government's agricultural productivity program, the Agricultural Guarantee Fund Pool (AGFP) was created from contributions of government owned and controlled corporations (GOCCs), government financial institutions (GFIs) and government agencies. The fund aims to encourage lending to the agricultural sector by providing guarantee coverage to unsecured loans of small farmers and fisherfolk extended by credit conduits such as the rural, thrift and cooperative banks, SMEs and large corporations, irrigators' associations and other farmers organizations in the country.

As of December 31, 2008, the available amount for guarantee from contributions of GOCCs, GFIs, and the national government amounted to P3.8 billion. AGFP will leverage the fund twice, which means about P7.4 billion worth of loans can be covered. The total approved guarantee line for 49 credit conduits reached P1.2 billion.

Development Advocacy Program

The Development Advocacy Program (DAP) uses non-traditional lending modalities such as receivables financing, purchase order financing, and household cashflow-based financing and credit enhancement instruments like market contracts or guarantee covers for working capital or fixed asset acquisition requirements of cooperatives, federations, associations, non-government organizations and SMEs with established markets.

As of December 31, 2008, loans released reached P1.4 billion and assisted 41,582 small farmers and fisherfolk.

Agrifinance Solutions

Agrifinance Solutions (AGRISOL) is an enterprisebased and market-oriented approach in lending. The approach involved the study of the market, identification of commodities and linking with cooperatives capable of producing and supplying said commodities. The program was jointly implemented by LANDBANK and the Department of Agrarian Reform (DAR) with funding support from the World Bank.

AGRISOL aims to strengthen the institutional viability of Agrarian Reform Communities (ARCs) under the 2nd Agrarian Reform Communities Development Program of the DAR through enterprise-based and market-led financing intervention. Under the AGRISOL, generation of savings and capital build-up of ARC co-ops were also pursued for sustainability and better access to the lending facilities of formal financial institutions.

In 2008, loans released amounted to ₱674.5 million which benefited 29,664 agrarian reform beneficiaries.

Unsecured Subordinated Debt Facility for Rural Banks

The Unsecured Subordinated Debt (USD) Facility is a unique development program where LANDBANK subscribes to the Tier 2 offering of LANDBANKaccredited countryside financial institutions (rural banks, thrift banks and cooperative banks) to improve their capital base, expand their agri-lending operations in the countryside and ensure long-term viability. In 2008, LANDBANK's approved subscription to the unsecured subordinated Tier 2 issuances of 15 CFIavailers amounted to ₱909.5 million. Total releases to eight CFIs reached ₱630.5 million.



Technology Promotion Centers

The Technology Promotion Center program provides a venue for the validation and effective promotion of matured production and post-production technologies for the commercial adoption of Bankassisted coops, SMEs and other clients.

As of December 31, 2008, there were nine commodity technologies that were commercialized:

- hybrid seed vegetable production (squash, ampalaya, cucumber);
- cassava flour processing;
- sweet potato production;
- hog raising project under contract growing;
- white glutinous corn;
- mariculture/polyculture of bangus, crabs and marine aquarium fishes;
- organic banana production and alternate trading system;
- organic sugarcane production and mudpressbased organic fertilizer; and
- geo-textile production

As of the same period, there were 24 technologies validated with total loans releases of ₱274.4 million to 86 technology adoptors (cooperatives, people's organizations and SMEs). A total of 10,822 small farmers and fisherfolk were assisted.

LBP Micro-finance Program for Micro-finance Institutions

The Program for Micro-finance Institution (MFI) Retailers is a special wholesale financing window that provides credit support to various MFIs (cooperatives, CFIs and NGOs).

In 2008, total credit assistance extended by LANDBANK to microenterprises reached ₱3.7 billion. Of this amount, ₱1.6 billion were channeled to 96 MFIs and benefited 132,838 micro-borrowers. The remaining ₱2.1 billion were onlent to other partnerentities such as the People's Credit and Finance Corporation and the Philippine Business for Social Progress.

Capability and Institution-Building Programs

In addition to the provision of credit support, LANDBANK also provides capability and institutionbuilding assistance to farmers and fisherfolk cooperatives. These support services are aimed at improving the economic viability and operational capabilities of cooperatives.

Key Cooperative Strategy

The Key Cooperative Strategy (KCS) identifies, strengthens and accredits at least one Key Cooperative per municipality nationwide. This program considers that one strong cooperative is better than many weak ones.

In 2008, there were 176 key co-ops accredited by LANDBANK. Certificates of Good Standing were issued to 45 co-ops that entitled them to avail of credit incentives.

Gawad sa Pinakatanging Kooperatiba

LANDBANK honors annually the country's outstanding agri- and non-agri based cooperatives that have been its partners in revitalizing rural economic growth.

The Gawad sa Pinakatanging Kooperatiba (Gawad PITAK), now on its 18th year, is a much-coveted award for LANDBANK-assisted cooperatives and has been regarded as the bar of excellence of successful cooperatives nationwide.

There were two main categories in the Gawad PITAK - the agri-based and non-agri based categories. The contenders were judged according to their impact to the community, overall operations, sustainability, and business relationship with LANDBANK.

| 2008 GAWAD PITAK WINNERS – AGRI-BASED CATEGORY |
|---|
| First Place – Masisit-Dacal Livelihood Multi-Purpose Cooperative Sanchez Mira, Cagayan |
| Second Place – San Joaquin Multi-Purpose Cooperative Sarrat, Ilocos Norte |
| Third Place – Bago (Ibaan) Multi-Purpose Cooperative Bago, Ibaan, Batangas |
| Fourth Place – Tupi Integrated Agricultural Cooperative Tupi, South Cotabato |
| Fifth Place – Cavite Farmers Feedmilling and Marketing Cooperative <i>Silang, Cavite</i> |
| |



 2008 GAWAD PITAK WINNERS – NON-AGRI BASED CATEGORY

 First Place
 – Ligas Kooperatiba ng Bayan sa Pagpapaunlad
Malolos, Bulacan

 Second Place
 – La Castellana I Personnel Multi-Purpose Cooperative
La Castellana, Negros Occidental

 Third Place
 – Tuy Market Vendors and Community Multi-Purpose Coop
Tuy, Batangas

Micro-Agri Loan Product

The Micro-Agri Loan Product (MALP) is a microfinance facility which is focused on agricultural enterprise. The MALP operations manual was developed for CFIs.

In 2008, five MALP specialists were deployed to assist seven micro-finance institutions and showed significant results. Total loan releases reached P125.2 million benefiting 3,137 members. Outstanding loans were at P102.2 million.

Loans for Microenterprises and Small & Medium Enterprises

LANDBANK recognizes the significant role of micro-enterprises and small and medium enterprises (MSMEs) in generating employment and contributing to local area development.

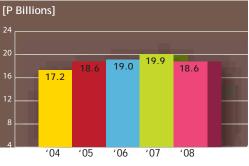
In 2008, credit support to MSMEs reached P18.6 billion or 10 percent of the Bank's regular loan portfolio. Of the P18.6 billion loans, P3.7 billion were lent to micro-enterprises and P14.9 billion to SMEs.

Gawad Entrepreneur

The Gawad Entrepreneur is LANDBANK's recognition of the exemplary performance and significant achievements of LANDBANK-assisted small and medium enterprises particularly in boosting economic growth in their respective communities. Now on its 5th year, the award seeks to provide SMEs with incentives to further improve their operations and be at par with international standards.

| 2008 GAWAD ENTREPRENEUR WINNERS | | |
|---------------------------------|---|--|
| Entrepreneur of the Year | Concepcion & Relito Ignacio San Jose, Nueva Ecija | |
| Agri-based Category | Evelyn & Henry Agcaoili Sta. Teresita, Cagayan | |
| Non-Agri-based Category | Ms. Vicente Orodio Pasong Tamo, Makati City | |
| Special Citations: | | |
| SME Gabay at Patnubay | Ms. Eduarda V. Ayo Capuy, Sorsogon | |
| SME Kayamanan ng Pamayan | an – Evelyn and Henry Agcaoili <i>Allacapan, Cagaya</i> n | |
| | | |

LOANS OUTSTANDING TO MICROENTERPRISES AND SMEs

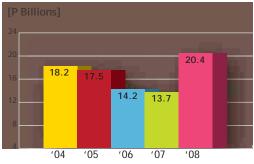


• Loans for Agribusiness

LANDBANK supports private agricultural business enterprises to help promote agricultural development and job generation in the agricultural sector.

Outstanding loans to agribusiness increased significantly by 49 percent and reached P20.4 billion. These represent 11 percent of the Bank's loan portfolio.

LOANS OUTSTANDING TO AGRIBUSINESS



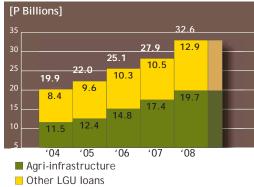
Loans for Agri-Infrastructure Projects of Local Government Units

LANDBANK is the largest provider of development financing to provinces, cities and municipalities.

LANDBANK provides loans to local government units (LGUs) to finance their agricultural infrastructure and other agri-related projects to increase efficiency of the agricultural sector.

LANDBANK's credit assistance to LGUs has expanded vigorously through the years. As of end-2008, LGU loans outstanding reached P32.6 billion or 17 percent higher than the P27.9 billion in 2007. Of this total, P19.7 billion financed agri-infrastructure and agri-related projects while P12.9 billion went to developmental and non-agri-related projects. These loans benefited 753 LGUs covering 50 provinces or 63 percent of the total provinces, 76 or 56 percent of the total cities and 627 municipalities or 42 percent of the total municipalities nationwide.

LOANS TO LOCAL GOVERNMENT UNITS



Agri-infrastructure and other agri-related projects of LGUs include farm-to-market roads, irrigation systems, bridges, public markets, transport and commodity terminals, waterworks and drainage systems, abattoirs and slaughterhouses.

Foreign-funded Credit Programs for LGUs

In 2008, LANDBANK secured low cost funds for developmental projects of LGUs from the Kreditanstalt Fur Wiederaufbau (KfW) of Germany. The KfW-Community-Based Forest & Mangrove Management Program in Panay and Negros (US\$3.19 million) will provide financing for sustainable development projects, protection and utilization of forest resources in select watersheds.

LANDBANK also negotiated for a supplemental loan of US\$9.24 million under the KfW-LGU Investment Program which aims to improve LGU services and infrastructure facilities through the establishment of an efficient and sustainable longer term loan facility with LANDBANK.

• Loans for Agri-related Projects of Government-Owned and Controlled Corporations

As of end-2008, LANDBANK loans for agri-related projects of government-owned and controlled corporations (GOCCs) such as the National Food Authority, Philippine Coconut Authority and Local Water Utilities Administration totaled P24.9 billion. This is 92 percent higher than the P13.0 billion in 2007 and comprised 13 percent of the Bank's loan portfolio.

• Loans for Environment-Related Projects

LANDBANK also offers credit for cleaner production and environment-friendly projects of business enterprises. As of end-2008, loans to finance environment-related projects amounted to P16.0billion, a significant 31 percent increase from the P12.2 billion in 2007.



Environment-related Credit Programs

LANDBANK increased its marketing efforts for renewable energy projects to help reduce dependence on imported and polluting fuels and sustain energy supply.

LANDBANK supported the government's Biofuels Act by financing renewal energy projects that serve as alternative sources of energy.

