LANDBANK
WE HELP YOU GROW.

2016
Annual
Report

Building on our Gains
Rising to the Future

About the Cover

NURTURING THE SEEDS OF GROWTH

Contents

VISION

By 2018, LANDBANK will be the top universal bank that promotes inclusive growth and improves the quality of life especially in the countryside through the delivery of innovative financial and other services in all provinces, cities and municipalities.

MISSION

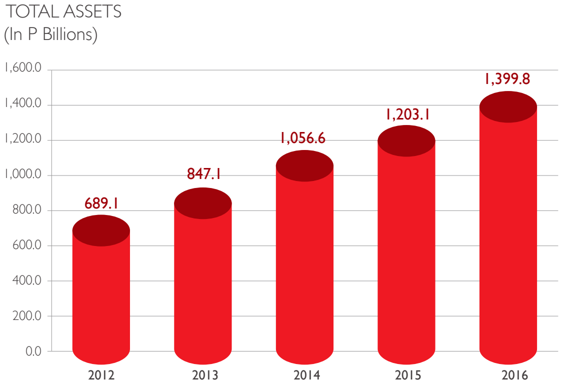
To Our Clients and Publics:

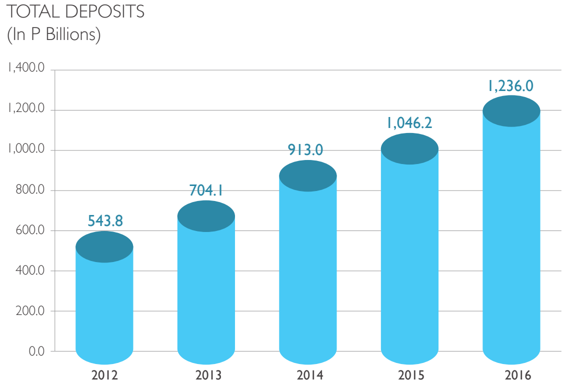
We will use the best technology solutions to deliver responsive financial and support services to our clients, while promoting sustainable development, and environmental protection.

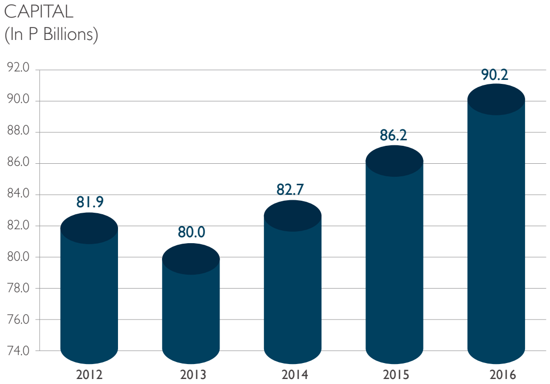
To Our Employees:

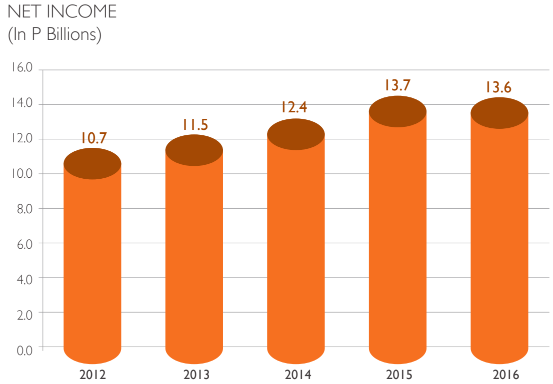
We will develop and nurture talents that will exemplify the highest standards of ethics and excellence consistent with the best in the world.

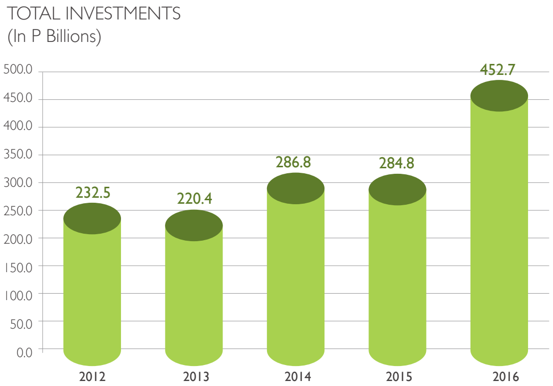
FINANCIAL HIGHLIGHTS

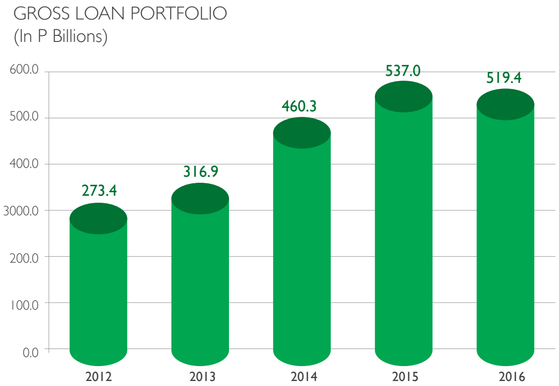












FINANCIAL HIGHLIGHTS

	GROUP (AUDITED)				
	2016	2015	2014	2013	2012
		As restated			
(in Billion Pesos)					
Total Resources	**1,402.3**	1,205.8	1,058.6	849.3	691.5
Loans	**531.5**	551.9	475.8	335.6	330.5
Treasury Loans	**30.4**	101.5	73.6	13.2	36.2
Regular Loans	**483.6**	431.0	382.4	300.0	270.0
Other Loans and Receivables	**17.5**	19.5	19.8	22.4	24.3
Investments (Net)	**453.1**	285.2	302.0	223.1	236.1
Deposit Liabilities	**1,235.6**	1,045.9	912.6	703.7	543.7
Demand	**558.4**	474.5	392.0	348.1	244.4
Savings	**621.4**	533.2	469.3	324.0	267.3
Time	**44.8**	27.2	46.3	26.6	31.4
LTNCD	**11.0**	11.0	5.0	5.0	0.6
Capital	**92.8**	88.7	85.0	82.1	84.0
Gross Revenues	**47.7**	44.3	39.2	42.6	38.1
Interest Income on Loans	**25.9**	23.8	19.9	17.4	16.9
Income on Investments	**14.6**	13.4	12.3	17.7	12.3
Net Income (in P M)	**13,814.1**	13,965.9	12,643.9	11,789.9	10,962.8

