

2011
ANNUAL REPORT



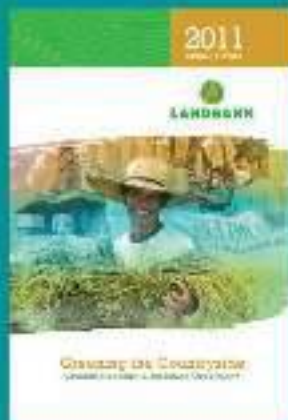
LANDBANK



Greening the Countryside
Growing Productivity, Spreading Opportunity

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ABOUT THE COVER

The countryside is at the heart of LANDBANK. The Bank takes pride in laying the foundation for an abundant life for our people, especially in the rural areas. Through various products and services, LANDBANK awakes the sleeping green countryside, linked by growth and opportunities for our fellow men.



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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.

FINANCIAL HIGHLIGHTS

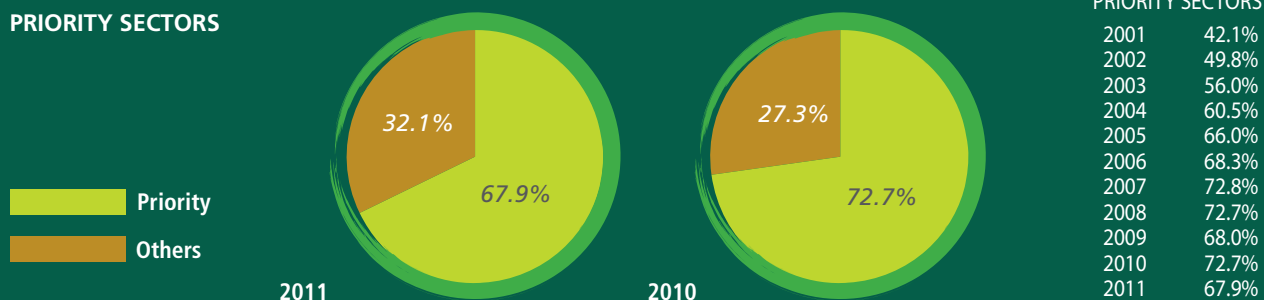
GROUP (AUDITED)

(In Billion Pesos)	2011	2010	2009	2008	2007
Total Resources	645.8	570.9	515.6	437.7	385.3
Loans	334.0	247.1	241.0	227.8	173.1
Treasury Loans	56.1	12.4	26.6	36.6	43.6
Regular Loans	249.6	205.5	187.0	174.9	121.6
Other Loans and Receivables	28.3	29.2	27.4	16.3	7.9
Investments (Net)	196.0	201.0	174.7	118.1	124.1
Deposit Liabilities	507.2	433.2	396.3	333.4	287.2
Demand	211.2	162.5	157.0	128.1	102.6
Savings	270.1	247.6	217.3	191.8	169.0
Time	25.4	22.6	21.5	13.0	15.6
LTNCD	0.5	0.5	0.5	0.5	-
Capital	77.7	68.4	53.1	40.8	43.1
Gross Revenues	34.5	34.8	31.6	29.0	28.3
Interest Income on Loans	17.1	16.9	14.5	12.4	11.4
Income on Investments	12.3	12.8	11.4	12.0	6.8
Net Income (in P M)	9,056.2	8,221.7	6,818.5	5,174.1	4,378.8

GROSS LOAN PORTFOLIO (In Billion Pesos)

Sectors	2011*		2010*	
	Amount (P B)	%	Amount (P B)	%
Farmers and Fisherfolk	31.4	12	24.1	11
Microenterprises and SMEs	21.2	8	22.3	11
Agri-business	21.4	8	22.7	11
Agri-infrastructure (LGUs)	32.2	13	30.9	15
Agriculture-Related Projects (GOCCs)	40.3	16	30.2	14
Livelihood Loans	5.5	2	5.0	2
Environment-Related Projects	6.5	3	4.7	2
Socialized Housing	6.7	3	8.0	4
Schools and Hospitals	6.9	3	7.2	3
Total Priority Sector Loans	172.1	68	155.1	73
Other LGU Loans	9.0	4	8.7	4
Other GOCC Loans	23.2	9	5.8	3
Infrastructure Development	10.6	4	9.9	4
Housing	2.3	1	1.7	1
Others	36.4	14	32.0	15
Total Other Sector Loans	81.5	32	58.1	27
Total Loan Portfolio	253.6	100	213.2	100

SHARE OF LOANS TO PRIORITY SECTORS



MESSAGE FROM THE PRESIDENT OF THE PHILIPPINES

LANDBANK, whose services enable the expansion of our priority sectors, propel development in the countryside, and elevate the conditions of communities across the archipelago.



My warmest greetings to the board, administration, and staff of the Land Bank of the Philippines on the publication of the LANDBANK 2011 Annual Report.

These past two years have seen the Philippines rise steadily among the ranks of our region's top economies; consistent quarterly growth and confidence in our governance and reforms have resulted in upgraded credit ratings that make our business environment even more favorable to investors. This success is reinforced by the accomplishments of government financial institutions such as LANDBANK, whose services enable the expansion of our priority sectors, propel development in the countryside, and elevate the conditions of communities across the archipelago.

May you be steadfast as you build on your gains which have surpassed the previous year's milestones, and reap the harvest of LANDBANK's financial assistance in our growing agriculture and fisheries sector. Let us continue working together towards our goal of equitable progress, and secure a future of stability and prosperity for every Filipino.

A handwritten signature in black ink, appearing to read 'B. Aquino III'.

President Benigno S. Aquino III
Republic of the Philippines

CHAIRMAN'S AND PRESIDENT'S REPORT

The Philippines in 2011 took to task the challenging tones that marked the country's political, social, and economic landscapes. In both broad and light strokes, the nation's strength was able to prevail, with an increase of 3.7 percent of the Gross Domestic Product (GDP) from the past year's performance.

In the home front this year, LANDBANK's institutional strength is manifested with our sound financial performance. Our viability translated to furthering the cause for national growth and success.



As the year 2011 came with the promises of rewarding change for the country and for LANDBANK, we focused our efforts on our thrust of "Greening the Countryside through Food Production and Infrastructure Development."

As the year 2011 came with the promises of rewarding change for the country and for LANDBANK, we focused our efforts on our thrust of "Greening the Countryside through Food Production and Infrastructure Development." LANDBANK has forged ahead with the longstanding commitment to excellence and sustainable development as guided by our institutional core.

As a government financial institution, we seek to attain all three of our business goals-- embodied in our day-to-day operations as a bank that rises to meet the expectations of our clients, partners and supporters. In 2011, LANDBANK pursued these goals and exceeded some targets with significant impact. The Bank made a strong showing in serving various government agencies as well as in playing a vital role in linking the national government's socio-economic programs to the target beneficiaries.

Pursuit of Mandate

Moving towards efficient management of our loan portfolio, we proceeded to rise to the challenge of directing a greater part of our resources to our priority sectors, namely small farmers and fisherfolk; micro, small and medium enterprises (SMEs); livelihood; agri-business; agri-infrastructure development of local government units; projects related to agriculture by government-owned and -controlled corporations; as well as environment-related projects; socialized housing; and schools and hospitals.

The loans released to our mandated sector of farmers and fisherfolk in 2011 stood at ₱40.5 billion. This amount represents a 25 percent increase from the ₱32.3 billion provided in 2010. Other priority sectors benefited from the 67.9 percent of LANDBANK's total regular loan portfolio of ₱253.6 billion. This is beyond the 65 percent target we have set for the year.

Institutional Viability

Showcasing resiliency in our financial performance, LANDBANK was able to hit a record ₱9.1 billion in net income. Our dividend remittance this year has added ₱5 billion to the national government's coffers, responding to its campaign for revenue generation.

LANDBANK's net income of ₱9.1 billion in 2011 marks a 10 percent increase from its 2010 net income of ₱8.2 billion. Our strong performance was complemented by our total assets which posted a 13 percent increase to ₱645.8 billion from the ₱570.9 billion registered in 2010. In addition, capital expanded by 14 percent to reach ₱77.7 billion from the ₱68.4 billion last year.

We have also made conscious efforts to revitalize the government's fight against poverty with the continuous support for the Food Supply Chain Program (FSCP) in partnership with the Department of Agriculture and the Department of Finance. Through the FSCP launched in late 2010, the Bank released ₱9.5 billion in loans to hundreds of anchor firms, cooperatives, and SMEs. FSCP provides avenues for productivity and income by providing credit and technical support, and facilitating market linkage, forming sustainable food supply chains — from production to retail among producers and buyers.

Enhanced Customer Service

LANDBANK is making constant enhancements to keep us at par with global banking practices as evident with our successful run for the ISO 9001:2008 certification in operations concerning lending and financial services, loans, and branch banking.

For more efficient services, new branches have been opened with other extension offices being upgraded into full service branches. We likewise saw growth in our client base and ATM users, to which we responded with further increases in our ATM locations, as well as improvements in our e-banking products and services. LANDBANK also took strides in improving our IT infrastructure to better align with our operational needs.

Putting premium on responsible banking translated into efforts to reinforce our risk management, governance and transparency, and environmental policies.

Moreover, we continued to recognize the significant role of LANDBANK's most vital assets in the overall success of our operations — our people. That is why more programs and assessments that zero in on the leadership and management skills of our workforce were given priority this year. We also provided other activities for the physical and spiritual wellness of our employees. It is our belief that the ability of the institution and its people to handle expectations and deliver excellence go hand in hand with our efforts to achieve and maintain a stable and strong institution.

Looking forward to a greener countryside, LANDBANK shall remain a catalyst of change with vibrant and promising hues set toward the nation's canvas of sustainable development.