In May 2008, LANDBANK allocated P4.3 billion for jatropha production projects in Quezon Province. Under the agreement between LANDBANK and the Quezon LGU and the Philippine National Oil Company-Alternative Fuel Corporation, LANDBANK's loan assistance will fund the development of 100,000-hectare marginal lands identified for jatropha production.

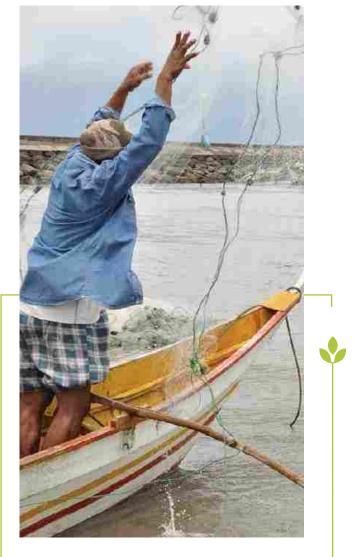
LANDBANK also financed energy projects through its Renewable Energy for Wiser and Accelerated Resources Development Program (REWARD).

Total approved loans under the REWARD Program reached ₱5.3 billion as of December 31, 2008. Total outstanding loans stood at ₱2.6 billion. Projects financed include an integrated ethanol distillery plant, geothermal steam field, hydroelectric plant, mini-hydro power plants, and biogas system.

LANDBANK also negotiated for a US\$92.36 million loan with the European Investment Bank (EIB) and the Kreditanstalt Fur Wiederaufbau (KfW) of Germany to finance various environment-related projects.

The EIB-Renewable Energy and Climate Change Facility (US\$65.97 million) will provide financing for renewable energy, climate change mitigation and adaptation projects of cooperatives, LGUs, GOCCs and private enterprises.

The KfW-Credit Line for Energy Efficiency and Climate Protection (US\$26.39 million) will finance climate change and energy efficiency projects of LGUs, GOCCs, utility cooperatives and private enterprises.





B. Intensifying Support to the Comprehensive Agrarian Reform Program

As an implementing agency of the Comprehensive Agrarian Reform Program (CARP), LANDBANK undertakes the valuation of CARP-covered lands, compensates owners of acquired private agricultural lands, assists landowners or bondholders in their various concerns, collects land amortizations from farmer-beneficiaries and provides financial and technical assistance to agrarian reform beneficiaries.

Under Republic Act No. 6657 or the Comprehensive Agrarian Reform Law of 1988, owners of private agricultural lands are paid 30 percent in cash and 70 percent in 10-year agrarian reform bonds earning interest aligned with 91-day Treasury bill rates. Lands awarded to CARP farmer-beneficiaries are paid in 30 annual amortizations at six percent interest per annum.

CARP Land Transfer Operations

In terms of land valuation, LANDBANK processed a total of 3,042 land transfer claim folders received from the Department of Agrarian Reform in 2008.

Of these, 2,722 land transfer claims covering 24,034 hectares were approved for payment. The total value of approved land transfer claims amounted to P2.6 billion.

• Landowners Compensation and Assistance

As the financial intermediary of CARP, the Bank paid a total of P4.4 billion as compensation to owners of CARP-covered private agricultural lands in 2008. The cash component was at P1.9 billion, while redeemed bonds and interest payments amounted to P2.0billion and P508.0 million, respectively.

LANDBANK also assisted CARP-covered landowners and bondholders in the encashment of their CARP bonds for various financing needs. There were more than 1,900 bondholders or landowners assisted by the Bank in selling ₱750.3 million in Agrarian Reform Bonds.

• Land Amortization Collections from CARP Farmer-Beneficiaries

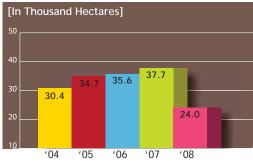
In 2008, land amortization collections from CARP farmer-beneficiaries totaled ₱146.8 million, 64 percent lower than the ₱402.7 million collected in 2007.

• LANDBANK-administered Agrarian Reform Fund for CARP

In 2008 LANDBANK received P7.3 billion from the Department of Budget and Management and the Bureau of the Treasury. Of the P7.3 billion, the P3.5 billion represented payment for landowners' compensation, P1.2 billion for 2007 and 2008 operational support and P2.6 billion for bond servicing requirements on 10-year CARP bonds under the automatic appropriation.



CARP LAND TRANSFER OPERATIONS PRIVATE AGRICULTURAL LANDS



Customer SERVICE

In 2008, we challenged ourselves to enhance our customer service and adopt a more customer-centric organization through various initiatives: the launching of new e-banking channels and products; the upgrading of existing Bank systems and services; improving our business processes through the ISO 9001:2000 Quality Management System Program; and the realignment of some organizational units.



24

111 1113



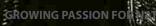
Sm

Ser 12

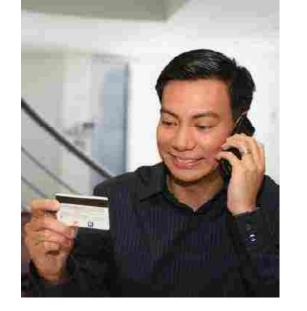
11

IN

V









• Retail Internet Banking -The LANDBANK iAccess

LANDBANK believes in giving power to its customers. This is made possible with LANDBANK iAccess, an e-banking innovation introduced in August 2008. An internet banking facility specifically for individual depositors, it aids in the expansion of the Bank's delivery channels and allows speedy and secure online banking through www.lbpiaccess.com.

i-Access has both financial and non-financial services. Financial services include fund transfers, bills payment and checkbook requisition. The nonfinancial services provide account summary, account history, check status and returned check deposit inquiries and report of lost or stolen ATM card.

Institutional Internet Banking - The LANDBANK weAccess

LANDBANK owes it to its customers to understand their business and to listen to their needs. The LANDBANK weAccess is an internet banking facility for another set of our customers - our institutional clients, both in the private and government sectors.

Implemented in 2007, this facility offers convenience, efficiency and security of transactions to users.

The more salient service features include account information, funds management, institutional services, payroll services and current account services. Logging to www.lbpweaccess.com will present the various banking services to choose from, information to access and transact online.

As of December 2008, there were 79 institutions enrolled recording 337,349 transactions.

Corporate Viewing Facility i-Corp

To improve availability of viewing and downloading of deposit account balances and transaction history, LANDBANK offers i-Corp, an online Windows-based viewing facility.

As of year end 2008, the i-Corp services 125 institutions with 696 users.

Phonebanking

Business does not hold still and so to keep pace with advancement, competitiveness and customer care, LANDBANK has Phone Access — a 24 x 7 telephone banking service for ATM and current account depositors.

LANDBANK stays with its customers. By simply dialing 405-7000 in NCR and toll-free number 1-800-

26









10-405-7000 outside NCR, we connect and provide them with the following banking transactions — bills payment, fund transfer, balance and last debit/credit transaction inquiry, checkbook requisition, bank statement request, check status/deposit inquiry and report of lost or stolen card.

Phonebanking enrollment and utilization increased significantly during the year. Enrollment reached 871,146, a 32 percent increase from the 662,408 enrollees of 2007. Phone Access serviced an average of 4,866 transactions daily in 2008.

• Automated Teller Machines (ATMs) Deployment

For the past years, LANDBANK has projected itself with a dynamic presence, providing easier and more convenient access to its customers.

In 2008, the Bank installed an additional 36 brand new ATMs bringing the total ATMs to 813 nationwide. Majority of these ATMs or a total of 576 ATMs are located in the provinces — 127 in Northern and Central Luzon, 137 in Bicol and Southern Luzon, 148 in the Visayas and 164 are in Mindanao, while 237 ATMs service depositors in the National Capital Region.

Further, to better serve depositors through ATM availability and efficiency, 55 old ATM models were replaced.

The Bank's base of ATM cardholders also expanded significantly by 16 percent from 2.3 million to 2.67 million as of end-2008.

LANDBANK kept its 4th ranking in terms of ATM network in the Philippine banking industry. Being a member of Expressnet and interconnected with Megalink and Bancnet, LANDBANK cardholders have access to an additional 7,356 ATMs of other banks.

• eCard

To widen the range of its card products and respond to customer requirements, LANDBANK developed the eCard.

The LANDBANK eCard has the features of an institutional identification card and an ATM card combined into one. For 2008, 6,806 eCards were issued to employees of partner-agencies (e.g. schools, hospitals, local government units) bringing a total of 71,247 eCard issuances as of end-2008.

Radio Frequency Identification (RFID)-Enabled Card

Because the Bank wants to be adaptive and stay ahead with its customers, it has launched a new card product. The RFID-enabled card is an enhanced eCard with an embedded microchip for storage of the cardholder's personal information.

Depending on the capabilities of the customer's RFID application software, the RFID-enabled card, in addition to being an identification card, ATM card and a debit card, can also be a multi-purpose card which can be used as a discount card, rewards card, time and attendance monitoring card and benefits card, among others.

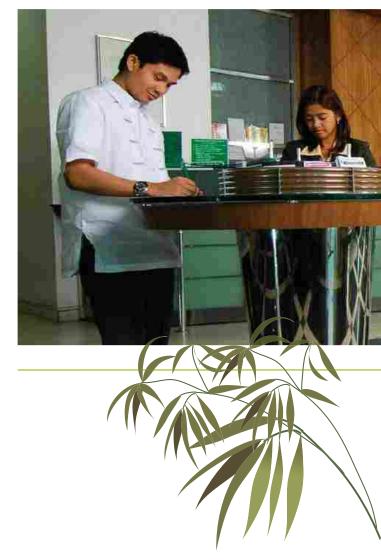
The first to tap LANDBANK's RFID-enabled card was the Taguig City local government unit for its employees and residents. A total of 4,631 Taguig City Cards were issued in 2008.

• Regular Cash Card

Improving customer service has always been a byword. LANDBANK has to do more with less and get the most out of technology. To be able to do so, the LANDBANK Cash Card, a stored-value card which can be used as a debit card was added to the Bank's products.

At any given time, the value stored in the card can be accessed through the ATM or via Point-of-Sale (POS) terminals.

There were 90,977 cash cards issued to government and private institutions in 2008. This included the 63,000 cash cards given out to family beneficiaries of the DSWD's Pantawid Pamilyang Pilipino Program to access their monthly financial aid.



• OFW Cash Card

The Bank tries to be a motivator and an innovator. With the country's growing population of overseas Filipinos, LANDBANK, in partnership with SMART Communications, Inc., developed the OFW Cash Card to provide faster and cheaper remittance services to our OFWs.

The OFW Cash Card is an electronic debit card linked to a Smart mobile phone through which OFWs can transfer funds to their beneficiaries' accounts in a speed of a text message. A very safe, fast and affordable remittance channel, the OFW Cash Card was launched in seven areas -- Dubai, Hong Kong, Germany, Italy, Spain, Kuwait and Taiwan.

• Electronic Tax Payment System (ETPS)

The Electronic Tax Payment System (ETPS) is a webbased application for online and real-time processing of tax payments to the Bureau of Internal Revenue.



28



The taxpayers are given the flexibility to choose the date and time to debit their account and to view their tax payments.

There were 1,842 large and non-large taxpayers enrolled in the system in 2008, a 42 percent increase from the 2007 enrollees.

• Efficient Service Machine (ESM)

LANDBANK clients who transact their payments with the Bank no longer need to wait and queue at the branch lobbies. LANDBANK has the ESM, a selfservice and automated cash acceptance machine.

The Bank's 29 convenient payment machines are located in selected branches and accepted 112,025 BIR tax remittance and Visa credit card payments in 2008.