LBP GROSS LOAN PORTFOLIO (IN BILLION PESOS)		
	2016	
Sectors	Amount (P B)	%
Priority Sectors		
I. Mandated Sector		
o Small farmers including agrarian reform beneficiaries and their associations	40.7	8.4
o Small fisherfolk and their associations	0.1	0.02
Sub-Total	40.8	8.4
II. Support for Agriculture and Fisheries		
o Agri-business	53.8	11.0
o Aqua-business	1.3	0.3
o Agri-aqua related projects of Local Government Units and Government-Owned and -Controlled Corporations	55.9	11.4
Sub-Total	111.0	22.7
III. Support for National Government Priority Programs (including PPP projects)		
o Micro, small and medium enterprises	62.8	12.8
o Communications	28.0	5.7
o Transportation	30.0	6.1
o Housing (Socialized, low-cost and medium-cost)	40.5	8.3
o Education	4.5	0.9
o Health Care	10.2	2.1
o Environment-related projects	15.4	3.2
o Tourism	6.5	1.3
o Utilities	70.4	14.4
o Others	20.3	4.2
Sub-Total	288.6	59.0
TOTAL PRIORITY SECTOR LOANS	**440.4**	**90.1**
Local Government Units - Others	10.9	2.2
Government Owned and Controlled Corporations - Others	14.9	3.1
Others	22.6	4.6
TOTAL OTHER SECTOR LOANS	**48.4**	**9.9**
LOANS TO ALL SECTORS *	**488.8**	**100.0**
Less: Unsecured Subordinated Debt Facility on Rural Banks	0.3	
Add: Domestic Bills Purchased Lines	0.5	
REGULAR LOAN PORTFOLIO	**489.0**	
Add: Treasury Loans	30.4	
GROSS LOAN PORTFOLIO	**519.4**	

* Excludes Interbank Term Loans Receivable (Foreign Regular/FCDU/EFCDU), Loans Receivables Arising from Repurchase Agreements/Certificates of Assignment/Participation with Recourse/ Securities Lending and Borrowing Transaction, and Domestic Bills Purchased Lines; Includes Unsecured Subordinated Debt Facility on Rural Banks

MESSAGE FROM THE PRESIDENT OF THE PHILIPPINES

My warmest greetings to the Land Bank of the Philippines (LANDBANK) on the publication of its 2016 Annual Report.

For more than half a century, LANDBANK has remarkably grown beyond its original purpose of supporting the government's agrarian reform program. History is witness to its evolution to become one of the country's largest and most important financial institutions.

I commend the bank's management and personnel for ensuring responsive technology-driven service to its clients without compromising the bank's fundamental principles of social justice, people-empowerment, environmental protection and sustainable development.

Be assured that I am fully behind you in your vision of becoming the country's top universal bank by 2018. Boosted by our impressive economic growth for the past year, I am confident that your accomplishments will serve as a driving force in our efforts to improve the lives of our people, especially in the countryside.

I wish you all the best for the years ahead.

RODRIGO ROA DUTERTE

MANILA
May 2017

Sustaining Gains to Strengthen Growth

When the Land Bank of the Philippines (LANDBANK) began to use "We Help You Grow" as our tagline in 2014, the organization committed to redoubling our efforts to help make a lasting impact on the lives of Filipinos. We challenged ourselves to go beyond banking as usual, to fulfill the Bank's social mandate, and to promote growth among our clients as well as the country's economic development.

These relentless efforts would result to another strong and remarkable performance for the Bank in 2016. Our three major business goals – Institutional Viability, Pursuit of Mandate and Customer Service – were achieved with encouraging results.

As the country transitioned to a new administration under President Rodrigo Roa Duterte, LANDBANK made sure we were equipped with the right tools and mechanism to respond to the government's thrust of bringing about change especially in the public sector. But being in the industry of banking has long made LANDBANK embrace and champion change. We acknowledge the need to keep attuned to, and responsive to the banking needs of clients.

The year 2016 saw LANDBANK further building upon its gains – achieved over the years – to create better and far-reaching financial products and services. We opened more branches and offices, and improved our overall customer service. LANDBANK remains as a financially viable institution that is committed to do high-impact banking towards advancing inclusive countryside development.

P40.8B

net income

Institutional Viability: Keeping the Business Sound

In 2016, LANDBANK maintained a sound financial performance and consistently ranked among the top universal banks in the country in terms of assets, deposits, loans, capital and net income.

The Bank's strong performance is mainly credited to the growth in assets at P1.4 trillion, up by 17% from P1.2 trillion in 2015 – primarily driven by the 18% growth in deposits, which rose to P1.2 trillion from P1.0 trillion.

Our net income reached P13.6 billion, relatively flat from P13.7 billion in 2015. This translated to a return on equity of 15.72%, which is significantly above the industry average of 10.49%. Capital, meanwhile, also grew by 5% to P90.2 billion from P86.2 billion in 2015.

With these gains, the Bank has pledged to channel these resources to support the farmers and fishers and other marginalized sectors. Our aim is to triple the Bank's lending to small farmers and fishers from P40.8 billion as of end-December 2016, to P115 billion by 2022, after the six-year term of President Duterte.