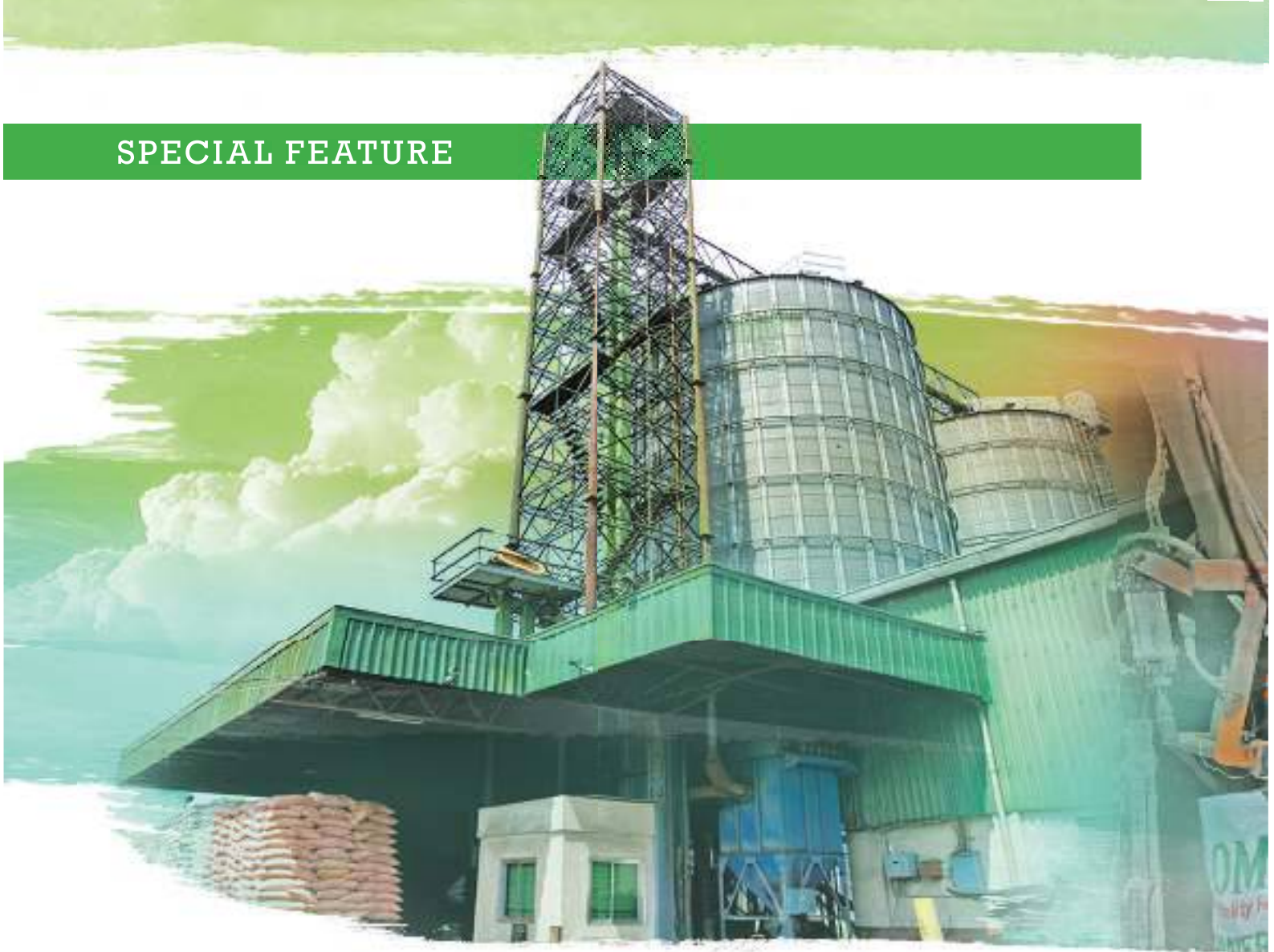
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A stylized, handwritten signature in black ink, appearing to read 'Cesar V. Purisima'.

Sec. Cesar V. Purisima
Chairman

A handwritten signature in black ink, appearing to read 'Gilda E. Pico'.

Gilda E. Pico
President and CEO



LIMCOMA MPC: MILLING FOR PROGRESS

Reminiscent of old-world charm with a rich history of diverse culture and coffee trade is the city of Lipa in Batangas. As townsfolk and visitors alike are guided by landmarks of religious devotion and natural landscapes, it is also home to the Limcoma Multi-Purpose Cooperative, a pioneer in the feed milling industry in this southern part of Luzon.

The early 1960s saw the city of Lipa and neighboring towns of Batangas regaining their economic footing after the destruction of their citrus plantation, which was the primary source of livelihood. Farmers with the entrepreneurial spirit focused their efforts toward raising poultry and other livestock instead. As this particular industry flourished in the coming years, so did the prices of feeds necessitated by industry demand and competition.

With the inflation, small scale growers found it difficult to afford market prices for livestock feeds. Without a viable mechanism to keep small scale growers afloat, community members knew an inevitable demise of the industry would follow. Hence, the birth of the Lipa City Multi-Purpose Cooperative Marketing Association, or LIMCOMA in 1970. Finding its roots among 77 livestock producers, the cooperative was established in 1970 with ₱57,000 as initial capitalization.

Mission at hand, the organization set up the basics—to mill and produce their own feeds and (feed) supplements, respectively. The co-op started manual operations wherein the pala-pala system called for workers to use spades in a leased rice mill in Lipa. From there, Limcoma's high quality products, performance



and dedicated manpower have allowed the cooperative to expand operations.

The changing times have seen Limcoma go through its own progressive shifts. These days, the organization goes simply by the name Limcoma from its official name change to Limcoma Multi-Purpose Cooperative in 1992. With regular members standing at 4,524 and associate members at 2,470 as of end-December 2011, it now conducts business in CALABARZON, Mindoro, Western Visayas, Bulacan, and Camarines Sur.

It has also become a prominent figure in the Department of Agriculture's Food Supply Chain Program (FSCP). Being a client of LANDBANK for about a decade has opened opportunities for Limcoma. Through the Bank's Development Assistance Center, the cooperative became convinced to participate in the FSCP. Aside from having access to loans to support working capital, meetings and eventual supply and purchase agreements with corn producers became easy for the cooperative. This positive avenue complemented Limcoma's agricultural production line (from LANDBANK) for its hog fattening and feed subsidy projects.

When asked about their future plans, such as with expansion and new partnerships, Limcoma President Joselito Lingao seems to adopt a roll-with-punches attitude. However, it should not be easily mistaken for complacency. He is well aware of a solid mindset when it comes to keeping the organization in its best shape ever, but does not disregard the fact that supply and demand of any goods or service is never a stationary environment.

This is why Limcoma is definite with its continuous efforts of being a well-recognized agriculture cooperative in the feed milling business with the manufacture and sale of animal feeds at the core of its operations. Management does have high hopes of venturing into other profitable undertakings in the future, not just for financial profit but for their members and communities around them.

If a clear commitment to quality and excellence, and awards received are indications of lasting success, including being the first agri-cooperative to receive an ISO 9001:2000 Certification in the country, then Limcoma Multi-Purpose Cooperative is ahead of the curve.



BOUNTY FROM BOHOL

Famous for the smallest primate in the world known as the Tarsier, and the over a thousand cone-shaped hills called Chocolate Hills, the island province of Bohol has been one of the top travel destinations in the country. Known for its white sand beaches, scenic countryside, old houses and ancient churches, it is home to Marcela Farms, Incorporated (MFI).

Named after the matriarch of the Uy family, MFI traces its humble beginnings from prawn farming back in 1996. Seeing the need to provide farm fresh produce and reasonably-priced food products for the Boholanos, MFI tapped the vast potential of the agricultural land by expanding to a piggery, poultry and dressing plant, corn production and rice and feed milling. A Bank client since its inception, LANDBANK helped make the company's development projects possible---from acquisition of assets, purchase and expansion of farmlands, procurement of machineries, equipment and other fixed assets, to enhancement of its manpower.

Seeing the potential of MFI to make greater impact to the food supply industry in the province by working synergistically with other players, the senior officers and representatives from the Development Assistance Center and the Bohol Lending Center of LANDBANK enticed the company to take part on the Food Supply Chain Program (FSCP). Through the FSCP, MFI was able to maximize credit assistance from LANDBANK to improve production efficiency and in turn, allowed more consumers to access the products they produced. Also, through the program, MFI was able to seal marketing agreements with the Bohol Bayanihan MPC, Señor San Isidro Labrador MPC, Carmen MPC and Timgas MPC for the production and marketing of corn, as well as



with various irrigators' associations in several municipalities in Bohol for the production and marketing of palay.

Apart from credit assistance and market linking, LANDBANK played a major role in program coordination by visiting farms and providing technical support through the conduct of seminars on fund management, marketing and buying schemes.

MFI practices a fully integrated supply chain for its products from production to packaging and distribution for sale in its groceries and malls in the Provinces of Bohol and Cebu.

MFI has a penchant for turning challenges into opportunities. Due to the absence of a commercial piggery in Bohol, MFI ventured into the hog fattening project. When the company noted a remarkable increase in demand for chicken meat, MFI expanded into broiler production. At present, MFI is dominating the hog and chicken meat business in the province, one with their vision of a self-sufficient Bohol and an abundant food supply for the Boholanos.

In response to the rising costs of energy and oil, MFI invested in a wastewater treatment facility that better dispose pig manure and capture methane to generate electricity. MFI's biogas plant is the first LANDBANK-financed project to be included in the Programme of Activity for piggeries under the Methane Recovery from Waste Project registered with the United Nations Framework Convention on Climate Change.

MFI's achievements and success all the more inspire its officers and employees to work on becoming one of the top agribusinesses in the country. By maintaining the quality of their products and the acquisition of state-of-the-art technologies, MFI knows that this goal is not far-fetched.

Now and in the years to come, MFI vows to help boost agriculture, uplift the standards of living of Boholano farmers and ensure that households have access to quality and affordable food. MFI envisions that Bohol be known not just for its natural beauty but also for its agricultural bounty.



DEVELOPMENT CATALYST IN DAVAO

Davao City has carved a name in the archipelago as a business, investment and tourism hub in the southern part of the Philippines. Comprising this booming city are flourishing enterprises like Ana's Breeders Farms, Incorporated (ABFI).

It was in 1975, when Mr. Rogelio Suy started a backyard piggery business. His wife, Ana, saw the potential in poultry and enticed his husband to also invest on it, thus the birth of Ana's Poultry Farm. With an initial capital of ₱6,200, the poultry farm operated in a rented lot with 2,000 broilers and three employees. Through the years, Ana's Poultry Farm expanded its operations as a contract grower of San Miguel Foods, Incorporated (SMFI). It was then renamed as Ana's Breeders Farms, Inc.

The couple's eldest child, Jonathan, and his wife, Aileen, eventually took over the management of the business. Realizing the limited growth potential of ABFI if it will only depend on the requirements of SMFI, the company developed its own facilities for the complete supply chain for dressed chicken which they branded as "Farmers Fresh Chicken". At present, 70 percent of dressed chicken they produce is distributed in Davao, 15 percent in Tacloban, 10 percent in Zamboanga and five percent in Cotabato.