Support to the Government Sector

As the primary government depository bank, LANDBANK provides a full range of banking services to the government sector -- composed of national government agencies, the government-owned and controlled corporations, the local government units, state universities and colleges, and various government instrumentalities.

• Cash Management Service for the Government

Modified Disbursement Scheme

LANDBANK undertakes the disbursement system of the national government in coordination with the Department of Budget and Management and the Bureau of the Treasury. Eighty three percent of the national government's total cash disbursements were processed by the Bank. The volume of transactions in 2008 reached 3.7 million translating to ₱719.2 billion in aggregate cash disbursements. These disbursements include payment and fund releases to development projects, operating expenses, and salaries of government employees.

The Bank is taking a firm step towards managing government disbursements more effectively. It is investing in the development of the electronic MDS (eMDS), an internet-based facility that increases transaction efficiency and reduces processing time using the straight-through processing.



Government Disbursements via Continuous Form Checks (CFCs)

For the year, LANDBANK processed 5.05 million check encashments amounting to P31.67 billion comprised mainly of payment of salaries and benefits of government personnel.

Revenue Generation for the Government

LANDBANK performs a very significant function for the government in terms of revenue generation through the collection of taxes. In 2008, the tax collections of the Bank for the government totaled P105 billion.

For the Bureau of Internal Revenue alone, the Bank processed and remitted a total of P67 billion in taxes relating to 3.88 million transactions of which 3.69 million amounting to P39.86 billion were overthe-counter transactions through the branches. LANDBANK processed an average of 13,952 transactions daily in BIR tax collections.

The Bureau of Customs' participation in the revenue generation for the government through LANDBANK amounted to P38 billion in tariffs and duties. This translated to 184,458 payment transactions in 2008.

Government Collection Services

LANDBANK also serves as a collection arm of various government agencies. Its collection services for the Philippine Health Insurance Corporation, Social Security System, Home Development Fund and the National Home Mortgage and Finance Corporation reached P108 billion for 4.7 million transactions in 2008.

IT System and Automation Projects

Technology touches every part of the Bank's business. And because clients are its business, LANDBANK is determined to put them first, streamlining and integrating its technology with its customer requirements as top-of-mind.



For 2008, the Bank successfully completed and implemented the following major Information Technology (IT) projects in its work applications and business processes.

• Consumer Terminal (CT) Branch Tellering Upgrade

Real competitive advantage is when it can better serve its customers through its products and when it can keep pace with technological advancements. The Bank's major initiative for this was the upgrading of its current Tellering System utilized by all LANDBANK branches nationwide. The upgraded version is a more user-friendly system with a wider range of application options to improve operating performance as well as resolve incompatibility concerns.

Interbranch Transaction Online System (IBTOLS)

The IBTOLS replaced the Bank's stand-alone system and captures and reconciles interbranch transactions (IBTs). The system provides the Bank with better management and control of interbranch transactions by eliminating, if not, reducing float items. This will also reduce the Bank's operational risks.

• Subsidiary Ledger

LANDBANK makes sure that accurate and the most relevant data are available on time for management information and for regulatory reports. The Subsidiary Ledger System automated the handling of subsidiary ledgers (SLs) for other asset and liability accounts. This financial system was pilot-implemented in the latter part of 2008 and generates reports for MIS, SL accounts' monitoring, submission and compliance to the reportorial requirements of the Commission on Audit and the Philippine Deposit Insurance Corporation.

Upgraded Local Area Network For Head Office

All the necessary technologies should be available in the Bank's network to ensure better performance, high availability and increased visibility. With all the significant developments, the rapid pace of implementation of LANDBANK's large portfolio of applications and to the support it needs for the growing network traffic caused by these applications, the Bank upgraded its Head Office Local Area Network (LAN) in March 2009.

Server Consolidation And Virtualization

Blade servers are the answer for the rapidly emerging technology; to address space constraints, reduce power consumption on a per server basis, and reduce overall management and maintenance costs.

The Technology Management Group migrated many of the Bank's stand-alone and rackmounted Windows servers to the new Blade servers.

In addition, various application software running on different servers such as Lotus Notes, Symbols Loans Systems, Internet Banking, Subsidiary Ledger, Trust and HR Information Systems were consolidated into a few UNIX servers for more efficient operations and lower maintenance cost. It also allows for virtualization which enables LANDBANK to allocate IT resources dynamically.

• Disk Storage System Upgrade

LANDBANK also upgraded its mainframe storage capacity to accommodate the anticipated growth in business transactions and new IT applications. More than 10 terabytes of disk space has been added to the IT infrastructure.

To reinforce the management and development of new IT projects, the Bank adopted the utilization of a new manual. The **System Development Life Cycle (SDLC) Manual** was developed in order to standardize, streamline and formalize the Bank's processes in the acquisition and development of Information Technology software or systems. The manual also provides guidelines in the execution of the SDLC activities, thus improving the quality of the delivery of systems development services.

The phases, activities, steps, roles and responsibilities, deliverables and control processes governing system acquisition/development are

defined in the SDLC manual. It covers the following system development phases: analysis, design, construct, test, implement and post-implement.

These systematic structures provide IT project managers with better management control.

Trust Banking

Albeit the weakness in the economy in 2008, LANDBANK's Trust Banking Group ended 2008 with a strong performance.

Total assets under management grew by 25 percent to ₱54.5 billion from ₱43.5 billion in 2007. The Trust and Other Fiduciary Accounts (TOFAs) cornered the bulk of total assets at 69 percent with Investment Management Accounts (IMAs) posting the highest growth at 35 percent. As a result, the Bank's ranking in the trust industry rose from 7th place to 5th place as of yearend 2008.

Total income increased significantly by 19.5 percent to ₱90.25 million as IMAs contributed 39 percent of total income growth while TOFAs garnered a 54 percent share of the total income generated.

The Bank continues to focus to meet the needs of its partner-agencies such as the Department of Agriculture, Department of Agrarian Reform, Agricultural Credit Policy Council and the Local Government Units. Through LANDBANK's various trust services and products, their respective programs and endeavors were launched and implemented.

ISO 9001:2008 Quality Management System Expansion to Core Banking Processes -Phases I & II

To further reinforce the culture of service quality, excellence and continual improvement and inspired by the gains achieved by the two pilot processes certified to ISO 9001, LANDBANK expanded the coverage of this program. Under the ISO-QMS Program Phase II, the processes for certification are



32

loan operations of the Public Sector Department and Pampanga Lending Center, branch banking operations of the PEZA (Roxas Boulevard) Branch; and ATM operations in Metro Manila.

In 2008, with technical assistance from the Development Academy of the Philippines, the Bank launched a series of pre-certification activities under Phase II – the initial gap assessment and the QMS awareness seminars.

The initial gap assessment established the groundwork for determining the extent of conformance of the current system and the processes in the Bank. The QMS Awareness Seminars provided guidance to the key officers and staff in each of the four core banking processes in understanding the intention of the standard and in developing the QMS documentation structure.

Sustaining quality management system for the two certified processes of the Bank under Phase I through internal quality audits and periodic third party surveillance audits also proved to be rewarding for LANDBANK. The Trust Banking Group and Wholesale Lending Department successfully passed two surveillance audits by Certification International Philippines in February and August 2008.

Expand Consumer and Retail Banking

Livelihood Loans to Employees

To help the employees in the government and private sectors, LANDBANK provides credit support for their livelihood projects and business endeavors.

For 2008, the Bank's exposure under this program reached P3.3 billion, a 45 percent increase from the P2.3 billion in 2007. This is the highest growth rate since the program's inception in 1999. Livelihood loans have benefitted 110,000 employees.

• Loans to Microenterprises

LANDBANK continues to provide financial support through various channels to microenterprises which are the smallest economic units in the country.

In 2008, credit assistance to microenterprises reached P3.7 billion; 43 percent or P1.6 billion channeled through 96 microfinance institution (MFI)-retailers, benefiting over 130,000 micro-borrowers. The remaining 57 percent or P2.1 billion was onlent to two major partners - the People's Credit and Finance Corporation and Philippine Business for Social Progress.

The credit assistance helped generate 131,919 jobs, a tremendous increase of 551 percent from the 20,256 jobs in 2005, the year when LANDBANK launched the Microfinance Program.

• Other Credit Assistance

<u>"Microfinance Program for Cooperatives of</u> <u>Government/Private Employees</u>"

In support to the government's credit assistance to government and private employees, the Bank extended P3 billion in loans to 200 employee cooperatives benefiting 45,000 employeeborrowers.

<u>Credit in Support to the Accelerated Hunger</u> <u>Mitigation Program of the Government</u>

Through the Bank's Development Advocacy Program, an enterprise-based credit program, SMEs can avail of financing support for projects which are sustainable, viable, and with confirmed market contract and collection agreement with the Bank and/or guarantee under relaxed collateral requirements.

LANDBANK provided P10.1 billion credit support to nearly 280,000 micro-borrowers in 54 provinces identified as hunger-stricken based on the Social Weather Station survey.

Credit support to small and medium enterprises (SMEs) totaled P14.9 billion. The amount represents eight percent of the Bank's loan portfolio and benefited 12,876 SMEs, resulting to 250,018 jobs.



• Housing Loans

Focused marketing and remedial management efforts in the past years paid off as the housing loan portfolio increased from P937 million in 2005 to P1.2 billion in 2008.

In June 2008, LANDBANK launched the *Bahay Para sa Bagong Bayani* (3B Program), a housing loan program with relaxed terms, simplified credit evaluation, approval and documentary requirements, all intended to help specifically our overseas Filipino workers to realize their dream of owning a house.

The Mortgage Loan Program was also enhanced to provide a facility for clients to make use of their real estate properties to fund business start ups, investments or education.

Expand Market Niche in OFW Remittances

Foreign exchange sent home by our overseas Filipinos have been a vital source of revenue for the economy in the past decades. In 2008, LANDBANK forged new partnerships with two remittance companies and three foreign banks which facilitates the processing and distribution of remittances from the Asia Pacific, Middle East, North America, Canada and Europe.

Despite the onset of the worldwide economic crisis, the Bank still generated \$772 million in remittances during the year, a 31 percent improvement over the previous year's remittance volume of \$589 million. The Bank's remittance partners in 2008 also increased by 110, 87 percent higher than the 126 remittance partners posted in 2007.

The Bank's gross income generated from remittance business also grew by 17 percent or P25 million due to higher revenues from service charges and foreign exchange conversion. This directly contributed to an increased net income.





| | 2008 | 2007 | Growth Rate (%) |
|--------------------------------|------|------|--------------------|
| Remittance Volume (US\$ M) | 772 | 589 | 31 |
| Gross Income (P M) | 168 | 143 | 17 |
| Number of Remittance Partners | 236 | 126 | 87 |

cess Continue Strengthening

The year's record-breaking performance confirms the Bank's belief in its human resource – a unique yet diverse pool of talents, whose unified capabilities enabled it to achieve a stronger organization in 2008 amidst a very challenging external environment marked by heightened competition among banks and highly volatile economic conditions.

Human development efforts were continuously pursued and further strengthened. LANDBANK's strategic focus for the year was to invest substantially in its people through executing people management and continuing development programs across all levels as it believes these training and development interventions generate high levels of competencies and productivity among employees.

Almost 600 training programs benefiting 15,000 participants were rolled out in 2008 touching on culture-building, values orientation, customer service and Employee (Re)-Orientation. Technical and operational training courses on accounting, credit, financial and business analysis were also offered to increase job competencies. During the year, doors were opened to field unit personnel to prepare them to assume branch banking functions and responsibilities. The Training Branch System was implemented with 21 training branches spread out among the various regions.