Pursuit of Mandate: Expanding Financial inclusion

Providing people credit suitable
In 2016, LANDBANK continued to deliver its wide array of financial programs and services to its mandated clients and priority sectors in the countryside. Total loans to our priority sectors reached P440.4 billion, resulting to a record-high share of 90.1% of the Bank's loan portfolio to all sectors at P488.8 billion.

The Bank also continues to support financing programs and initiatives in partnership with various government agencies, including the Bank's Sikat Saka Program (SSP) with the Department of Agriculture (DA), the Agrarian Production Credit Program (APCP) with the Department of Agrarian Reform (DAR), and the Agricultural and Fisheries Financing Program (AFFP) with the DA-Agricultural Credit Policy Council.

We also ensured the provision of loans to the country's 20 poorest provinces identified under DA's Registry System for Basic Sector in Agriculture. By the end of 2016, LANDBANK has released a total of P26.0 billion to these 20 provinces.

These programs are our contributions to help modernize the agriculture and fisheries sector and push the agribusiness community towards generating higher value products and greater income.

Encouraging financial literacy
In response to the call of the Bangko Sentral ng Pilipinas (BSP) for financial inclusion among unbanked and unserved communities, especially in rural areas, the Bank organized the "Ipon at Kabuhayan para sa mga Kababayan." It was a financial inclusion caravan, which we conducted simultaneously in various 4th and 5th class municipalities that have limited access to financial services.

The BSP, Department of Social Welfare and Development, and partner cooperatives supported this initiative, which started in June 2016. It successfully reached out to 4,000 unbanked Filipinos, who were taught financial literacy, how to open savings accounts, and the use of automated teller machines (ATMs) and cash deposit machines, as well as introduced to business and livelihood opportunities. This resulted to the opening of 2,623 savings accounts with an outstanding balance of P2.4 million by year-end 2016.

Financial inclusion is a continuing priority for LANDBANK in support of the government's thrust to achieve inclusive and broad-based growth.

Customer Service: Counting on our People

In the course of business, and as we expand our operations, new clients are being brought in. But the bigger challenge lies in keeping them, and in going beyond satisfying their banking needs. LANDBANK has been constantly reviewing our systems and processes, to further enhance our products and services, as well as the quality of our customer service.

LANDBANK sustained the expansion of our physical network across the country, bringing the total number of branches and extension offices to 370 (nine new); LANDBANK Easy Access Facility (LEAF) units, considered as other banking offices (OBOs), to 40 (16 new); and ATMs to 1,634 (131 new).

We also made sure new information technology (IT) projects were developed and implemented to respond to the demands of our clients, and the emerging requirements and trends in the banking industry.

The year 2016 saw LANDBANK further building upon its gains – achieved over the years – to create better and far-reaching financial products and services.

"With LANDBANK's social mandate of promoting inclusive growth and countryside development, the Bank anchors its various financing programs and initiatives on the government's developmental thrusts and priority programs in partnership with various government agencies."

The Bank also subjected itself to two external surveys, conducted by the Civil Service Commission (CSC) and Nielsen Philippines, respectively. LANDBANK obtained an overall national score of 88.14% and a 100% passing rate in CSC's Anti-Red Tape Act Report Card Survey, and received a satisfaction rating of 98% in Nielsen's customer satisfaction survey from August to October 2016.

In July last year, we issued the Guidelines on LANDBANK Customer Assistance Management, which standardized the Bank's handling of client concerns, and provision of appropriate resolution and escalation process for any inquiry, request or complaint.

Our Bank personnel, as ambassadors of our service brand promise, play a big and crucial role in keeping our customers happy. To strengthen Landbankers' engagement to our goal of achieving service excellence, LANDBANK launched an internal program dubbed "Take the LEAD (Listen, Explore, Act and Delight)". Through trainings, a communication campaign, and incentive program, we hope to rally our employees to champion customer service, and live up to the tagline "We Help You Grow".

Corporate Social Responsibility: Beyond banking

LANDBANK employees are considered a vital cog in the Bank's globally and nationally recognized Corporate Social Responsibility (CSR) initiatives. Together with the Board and Management, we seek to advance causes beyond our core businesses. In going the extra mile, and serving beyond banking, we hope to help make positive changes in the lives of more people – LANDBANK clients or otherwise.

In 2016, the Bank institutionalized its employee volunteerism program dubbed "VOLUNTEERific." Landbankers across the country rendered a total of 34,972 hours for volunteerism activities conducted last year. The Philippine National Volunteer Service Coordinating Agency has also taken notice of LANDBANK's volunteer program, considering it a benchmark for government agencies.

In 2016, the Bank added a new CSR program, the Gawad Katubigan, which provides disaster prone-areas with preparedness training as well as access to clean water through portable water filtration systems.

With our CSR programs, we hope to leave a positive mark in focus areas summarized as LEED, or Livelihood, Education, Environment, and Disaster Response.

Fortifying the pillars of growth

As consistency is key to achieving our shared dream of a developed, progressive country, LANDBANK builds on every challenge and triumph. As we gain better perspective, we improve ourselves, and fortify the pillars of our growth.

We know that bullish financial numbers do not define our work, but improved lives of Filipinos do. There's a lot more to be done. We hope you'll continue to support and partner with LANDBANK, towards achieving a better quality of life for more of our countrymen.