From being SMFI's exclusive egg hatching facility, ABFI ventured into poultry raising, contract growing/ breeding, and dressing plant operations as well as marketing of its own product. It became a LANDBANK client in 2007 through a working capital loan which was used to expand its operations. The Bank also financed its poultry and hatchery buildings as well as the purchase of an incubator and other equipment for the new hatchery.



Believing that they have to be efficient in order to be competitive, ABFI put up a fully automated and climate-controlled battery-type broiler house to meet the increasing demand for quality chicken. It can accommodate up to 50,000 birds with a harvest time of 28 to 30 days.

LANDBANK's Davao Lending Center saw the promising capabilities of ABFI so they invited the company to attend an orientation seminar on the Food Supply Chain Program (FSCP). ABFI didn't think twice about participating in the FSCP knowing very well that it is aimed at ensuring food security in the country, specifically in their area of operations in Mindanao.

From three employees back in 1975, ABFI now employs over 600 workers to whom the Suy couple is very grateful. The couple recognizes the support of their employees in making ABFI a trailblazer in the poultry business in Davao City.

Apart from ABFI, Mr. and Mrs. Suy also runs the Jomaray Pulp Packaging Industry (JPPI) which is engaged in the production of environment-friendly packaging for high quality industrial, agricultural

and household products, and the Subzero ice and cold storage plant which supplies the tube ice requirement of the dressing plant.

ABFI aims to be the biggest poultry supplier and distributor in Davao City and be the first in Mindanao to export to Singapore. In the pipeline are the construction of its fourth breeder farm, expansion of its hatchery to a 2.4 million capacity every month and the construction of its own feed mill that will handle the feed requirements of the poultry business. By continuously expanding its operations, ABFI is able to lower its production cost.

The hard work and efforts of Mr. and Mrs. Suy have not only been rewarded with profitable enterprises. They have also been conferred with various awards from GoNegosyo, Globe, Ernst and Young and the Davao City Chamber of Commerce and Industry, Inc. The couple also received the SME Maka-kalikasan award for JPPI in LANDBANK's Gawad sa Pinakatanging Entrepreneur in 2010.

PURSUIT OF MANDATE

LANDBANK remains at the forefront of promoting countryside development through the provision of credit and technical support to the mandated clients including small farmers and fisherfolk; and other priority sectors such as micro-enterprises, small and medium enterprises; agri-business, agri-infrastructure projects of local government units, agriculture-related projects of government-owned and -controlled corporations, livelihood projects of salaried individuals, environment-related projects, socialized housing and schools and

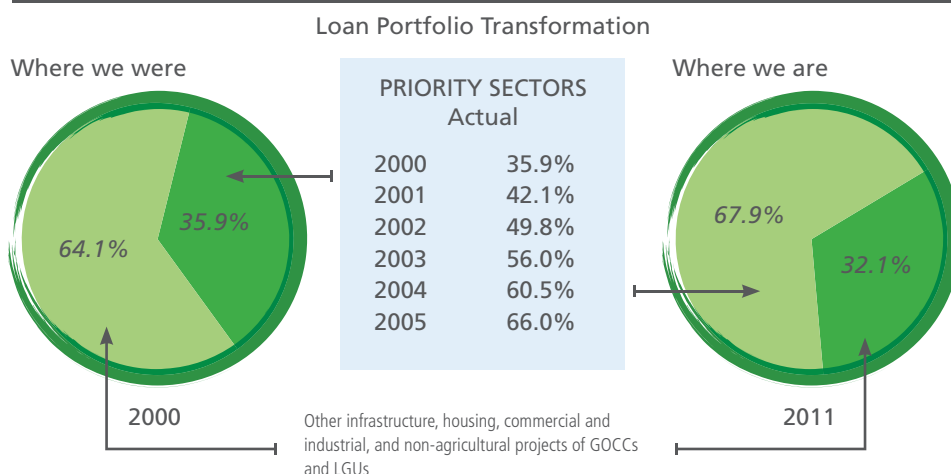
hospitals. Cognizant of its developmental function, and the need to provide adequate development interventions, LANDBANK shifted its loan portfolio in favor of its mandate and the priority sectors.

In 2011, LANDBANK's loans to the mandated and priority sectors amounted to ₱172.1 billion, or 68 percent of its total loan portfolio of ₱253.6 billion. This is a significant improvement from the 36 percent share of the said sectors in 2000.

LOAN PORTFOLIO EXPANSION FOR THE PRIORITY SECTORS:

Small farmers and fisherfolk, Micro-enterprises and SMEs, livelihood loans, agribusiness, agri-infrastructure, agri-related and environment-related projects, socialized housing, schools and hospitals

STRATEGIC THRUST (2000-2011)



LOANS TO THE PRIORITY SECTORS

Support for the Mandated Sector

Loans for Small Farmers and Fisherfolk

In 2011, loan releases to small farmers and fisherfolk reached ₱40.5 billion, 25 percent higher than the ₱32.3 billion released in 2010. These loans were channeled through 979 accredited farmers and fisherfolk cooperatives and 367 countryside financial institutions or CFIs (rural banks, cooperative banks, and development banks). More than 900,000 small farmers and fisherfolk nationwide benefited from these loans.

As of end-2011, loans outstanding to small farmers and fisherfolk expanded by 30 percent and reached ₱31.4 billion. These represented 12 percent of the Bank's loan portfolio. The bulk of these loans were used for crop production, particularly palay, corn, coconut, sugarcane and high-value crops. LANDBANK also financed other activities such as fishery, livestock, post-harvest facilities, irrigation, manufacturing, and wholesale and retail trading.

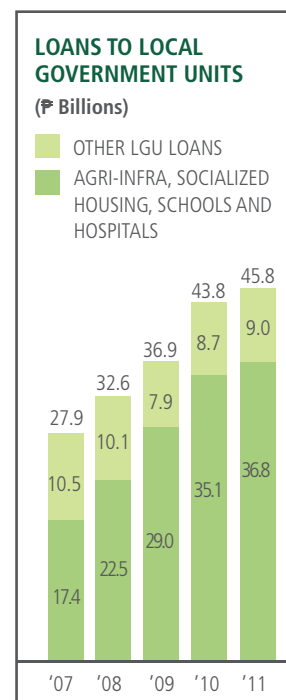
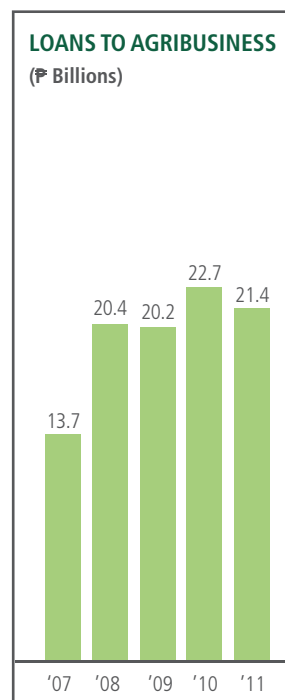
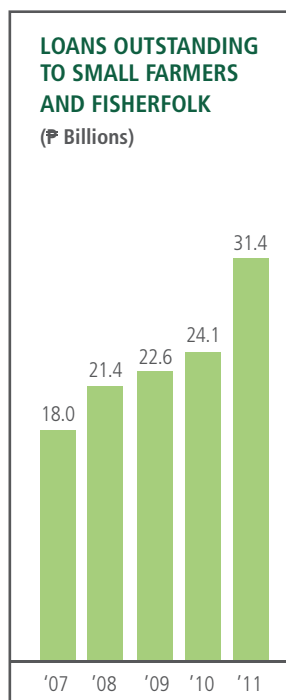
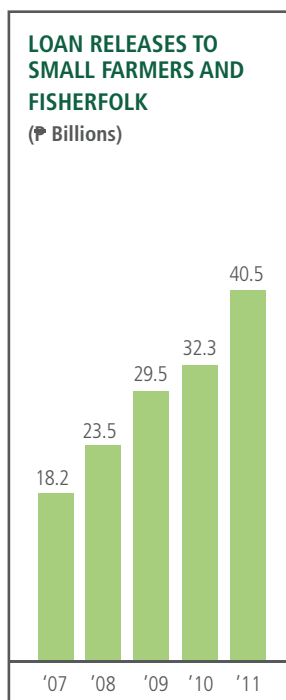
- Unsecured Subordinated Debt Facility for Countryside Financial Institutions

The Unsecured Subordinated Debt Facility for Countryside Financial Institutions is a unique development program where LANDBANK subscribes to the Tier 2 offering of accredited CFIs. With LANDBANK's subscription, the CFIs are able to improve their capital base and expand their agri-lending operations in the countryside. As of end-2011, outstanding balance stood at ₱791.0 million to 13 CFIs.

Support for Agriculture and Fisheries

Loans for Agri-business

To help promote agricultural development and job generation in the agricultural sector, LANDBANK supports private business enterprises that are engaged in agri-processing, manufacturing, packaging, storage and other agri-related services. These activities provide value addition to the produce of farmers, and help create labor in the countryside. In 2011, LANDBANK's outstanding loans to agribusinesses amounted to ₱21.4 billion representing eight percent of the Bank's loan portfolio.



Loans for Agri-infrastructure Projects of Local Government Units

Since agri-infrastructure is a key component of the value chain, LANDBANK continues to support the financing of agricultural infrastructure and other agri-related and developmental projects of local government units (LGUs).

In 2011, total outstanding LGU loans reached ₱45.8 billion, five percent higher than the ₱43.8 billion in 2010. The total outstanding LGU loans of ₱45.8 billion loans represented 18 percent of the Bank's total loan portfolio.

Of the ₱45.8 billion, loans for agri-infrastructure, socialized housing, and school and hospital projects amounted to ₱36.8 billion while ₱9.0 billion were for other developmental projects.

These loans benefited 854 LGUs covering 47 provinces, 82 cities and 725 municipalities nationwide.

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

Loans for Agri-related Projects of Government-owned and -controlled Corporations

Consistent with the National Government's thrust to support the agricultural sector, LANDBANK extends financial assistance in support of the agri-related projects of government-owned and -controlled

corporations such as the National Food Authority, Philippine Coconut Authority, Local Water Utilities Administration, Metropolitan Waterworks and Sewerage System and the Power Sector Assets and Liabilities Management.