The Bank's Board of Directors and senior management also underwent various local and foreign trainings to strengthen corporate governance and leadership.

To ensure business continuity with a workplace composed of a ready pool of successors, a major training program, the Management Development Program (MDP), was conducted in September 2008 with 22 internal and external participants on an eight-month intensive classroom and on-the-job training. The second run will end in May 2009 with a third batch to be launched by September 2009.



BANKING



Dperational Highlights

Because change is inevitable in any organization, LANDBANK reinforced its Management Succession Plan with approval of its implementing guidelines in June 2008. The necessary data infrastructure has been completed under the Human Resource Information System Personnel Development Module which provides the qualification catalogs and profile match-ups for filling up key or critical positions in the Bank.

The Bank has also introduced a simplified evaluation method for procedures and reduction in processing time for its hiring and promotion processes.

The integration of the philosophy on a healthy work-life balance to human resource management process plays an important role in promoting health awareness, camaraderie and a strong sense of motivation. For three consecutive years, the successful implementation of the Employee Wellness Program attests to the Bank's continuing support to make its number one asset – its employees, dra productive and beneficial results.

In the area of employee relations, the Third Collective Negotiation Agreement (2008-2011) was successfully concluded in a record of 29 days and was signed and ratified on the Bank's 45th anniversary. Its implementation ensures that employees would continuously enjoy a competitive compensation package.

The Bank remains committed to promote employee volunteerism and provides its employees opportunities to share their resources with others. In 2008, it forged a partnership with the Department of Education, Department of Social Welfare and Development and Petron Foundation in supporting the high school education of 100 scholars through the "Tulong Aral" Program.

GROWING PASSIONEFOR WATION BUILDING

OperationalHighlights

Strengthen Corporate Governance and ENHANCE RISK MANAGEMENT

In 2008, LANDBANK embarked on various initiatives to strengthen its risk management system and to develop a deeper awareness of its risk management culture across the organization. The Bank also made significant efforts to imbibe the principles of good governance as a corporate way of life and as a potent driving force that will strengthen its foundation and ensure institutional viability.





2008 ANNUAL REPORT

Corporate Governance

Governance activities in 2008 focused on three major aspects – (1) strengthening the corporate governance structure and enhancing polices and practices; (2) implementing Risk-Based Internal Audit; and (3) reinforcing the compliance system.

As an industry's best practice and to further promote corporate governance, the Bank undertook the development of an annual performance rating system for the Board of Directors. The Institute of Corporate Directors (ICD) was commissioned to craft the self-assessment rating system for the Board and the four Board Committees – Audit Committee, Risk Management Committee, Corporate Governance Committee and Trust Committee. This was implemented in 2009.

LANDBANK truly recognizes the key role and active involvement of its Board of Directors and senior management in maintaining the high standards of corporate governance within the organization. Thus, it implemented a continuing multi-level capability enhancement program designed to enrich their knowledge and awareness on corporate governance policies and international best practices.

In addition, various internal and external training courses on risk management, audit, accounting and finance, treasury, trust operations, and organizational development rendered by reputable and professional institutions were provided to reinforce their competencies and proficiencies in the Bank's operations.

The Audit Committee, in behalf of the LANDBANK Board of Directors, oversees the material aspects of the Bank's reporting, control and audit function, except those especially related to the responsibilities of another committee of the Board. It also has oversight responsibilities in protecting the integrity of the Bank's financial statements; ensuring the Bank's compliance with legal and regulatory requirements; establishing internal auditors' qualifications and independence; and checking the performance of the Bank's internal audit functions and compliance.

Moreover, the Audit Committee has direct supervision over the Internal Audit Group and the Compliance Management Office. Among the accomplishments of the Audit Committee in 2008 are the approval of the IT Audit Post-Implementation Review Manual and the amendments to the Audit Committee Charter as well as the new Quality Assurance and Improvement Program.

The Audit Committee is composed of five directors. It conducts regular monthly meetings. Overall attendance of the Audit Committee members in its 13 meetings in 2008 is 85 percent. Audit Committee Chairman George J. Regalado and Directors Albert C. Balingit and Ombre S. Hamsirani attained a perfect attendance record in 2008.

Risk-Based Internal Audit

The approval of the Risk-based Internal Audit (RBIA) Manual in November 2008 marked the shift from the traditional to a risk-based approach in the Bank's internal audit system. The shift is a significant step in further improving its risk management, controls and governance processes.

The RBIA was pilot-tested in 18 units of the Bank to determine its effectiveness and efficiency as well as fine-tune the methodology based on the results. Roll-out of the new approach was completed in December 2008 and full implementation commenced in January 2009.

Compliance Management

Growing concern with compliance management is a result of interlocking factors such as the Basel II Accord and more stringent regulatory laws and rules, in the midst of diverse and complex Bank products and services. This served as the impetus for the implementation of the Bank's Group-wide Compliance Management System Project (GCMSP).

Started in September 2008, the GCMSP will enhance compliance systems in key business units as well as expand oversight functions to include the Bank's subsidiaries. Activities for the year included a review of the existing compliance infrastructure and the conduct of compliance risk assessment. With the project's completion, the GCMSP will result to revised Bank-wide compliance procedures and adopt a strengthened compliance structure.

OperationalHighlights

Risk Management

Five years from the regulatory deadline, LANDBANK's risk management has advanced to a state where full compliance is within reach.

Taking its cue from the global financial debacle wrought by the overheating of the US sub-prime mortgages in 2008, the Bank's risk management took on a more proactive position to mitigate adverse effects on our risk assets.

The Bank's risk management in 2008 was a year of enhancements – improving what was started since the Risk Management Group was created in 2003 and giving new impetus to previous policies, procedures and processes. The reinvigoration entailed the introduction of new risk management programs and the updating of policies and procedures, all in the context of its corporate governance framework and in compliance with regulatory requirements.

New Risk Management Programs

Credit Risk Engine System (CRES) Phase 1

CRES involves the automation of the internal rating systems for all clients of the Bank, classified into five streams — retail, corporate, local government units, small and medium enterprises and cooperatives with the generation of standard and management reports under the sixth stream.

These business monitoring reports track the effectiveness of the model-based decision and business information about LANDBANK's portfolio performance on credit scoring, as well as allow multi-dimensional analysis. On the other hand, management reports are risk rating reports customized for the Bank which aid the Loan Approving Group in analyzing its loan portfolio.

Implemented towards the end of 2007, the CRES Phase 1 project had an overall completion rate of 64 percent as of December 31, 2008. The Probability of Default model is a component of CRES Phase 1 and is being developed side by side with the rating systems.

Enterprise-wide Risk Management (ERM)

The ERM Program was started with an interactive activity on risk identification and assessment involving the Board and senior management. Utilizing the 92 risks inherent in a financial institution, we were able to trim down to 52 the Bank's risk universe. These became the basis for the risk prioritization activities done by senior management leading to the selection of the top 26 risks.

The top 26 risks were further subjected to a ranking considering their impact and the effectiveness of the Bank in managing such risks. This resulted to the following top five risks: Market Risk; Counterparty Credit Risk – Loans; IT Management Risk; People Risk; and Client Relationship Management Risk.

Immediately after the risks were prioritized, a risk inter-relationship modeling was undertaken to analyze interdependencies of risks and establish the high leverage risks. The activity determined if management of one risk significantly contributed to the management of another risk. The models were developed by the Risk Designates through a software provided by SGV & Co., the program's consultant.

Among the other outputs of the ERM Program for the year was the crafting of a Risk Dictionary, a compilation of customized definitions of the 52 risks. A Risk Dictionary was necessary to foster common understanding of the risks across the Bank as well as facilitate continuing discussions about risks.

The Bank's risk appetite was articulated through statements that conveyed our risk-taking disposition. Developed by senior management during the year, the Risk Appetite Statements underwent enhancement until it was finally re-stated and anchored to the Bank's strategic business goals.

Information Technology Risk Management Plan (ITRMP)

Information technology risks pose a grave threat that could adversely impact the Bank in diverse ways. The Bank's posture on IT risk is best quoted from our IT Risk Policy Statement:



"In the fast evolving business environment where information technology is an essential tool not only in business processes but in enterprise viability as well, the LANDBANK management and its Board of Directors acknowledge the importance of IT risk management in protecting the Bank's assets and in controlling the impact of IT-related risks on the Bank and its business".

The ITRMP provides for a mechanism that would protect against threats to information systems and technology while undertaking pre-determined responsive and remedial actions to prevent impairing effect on the Bank. It was created in accordance with the controls and standards of Basel II and of BSP Circular 511 and adheres to ISO 27001 – Information Security Management System.

Policy Formulation, Review and Updating

On a regular basis, LANDBANK's risk management policies are reviewed to determine relevance to prevailing Bank conditions and are duly adjusted based on sound and rational judgment. In 2008, we made policy modifications mostly on treasury risk management as the market was characterized by volatility and conditions warranted prudence in managing investment-related risks.

A total of 34 policies and guidelines on market, interest rate, credit and liquidity risks were reviewed and updated - Liquidity Contingency Plan; Core Deposit, Repricing Gap; Earnings-at-Risk (EaR) Limits; and Preparation of Market Risk Profile Report and Off-Market Rates for Treasury Transactions, among others. Further, new policies and guidelines were issued for Economic Value of Equity, Counterparty Credit Risk Management, Stress Testing and Backtesting, and Independent Model Validation for Liquidity Gap Report and EaR.

The Bank also conducted a quarterly review of its credit manual to incorporate recent policy revisions and updates with seven credit policy issuances and 22 credit bulletins prepared and disseminated. The Bank's Business Continuity Plan was updated to reflect current issues that could bear impact on operations and the attendant mechanisms to address these problems. Among the inclusions were: the Epidemic/Pandemic Diseases Prevention Preparedness and Response Plan; a Business Continuity Plan for E-Banking Products and Services; an enhancement of the existing Personnel and Building Safety Plan; and the improvement of the Field Units' Emergency Preparedness and Proper Response Plan.

Risk Convergence -A Challenge in Corporate Governance

As LANDBANK seals the foundations of risk, compliance and control management, it now sets its sight on the challenging task of risk convergence. While this challenge endeavors to eliminate redundancies and duplications in risk, compliance and control activities, we stand to benefit from improved operating efficiencies and lower costs. In the absence of models, best practices and other benchmarks, risk convergence is a challenge the Bank will take on in the medium-term.



SUBSIDIARIES and Foundation

LANDBANK COUNTRYSIDE DEVELOPMENT FOUNDATION, INC.

The LANDBANK Countryside Development Foundation, Inc. (LCDFI), a non-stock, non-profit corporate foundation established in 1983, is the key partner of LANDBANK in its mission to spur countryside development particularly among its priority sectors such as the small farmers and fisherfolk, agrarian reform beneficiaries, countryside financial institutions, small and medium enterprises and overseas Filipino workers.

LCDFI offers training and capability-building for cooperatives and microfinance institutions. It provides manuals and research materials on cooperative operations. It also offers various assistance programs catering to OFWs such as insurance services, scholarships for OFWs' families, business skills trainings and aptitude upgrading, investment counseling and other financial services.

In 2008, it conducted 16 training workshops for microfinance institutions nationwide on credit investigation and appraisal, remedial management, leadership and supervision, micro agri-agra business development and value chain management. It also conducted training workshops to 13 batches of key cooperatives on the implementation of microfinance programs and modules on basic credit.