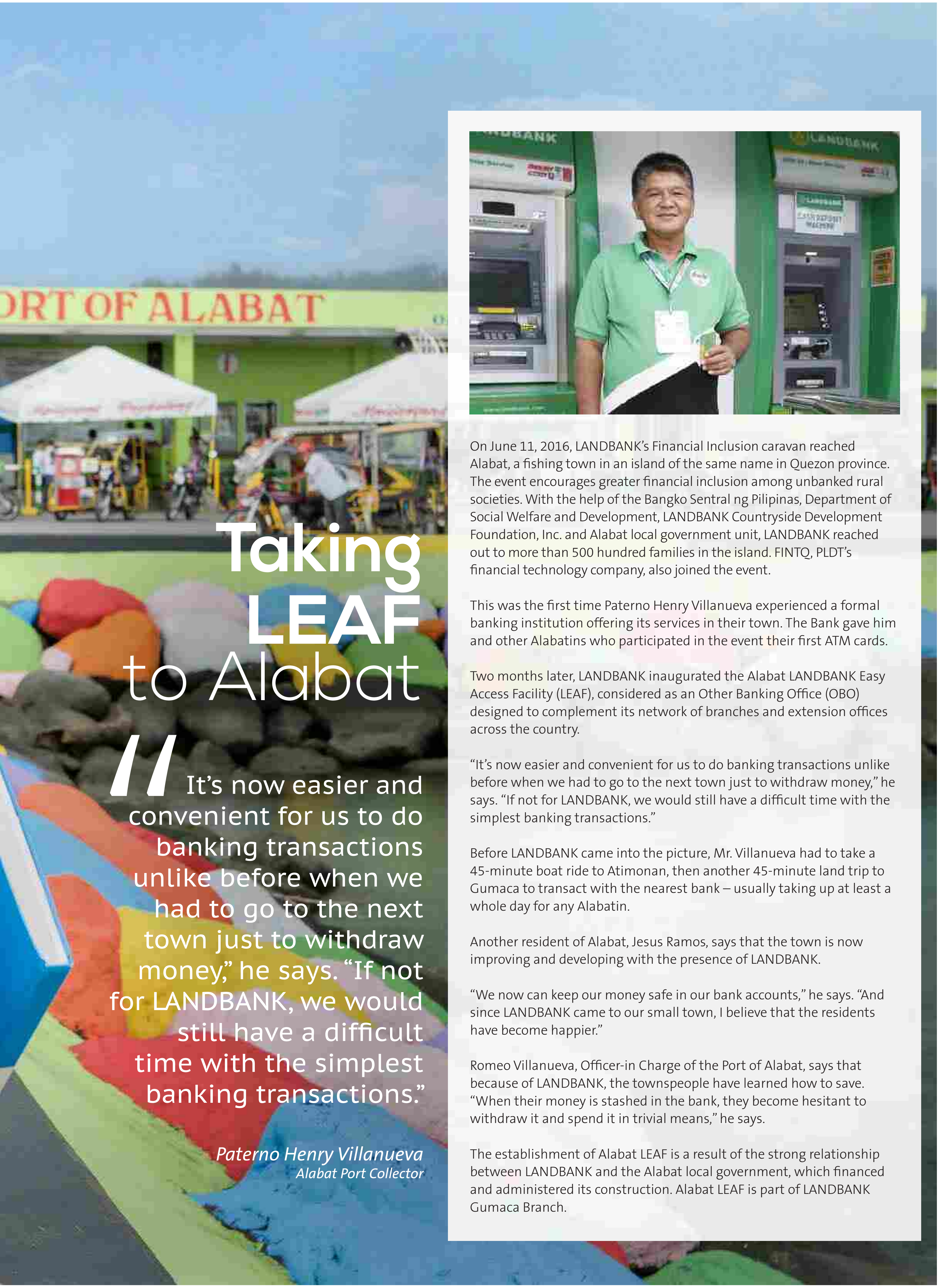
ALEX V. BUENAVENTURA
President and CEO

CARLOS G. DOMINGUEZ
Finance Secretary and LANDBANK Chairman

ALEX V. BUENAVENTURA

CARLOS G. DOMINGUEZ


CSC
CIVIL SERVICE
COMMISSION
PATERNO HENRY
M. VILLANUEVA
Collector



Taking LEAF to Alabat

> "It's now easier and convenient for us to do banking transactions unlike before when we had to go to the next town just to withdraw money," he says. "If not for LANDBANK, we would still have a difficult time with the simplest banking transactions."
>
> *Paterno Henry Villanueva*
> *Alabat Port Collector*

On June 11, 2016, LANDBANK's Financial Inclusion caravan reached Alabat, a fishing town in an island of the same name in Quezon province. The event encourages greater financial inclusion among unbanked rural societies. With the help of the Bangko Sentral ng Pilipinas, Department of Social Welfare and Development, LANDBANK Countryside Development Foundation, Inc. and Alabat local government unit, LANDBANK reached out to more than 500 hundred families in the island. FINTQ, PLDT's financial technology company, also joined the event.

This was the first time Paterno Henry Villanueva experienced a formal banking institution offering its services in their town. The Bank gave him and other Alabatins who participated in the event their first ATM cards.

Two months later, LANDBANK inaugurated the Alabat LANDBANK Easy Access Facility (LEAF), considered as an Other Banking Office (OBO) designed to complement its network of branches and extension offices across the country.

"It's now easier and convenient for us to do banking transactions unlike before when we had to go to the next town just to withdraw money," he says. "If not for LANDBANK, we would still have a difficult time with the simplest banking transactions."

Before LANDBANK came into the picture, Mr. Villanueva had to take a 45-minute boat ride to Atimonan, then another 45-minute land trip to Gumaca to transact with the nearest bank – usually taking up at least a whole day for any Alabatin.

Another resident of Alabat, Jesus Ramos, says that the town is now improving and developing with the presence of LANDBANK.

"We now can keep our money safe in our bank accounts," he says. "And since LANDBANK came to our small town, I believe that the residents have become happier."

Romeo Villanueva, Officer-in Charge of the Port of Alabat, says that because of LANDBANK, the townspeople have learned how to save. "When their money is stashed in the bank, they become hesitant to withdraw it and spend it in trivial means," he says.

The establishment of Alabat LEAF is a result of the strong relationship between LANDBANK and the Alabat local government, which financed and administered its construction. Alabat LEAF is part of LANDBANK Gumaca Branch.