In 2011, total loans outstanding of GOCCs amounted to ₱40.3 billion, 33 percent higher than the ₱30.2 billion in 2010. These loans comprised 16 percent of the Bank's loan portfolio.

Support for National Government Priority Programs

Food Supply Chain Program

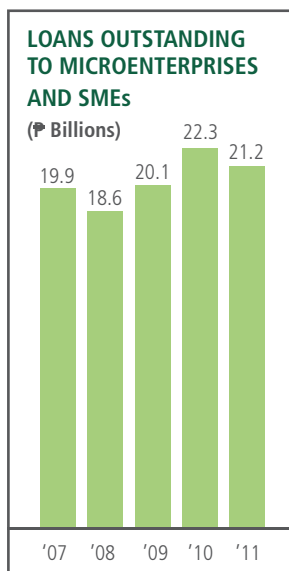
In support of the National Government's thrust to promote food security and increase agricultural productivity and income of farmers, LANDBANK, in partnership with the Department of Agriculture and the Department of Finance, launched the Food Supply Chain Program on October 4, 2010. The program extends technical interventions and financial support to all segments of the value chain.

Specifically, the program provides the following:

- Credit assistance to key players in the food system such as agricultural producers, service providers, consolidators, processors and various market players;
- Market linkages between agricultural producers and processors; and
- Capacity-building support to strengthen farmers' organizations and enable them to meet product requirements of anchor firms.

LANDBANK has earmarked ₱50 billion for the program to support the financial requirements for crop, livestock and fishery production, working capital and acquisition of processing and other fixed assets.

As of end-2011, a total of ₱9.5 billion was released for 140 projects participated by 381 conduits (farmer cooperatives and associations and non-government organizations) and 140 anchor firms which benefited 78,050 farmer-beneficiaries nationwide. These projects involved integrated rice, corn and vegetable production; processing and marketing; integrated fish, poultry and livestock production, fattening and marketing; integrated prawn/shrimp culture; integrated canned fish processing; integrated pineapple, banana cardava; tomato fruit and paste; oil palm production and processing; organic muscovado sugar production; onion production; cold storage and marketing; and asparagus growing.



Loans for Micro-enterprises and Small and Medium Enterprises

As of end-2011, credit support to micro-enterprises and small and medium enterprises (SMEs) reached ₱21.2 billion or eight percent of the Bank's regular loan portfolio. Of the ₱21.2 billion loans, ₱5.8 billion were lent to micro-enterprises through accredited conduits and ₱15.4 billion to SMEs.

OFW Reintegration Program

In August 2011, LANDBANK and the Overseas Workers Welfare Administration (OWWA) entered into a partnership to provide returning Overseas Filipino Workers (OFWs) economic opportunities to engage in livelihood projects or business enterprises on a sustainable basis. Along this thrust, the Bank earmarked ₱1.0 billion to finance the viable projects of OFWs and their families.

Under the program, an OFW who is certified and endorsed by OWWA, may avail of financial assistance to support eligible projects provided said projects will generate a monthly net income of at least ₱10,000. The loan amount will depend on the project to be funded with a minimum and maximum amount of ₱300,000 and ₱2.0 million, respectively. Loans made under the program are tacked an interest rate of 7.5 percent per annum fixed for the duration of the loan.

In 2011, LANDBANK released a total of ₱75.1 million to 166 OFW-borrowers generating 643 jobs. The projects financed under the program include rice trading, duck-raising, poultry and egg production, meat processing, internet café, transportation operation, health and beauty services and grocery/retail stores.



LANDBANK seals memorandum of agreement with the OWWA for the OFW Reintegration Program.

Loans for Environment-related Projects

Cognizant of its mission to promote development that is consonant to ecological principles, LANDBANK offers special financing windows to encourage enterprises to invest in cleaner production and environment-friendly projects.

In 2011, outstanding loans on environment-related projects amounted to ₱6.5 billion or three percent of the Bank's total loan portfolio. Projects financed were sanitary landfills, mini-hydro power plants, wastewater management and energy efficiency, among others.

Loans for Livelihood

LANDBANK provides loans to government and private employees for their livelihood projects and business endeavors. This is in support of the overall government's thrust to encourage entrepreneurship outside of the workplace. Under the program, qualified employees can borrow up to six months of their basic salary but not to exceed ₱80,000. Officers can borrow up to six months of their basic salary but not to exceed ₱150,000. Livelihood loans have a minimum term of 12 months to a maximum of 36 months.

In 2011, LANDBANK's loan outstanding on livelihood loans reached ₱5.5 billion or two percent of the Bank's loan portfolio.

Loans for Socialized Housing

In 2011, LANDBANK's outstanding loans for socialized housing reached ₱6.7 billion or three percent share to the Bank's loan portfolio. The socialized housing loan facility was implemented as part of the government's overall effort to make housing accessible and affordable.

Loans for Schools and Hospitals

LANDBANK extends loans for the construction and maintenance of educational institutions, hospitals and other medical services. These are vital installations which are necessary for a community to grow and develop.

In 2011, outstanding loans for schools and hospitals reached ₱6.9 billion or three percent of the Bank's loan portfolio.

AGRICULTURAL CREDIT EXPANSION PROGRAM

■ Grassroots Development Program

The Grassroots Development Program (GDP) was introduced in 2011 to address the financial and technical support requirements of small farmers and fisherfolk (SFFs) in unserved areas or municipalities. The GDP aims to expand banking services in the identified unserved areas of the Bank to reach out to more SFFs and micro-entrepreneurs through the setting up of grassroots-enabling partners (GEPs), such as agri-business entities and NGOs.

The credit component of the program, which provides for a three-year term loan working capital to participating CFIs and MFIs, was issued on May 5, 2011 per Executive Order No. 10, series of 2011. An initial amount of ₱500 million was allocated by the Bank for the credit component of the GDP. Likewise, an initial amount of ₱50 million was earmarked by LANDBANK as technical assistance fund for capacity development, livelihood training and organization-building of qualified CFIs and MFIs to aid them in extending banking services.

■ Sikat-Saka Program

As a measure to address the financing needs of farmers who are not members of a LANDBANK-accredited cooperative, the LANDBANK and the Department of Agriculture (DA) forged a partnership for the implementation of the Sikat-Saka Program. The program aims to provide financial assistance to small palay farmers who are mostly members of irrigators associations. Under the agreement, LANDBANK shall provide financial assistance and manpower to complement, manage and monitor the program implementation. The loan proceeds of the farmers will be credited to their special LANDBANK Sikat-Saka ATM card.

Initially, LANDBANK and DA earmarked ₱200 million each for loans to palay farmers in four major rice-producing provinces – Isabela, Nueva Ecija, Iloilo and North Cotabato.

LANDBANK DEVELOPMENT ASSISTANCE PROGRAM

■ Developing Partnership through Key Cooperatives

LANDBANK also taps strong LANDBANK-assisted municipal lead cooperatives development partners to assist small farmers and fisherfolk and other priority underserved sectors. These strong co-ops, which are classified as Class A and B under the Bank's Cooperative Accreditation Criteria, are called Key Cooperatives (KCs).

The Key Cooperative's roles include absorbing good paying members of disenfranchised cooperatives, engaging in inter-cooperative business

complementation, and establishing linkage with government and private institutions. As an incentive for a key cooperative to sustain its good performance and absorb more farmer members, LANDBANK provides for a one percent reduction of interest rates on loans, subsidized training programs and recognition under the Bank's annual Gawad Pitak program.

As of end-December 2011, the Bank was able to accredit a total of 221 KCs nationwide.

■ Operations Review

As part of the continuing development assistance to the Bank-assisted cooperatives, LANDBANK conducts a periodic review of the cooperatives' operations. The review is meant to determine the operational strengths and weaknesses of the Bank-assisted cooperatives and recommends to the management of the cooperative the appropriate interventions to address the identified weaknesses.

The operations review covers six areas of a cooperative's operations namely - Organization and Management, Business Operations, Financial Stability, Cashiering, Lending and Credit Advances, and Bookkeeping and Other Security Measures.

■ Awards and Recognition

Cognizant of the contributions of the Bank's conduits and clients in promoting countryside development, LANDBANK annually recognizes the outstanding performance of its development partners. The Bank gives awards to partner cooperatives, countryside financial institutions and small and medium enterprises.



Gawad sa Pinakatanging Kooperatiba (Gawad PITAK)

Gawad PITAK is LANDBANK's recognition program for outstanding cooperatives that have positively and significantly influenced their

respective members and their communities through sustained and excellent performance. Now on its 21st year, the selection of winners in the Gawad PITAK is done in partnership with the Committee on Cooperatives of the Philippine Congress (Senate and House of Representatives), Department of Agriculture, Department of Agrarian Reform, Cooperative Development Authority, Polytechnic University of the Philippines and the Philippine Partnership for the Development of Human Resources in Rural Areas.

In 2011, the following Bank-assisted cooperatives were accorded the Gawad PITAK:

AGRI-BASED CATEGORY

First Place	- Catmon Multi-Purpose Cooperative (Sta. Maria, Bulacan)
Second Place	- Bagumbayan Primary Multi-Purpose Cooperative (Llanera, Nueva Ecija)
Third Place	- Baug CARP Beneficiaries MPC (Magallanes, Agusan del Norte)
Fourth Place	- Kabalikat Para sa Diyos at Bayan MPC (Odiongan, Romblon)
Fifth Place	- Leon Small Coconut Farmers MPC (Leon, Iloilo)
Hall of Fame	- San Joaquin Multi-Purpose Cooperative (Sarrat, Ilocos Sur)

NON-AGRI-BASED CATEGORY

First Place	- Dingle Government Workers Development Cooperative (Dingle, Iloilo)
Second Place	- Sta. Cruz Savings and Development Cooperative (Sta. Cruz, Ilocos Sur)
Third Place	- Iwahori Multi-Purpose Cooperative (Mariveles, Bataan)
Fourth Place	- Escalante Public and Private School Teachers and Employees MPC (Escalante, Negros Occidental)
Fifth Place	- San Pedro de Alcantara Kilusang Bayan sa Pagpapaunlad (SPAKBPI) (Bocaue, Bulacan)

COOPERATIVE RURAL BANK CATEGORY

Hall of Fame	- Cooperative Rural Bank of Bulacan (Plaridel, Bulacan)
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The Catmon MPC from Sta. Maria, Bulacan bagged the first prize in the Agri-based category of the Gawad PITAK 2011.