Under the Integrated Community Development Program (ICDP) through its Adopt-a-Town Project, LCDFI was able to sign up 127 program partners. In 2008, it successfully completed ICDP's annual review and assessment. LCDFI presently provides scholarships to 40 grade school children of agrarian reform beneficiaries nationwide. In addition, pupils of five elementary schools were provided with P100,000 worth of school supplies under LCDFI's Gawad Patnubay Project using a special grant from LANDBANK.

LBP INSURANCE BROKERAGE, INC.

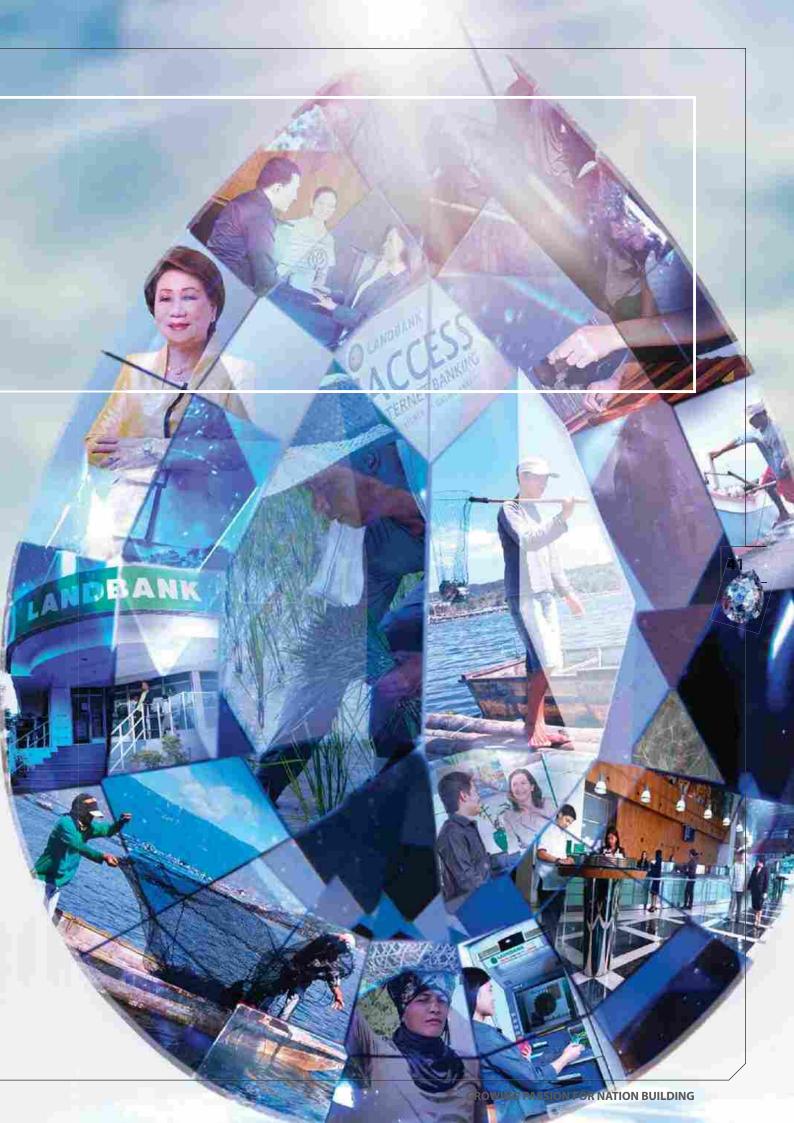
LBP Insurance Brokerage, Inc. (LIBI) is a LANDBANK subsidiary tasked to perform general insurance, brokerage management and consultancy services on insurance-related activities for LANDBANK and its clients.

In 2008, LIBI increased its gross revenues by 15 percent or ₱14.61 million from ₱97.12 million in 2007 to ₱111.73 million. LIBI realized a net income after tax of ₱61.51 million with the insurance business contributing 88 percent or ₱54.28 million and foreign exchange trading accounting for 11 percent or ₱7.23 million.

LIBI's premium production for 2008 of ₱389.64 million represents a 23 percent increase over the previous year's production of ₱315.90 million. Likewise, commissions of ₱52.56 million is 37 percent higher compared to ₱38.44 million in 2007. This was largely attributed to the higher premium volume from private insurers of ₱237.52 million comprising 61 percent of LIBI's total premium production.

LIBI continued to service the insurance needs of its clients while maintaining its record of timely settling insurance claims. Out of 448 claims filed, LIBI





Subsidiaries & Foundation

successfully settled 60 percent or 271 claims during the current year. Most of the outstanding claims as of yearend were filed in the last quarter of 2008.

Total trading income of the foreign exchange division amounted to P17.97 million, an increase of P4.73 million or 36 percent from the total income of P13.24 million in 2007. Total volume of US dollars traded for the year was US \$153.35 million or four percent lower from US \$159.92 in 2007. Brokering volume in 2008 was US \$36.36 million, an increase of US \$12.27 million or 51 percent to 2007's brokering volume of US \$24.09 million.

LB REALTY DEVELOPMENT CORPORATION

The LANDBANK Realty Development Corporation (LBRDC) handles the Bank's construction and facility requirements particularly branch construction, relocation and renovation, and automated teller machine booth construction.

In addition, LBRDC helps the Bank in the disposal of non-performing assets by providing brokering services, real estate management and development of the Bank's foreclosed assets.

For 2008, LBRDC completed 23 LANDBANK branch renovation projects and 19 ATM fit-outs generating P85.98 million in construction revenues. LBRDC also facilitated the sale of 155 ROPA accounts valued at P293.34 million. LBRDC posted a net income of P15.36 million in 2008.

In 2008, LBRDC undertook activities aimed at enhancing operational efficiency and strengthening the organization like setting of performance standards, organizational streamlining and institutionalization of critical policies, systems and procedures. LBRDC also expanded its business lines to include project management and manpower services.

MASAGANANG SAKAHAN, INC.

Masaganang Sakahan, Inc. (MSI) supports LANDBANK's mandate by providing timely and sustainable marketing assistance to the Bank's priority clients, particularly the small farmers, fisherfolk and SMEs.

In 2008, MSI focused on its core business of rice trading. Despite the stiff competition posed by other rice traders, MSI through diligent efforts was able to maintain the patronage of its clients, recapture former clients and gain new clients. MSI continuously provides marketing assistance and services to the Bank's priority sectors. For 2008, the company was able to assist 48 SMEs and 27 cooperatives (with approximately 6,000 farmer beneficiaries) through the MSI palay and milled rice procurement program with a volume amounting to P156.9 million.

Palay and rice procurement through the payment-inkind scheme enabled MSI to help LANDBANK in loan collection equivalent to P18.3 million.

The company's gross revenues increased by nine percent to P177.2 million compared to year 2007 revenues of P162.8 million. Net income after tax was at P2.85 million, six percent lower than the 2007 net income of P3.03 million.

Total resources of the company decreased by eight percent to ₱88.5 million compared to the previous year's ₱95.43 million. Total equity rose by four percent from ₱69.6 million in 2007 to ₱72.6 million in 2008.

LBP LEASING CORPORATION

LBP Leasing Corporation (LBP Lease) provides leasing services through direct lease, lease purchase and operating leases. These leasing facilities make it easier for enterprises to expand, upgrade or modernize their operations. LBP Lease also extends support to farmers cooperatives and agrarian reform farmer beneficiaries by allowing them to acquire farm equipment and post-harvest facilities through a leasing facility.

For the year 2008, LBP Lease realized a record net income after tax of ₱84.4 million, exceeding the previous year's net income of ₱73.5 million by 15 percent. LBP Lease's resources stood at ₱1.9 billion while loan portfolio increased slightly from ₱1.37 billion in 2007 to ₱1.57 billion in 2008. This translated to a return on average equity of 10 percent and a return on assets of four percent.



LBP Lease was able to dispose almost 90 percent of the 317 service vehicles from the operating lease agreement with LANDBANK. It generated more than P32.0 million in total revenues against the P26.0 million target from the disposition program.

Further, the LANDBANK vehicle re-fleeting program was fully implemented in 2008 where LBP Lease provided 308 units. In 2008, LBP Lease also implemented property lease transactions with some government offices and started work on two new major property lease projects. These are expected to be completed by the middle of 2009.

LBP REMITTANCE COMPANY (USA)

The LBP Remittance Company is a wholly-owned subsidiary of LANDBANK based in California, USA where 50 percent of the total Filipino population in the USA resides. Its main branch is in Panorama City within Los Angeles County which caters to the Southern California region. Another branch in San Francisco, California, established in October 2007, caters to the Filipinos in Northern California. The services offered by the two branches include direct credit to LANDBANK Peso or Dollar account, pick-up at any LANDBANK Branch, credit to other Bank Peso or Dollar Account and door-to-door delivery in Metro Manila and in the provinces.

LBP Remittance Co. also cross sells various products and services such as deposit and investment accounts as well as OFW Pabahay Programs. In addition, they also assist veterans and Social Security System pensioners in their banking needs.

To promote its remittance services to various Filipino communities and associations in California, the LBP Remittance Co. participated in various Filipino gatherings and events such as the Philippine Independence Day celebrations, gatherings of regional associations, notably the gathering of Filipino leaders in New York City with President Gloria Macapagal Arroyo as the guest of honor. To expand its remittance volume, the company explored possible partnerships with remittance agents. In 2008, the company initiated talks with several remittance agents to service clients in other parts of California.

LBP FINANCIAL SERVICES S.p.A. (Italy)

The LBP Financial Services S.p.A, established in 1995 with operations in Rome and Milan, Italy, offers remittance services to Filipinos working and living in Europe.

Despite the hurdles to entry of more Filipinos to the continent such as stricter laws on immigration and limits to access of foreign workers, the LBP Financial Services S.p.A. sustained its improving financial performance by registering an increase in income by €33,590 from €284,969 in 2007 to €318,559 in 2008. This is attributed to the extensive and aggressive marketing efforts of the company. Its main source of operating income is the remittance fee collected for services rendered and foreign exchange gains from transactions.

As part of its efforts to capture more remittance business from Filipino communities in other parts of Europe, the company sponsored Barrio Fiesta celebrations in London, Germany and Spain. It also co-sponsored a concert to coincide with the launching of the OFW Cash Card powered by Smart Communications.

Aside from deposit products, the company introduced the Long Term Negotiable Certificates of Deposit (LTNCD) Placement. The LTNCD obtained positive response from OFWs in Europe with initial placements amounting to P2.7 million. LBP Financial Services S.p.A. is also the collecting agency for SSS, OWWA, HDMF and DOLE. Banco Popular Español is the new partner of LBP Financial Services S.p.A.