Pursuit of Mandate

PROGRAMS FOR THE PRIORITY SECTORS

For over five decades now, LANDBANK, driven by its countryside development mandate, remains at the forefront of positive and inclusive change in helping the economy and the nation at large grow. Its footprint in the remotest regions of the archipelago, a presence unmatched by no other bank, attests to its broad mission of helping uplift the lives of generations of Filipinos.

LANDBANK has established diverse and extensive partnerships with a shared vision of promoting development for all. In this way, LANDBANK and its partners and clients from Luzon, Visayas, and Mindanao continue to grow bigger and stronger together – a mutually reinforcing synergy that is visible in every new hospital, classroom, or farm-to-market road that comes as a fruit of these partnerships.

LANDBANK has long provided a financial lifeline to sectors that commercial banks traditionally overlook and expanded its reach to the underserved and unserved sectors of society. Conduits like the countryside financial institutions (rural banks, thrift banks and cooperative banks) and accredited cooperatives were tapped to channel the financial needs of its mandated clients - the small farmers, fishers and agrarian reform beneficiaries and their associations. LANDBANK likewise supports the National Government (NG) by aligning its financing programs to the other identified priority sectors of the Bank comprising microenterprises and small and medium enterprises (SMEs), communications, transportation, housing, education, health care, environment-related projects, tourism, utilities and livelihood loans.

In 2016, LANDBANK's total loans to the priority sectors reached P440.4 billion, representing a share of 90.1 % of the Bank's loans to all sectors of P488.8 billion.

P58.5B

loan releases to small farmers and fishers

Loans to Mandated Sector

- *Loans for Small Farmers including Agrarian Reform Beneficiaries and their Associations and Small Fishers and their Associations*

  For the year 2016, LANDBANK provided financial and technical support to small farmers and fishers (SFFs), agrarian reform beneficiaries (ARBs) and their associations through qualified conduits such as cooperatives, countryside financial institutions and irrigators' associations.

  In 2016, loan releases to small farmers and fishers amounted to P58.5 billion and were channeled through 989 accredited farmers and fishers cooperatives, 155 countryside financial institutions (rural banks, cooperative banks, thrift banks and financial institutions) and 163 irrigators' associations. The credit assistance extended by LANDBANK benefited 838,627 small farmers and fishers and financed crop production, poultry and livestock projects, fishery, post-harvest facilities, irrigation and marketing including wholesale and retail trading.

  As of end-2016, outstanding loans to small farmers and fishers stood at P40.8 billion. This is inclusive of the P26.0 billion outstanding loans to the 20 poorest provinces identified under the Registry System for Basic Sector in Agriculture of the Department of Agriculture.

LANDBANK supported the financing requirements of private business ventures of cooperatives like Pangi Multipurpose Cooperative (PAMULCO).

Loans in Support of Agriculture and Fisheries

- *Loans for Agri-business and Aqua-business*

LANDBANK supported the financing requirements of private business enterprises that are engaged in agriculture and fishery-related activities. Agri-business projects include agri-processing, manufacturing, packaging, storage and other agri-related services as well as fishing, fish and other marine processing, and exporting of frozen marine products. These activities contribute not only in diversifying and increasing the value of agribusiness and aquabusiness outputs, but also contribute to the inclusive growth and rural development by generating jobs in the countryside.

In 2016, outstanding loans to agri- and aqua-businesses amounted to P55.1 billion or 11.3 % of the Bank's loans to all sectors.

- *Loans for Agri-Aqua-Related Projects of Local Government Units*

LANDBANK financed the agriculture and aqua-infrastructure and related projects of the local government units (LGUs) as these are key components of the entire food supply chain. Projects financed include construction or repair of farm-to-market roads/bridges, seaports, public markets, transport terminals, irrigation systems and fish port complex. These infrastructures help promote the flow of agriculture and fishing commodities from farm to market and to the consuming public.

In 2016, the total outstanding LGU loans on agri-aqua-related projects reached P19.1 billion comprising 3.9 % of the Bank's loans to all sectors.

- *Other Priority Projects of LGUs*

LANDBANK also financed other priority projects of the LGUs that promote sustainable development, environmental preservation and protection and address the basic societal needs. These projects include housing (socialized, low cost and medium-cost), education, health care, water supply system and distribution, sanitation and drainage, flood control projects and sanitary landfill, transportation, utilities among others.

As of end-2016, the total outstanding loans of LGUs for other priority projects amounted to P16.3 billion or 3.3 % share of the Bank's loans to all sectors.

- *Other Developmental Projects of LGUs*

LANDBANK also supported the financing requirements of other developmental projects of the LGUs such as construction/repair of municipal building, sports complex, commercial complex, computer service activities of LGU operations, cemetery development, among others. As of end-2016, outstanding loans for developmental projects of LGUs reached P10.9 billion.

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

LANDBANK also financed the credit requirements of government-owned and -controlled corporations (GOCCs) that engage in the marketing of agricultural commodities. The participation of these GOCCs is meant to address the availability of supply and stability of prices of certain agricultural commodities. As of end-2016, outstanding loans to GOCCs amounted to P36.8 billion representing 7.5 % of the Bank's loans to all sectors.

LANDBANK has established diverse and extensive partnerships with a shared vision of promoting development for all.

Loans Supporting Other National Government Priority Programs

LANDBANK continued to support the priority programs of the National Government (NG) as contained in the Philippine Development Plan (PDP) 2011-2016 which mainly focused on inclusive growth, employment generation, infrastructure development, social development, access to improved goods and services and environment and natural resources conservation, protection and rehabilitation. With these developmental goals of the NG, LANDBANK extended financial support to strengthen the micro, small and medium enterprise sector, provision and maintenance of logistics (transportations and communications facilities), utilities (water and power), tourism and other societal needs such as housing, education, and health care to propel the economy.