The Dingle Government Workers Development Cooperative from Dingle, Iloilo landed on first place in the Gawad PITAK 2011 Non-agri-based category.



Sps. Cristina and Mario Nicolas of MN Electro Industrial Supply and Services clinched the Entrepreneur of the Year award for 2011.

Gawad Entrepreneur



pursuing socially responsible undertakings that contribute to the growth of the society.

For 2011, the following SMEs were given recognition:

LANDBANK also gives recognition to outstanding Bank-assisted small and medium enterprises (SMEs) under its annual Gawad Entrepreneur. The program is now on its 8th year. The awardees serve as the Bank's partners in encouraging potential entrepreneurs in

ENTREPRENEUR OF THE YEAR

Sps. Cristina and Mario Nicolas
MN Electro Industrial Supply and Services
(Carmen West Rosales, Pangasinan)

OUTSTANDING AGRI-BASED ENTREPRENEUR

Sps. Severina and Benjamin Velos
Velomer Poultry and Hog Farms (Malaybalay, Bukidnon)

OUTSTANDING NON AGRI-BASED ENTREPRENEUR

Sps. Criselda and John Ma. Chumacera
John and Cel Hardware and Construction Supply (Tagkawayan, Quezon)



D' Asian Hills Bank, Inc. from Bukidnon was named the most outstanding partner CFI in the national category for 2011.

Outstanding Countryside Financial Institutions

The Countryside Financial Institutions' (CFIs) contribution in the delivery of credit in the countryside is likewise recognized. Yearly, LANDBANK identifies partner rural banks that have significantly contributed to the Bank's objective of expanding financial assistance in the rural areas. On its 13th year, LANDBANK conferred 12 regional winners, five national winners, one Hall of Fame winner and seven special awardees to partner rural banks.

National Winners:

First Place	- D' Asian Hills Bank, Inc.	Region X
Second Place	- Cantilan Bank, Inc. (A Rural Bank)	Caraga
Third Place	- Agribusiness Rural Bank, Inc.	Region II
Fourth Place	- Rural Bank of Goa, Inc.	Region V
Fifth Place	- Zambales Rural Bank, Inc.	Region III
Hall of Fame	- Peoples Bank of Caraga, Inc.	Caraga

OTHER SUPPORT PROGRAMS FOR AGRICULTURAL CREDIT

Considering the risk associated in lending to the sectors LANDBANK is mandated to serve, LANDBANK has tapped and used various credit enhancements as a risk mitigating measure. These credit enhancements include guarantee/insurance coverage from the Agricultural Guarantee Fund Pool (AGFP), the Philippine Crop Insurance Corporation (PCIC) Insurance Coverage and the Credit Surety Fund (CSF).

LANDBANK likewise participates in various industry undertakings, in partnership with other institutions and agencies, if only to ensure the strengthening of the agriculture sector. Some of the programs which LANDBANK is part of are the Strengthening Program for Cooperative Banks (SPCB) and the Countryside Financial Institution Enhancement Program (CFIEP).

■ **Agricultural Guarantee Fund Pool**

The Agricultural Guarantee Fund Pool (AGFP) is a program of the Department of Agriculture which is jointly administered by the Agricultural Credit Policy Council of the Department of Agriculture and the Land Bank of the Philippines. The AGFP is a pool of funds which is used to guarantee the food production loan portfolio of financial institutions. The AGFP was set up to encourage financial institutions and other credit conduits to lend to small farmers in support of the government's agricultural productivity program.

■ **Philippine Crop Insurance Corporation**

The Philippine Crop Insurance Corporation (PCIC) is a government-owned and -controlled corporation attached to the Department of Agriculture whose principal mandate is to provide insurance protection to farmers against losses arising from natural calamities, plant diseases and pest infestations of palay and corn crops as well as other crops. The PCIC also provides protection against damage to/loss of non-crop agricultural assets including, but not limited to, machineries, equipment, transport facilities and other related infrastructures due to peril insured against. The Philippines is vulnerable to natural disasters which cause devastation on crops and miseries to agricultural producers and lenders of agricultural credit.

An LBP-PCIC Crop Insurance Team was created by virtue of Joint LBP-PCIC Order No. 2008-01 to serve as venue to discuss and propose solutions to crop insurance problems and issues encountered by LANDBANK offices. The LBP-PCIC Crop Insurance Team likewise, identifies and recommends policy improvements to expand and accelerate crop insurance coverage of farmers.

■ Credit Surety Fund

The Credit Surety Fund (CSF) is a program implemented by the Bangko Sentral ng Pilipinas, which aims to help micro, small and medium enterprises by providing collateral alternatives for, and payment assurance on their bank loans. It is a fund pool that is established from the contributions of participating proponents such as cooperatives, LGUs, NGOs, banks and other donors.

■ Strengthening Program for Co-op Banks

The Strengthening Program for Co-op Banks (SPCB) aims to strengthen the cooperative banking system through mergers and consolidation or acquisition of weak cooperative banks by strong partners called Strategic Third Party Investor. The SPCB is a joint undertaking by the BSP, PDIC and LANDBANK which was established through a Memorandum of Agreement signed on November 16, 2011. Fifteen co-op banks signified their intention to participate in the program.

■ Countryside Financial Institutions Enhancement Program

The Countryside Financial Institutions Enhancement Program (CFIEP) is a program jointly supported by the BSP, PDIC and LANDBANK. The program aims, among others, to strengthen the rural banking sector through the provision of appropriate interventions. The CFIEP

came about as a condition of the US\$150-million loan Countryside Loan Fund extended by the World Bank to LANDBANK in 1991. The program was formally launched with the issuance of CB Circular No. 1315 dated October 29, 1991. To upgrade the financial literacy and capacities of CFIs especially the weak rural banks, the CFIEP in 2011, conducted six training programs focusing on loan portfolio management, financial reporting package, and corporate governance and risk management which benefited 155 CFI participants.

SUPPORT TO THE COMPREHENSIVE AGRARIAN REFORM PROGRAM

As an implementing agency of the Comprehensive Agrarian Reform Program (CARP), LANDBANK undertakes the valuation of 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 ARBs.

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. CARP farmer-beneficiaries pay in 30 annual amortizations at six percent interest per annum for lands awarded to them.

■ CARP Land Transfer Operations

In terms of land valuation, 1,553 land transfer claims covering 13,814 hectares were approved for payment in 2011. The total value of approved land transfer claims amounted to ₱1.3 billion.



LANDBANK signs Strengthening Program for Co-op Banks agreement with BSP and PDIC.

■ Landowners Compensation and Assistance

As the financial intermediary of CARP, the Bank paid ₱4.3 billion as compensation to owners of CARP-covered private agricultural lands in 2011. The cash component was ₱2.0 billion, while redeemed bonds pertaining to principal and interest payments amounted to ₱2.0 billion and ₱341.2 million, respectively.

The Bank also assisted CARP-covered landowners and bondholders in the encashment of their CARP bonds for various financing needs. In 2011, more than 1,284 bondholders or landowners were assisted by the Bank in selling ₱456.5 million worth of Agrarian Reform Bonds.

■ Land Amortization Collections from CARP Farmer-Beneficiaries

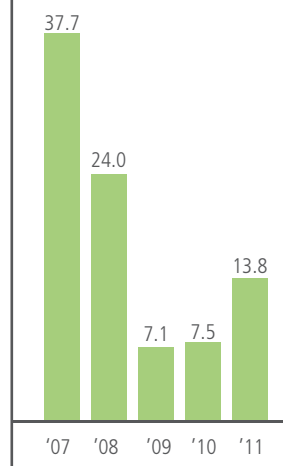
In 2011, land amortization collections from Agrarian Reform farmer-beneficiaries amounted to ₱502.5 million, 29 percent higher than the ₱390.1 million collected in 2010.

■ LANDBANK-administered Agrarian Reform Fund for CARP

In 2011, LANDBANK received ₱2.3 billion from the Bureau of the Treasury (BTr) for bond servicing requirements on 10-year CARP bonds under the automatic appropriation.

LANDBANK also received ₱7.9 billion from the Department of Budget and Management representing LBP-CARP budget for 2010 (₱3.97 billion) and for 2011 (₱3.97 billion).

CARP LAND TRANSFER OPERATIONS PRIVATE AGRICULTURAL LANDS
(In thousand Hectares)



CUSTOMER SERVICE

As part of its thrust to provide quality service to its customers and stakeholders, LANDBANK continues to expand and innovate on its products and services to make banking convenient and improve efficiency and delivery of service.

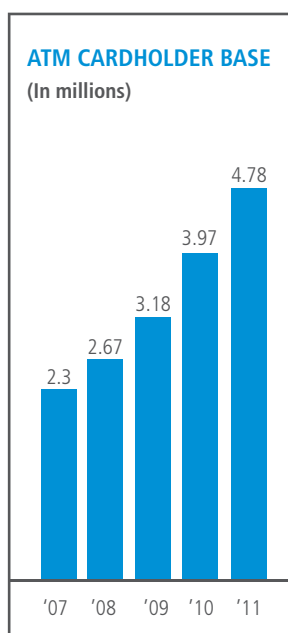
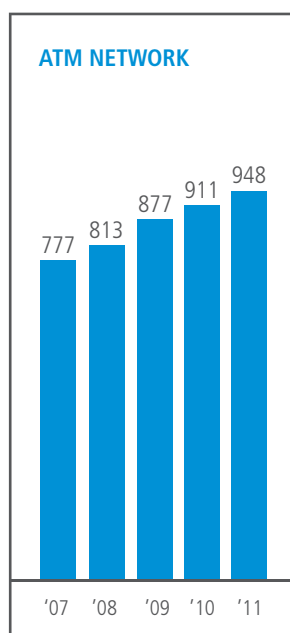
EXPANSION AND WIDENING OF DELIVERY CHANNELS

■ New Branches

In order to serve and make banking services available to more clients, LANDBANK opened three new branches in 2011. These new branches are in Polangui (Albay), Taguig City Hall, and Elliptical Road Branch. LANDBANK likewise upgraded two of its extension offices to full service branches in order to provide clients and customers a wide array of bank products and services, bringing the total number of frontline offices (branches and extension units) to 328 in 2011.

In the banking industry, LANDBANK has the most extensive branch network with presence in 79 of the country's 80 provinces. Of the total branches, 209 branches are located in Luzon - 77 of which are in the National Capital Region - while 52 branches are in the Visayas and 67 branches are in Mindanao.