Board of Directors

Hon. Gary B. Teves Chairman, Secretary - Department of Finance

Ms. Gilda E. Pico Vice Chairman, President and CEO - Land Bank of the Philippines

Hon. Marianito D. Roque Secretary - Department of Labor and Employment

Hon. Nasser C. Pangandaman Secretary - Department of Agrarian Reform

Hon. Arthur C. Yap Secretary - Department of Agriculture

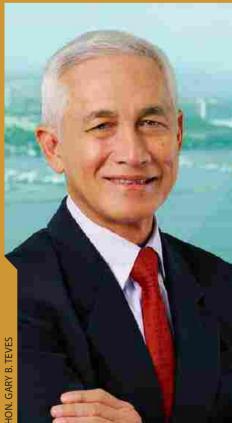
Mr. Albert C. Balingit Representative - Private Sector

Mr. Ombre S. Hamsirani Representative - Agrarian Reform Beneficiaries Sector

Mr. George J. Regalado Representative - Private Sector

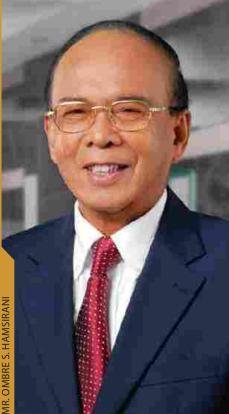
Mr. Cyril C. del Callar Representative - Agrarian Reform Beneficiaries Sector (Oct. 27, 2008–present)

Mr. Raymundo T. Roquero Representative - Agrarian Reform Beneficiaries Sector (Jan. 28, 2008–Oct. 26, 2008)













MR. CYRIL C. DEL CALLAR









HON. NASSER C. PANGANDAMAN





GROWING PASSION FOR NATION BUILDING

Management Team

Gilda E. Pico President and CEO

Wilfredo C. Maldia EVP, Agrarian and Domestic Banking Sector

Simeona S. Guevarra EVP, Corporate Services Sector

Andres C. Sarmiento EVP, Operations Sector

Cecilia C. Borromeo EVP, Institutional Banking and Subsidiaries Sector





Executive Sector & Units Under the Board



EDUARDO B. CHAVES Vice President Not in photo

Agrarian & Domestic Banking Sector & Support Units

Nenita H. Veran Senior Vice President

Cresencio R. Selispara Senior Vice President

Stella Maris C. Yusay Senior Vice President

Delia M. Ladao Senior Vice President

Marilyn M. Tiongson First Vice President

Liduvino S. Geron First Vice President

Carmelita M. Hain First Vice President

Ma. Victoria A. Reyes First Vice President

Wilhelmino G. Agregado Vice President







NCR Branches Group - Area Heads









MERNILO C. OCAMPO

Ч

VP LETICIA P. VILLA

North / Central & Southern Luzon Branches Group - Regional Heads

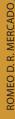


Visayas & Mindanao Branches Group - Regional Heads





AVP BENJAMIN D. ACOS



VP RUEL Z. ROMARATE

FVP EDNA S. FAMORCA









VP ERASMO T. CRUZ

TUAN B. ABDU







Institutional Banking & Subsidiaries Sector



Edward John T. Reyes First Vice President

Alex Hector J. Macapagal First Vice President

Roberto S. Vergara First Vice President

Ma. Celeste A. Burgos Vice President

Noemi P. dela Paz Vice President

Gabriel M. Jayme Vice President

Carel D. Halog Vice President

Jose Abelardo F. Agregado Vice President *Not in photo*





Heads of Subsidiaries and Foundation

Iluminada L.E. Cabigas President, LCDFI

Carlos T. Castro President and General Manager, LBRDC

Atty. Jesus F. Diaz President, LIBI

Aristeo A. Lat, Jr. General Manager, LIBI

Manuel H. Lopez President and General Manager, LBP Lease

Erlinda C. Ramos Executive Director, LCDFI

Blesilda R. Macalalad OIC, MSI





GROWING PASSION FOR NATION BUILDING

Operations Sector

Yolanda D. Velasco First Vice President

Estela E. Correa Vice President

Conrado B. Roxas Vice President



52

Corporate Services Sector

Romeo C. Castro Vice President

Ramon K. Cervantes Vice President







List of Officers and Department Heads as of June 30, 2009

President and CEO Gilda E. Pico

INTERNAL AUDIT GROUP

FVP Jocelyn D. G. Cabreza

Field Operations Audit Department AVP Bernardo P. Castro

Credit Review Department AVP Constance V. Manuel

Head Office and Systems Technology Audit Department Mr. Rodelio D. De Guzman

LEGAL SERVICES GROUP

SVP Manuel C. Piczon

Administrative Legal Department VP Ricardo S. Arlanza

Banking Legal Services Department VP Reynauld R. Villafuerte

Litigation Department AVP Rosemarie M. Osoteo

CARP Legal Services Department AVP Noel B. Marquez

RISK MANAGEMENT GROUP

VP Teresita E. Cheng

Business Risk Management Department AVP Cherry Ann R. Cruz

Credit Policy and Risk Management Department AVP Danilo E. Quilantang

Treasury Risk Management Department Ms. Rosemarie E. Sotelo – OIC

STRATEGIC PLANNING GROUP

FVP Julio D. Climaco, Jr.

Corporate Planning and Central MIS Department VP Antonio V. Hugo, Jr. Customer Service and Product Development Department Mr. Edgardo C. Ramirez

Economics and Policy Studies Department FVP Julio D. Climaco, Jr. – Concurrent Head

TECHNOLOGY MANAGEMENT GROUP

FVP Alan V. Bornas

Network Operations Department AVP Cecilia C. Sazon

Retail Banking Systems Department AVP Ma. Teresa B. Villalonga

e-Banking Systems Department/ IT Program Management Office AVP Randolph L. Montesa

Data Center Management Department Mr. Alden F. Abitona

Enterprise Systems Department Mr. Marcelino T. Cabahug

TRUST BANKING GROUP

VP Eduardo B. Chaves

Trust Operations Department AVP Felix L. Manlangit

Investment and Trading Department AVP Josefino P. Cerin

Trust Marketing Department Ms. Susan D. R. Halili – *OIC*

COMPLIANCE MANAGEMENT OFFICE

VP Edna P. Hingco

CORPORATE SECRETARY

VP Reynauld R. Villafuerte – Concurrent Head

CORPORATE AFFAIRS DEPARTMENT

VP Agustin Frederick A. Apilado

PHYSICAL SECURITY OFFICE

AVP Ricardo G. Pasamba

AGRARIAN AND DOMESTIC BANKING SECTOR

EVP Wilfredo C. Maldia

Northern and Central Luzon Branches Group

SVP Cresencio R. Selispara

Region I AVP Filipina B. Monje

Region II VP Ramon R. Monteloyola

Region III-A VP David P. Camaya

Region III-B VP Mernilo C. Ocampo

National Capital Region Branches Group

SVP Nenita H. Veran

Area NCR-A AVP Minda D. Rubio

Area NCR-B VP Daisy M. Macalino

Area NCR-C AVP Annalene M. Bautista

Area NCR-D VP Jennifer A. Tantan

Area NCR-E VP Leticia P. Villa

Cash Department Mr. Virgilio C. Paranial

NCR Lending Center Ms. Luz D. Abalos



List of Officers and Department Heads

as of June 30, 2009

Southern Luzon Branches Group

VP Wilhelmino G. Agregado

Region IV VP Mauricio C. Feliciano

Area IV-A AVP Raquel R. Rimonte

Area IV-B VP Ananias O. Lugo, Jr.

Region V AVP Renato G. Eje

Visayas Branches Group

SVP Stella Maris C. Yusay

Region VI VP Manuel Jose Mari S. Infante

Region VII VP Ruel Z. Romarate

Region VIII AVP Alex A. Lorayes

Mindanao Branches Group

VP Joselito P. Gutierrez - OIC

Region IX DM Cesar G. Magallanes - OIC

Region X VP Wesly C. Magnaye

Region XI VP Sambutuan B. Abdul

Region XII AVP Camilo C. Leyba

CONSUMER AND E-BANKING GROUP

FVP Marilyn M. Tiongson

Debit Cards Management Department AVP Edna A. Atienza

Electronic Products Department AVP Leila C. Martin Credit Card Administration Department AVP Rossana S. Coronel

LANDOWNERS COMPENSATION AND ASSISTANCE GROUP

FVP Ma. Victoria A. Reyes

Bond Servicing Department AVP Teresita V. Tengco

Landowners Assistance and Policy Department AVP Leticia Lourdes A. Camara

Landowners Compensation Department Mr. Antonio S. Macaraeg

FIELD UNIT SUPPORT GROUP

FVP Carmelita M. Hain

Systems Implementation Department AVP Ana S. Concha

Field Operations Support Department Ms. Ela P. Gariando – OIC

MIS and Planning Support Department Mr. Jaime G. Dela Cruz – <u>OIC</u>

PROGRAMS MANAGEMENT GROUP

FVP Liduvino S. Geron

Development Assistance Department Mr. Edgardo S. Luzano

Programs Management Department I Mr. Hermeo G. Bautista

Programs Management Department II Ms. Melinda C. Cruz

INSTITUTIONAL BANKING AND SUBSIDIARIES SECTOR

EVP Cecilia C. Borromeo

ACCOUNTS MANAGEMENT GROUP

FVP Edward John T. Reyes

Corporate Banking Department I VP Jose Abelardo F. Agregado

Corporate Banking Department II VP Ma. Celeste A. Burgos

NCR SME Lending Department AVP Vilma V. Calderon

Financial Institutions Department AVP Cielito H. Lunaria

Public Sector Department AVP Lolita T. Silva

Retail Lending Department Ms. Teresita F. Ison

INVESTMENT BANKING AND SPECIAL ASSETS GROUP

VP Dante R. Tiñga, Jr.

Special Assets Department Ms. Ma. Jocelyn F. Alejandro

Financial Assets Department Ms. Emillie V. Tamayo

Investment Banking Department Mr. James A. Aldana – OIC

Transaction Advisory and Support Department Ms. Myra-Lyn S. Peñalosa

OFW REMITTANCE GROUP

FVP Roberto S. Vergara

Domestic Remittance Marketing Department Mr. Jose James T. Figueras

Overseas Remittance Marketing and Support Department Ms. Carolyn I. Olfindo

List of Officers and Department Heads as of June 30, 2009

PROGRAM LENDING GROUP

VP Noemi P. Dela Paz

Wholesale Lending Department VP Gabriel M. Jayme

International Fund Sourcing Department AVP Lucila E. Tesorero

Environmental Program and Management Department Mr. Prudencio E. Calado III

TREASURY GROUP

FVP Alex Hector J. Macapagal

Local Currency Department VP Carel D. Halog

Foreign Exchange Department AVP Christine G. Mota

Assets and Liabilities Management Department Ms. Joseny V. Alvarez- Guevarra –OIC

LBP INSURANCE BROKERAGE, INC.

President Jesus F. Diaz General Manager Aristeo A. Lat, Jr.

LBP LEASING CORPORATION

President and General Manager Manuel H. Lopez

LB REALTY DEVELOPMENT CORPORATION

President and General Manager Carlos T. Castro

LANDBANK COUNTRYSIDE DEVELOPMENT FOUNDATION, INC.

President Iluminada L.E. Cabigas Executive Director Erlinda C. Ramos

MASAGANANG SAKAHAN, INC.

Ms. Blesilda R. Macalalad - OIC

CORPORATE SERVICES SECTOR

EVP Simeona S. Guevarra

FACILITIES AND PROCUREMENT SERVICES GROUP

VP Romeo C. Castro

Procurement Department AVP Norlinda S. Plazo

Facilities Services Department Ms. Dina Melanie R. Madrid

Project Management and Engineering Department Mr. Edwin A. Salonga

HUMAN RESOURCE MANAGEMENT GROUP

VP Ramon K. Cervantes

Employee Relations Department AVP Voltaire Pablo P. Pablo III

Personnel Administration Department AVP Voltaire Pablo P. Pablo III – Concurrent Head

Provident Fund Office AVP Lorna P. Garcia

Organizational Development Department Mr. Emmanuel G. Hio, Jr.