- *Loans for Microenterprises and Small and Medium Enterprises*

The 2011-2016 MSME Development Plan aimed to develop a vibrant MSME sector by creating and enabling business environment as well as providing government support to strengthen MSME productivity and competitiveness. Over the years, LANDBANK provided strong financial support to microenterprises and small and medium enterprises (MSMEs) as this sector is a rich source of innovation and ideas. MSMEs generate the biggest employment and contribute largely to the country's total output as 99 % of business establishments belong to this sector.

LANDBANK and the Department of Science and Technology (DOST) sign the Memorandum of Understanding for the oneSTore.ph Project, which is an e-commerce web application that provides a marketing platform for DOST-assisted micro, small, and medium enterprises (MSMEs) around the Philippines under its Small Enterprise Upgrading Program (SETUP).

LANDBANK channeled its microfinance loans through conduits such as cooperatives, rural banks, non-government organizations and microfinance institutions. On the other hand, SME loans were extended through direct lending to SME borrowers, cooperatives and financial institutions.

In 2016, outstanding loans to MSMEs amounted to P62.8 billion or 12.8 % of the Bank's loans to all sectors. Of this amount, P56.2 billion were lent to SMEs and P6.6 billion to microenterprises.

LANDBANK also extended financial assistance for livelihood projects and business endeavors of qualified fixed income earners in the government and private sector.

As of end-2016, LANDBANK's outstanding livelihood loans reached P20.3 billion or 4.1 % of the Bank's loans to all sectors.

- *OFW Reintegration Program*

LANDBANK provided financial assistance to Overseas Filipino Workers (OFWs) under the OFW Reintegration Program who are certified by the Overseas Workers Welfare Administration for their business or livelihood opportunities. The program is in partnership with the Department of Labor and Employment to provide credit to returning OFWs as an alternative to overseas employment. Loans of P300, 000 to a maximum of P2.0 million may be availed for their viable projects.

P62.8B
outstanding loans to MSMEs

In 2016, loan releases under the partnership reached P350.5 million. As of end-2016, outstanding loans amounted to P655.0 million and benefited 1,173 OFW-borrowers and generated 6,400 jobs.

Projects financed by LANDBANK are classified into agri and non-agri loans. Agri-loans include grains trading, piggery, poultry, agri-supply, post-harvest facilities, bakery, fruits and vegetable trading, copra trading, and fishery. Non-agri loans include non-farm activities that provide the OFW and their families additional cash streams. These projects include retail lending, leasing/rental and services e.g., grocery, internet café, water refilling station, trucking.

- *Loans for Utilities*

LANDBANK financed projects to the utilities sector that are vital in the operation and expansion of various industries in the country. Projects under this sector include water generation and distribution, gas exploration and production, and power distribution, transmission and generation facilities.

In 2016, outstanding loans for utilities reached P70.4 billion representing 14.4 % of the Bank's loans to all sectors.

- *Socialized, Low-cost and Medium-cost Housing*

LANDBANK supports the housing program of the NG to provide decent housing at affordable cost. LANDBANK provided loans to borrowers classified as socialized housing at P400,000 and below, low-cost housing which ranges from P400,000 to P3 million; and medium-cost housing from more than P3 million to P4 million.

In 2016, outstanding loans to housing reached P40.5 billion or 8.3 % of the Bank's loans to all sectors.

- *Loans for Logistics – Transportation and Communication*

Due to rapid increase in population, demand for more efficient transport systems is increasing because it affects people in doing business everyday and in bringing economic progress. Modernization of transport facilitates and logistics results to efficient delivery of goods and services. LANDBANK financed projects to improve both the land and sea-based transport systems.

In 2016, outstanding loans to the transport sector amounted to P30.0 billion or 6.1 % of the Bank's loans to all sectors.

An efficient communication system, on the other hand, facilitates the ability to connect and do efficient business. LANDBANK financed projects that upgraded and modernized the telecommunication systems.

In 2016, outstanding loans to the communication sector reached P28.0 billion or 5.7 % of the Bank's loans to all sectors.

- *Loans for Education*

Education is fundamental to development and growth. Investment in education is a strategic tool to achieve inclusive growth. LANDBANK extended loans for the construction and maintenance of educational institutions and upgrading of its facilities and equipment.

In 2016, outstanding loans for education stood at P4.5 billion, or 0.9 % of the Bank's loans to all sectors.

LANDBANK provided financial assistance to Overseas Filipino Workers (OFWs) under the OFW Reintegration Program who are certified by the Overseas Workers Welfare Administration for their business or livelihood opportunities.

World Bank Country Director Motoo Konishi and LANDBANK President and CEO Gilda Pico sign an agreement for the purchase of certificate of emission reductions or "carbon credits" from LGUs, operators of sanitary landfills and piggery farms. With them (from left) are World Bank Senior Environmental Engineer Maya Gabriella Villaluz and ADLS Head/EVP Cecilia Borromeo.

- *Loans for Health Care*

To address the increasing demand for health care facilities, LANDBANK financed the construction of hospitals, clinics and other health-related facilities.

In 2016, outstanding loans to health care reached P10.2 billion or 2.1% of the Bank's loans to all sectors.

- *Loans for Environment-related projects*

The effects of global warming have become one of the primary concerns of the National Government. LANDBANK supports the government's thrust to adapt to and mitigate the effects of global warming by extending loans to projects that enhance the environment, harness the potential of renewable and alternative energy resources and promote climate change adaptation. Among the projects that the Bank financed were for the construction of flood control systems, waste management and recovery facilities, sewerage treatment plants, and hydro-electric power plants and production of biofuel.

In 2016, outstanding loans for environment-related projects reached P15.4 billion or 3.2 % of the Bank's loans to all sectors.