Aside from its branches, LANDBANK likewise operates eight tellinging booths, eight foreign exchange booths, and 32 Lending Centers to serve the banking needs of customers.



■ New ATMs

For the past years, LANDBANK has vigorously pursued its ATM deployment program to provide a more customer-oriented delivery of basic banking services. For the year 2011, the Bank installed additional 39 new ATMs in various locations nationwide, replaced 15 old ATM units, and de-installed for disposal two unserviceable ATM units.

With a total of 948 ATMs as of year-end 2011, LANDBANK maintained its ranking as the fourth largest bank in terms of ATM network. These ATMs were distributed nationwide with 274 (29 percent) in the National Capital Region, 157 (17 percent) in Northern and Central Luzon, 155 (16 percent) in Southern Luzon, 168 (18 percent) in the Visayas and 194 (20 percent) in Mindanao.

From 83.6 percent in 2010, the Bank's ATM availability rate has improved to 86.8 percent in 2011. The improvement in the availability of ATM was largely due to the initiatives undertaken in 2011 which include the provision of training to branch personnel on ATM First Level Maintenance. Regular monitoring of ATMs and compliance with the Service Level Agreement by the service provider were also pursued in 2011.

LANDBANK's membership with Expressnet and interconnection with Megalink and Bancnet enabled the Bank's ATM cardholders to have access to additional 10,523 ATMs of other banks nationwide.

The debit cardholders comprising of ATM and cash cardholders, continued to grow each year. In 2011, LANDBANK ranked third in the banking industry in terms of cardholder base registering a 20 percent growth rate from 3.97 million cardholders in 2010 to 4.78 million in 2011.

■ Conduit Banks

In 2011, LANDBANK maintained correspondent banking relationships with 951 partner banks which enhanced the service capabilities of the Bank in many areas locally and globally. Of the 952 correspondent partner banks, 39 are local while 913 are international.

In addition, LANDBANK partnered with 318 rural financial institutions to expand its market reach and deliver basic banking services in the countryside. The conduit banks which LANDBANK partners with include rural banks, cooperative banks and thrift/development banks.

■ Cooperatives

In order to service the financing requirements of farmers and fisherfolk in many un-banked and underbanked areas, LANDBANK continues to accredit cooperatives as development partners. To effectively expand its reach to more beneficiaries, the Bank lends wholesale to accredited cooperatives nationwide. These cooperatives, in turn, on-lend to their members for their various financial needs. As of year-end 2011, the Bank has established partnerships with 1,649 cooperatives.

■ Remittance Tie-ups/Partnerships

In 2011, LANDBANK generated US\$720.5 million in inward remittances from the Asia Pacific, Middle East, Europe, USA, Canada, and from domestic manning agencies. This is 5.6 percent higher than total remittances of US\$682.0 million in 2010.

To further expand its remittance network in Japan, Korea and Abu Dhabi, LANDBANK in 2011, forged new remittance tie-ups with Speed Money Transfer Japan K.K and Shinhan Bank, and a partnership with Delma Exchange. Likewise, four new shipping/manning agencies were added to the Bank's list of remittance clients.

CONVENIENCE AND ACCESS TO BANKING SERVICES

■ Phonebanking – Phone Access

The LANDBANK Phone Access is a 24/7 telephone banking service for ATM and current account depositors. By simply dialing telephone number 405-7000 in NCR and toll-free number 1-800-10-405-7000 outside NCR, a depositor can perform banking transactions such as bills payment, fund transfer, balance and last debit/credit transaction inquiries, checkbook requisition, bank statement request, check status and check deposit inquiries and report on lost or stolen card.

By the end of 2011, the accounts enrolled under Phone Access totaled 2,320,279 representing 88 percent of the total number of eligible accounts. The phonebanking transactions processed during the year reached 2,404,836 or an average of 6,589 daily transactions.

■ Express Payment System

One feature of the LANDBANK ATM card is its usability as a debit card for the convenience of the cardholder. Through the Express Payment System (EPS), cardholders can pay for purchases by swiping the ATM card in the point-of-sale (POS) terminals of accredited establishments nationwide and a key-in of the cardholder's personal identification number. These actions will automatically debit the cardholder's account and credit the establishment's account.

In 2011, EPS transactions recorded a very significant increase of 65 percent to 2.7 million from 1.6 million in 2010. This high volume

of EPS transactions was attributed to the POS interconnection of Expressnet, Bancnet and Megalink in the last quarter of 2010.

■ Retail Internet Banking – iAccess

The iAccess is an e-banking innovation of LANDBANK to further expand delivery channels and to provide banking convenience to our individual depositors. By logging on to www.lbpiaaccess.com, an enrolled depositor can perform a wide range of financial and non-financial transactions, such as fund transfer, bills payment, checkbook requisition, account summary, account history, check status inquiry, returned check deposit inquiry and report on lost or stolen ATM card.

In 2011, iAccess enrollment reached 230,510 bringing the total iAccess enrollees to 519,484 or a 27 percent increase from the 2010 enrollees of 182,134.

On the other hand, the volume of iAccess transactions processed in 2011 totaled 7,497,943 amounting to ₱683 million. This is 77 percent and 188 percent higher than the 2010 figures of 4,245,501 transactions and ₱237 million, respectively. These significant improvements affirm that iAccess has been widely accepted by individual depositors due to its proven convenience and reliability.

■ Institutional Internet Banking – weAccess

The weAccess is another facility that gives the Bank's institutional customers, both in the private and government sectors, internet/on-line banking convenience. To avail of the weAccess, customers can log on to www.lbpweaccess.com. Through weAccess, various banking services can be transacted online, such as balance inquiry, account statement, fund transfer, fund sweeping, bills payment, auto debiting, auto crediting, payroll, check status inquiry and loan information.

In 2011, weAccess enrollment and utilization showed significant improvements. Enrollment during the year totaled 2,030 institutions or 51 percent growth from 1,344 institutions in 2010, bringing the total enrollment to 3,794 institutions. Relatedly, the total amount of transactions passing through the weAccess facility reached ₱31.4 billion in 2011.

■ OFW Cash Card

To provide faster and cheaper remittance service for Overseas Filipino Workers (OFWs), LANDBANK, in partnership with SMART Communications, Inc., developed the OFW Cash Card. It is an electronic debit card linked to a Smart mobile phone that serves as a remittance channel through which OFWs can transfer funds to their beneficiaries' accounts in a speed of a text message.

The OFW Cash Card is available for OFWs bound for the Middle East, Asia-Pacific, North America and Europe. For the year 2011, there were 20,507 OFW cash cards issued with total credits of ₱42.4 million.

CUSTOMER-FOCUSED BANK PRODUCTS AND SERVICES

Bank Products

Loans

In support of its mandate, LANDBANK offers various credit facilities that will answer the requirements of its clientele. For its development conduits such as cooperatives, rural banks, cooperative banks and other organizations, LANDBANK extends wholesale facilities in the form of rediscounting and working capital loans to address the short term agricultural production requirements of small farmers and fisherfolk. Long-term credit facilities are also extended to qualified conduits that operate common processing facilities for the farmers. These facilities may include dryers, rice mills and other post-harvest and processing facilities.

For SMEs, corporate and public (local government units, GOCCs, government agencies) sector borrowers, LANDBANK extends loans on a direct basis. For these sectors, LANDBANK offers loans that will address the specific funding requirements of the clients.

Investment Products

The Bank provides a range of investment banking services to the public and private sectors, such as equity and debt underwriting, financial advisory, project finance and debt syndication.

In 2011, the Bank was involved in various investment banking transactions with government agencies that included, the Bureau of the Treasury, Power Sector Assets and Liabilities Management Corporation, National Food Authority and the Metropolitan Waterworks and Sewerage System, among others. The Bank was also engaged with private companies such as the Private Infra Development Corporation, Maynilad and DMCI Homes. In 2011, the Bank's participation in investment banking transactions reached an aggregate value of approximately ₱76.1 billion.

Trust

The Trust Banking Group (TBG) regained its footing by the end of 2011 after the highly liquid market conditions of the previous year impacted on TBG's performance.

By year-end 2011, TBG's asset under management (AUM) reached ₱67.5 billion, higher by ₱18.1 billion or 36.6 percent from the 2010 level. This improved TBG's industry ranking to 11th place from 12th spot in 2010. With the sustained

liquidity in the market, the number of investment management accounts increased by 44 percent during the year. The volume of newly-opened accounts contributed an increase of 9.5 percent to the total AUM while additional funds generated from the existing accounts reached ₱13.9 billion. Gross income from trustee fees grew by 10.3 percent from 2010 to 2011. This is much higher than the minimal growth of 0.9 percent during the comparable period 2009 to 2010.

In September 2011, TBG secured approval from the BSP to offer the new LANDBANK Money Market Fund, bringing the total number of LANDBANK UITFs to four in 2011. The Money Market Fund is suitable for conservative investors who are looking for short-term investments that provide decent returns.

TBG continued to gear up its operations with an enhanced back-room automated system and implemented policies and procedures aligned with the new regulatory requirements involving risk management and governance.

Services (Existing and New)

Customer Care Center

The LANDBANK Customer Care Center provides 24/7 customer assistance and 8/5 iAccess and weAccess helpdesks. It is staffed by phonebankers and helpdesk agents who answer the calls and emails of clients concerning their deposit accounts, credit card and internet banking transactions.

For the year 2011, the Customer Care Center handled a total of 99,788 transactions, covering Phone Access, iAccess and weAccess transactions.

Pre-Departure Seminars

In 2011, LANDBANK entered into a joint undertaking with the Commission on Filipino Overseas (CFO) for the implementation of various programs for Filipino emigrants, particularly on handling lectures on financial literacy in the CFO's Pre-Departure Orientation Seminars (PDOS) and Community Education Programs.



In coordination with the LANDBANK Countryside Development Foundation, Inc., the Bank conducted PDOS to OFWs at the LANDBANK Head Office.

■ Point-of-Sale Payment of NAIA Terminal Fees

On November 22, 2011, a Memorandum of Agreement was entered into by LANDBANK and the Manila International Airport Authority (MIAA) in order to facilitate the payment of terminal fees by passengers. In relation to this, the MIAA engaged LANDBANK to establish point-of-sale (POS) terminals at the Ninoy Aquino International Airport (NAIA) for the convenience of domestic and international passengers.

In December 2011, LANDBANK installed eight units of POS terminals in NAIA which processed 2,985 transactions amounting to ₱3.5 million.