OPERATIONS SECTOR

EVP Andres C. Sarmiento

BANKING OPERATIONS GROUP

VP Conrado B. Roxas

Loans Implementation Department AVP Maria Edelwina D. Carreon Credit Investigation and Appraisal Department AVP Winston Rochel L. Galang

Foreign and Domestic Remittance Department Ms. Corazon A. Gatdula

International Trade Department Ms. Lydia R. De Asis

BANKING SERVICES GROUP

VP Estela E. Correa

MDS and Collections Management Department AVP Carolina Q. Briñas

ATM and Cash Management Department AVP Ma. Inocencia C. Reyes

Central Clearing Department AVP Reynaldo C. Capa

CONTROLLERSHIP GROUP

FVP Yolanda D. Velasco

Agrarian Accounting Department AVP Rosario B. Belmonte

Financial Accounting Department AVP Ma. Eloisa C. Dayrit

Systems and Methods Department AVP Emerita E. Olayvar

Inter-Office Transactions Control Department Ms. Celia G. Barreto

Treasury Operations Department Ms. Merceditas N. Oliva

Administrative Accounting Department Mr. Gerry D. Villalobos





An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Group as at December 31, 2008 and of its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards.

Emphasis of Matter

We draw attention to item no. 1 of the Observations and Recommendations which describes our reservation on the Group's treatment of the Foreign Exchange Risk Cover (FXRC) provided in the Memorandum of Agreement into by and between the Land Bank of the Philippines and the National Government as an Over-the-Counter derivative call option contract to cover foreign exchange revaluation losses on foreign borrowings, resulting in an increase in total assets by P4,381.69 million in CY 2008. Likewise, we have concerns on the adoption of the "GARMAN-KOHLHAGEN" model to measure the derivative call option's fair value on account of the apparent uncertainty in the assumptions used, and, on the charging and accounting of the negative FXRC fees, which if shouldered by the National Government will effectively result in the non-payment of FXRC fee considered as call option premium, hence, tantamount to non-purchase of call option.



COMMISSION ON AUDIT

Angelina B. Villanueva Director III

September 30, 2009

2008 ANNUAL REPORT

Statement of Condition

December 31, 2008 (In thousand pesos)

| | NOTE | GROUP | | PARENT | |
|--|----------------------|---|---|--|---|
| | | | (As restated) | | (As restated) |
| ASSETS | | 2008 | 2007 | 2008 | 2007 |
| Cash and other cash items | 5 | 14,182,313 | 9,586,368 | 14,153,363 | 9,581,790 |
| Due from Bangko Sentral ng Pilipinas | | 46,041,782 | 45,695,244 | 46,041,782 | 45,695,244 |
| Due from other banks | 6 | 2,992,694 | 974,828 | 2,956,953 | 932,942 |
| Interbank loans receivable | 7 | 4,607,380 | 18,877,668 | 4,607,380 | 18,877,668 |
| Securities purchased under agreements to resell | 8 | 32,000,000 | 24,698,539 | 32,000,000 | 24,698,539 |
| Financial assets at fair value through profit or loss | 9 | 9,452,988 | 5,170,035 | 9,452,988 | 5,170,035 |
| Available for sale investments | 10 | 67,770,157 | 101,588,120 | 67,556,423 | 101,380,876 |
| Held to maturity investments | 11 | 40,873,661 | 17,320,958 | 40,236,532 | 16,779,877 |
| Loans and receivables | 12 & 17 | 191,223,684 | 129,486,301 | 190,426,967 | 128,794,044 |
| Investments in subsidiaries | 13 | - | - | 577,709 | 577,709 |
| Investment property | 14 | 10,240,106 | 12,968,163 | 10,125,415 | 12,848,711 |
| Property and equipment (net) | 15 | 5,100,972 | 5,295,059 | 4,867,573 | 4,843,583 |
| Non-current assets held for sale | | 1,049,483 | 18,094 | 1,031,644 | - |
| Other resources - net | 16 | 12,185,226 | 13,603,926 | 12,618,171 | 13,555,627 |
| Deferred income tax | 22 | 23,046 | 24,236 | - | - |
| | | 437,743,492 | 385,307,539 | 436,652,900 | 383,736,645 |
| Deposit liabilities Bills payable Unsecured subordinated debt Derivative liabilities Deposits from other banks Treasurers, Managers and Cashier's checks Payment order payable Marginal deposits Cash letters of credit Other liabilities | 18 19 20 21 | 333,354,071 35,463,998 7,128,000 37,511 11,353 805,765 201,906 129,966 1,000,360 18,841,730 396,974,660 | 287,194,563 28,940,675 6,192,000 294 11,134 698,195 156,188 39,808 1,371,404 17,608,335 342,212,596 | 333,529,992 35,191,998 7,128,000 37,511 11,353 805,765 199,784 129,966 1,000,360 <u>19,359,929</u> 397,394,658 | 287,404,735 28,889,675 6,192,000 294 11,134 698,195 145,620 39,808 1,371,404 17,235,621 341,988,486 |
| Capital funds Common stock Paid-in surplus | 30 | 11,971,000 101,098 | 11,971,000 101,098 | 11,971,000 101,098 | 11,971,000 101,098 |
| Revaluation increment | | 61,200 | 57,528 | - | |
| Surplus free | | 14,972,119 | 11,368,084 | 13,828,416 | 10,356,792 |
| Surplus reserve | | 5,086,088 | 4,794,096 | 4,924,047 | 4,670,047 |
| Undivided profits | | 5,174,142 | 4,378,781 | 5,024,823 | 4,221,831 |
| Currency translation difference | | 114 | 577 | - | |
| Net unrealized gains on securities available for sale | 2 | 3,403,071 | 10,423,779 | 3,408,858 | 10,427,391 |
| | | 40,768,832 | 43,094,943 | 39,258,242 | 41,748,159 |
| | | 437,743,492 | 385,307,539 | 436,652,900 | 383,736,645 |

The Notes form part of these financial statements.



Statement of Income and Expenses

(In thousand pesos)

| NOTE | GROUP | | PARENT | |
|---|------------|---------------|------------|---------------|
| | | (As restated) | | (As restated) |
| | 2008 | 2007 | 2008 | 2007 |
| INTEREST INCOME | | | | |
| Loans | 12,410,661 | 11,436,750 | 12,323,589 | 11,354,498 |
| Investments | 9,377,987 | 8,272,290 | 9,344,047 | 8,234,730 |
| Due from Bangko Sentral ng Pilipinas | 1,317,152 | 1,003,992 | 1,317,152 | 1,003,992 |
| Deposit in banks | 9,292 | 29,337 | 8,505 | 27,275 |
| Others | 156,813 | 304,333 | 120,149 | 117,773 |
| | 23,271,905 | 21,046,702 | 23,113,442 | 20,738,268 |
| INTEREST EXPENSE | | | | |
| Deposit liabilities | 5,672,932 | 5,499,644 | 5,687,510 | 5,512,462 |
| Borrowed funds | 1,145,607 | 1,010,985 | 1,123,892 | 1,009,912 |
| Unsecured subordinated debt | 516,780 | 447,673 | 516,780 | 447,673 |
| Others | 34,465 | 1,996 | 34,465 | 1,289 |
| | 7,369,784 | 6,960,298 | 7,362,647 | 6,971,336 |
| NET INTEREST INCOME | 15,902,121 | 14,086,404 | 15,750,795 | 13,766,932 |
| PROVISION FOR CREDIT LOSSES | 25,033 | 594,895 | 10,477 | 593,867 |
| NET INTEREST INCOME AFTER PROVISION | | | | |
| FOR CREDIT LOSSES | 15,877,088 | 13,491,509 | 15,740,318 | 13,173,065 |
| OTHER OPERATING INCOME Gain on financial assets and liabilities - held for trading | - | 2,605,414 | - | 2,605,414 |
| Fees and commission | 1,136,995 | 98,296 | 1,059,620 | 98,296 |
| Gain from dealings in foreign currency | 644,242 | 497,932 | 606,599 | 480,042 |
| Dividends | 109,770 | 95,979 | 109,715 | 95,786 |
| Gain from investment securities | - | 895,178 | - | 895,266 |
| Foreign exchange gains from revaluation | - | 3,836,307 | - | 3,836,307 |
| Miscellaneous-net | 1,200,115 | 1,841,737 | 1,129,599 | 1,851,609 |
| | 5,696,536 | 7,265,429 | 5,510,947 | 7,257,306 |
| OTHER OPERATING EXPENSES | | , , | , , | |
| Compensation and fringe benefits | 5,757,208 | 5,609,239 | 5,680,735 | 5,543,210 |
| Foreign exchange loss from revaluation | 2,266,798 | - | 2,263,823 | - |
| Taxes and licenses | 1,865,142 | 1,523,973 | 1,828,645 | 1,490,999 |
| Depreciation and amortization | 1,512,397 | 1,159,766 | 1,496,934 | 1,143,873 |
| Rent | 528,460 | 596,014 | 523,093 | 591,053 |
| Loss from investment securities | 47,979 | - | 47,979 | - |
| Loss on financial assets & liabilities - held for trading | - | 2,470,275 | - | 2,483,511 |
| Miscellaneous expenses | 4,152,771 | 4,335,272 | 4,182,148 | 4,328,714 |
| | 16,130,755 | 15,694,539 | 16,023,357 | 15,581,360 |
| INCOME BEFORE INCOME TAX | 5,442,869 | 5,062,399 | 5,227,908 | 4,849,011 |
| PROVISION FOR INCOME TAX 22 | 268,727 | 683,618 | 203,085 | 627,180 |
| NET INCOME | 5,174,142 | 4,378,781 | 5,024,823 | 4,221,831 |

The Notes form part of these financial statements.



2008 ANNUAL REPORT

Statement of Cash Flow

For the year ended December 31, 2008 (In thousand pesos)