- *Loans for Tourism*

Tourism is one of the booming industries in our country that needs aggressive approach. In support of the development of tourism in the country, LANDBANK provided loans for the construction of hotels and resort and other facilities.

In 2016, outstanding loans for tourism amounted to P6.5 billion or 1.3 % of the Bank's loans to all sectors.

P15.4B

outstanding loans for environment-related projects

"LANDBANK supports the government's thrust to adapt to and mitigate the effects of global warming by extending loans to projects that enhance the environment, harness the potential of renewable and alternative energy resources and promote climate change adaptation."

SUPPORT PROGRAMS FOR AGRICULTURAL CREDIT

Agricultural Gurantee Fund Pool

The Agricultural Guarantee Fund Pool (AGFP) is jointly administered by the Agricultural Credit Policy Council (ACPC) of the Department of Agriculture (DA) and LANDBANK wherein the AGFP consists of pool of contributions from various participating GOCCs and GFIs where LANDBANK serves as the institutional manager. The pooled funds are used to guarantee the unsecured agricultural loans of small farmers of the financial institutions in support of the agricultural productivity program of the government.

In 2016, the AGFP approved guarantee portfolio amounted to P5.4 billion. Of the amount, P1.1 billion was used for the DA-LANDBANK Sikat Saka Program benefiting 10,196 small farmers covering 24,369 hectares.

In partnership with the Departments of Agriculture and Finance, LANDBANK launched the Food Supply Chain Program in 2010.

P4.97B

total loan releases under the Agricultural Credit Loan Support Project

Agricultural Credit Support Project

The Agricultural Credit Support Project (ACSP) was implemented under the Official Development Assistance project of LANDBANK funded by the Japan International Cooperation Agency (JICA) to support the credit and non-credit needs of SFF groups, SMEs, large agribusiness enterprises and participating financial institutions engaged in agriculture and agri-related projects.

As of December 31, 2016, total loan releases reached P4.97 billion which benefitted 452 borrowers. Outstanding loans amounted to P922.9 million as of end-2016.

Credit Assistance Program for Program Beneficiaries Development

The Credit Assistance Program for Program Beneficiaries Development (CAP-PBD) aims to provide credit assistance to projects of Agrarian Reform Beneficiaries (ARBs) in Agrarian Reform Communities (ARCs) and non-ARCs which cannot be accommodated by LANDBANK's regular lending facilities. The program also provides credit assistance for the projects of ARB cooperatives that are considered as non-eligible per the Bank's accreditation criteria, with the objective of eventually moving the said borrowers to LANDBANK's regular lending facilities.

As of December 31, 2016, the CAP-PBD released P307.9 million to 90 ARB organizations and assisted 6,653 beneficiaries.

LANDBANK Cares Program

The LANDBANK Calamity and Rehabilitation Support (CaReS) Program serves as the Bank's rehabilitation assistance program to extend financial assistance to clients every time natural calamity occurs and support government's continuing effort in the restoration of economic and social activities and accessibility in the severely affected areas. The Program helps the borrowers recover and get back to business after suffering from destructions and losses brought about by natural calamities. The Bank has allotted P30 billion for the Program to eligible borrowers such the LGUs, cooperatives, SMEs, NGOs and CFIs.

As of December 31, 2016, cumulative loan releases reached P3.3 billion mostly to SMEs and benefited a total of 176 borrowers. Outstanding loans as of end-2016 amounted to P2.3 billion.

21,753

small farmers benefited
for 53 FSCP projects in 2016

AGRICULTURAL CREDIT EXPANSION PROGRAMS

LANDBANK, as a government institution, anchors its various financing programs and initiatives on the National Government's development thrusts and priority programs in partnership with other government agencies.

Food Supply Chain Program

LANDBANK, in partnership with the Dept. of Agriculture and the Dept. of Finance, launched the Food Supply Chain Program which aims to increase farmers' income by way of providing necessary financial and technical support along the value-added chain of a commodity or industry. It is a synergy program wherein LANDBANK provides financial and technical assistance to agricultural producers, market processors, consolidators and other market players to promote sustainable market linkages to all key players in the agricultural value chain through a Production, Technical and Marketing Agreement.

In 2016, the program released an additional P14.6 billion in loans which benefited 21,753 small farmers for 53 projects involving 53 tie-ups with anchor firms and 139 cooperatives and SME producers. Since the Program implementation in October 2010, LANDBANK released a total of P63.1 billion. As of end-December 2016, outstanding loans amounted to P8.4 billion.

Sikat Saka Program

The Sikat Saka Program (SSP) is a partnership program launched by the Department of Agriculture (DA) and LANDBANK to support DA's Food Staples Sufficiency Program where LANDBANK provides direct financial assistance to the small farmers for their palay production. The program is in recognition of the significant and critical role of individual palay farmers as a major player in supporting rice production towards attaining the government's thrust of food sufficiency.

Aside from the provision of credit, the program offers an integrated support to small palay farmers such as extension services, assured market and irrigation services through the attached agencies of the DA – the National Irrigation Administration and National Food Authority.

The program is being implemented in 45 areas: 23 in Luzon, nine in the Visayas and 13 in Mindanao.

As of December 31, 2016, total cumulative loans released under the SSP reached P4.5 billion with outstanding loans of P1.7 billion that benefited 12,462 farmers.

The Food Supply Chain Program aims to increase farmers' income by way of providing necessary financial and technical support along the value-added chain of a commodity or industry.

Agrarian Production Credit Program

The Agrarian Production Credit Program (APCP) is a partnership program developed pursuant to the CARPER law and is jointly implemented by the DA, DAR and LANDBANK to provide credit, technical assistance and other support services to Agrarian Reform Beneficiaries (ARBs) through their organizations. It is a transition program which prepares the organizations to become credit conduits under the regular credit window of LANDBANK within two years.