■ SEC Registration of Corporations

In support of the other initiatives of the National Government, LANDBANK signed a Memorandum of Agreement in July 2011 with the Securities and Exchange Commission (SEC) where SEC engaged the Bank's services and facilities to receive and pre-process registration applications of corporations. Likewise, LANDBANK was commissioned by SEC to accept payments for SEC registration fees that allowed SEC applicants to transact business with SEC without going to their head office or regional offices.

For 2011, LANDBANK received a total of 21 SEC registration applications, of which, three have been approved by SEC. After SEC's approval, the Bank also handles the release of the Certificates of Registration to the corporations.

CASH MANAGEMENT SERVICES TO THE NATIONAL GOVERNMENT

■ Modified Disbursement Scheme

As the National Government's primary depository bank, LANDBANK services the disbursement system of government funds through the Modified Disbursement Scheme (MDS). The MDS is done in coordination with the Department of Budget and Management and the Bureau of the Treasury.

In 2011, LANDBANK branches processed a total of 4.3 million checks amounting to ₱972.1 billion, or 84 percent of the total disbursements of the Philippine government. These disbursements

included payments and fund releases of the government for development projects, operating expenses and salaries of government personnel.

■ Continuous Form Checks

LANDBANK handles the encashment of Continuous Form Checks (CFCs) issued by government agencies and instrumentalities for payment of personnel salaries and other monetary benefits. In 2011, LANDBANK processed 1.18 million CFCs amounting to ₱11.16 billion, benefiting 13 agencies.

■ Revenue Collection Services

LANDBANK performs an important role in revenue generation for the government through the collection of taxes. In 2011, the tax collection of the Bank for the government totaled ₱120 billion. For the Bureau of Internal Revenue, LANDBANK processed and remitted a total of ₱96.8 billion in taxes involving 4.18 million transactions.

For the Bureau of Customs, on the other hand, LANDBANK collected a total of ₱23.3 billion in tariffs and duties involving 39,082 transactions.

■ Conditional Cash Transfer Program

In coordination with the Department of Social Welfare and Development (DSWD) and the local government units, LANDBANK acts as the distribution channel for the Conditional Cash Transfer (CCT) Program - a poverty-reduction scheme of the National Government which provides cash grants to extremely poor households.

In support of the program, LANDBANK issued cash cards to the beneficiaries who have been identified by DSWD. The cash cards are credited with the monthly cash grants, which amounts, can be withdrawn through the ATM. In order to expand the distribution channel, the Bank tapped the Globe G-Cash and Bank-assisted countryside financial institutions, cooperatives and NGOs as program conduits. To ensure smooth implementation of the CCT, a CCT Program Management Office was created by LANDBANK.

In 2011, LANDBANK disbursed a total of ₱18.1 billion to two billion household beneficiaries all over the country.



A LANDBANK employee assists a CCT beneficiary in withdrawing her cash grant.

■ Government Collection Services

LANDBANK also serves as the collection arm of the Philippine Health Insurance Corporation, Social Security System, Home Development Mutual Fund, National Home Mortgage and Finance Corporation, Social Housing Finance Corporation, Philippine Economic Zone Authority, and the Quezon City Government. Total collections by the Bank from these government institutions reached ₱1.9 billion in 2011.

EXPANDING QUALITY MANAGEMENT SYSTEMS IN LANDBANK'S CORE PROCESSES

LANDBANK is among the 45 government entities that have successfully earned ISO 9001 certification for the years 2010 and 2011. For this, LANDBANK received a plaque of recognition from the Government Quality Management Committee (GQMC) during its 3rd ISO 9001 recognition ceremony at the Malacañan Palace. After successfully securing its ISO 9001 Quality Management certification in 2010 in three core banking processes: lending and financial services operations of the Public Sector Department; loan operations of the Pampanga Lending Center; and branch banking operations of the PEZA-Roxas Boulevard branch, the Bank in July 2011 launched the third phase of its ISO-Quality Management System (QMS) program. The third phase expands the scope of the certified branch banking processes to cover all 77 Metro Manila branches.

Also, in 2011, the three LANDBANK units that have been certified were subjected to customer satisfaction surveys which showed positive results. The units implemented enhancements in their service delivery that resulted in shorter processing time.

The ISO-QMS Road Map for Phase III includes seminars on QMS, documentation requirements, internal quality audit trainings, implementation workshops, seminars on basic quality and productivity approaches and certification audit by a third party certification body.

INFORMATION TECHNOLOGY SUPPORT AND BANK PROCESSES AUTOMATION

In pursuing operational efficiencies and to better serve the clients, LANDBANK continues to automate processes and procedures. In 2011, the Bank completed numerous IT projects, and started new ones.

■ IT Projects Completed in 2011

Subsidiary Ledger System

The Subsidiary Ledger System is an automated system that handles recording of accounting entries and details of Subsidiary Ledger (SL) accounts of Head Office and Field Accounting Units for all types of transactions and currencies.

The system provides a consistent, reconcilable, and auditable set of SLs for both statutory and management reporting. It generates the necessary month-end, year-end and other SL reports that may be required, thus improving business transaction efficiency, effectiveness, and transparency.

The initial implementation of the SL System started in June 2011 and targeted for full implementation in 2013.

Financial Reporting Package System

In June 2011, the Bank implemented the Financial Reporting Package System (FRPS) in compliance with Bangko Sentral ng Pilipinas (BSP) Circular No. 512, as amended, aligning BSP reportorial requirements with the provisions of the Philippine Financial Reporting Standards/Philippine Accounting Standards (PFRS/PAS).

FRPS is a web-based application used by all accounting units of the Bank to facilitate timely submission of accurate financial statements and schedules. The FRPS has two components: (1) the SOLO basis which comprises 137 schedules for combined financial statements



President Benigno S. Aquino III confers the plaque of recognition from the Government Quality Management Committee to LANDBANK President and CEO Gilda Pico during the awarding ceremony at the Malacañan Palace.

of Head Office units and branches; and (2) the CONSO basis which comprises 80 schedules for combined financial statements of parent bank and financial allied subsidiaries. Since its implementation, the Bank has successfully submitted accurate FRP reports or schedules within the prescribed deadline.

Loans Origination System

The Loans Origination System (LOS) is an end-to-end workflow loan system which covers online processing of loans from initiation up to approval. With LOS, processing of loan application will be efficiently done by the Bank's lending units, thus, significantly reducing the loan processing time. LOS was initially implemented in July 2011.

Symbols Loan System Enhancements Phase 3

The SYMBOLS Loan System is an online system that handles processing and booking of loan transactions. It has functionality for account monitoring from credit initiation to litigation, and consolidates loan information for profitability analysis and performance reporting.

For Phase 3, the Bank implemented priority enhancements in the system to address the data requirements per BSP Circular 512 (as amended by BSP Circular 568), and to enable interface with the Financial Management System. These priority enhancements were implemented in July 2011.

Electronic Modified Disbursement System

The Electronic Modified Disbursement System (e-MDS) is a web-based system developed by LANDBANK that allows its government clients to initiate and process Modified Disbursement System (MDS) transactions online.

MDS is the process by which the Philippine Government disburses funds to the line agencies through the government servicing banks. MDS transactions include Advice of Checks Issued and Cancelled (ACIC), processing of payment of accounts payable to internal creditors, transfer of fund allocation, and request for checkbook. With the 24x7 accessibility of e-MDS, the Department of Budget and Management, Bureau of Treasury, and other MDS clients no longer need to go to LANDBANK branches for an MDS transaction, thus making it more convenient for them. The e-MDS was implemented in July 2011.

Data Warehouse IT Infrastructure Analysis

In October 2011, the Data Warehouse IT Infrastructure Analysis was undertaken in preparation for the plan to upgrade the components of the Data Warehouse (DW) System and the prospective requirements of the DW, Anti-Money Laundering System and Credit Risk Engine System Projects.

As of end-2011, the DW with its Deposits Module (Module 1) was able to service at least 35 bank offices and branches (including the Assets and Liabilities Committee), by providing them deposit reports on a regular basis and as requested according to their need.

The Loans MIS (Module 2) is targeted to be available before the end of 2012. Upgrading of the components of the DW is essential in sustaining the provision of accurate and timely information to management to aid in making informed decisions.

Total Investment Accounting and Portfolio Management System (TAPS) Phase 3

The Total Investment Accounting and Portfolio Management System (TAPS) is a web-based trust banking application system of LANDBANK for back-office investment administration and investor accounting for wealth management services.

The partial implementation of TAPS Phase 3 (upgrade and enhancement) in December 2011, made LANDBANK compliant with the BSP's Financial Reporting Package for Trust Institutions per BSP Circular No. 609, series of 2008 (as amended by BSP Circular 641, series of 2009).

Acquisition of Additional Security Devices

In December 2011, the Technology Management Group acquired and operationalized a web application firewall that monitors and potentially blocks the input, output, or system service calls that do not pass the Bank's configured firewall policy.

The acquisition of a database security firewall aims to protect databases from attacks, data loss and theft is underway.

IT Projects that have been started in 2011

ATM and ATM-related Projects

The Consumer and e-Banking Group initiated various ATM and ATM-related projects with the end view of being at par with the industry, reducing operational expense, and increasing the Bank's revenue.

- International Debit Card Project

The International Debit Card Project is consistent with the Electronic Commerce Act of 2000 and Joint Department Administrative Orders No. 2-2006 and 10-2010 issued by the Department of Finance and the Department of Trade and Industry aimed at promoting the use of electronic channels for international and domestic dealings especially for government transactions.

This project is expected to tap potential overseas market, reduce cash handling and operational expense on ATM management, and improve ATM availability.

- Inter-Bank Fund Transfer

The Inter-Bank Fund Transfer is a feature that will allow real-time transfer of funds (debit and credit) from one account to any destination account maintained in another financial institution for settlement purposes in an e-commerce transaction. While LANDBANK will benefit from lower operational cost than the over-the-counter transaction, still the Bank's clients can enjoy faster and more convenient fund transfer service.

- Real-Time Debit of Inter-Bank Balance Inquiry Service Charge

With the Real-Time Debit of Inter-Bank Balance Inquiry Service Charge, the Bank will be able to collect service charge for balance inquiry in real time.