| | Group | | Parent | |
|--|----------------------|----------------------|----------------------|----------------------|
| | • | (As restated) | | (As restated) |
| | 2008 | 2007 | 2008 | 2007 |
| CASH FLOWS FROM OPERATING ACTIVITIES | 22 (20.002 | 21 001 002 | 22 474 412 | 20 (02 144 |
| Interest received | 22,628,083 | 21,001,062 | 22,474,413 | 20,692,144 |
| Interest paid | (6,893,062) | (7,308,150) | (6,888,017) | (7,319,188) |
| Fees and commission | 1,136,995 | 98,296 | 1,059,620 | 98,296 |
| Gain from dealings in foreign currency Miscellaneous income | 644,242 1,200,115 | 497,932 1,841,694 | 606,599 1,129,599 | 480,042 1,851,609 |
| General and administrative expenses | (11,439,267) | (11,184,277) | (11,357,144) | (11,090,821) |
| Operating income/(loss) before changes in operating | (11,439,207) | (11,104,277) | (11,557,1447) | (11,000,021) |
| assets and liabilities | 7,277,106 | 4,946,557 | 7,025,070 | 4,712,082 |
| Changes in operating assets and liabilities | | · · · · · · | | |
| (Increase) Decrease in operating assets | | | | |
| Interbank loans receivable | 14,270,288 | (780,146) | 14,270,288 | (780,146) |
| Financial assets at fair value through profit or loss | (4,282,953) | 1,768,299 | (4,282,953) | 1,768,299 |
| Loans and receivable | (61,119,797) | (14,590,992) | (61,001,351) | (14,598,799) |
| Other resources | (486,087) | 83,103 | (972,626) | 69,428 |
| Increase (Decrease) in operating liabilities | | | | |
| Deposit liabilities | 46,159,508 | 19,649,940 | 46,125,257 | 19,708,140 |
| Derivative liabilities | 37,217 | 294 | 37,217 | 294 |
| Marginal deposits | 90,158 | (177,249) | 90,158 | (177,249) |
| Treasurer's, Manager's & Cashier's Checks | 107,570 | 38,766 | 107,570 | 38,766 |
| Other liabilities | (349,376) | 4,056,055 | 592,604 | 3,881,721 |
| Net cash generated from operations | 1,703,634 | 14,994,627 | 1,991,234 | 14,622,536 |
| Income taxes paid | (182,760) | (239,746) | (153,340) | (207,540) |
| Net cash generated from operating activities | 1,520,874 | 14,754,881 | 1,837,894 | 14,414,996 |
| | | | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| (Additions)Disposals to property and equipment | (306,999) | (891,695) | (512,050) | (555,598) |
| (Additions)Disposals to investment property | 2,592,537 | 1,917,273 | 2,589,840 | 1,926,617 |
| Dividends received | 109,770 | 95,979 | 109,715 | 95,786 |
| Gain/(Loss) on financial assets & liabilities held for trading | 2,605,414 | (2,470,275) | 2,605,414 | (2,483,511) |
| Gain(Loss) from investment securities | (47,979) | 895,178 | (47,979) | 895,266 |
| Decrease (increase) in: | | | | |
| Available for sale investments | 33,817,963 | (18,752,328) | 33,824,453 | (18,701,813) |
| Held to maturity investments | (23,552,703) | 6,331,446 | (23,456,655) | 6,297,957 |
| Net cash provided by/(used in) investing activities | 15,218,003 | (12,874,422) | 15,112,738 | (12,525,296) |
| | | | | |
| CASH FLOWS FROM FINANCING ACTIVITIES | ((12.000)) | (4.000.000) | (((2,0,0,0)) | (4.000.000) |
| Cash dividends paid | (442,000) | (1,000,000) | (442,000) | (1,000,000) |
| Other charges to capital | (7,164,868) | (322,348) | (7,176,825) | (295,764) |
| Increase (decrease) in: | | (| | <i></i> |
| Bills and acceptances payable | 6,460,599 | (4,805,494) | 6,239,599 | (4,856,494) |
| Unsecured subordinated debt | 936,000 | (1,162,500) | 936,000 | (1,162,500) |
| Net cash used in financing activities | (210,269) | (7,290,342) | (443,226) | (7,314,758) |
| EFFECTS OF EXCHANGE RATE CHANGES ON | | | | |
| CASH AND CASH EQUIVALENTS | (2,266,798) | 3,836,307 | (2,263,823) | 3,836,307 |
| NET INCREASE/(DECREASE) IN CASH AND CASH | (_/) | 0,000,000 | (_) | 0,000,000 |
| EQUIVALENTS | 14,261,810 | (1,573,576) | 14,243,583 | (1,588,751) |
| | | | | |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 0.506.260 | 0.520.402 | 0 501 700 | 0.517.610 |
| Cash and other cash items | 9,586,368 | 8,529,493 | 9,581,790 | 8,517,618 |
| Due from Bangko Sentral ng Pilipinas | 45,695,244 | 39,480,260 | 45,695,244 | 39,480,260 |
| Due from other banks | 974,828 | 855,921 | 932,942 | 836,507 |
| Securities purchased under agreements to resell | 24,698,539 | 33,662,881 | 24,698,539 | 33,662,881 |
| CASH AND EQUIVALENTS AT END OF YEAR | 80,954,979 | 82,528,555 | 80,908,515 | 82,497,266 |
| CASH AND EQUIVALENTS AT END OF YEAR Cash and other cash items | 14,182,313 | 9,586,368 | 14,153,363 | 9,581,790 |
| | | | | |
| Due from Bangko Sentral ng Pilipinas | 46,041,782 | 45,695,244 | 46,041,782 | 45,695,244 |
| Due from other banks | 2,992,694 | 974,828 | 2,956,953 | 932,942 |
| Securities purchased under agreements to resell | 32,000,000 | 24,698,539 | 32,000,000 | 24,698,539 |
| | 95,216,789 | 80,954,979 | 95,152,098 | 80,908,515 |

The Notes form part of these financial statements.



Statement of Changes in Capital Funds - Group

December 31, 2008 (In thousand pesos)

| | Common | Stock | Surplus |
|---|-----------|------------|-------------|
| | Shares | Amount | Free |
| Balance, Dec. 31, 2006 | 1,197,100 | 11,971,000 | 8,568,922 |
| Net income during the year | | | 0,000,022 |
| Net unrealized gain on securities | | | |
| Payment of cash dividends | | | (1,000,000) |
| Stock dividend | | - | (135,259) |
| Transfer to surplus free | | | 4,310,254 |
| Transfer to/from surplus reserve | | | (49,009) |
| Additional reserve for trust business | | | (5,000) |
| Additional reserve for contingencies | | | (300,000) |
| Payment of tax deficiency | | | |
| Prior period adjustment | | | (142,003) |
| Closure of excess book value over cost of | | | |
| investment in subsidiaries | | | 120,179 |
| Revaluation increment on property | | | |
| Currency translation difference | | | |
| Balance, Dec. 31, 2007 | 1,197,100 | 11,971,000 | 11,368,084 |
| Net income during the year | | | |
| Net unrealized loss on securities | | | |
| Payment of cash dividends | | | (442,000) |
| Stock dividend | | | (53,615) |
| Transfer to surplus free | | | 4,378,781 |
| Transfer to/from surplus reserve | | | (37,992) |
| Additional reserve for trust business | | | (4,000) |
| Additional reserve for contingencies | | | (300,000) |
| Contribution to the Agricultural | | | |
| Guarantee Fund Pool | | | |
| PFRS/prior period adjustment | | | 45,240 |
| Closure of Deferred income tax | | | (56,099) |
| Closure of excess book value over cost of | | | |
| of investment in subsidiaries | | | 73,720 |
| Revaluation increment on property | | | |
| Currency translation difference | | | |
| Balance, Dec. 31, 2008 | 1,197,100 | 11,971,000 | 14,972,119 |

The Notes form part of these financial statements.



| | | | Currency | | Net Unrealized | |
|---------------|---------|-----------|------------|--------------|----------------|--------------|
| Revaluation | Paid-In | Surplus | Trans. | Undivided | Gain/(Loss) | |
| Increment | Surplus | Reserve | Difference | Profits | on Securities | TOTAL |
| 57 500 | 101.000 | 4 525 400 | (100) | 4 2 4 9 25 4 | 10.017.700 | 20 5 64 60 4 |
| 57,528 | 101,098 | 4,535,190 | (106) | 4,310,254 | 10,017,798 | 39,561,684 |
| | | | | 4,378,781 | 105.001 | 4,378,781 |
| | | | | | 405,981 | 405,981 |
| | | | | | | (1,000,000) |
| | | | | (1010.05.1) | | (135,259) |
| | | | | (4,310,254) | | - |
| | | 49,009 | | | - | |
| | | 5,000 | | | - | |
| | | 300,000 | | | - | |
| | | (195,103) | | | | (195,103) |
| | | 100,000 | | | | (42,003) |
| | | | | | | 120,179 |
| | | | 683 | | 683 | - |
| 57,528 | 101,098 | 4,794,096 | 577 | 4,378,781 | 10,423,779 | 43,094,943 |
| | | | | 5,174,142 | | 5,174,142 |
| | | | | | (7,020,708) | (7,020,708) |
| | | | | | | (442,000) |
| | | | | | | (53,615) |
| | | | | (4,378,781) | | - |
| | | 37,992 | | | - | |
| | | 4,000 | | | - | |
| | | 300,000 | | | - | |
| | | (100,000) | | | | (100,000) |
| | | 50,000 | | | 95,240 | C |
| | | | | | | (56,099) |
| | | | | | | 73,720 |
| 3,672 | | | | | 3,672 | |
| | | | (463) | | | (463) |
| 61,200 | 101,098 | 5,086,088 | 114 | 5,174,142 | 3,403,071 | 40,768,832 |

Statement of Changes in Capital Funds - Parent

(In thousand pesos)

| | Common St | tock | Surplus |
|--|-----------|------------|-------------|
| | Shares | Amount | Free |
| Balance, Dec. 31, 2006 | 1,197,100 | 11,971,000 | 7,635,588 |
| Net income during the year | | | |
| Net unrealized gain on securities | | | |
| Payment of cash dividends | | | (1,000,000) |
| Transfer to surplus free | | | 4,156,191 |
| Additional reserve for trust business | | | (5,000) |
| Additional reserve for contingencies | | | (300,000) |
| Payment of tax deficiency | | | |
| Prior period adjustment | | | (129,987) |
| Balance, Dec. 31, 2007 | 1,197,100 | 11,971,000 | 10,356,792 |
| Net income during the year | | | |
| Net unrealized loss on securities | | | |
| Payment of cash dividends | | | (442,000) |
| Transfer to surplus free | | | 4,221,831 |
| Additional reserve for trust business | | | (4,000) |
| Additional reserve for contingencies | | | (300,000) |
| Contribution to the Agricultural Guarantee | | | |
| Fund Pool | | | |
| PFRS/prior period adjustment | | | 51,892 |
| Closure of 2002 deferred income tax | | | (56,099) |
| Balance, Dec. 31, 2008 | 1,197,100 | 11,971,000 | 13,828,416 |

The Notes form part of these financial statements.



| | | Net Unrealized | | | | |
|---------|-----------|----------------|---------------|------------|--|--|
| Paid-In | Surplus | Undivided | Gain/(Loss) | | | |
| Surplus | Reserve | Profits | on Securities | TOTAL | | |
| | | | | | | |
| 101,098 | 4,460,150 | 4,156,191 | 10,020,885 | 38,344,912 | | |
| | | 4,221,831 | | 4,221,831 | | |
| | | | 406,506 | 406,506 | | |
| | | | | (1,000,000 | | |
| | | (4,156,191) | | | | |
| | 5,000 | | | | | |
| | 300,000 | | | - | | |
| | (195,103) | | | (195,103 | | |
| | 100,000 | | | (29,987 | | |
| 101,098 | 4,670,047 | 4,221,831 | 10,427,391 | 41,748,159 | | |
| | | 5,024,823 | | 5,024,823 | | |
| | | | (7,005,986) | (7,005,986 | | |
| | | | | (442,000 | | |
| | | (4,221,831) | | (), | | |
| | 4,000 | | - | | | |
| | 300,000 | | - | | | |
| | (100,000) | | | (100,000 | | |
| | 50,000 | | (12,547) | 89,345 | | |
| | 50,000 | | (12,347) | | | |
| 101.000 | 4 024 047 | E 024 922 | 2 400 050 | (56,099 | | |
| 101,098 | 4,924,047 | 5,024,823 | 3,408,858 | 39,258,242 | | |



Acknowledgments

Fishers of Men Multi-purpose Cooperative Cash Department Development Assistance Center IV Facilities Management Department Personnel Administration Department Procurement Department

Produced by

Corporate Affairs Department Strategic Planning Group

Design by OP Communications, Inc.

Nelson Demetillo Dojo Palines





LANDBANK PLAZA 1598 M.H. del Pilar cor. Dr. J. Quintos Sts. Malate, Manila, Philippines Tel. Nos. 522-0000 • 551-2200 • 450-7001 www.landbank.com