- Remote ATM Reading

Remote ATM Reading is a system feature which allows remote transferring of copy of ATM terminal reading per cassette and Electronic Journal (EJ) from ATM to the LBP Host or main server, and then transfer from the main server to the branches through the Integrated Documents and Reports Archival and Retrieval System (IDRARS) daily after batch. This feature reduces the cost attributed to ATM terminal reading, downloading, and facilitates timely and accurate reporting of the Bank's cash position. At the same time, it maximizes the efficiency of branches in serving Bank clients by reducing the downtime to about five minutes per day per ATM unit.

Credit Risk Engine System Phase 2

The Credit Risk Engine System (CRES) is an automated credit rating system capable of scientifically analyzing behavioral patterns of clients by segments to come up with calculations of Probabilities of Default (PD), Loss Given Default (LGD), Exposure at Default (EAD) and Effective Maturity (M) as inputs towards determination of risk weights of assets (credit) for the calculation of the Capital Adequacy Ratio (CAR). The system which has Credit Rating and PD Models for five streams (namely Retail, Corporate, LGU, SME and Cooperative) was handed over to the Credit Policy and Risk Management Department in July 2010.

The Phase II of the project was started in April 2011 and aims to enable the automated calculation of Credit Risk Weighted Assets (CRWA) under the Foundation Internal Ratings Based approach. The data infrastructure shall be built up starting with the Local Government Units' (LGU) portfolio, thus minimizing the capital charges on this portfolio. This savings may be allocated to further expand the Bank's loan and investment portfolios.

Human Resource Information System Enhancement

The Human Resource Information System (HRIS) is an integrated solution for managing human capital of the Bank. With SAP ERP Human Capital Management as the official product name, it automates the three key human resource processes – talent management, workforce process and workforce deployment. In March 2011, proposed enhancement was approved to include Time and Attendance module in the operational HRIS.

Enhancements on LANDBANK Cash Card

During the first semester of 2011, the Consumer and e-Banking Group introduced the following enhancements to the LANDBANK Cash Card to better serve the cardholders:

- Automatic mass reactivation of expired Cash Cards and automatic debit of reactivation fee, thus saving time by eliminating the tedious manual reactivation by branches;
- Aggregation and linking of issued Cash Cards per customer to track cash card issuances to common cardholders and consolidate the total amount loaded, thereby monitoring compliance with aggregate monthly load limit; and,
- Creation of Mainframe Batch Top Up for an economical and faster processing of large volume of transactions.

INSTITUTIONAL VIABILITY

LANDBANK continuously exerts efforts to make its operations better and more efficient not only to improve the delivery of its services but also to ensure operation efficiency, reduce cost of operations, and optimize earnings.

CORPORATE GOVERNANCE STRUCTURE

■ Board Composition

The Land Bank of the Philippines is wholly-owned by the Philippine National Government. As such, all members of the LANDBANK Board of Directors are appointed by the President of the Philippines with none of the Board members having a shareholding in the Bank.

The LANDBANK Board is composed of nine members – five ex-officio and four private sector representatives. The ex-officio members are the incumbent Secretaries of the Department of Finance, Department of Agriculture, Department of Agrarian Reform and the Department of Labor and Employment. Of the four private sector representatives, two represent the Agrarian Reform Beneficiaries.

The LANDBANK Board is chaired by the Secretary of Finance with the LANDBANK President and CEO as vice chairperson. In 2011, the following served as members of the LANDBANK Board:

- Honorable Cesar V. Purisima
Secretary, Department of Finance and Chairman
DOF Undersecretary Jeremias N. Paul, Jr.
(alternate director)
- Gilda E. Pico
LANDBANK President and CEO and Vice Chairperson
- Honorable Proceso J. Alcala
Secretary, Department of Agriculture
DA Undersecretary Antonio A. Fleta
(alternate director)
- Honorable Virgilio R. de los Reyes
Secretary, Department of Agrarian Reform
DAR Undersecretary Anthony N. Paruñgao
(alternate director)
- Honorable Rosalinda D. Baldoz
Secretary, Department of Labor and Employment
DOLE Undersecretary Danny P. Cruz (alternate director)
- Director Domingo I. Diaz
Representative, Private Sector

- Director Tomas T. de Leon, Jr.
Representative, Private Sector
- Director Crispino T. Aguelo
Representative, Agrarian Reform Beneficiaries
- Director Victor Gerardo J. Bulatao
Representative, Agrarian Reform Beneficiaries

An independent director, as defined in the BSP's Manual of Regulations, should not be an officer or a majority stockholder of the Bank; should not be related to any director or officer of the Bank; and must not be retained as a professional adviser, consultant or counsel of the Bank. For 2011, the Bank's independent directors were Victor Gerardo J. Bulatao and Tomas T. de Leon, Jr..

■ The Functions of the Board of Directors

As with private corporations, the LANDBANK Board sets the tone from the top. The LANDBANK Board establishes the overall policies and strategic directions which serve as the guidepost of the management and operating units in the overall operation of the Bank. The LANDBANK Board serves as an oversight and ensures that the Bank remains accountable to its various stakeholders. Also, and in the furtherance of its mandate, the LANDBANK Board champions good corporate governance that requires, among others, strong adherence to ethical standards and strict compliance with legal, institutional and regulatory requirements.

■ Board Performance and Attendance

As a corporate governance initiative, LANDBANK continues to implement the Annual Performance Rating System for its Board of Directors. This initiative, which was started in 2009, is a self-rating performance assessment of the Board and the four Board-level committees, namely, the Audit Committee; the Risk Management Committee; the Trust Committee; and the Corporate Governance Committee. The rating system, developed in coordination with the Institute of Corporate Directors, regularly monitors and gauges the director's performance against internationally-accepted principles of corporate governance and industry best practice. The implementation of the rating system boosted the Bank's standards of corporate governance and improved business performance.

The self-rating instrument assesses the effectiveness of the Board and the four Board-level committees in the performance of their principal duties and responsibilities as an individual director as well as a collegial body.

The development of the performance rating system for the newly-created Board-level committee – the Agri-Agra Social Concerns Committee – will be undertaken in 2012.

In 2011, the LANDBANK Board held 25 regular meetings and one special meeting. Perfect attendance was logged by LANDBANK President and CEO Gilda E. Pico and Director Victor Gerardo J. Bulatao. The average attendance rate for 2011 of the whole Board was 88 percent.

■ Board Committees

For an efficient discharge of its oversight functions, the LANDBANK Board delegates specific functions and responsibilities to the five Board-level committees. These Board-level committees effectively assist the LANDBANK Board as a body in the exercise of its duties and responsibilities. These Board-level committees are the: Corporate Governance Committee, the Audit Committee, the Risk Management Committee, the Trust Committee and the Agri-Agra Social Concerns Committee.

Each Board-level committee has a charter which provides for the composition, authority, duties and responsibilities of the committee. Remuneration of the Board members is in accordance with the GOCC Governance Act of 2011 (Republic Act 10149). The four non-ex-officio members receive a per diem of ₱40,000 for every Board session attended.

Moreover, the directors are entitled to receive honorarium for every Board meeting attended.

The Agri-Agra Social Concerns Committee

Among the five Board-level committees, the Agri-Agra Social Concerns Committee is the newest having been created in April 2011. The creation of the Agri-Agra Social Concerns Committee bespeaks of the Board's prioritization of the Bank's agri-agra thrust.

The coverage and functions of the Agri-Agra Social Concerns Committee include the following– (i) formulation of non-credit policies to improve the delivery of services on CARP and other agri-agra matters; (ii) clearing house for LANDBANK's CARP-related non-credit programs; and (iii) monitoring of the status of implementation of the Bank's various non-credit agri-agra and social concerns programs.

The Committee is chaired by Director Victor Gerardo J. Bulatao with the LANDBANK President and CEO, Gilda Pico as vice chairperson. The members of the Agri-Agra Social Concerns Committee are the Secretaries of Agriculture and Agrarian Reform, and Director Crispino T. Aguelo.

The Agri-Agra Social Concerns Committee held a total of eight meetings in 2011. The attendance rate for 2011 was 80 percent.

Of the five members, three were able to attend all eight meetings in 2011. These members were the chairman, Director Victor Gerardo

J. Bulatao, LANDBANK President and CEO Gilda E. Pico, and DAR Secretary Virgilio R. de los Reyes.

The Audit Committee

In behalf of the LANDBANK Board, the Audit Committee oversees the material and substantive aspects of the Bank's reporting control and audit functions. It makes good on its oversight responsibilities in the protection of the integrity of the Bank's financial statements; in ensuring LANDBANK's compliance with the legal and regulatory requirements; establishment of the internal auditors' qualifications and independence; and the checking of the performance of the Bank's internal audit functions and compliance.

The Audit Committee is composed of five directors, specifically – the DAR and DOF Secretaries and three representatives. The DAR Secretary sits as the Audit Committee's chair with the DOF Secretary as vice-chair. The rest of the committee members are Directors Domingo I. Diaz, Victor Gerardo J. Bulatao and Crispino T. Aguelo.

In 2011, the Audit Committee approved the Internal Audit Group's (IAG) plans and programs for the year, the IAG Risk Scoring System for 2012 including its override policies, and the decision tree for the reporting of Crimes and Losses. Also, the Audit Committee approved the terms of reference and budget for the engagement of third-party service providers for the review of the Bank's Internal Capital Adequacy Assessment Process (ICAAP) and Business Continuity Plan, the independent model validation of market risk models, and the conduct of external quality assessment of the IAG. The amendment of the IAG Charter was also approved in 2011.

Two Bank units, the Koronadal Accounting Center and the Puerto (Cagayan de Oro) Branch, presented to the Audit Committee their initiatives which were effective in the attainment of their "exemplary" ratings in 2011. Likewise, the action plans of Bank units which failed in the risk based internal audit were presented to the Audit Committee.

There were 13 meetings conducted by the Audit Committee in 2011. The attendance rate was 88 percent. Directors Victor Gerardo J. Bulatao and Crispino T. Aguelo attended all meetings in 2011.

The Risk Management Committee

The Risk Management Committee provides the oversight on all matters pertinent to risk management including the development of risk strategies, policies, guidelines, procedures and systems. The Committee ensures that the Bank's risk exposures are recognized and that appropriate risk-mitigating measures are adequately established.

The Risk Management Committee also oversees the system of authority limits delegated by the LANDBANK Board to management and, if breaches occur, immediately recommends corrective actions. It also establishes the system for the reporting and disclosure of risk information to the LANDBANK Board which approves various guidelines and procedures on risk measurement and validation, business continuity monitoring, liquidity risk approving authorities, risk appetite statement and risk dictionary, among others.