Eligible borrowers are generally classified as Agrarian Reform Beneficiaries Organizations (ARBOs), Farmers Organizations (FOs) other than ARBOs and conduits–such as cooperative, NGO or rural bank.

The APCP is a five-year credit and capacity development program that aims to extend credit assistance to ARBs, especially those not yet eligible under the Bank's existing regular lending programs, for the acquisition of their farm inputs, other equipment and machineries, and working capital.

For January to December 2016, the Bank's loan releases amounted to P1.5 billion. Total cumulative loan releases reached P3.7 billion channeled to 686 ARBOs with 42,509 ARBs. Outstanding loans as of end-December 2016 amounted to P1.4 billion.

P1.5B

loan releases under APCP

Masustansyang Inumin Para sa Likas na Kalusugan

The Masustansyang Inumin para sa Likas na Kalusugan (MILK) is a joint program of LANDBANK and the National Dairy Authority which provides financial and technical support to qualified dairy small farmers, cooperatives, and federations to support their dairy production, processing, marketing, and other dairy-based economic activities. The program also aims to increase domestic milk production, improve farm productivity, generate employment, and increase household income.

As of December 31, 2016, dairy-related loan releases stood at P33.4 million through four borrowers and benefited 135 beneficiaries.

Kalikasang Kabuhayan sa Wastong Pamayanan

The Kalikasang Kabuhayan sa Wastong Pamayanan (KAWAYAN) is a LANDBANK-initiated program which aims to provide credit to qualified borrowers like small farmers, cooperatives, federations, SMEs, Agri-Business Enterprises (ABEs), CFIs and LGUs engaged in bamboo production, processing and marketing.

By supporting the bamboo industry, it will provide an alternative to hard wood and can have variety of uses such as furniture and fixtures, construction materials, handicrafts, food, energy drinks, beverage, textiles, fuel, construction materials, among others.

As of December 31, 2016, total releases reached P2.0 million and benefited 86 FBs.

Integrated Support for Development of Aquaculture

The Integrated Support for Development of Aquaculture (ISDA) is a joint program by LANDBANK and the Bureau of Fisheries and Aquatic Resources (BFAR) which aims to provide credit assistance to small fishers, SMEs and large agribusiness entities in the aquaculture sector.

It also aims to assist institutional buyers, fish processors/canning companies and fish growers to actively participate in the development of the local fishing industry. To ensure market sustainability and increasing growers' competitiveness, the program adopts a demand-driven financing approach.

As of December 31, 2016, total loan releases amounted to P1.9 billion and assisted 68 borrowers with 2,332 beneficiaries.

Bringing Inclusive Growth in Every Household Through National Electrication Support Services

The Bringing Inclusive Growth in Every Household through National Electrification Support Services (BRIGHTNESS) is a partnership program between LANDBANK and the National Electrification Administration (NEA) which aims to improve and expand energy access of barangays that would spur socio-economic growth and generate more employment in the countryside. The program will assist qualified electric cooperatives (ECs), joint venture/consortium of ECs and wholesale power aggregators in the form of loan financing for working/permanent working capital, capital expenditures, fulfillment of prudential requirements (i.e., guarantee security) under the terms of power sales contracts and project preparation requirements.

In 2016, total loan releases to BRIGHTNESS program reached P86.3 million and assisted 29 ECs and four private corporations. Cumulative loan releases as of end-December 2016 amounted to P3.7 billion. As of end-2016, outstanding loans amounted to P3.1 billion and benefited 3,715,133 households.

H2OPE (Water Program for Everyone)

The H2OPE (Water Program for Everyone) is LANDBANK's unified program for the water and sanitation sector. It aims to capture sizeable number of qualified players in the water and sanitation industry in bringing sustainable 24/7 piped, clean and safe water to at least 85% of the total population of Filipinos. Eligible borrowers for the program are Water Districts, institutions/corporations-managed water utilities, LGU-operated and managed water utilities, privately-operated water utilities, cooperatives-operated water utilities, rural waterworks and sanitation associations and barangay waterworks and sanitation associations.

As of December 31, 2016, the H2OPE Program has P5.4 billion in approved loans with cumulative loan releases of P3.6 billion. Outstanding loans amounted to P3.1 billion as of end-December 2016.

The LANDBANK and Metro Roxas Water District (MRWD) in cooperation with the Local Water Utilities Administration (LWUA) signed an agreement for a P985-million approved loan of MRWD. The partnership will ensure the sustainability of potable water supply to the residents of Roxas City and the four municipalities of Capiz benefiting a total population of 264,284 with existing service connections of almost 40,000.

P23.0B
total releases under BUILDERS Program

Bringing Urbanization and Innovation Through LANDBANK's Diverse Engineering Resource Support Program

The Bringing Urbanization and Innovation through LANDBANK's Diverse Engineering Resource Support Program (BUILDERS) is LANDBANK's contribution to the Public-Private Partnership program of the National Government. The Program aims to provide credit assistance to contractors duly licensed by the DTI-Philippine Contractors Association Board (PCAB) in the completion of awarded projects and Contractors who intend to expand and/or improve their operations.

Eligible projects under the program are housing, education, real estate development, mass housing for calamity-stricken regions, transport infrastructure, construction/renovation/expansion of business offices and buildings, and purchase of construction equipment/machineries, among others.

As of December 31, 2016, approved loans reached P35.4 billion with total releases of P23.0 billion. Outstanding loans amounted to P14.6 billion as of end-December 2016.

Renewable Energy Lending Program

LANDBANK's Renewable Energy Lending Program aims to provide financing to renewable energy/energy-efficient projects and support the national government's thrust of promoting renewable energy development, utilization and commercialization, and accelerating investments in the energy sector. Eligible projects include biomass, geothermal, hydro power, solar power, ocean, and wind power projects.

As of December 31, 2016, cumulative loan releases reached P8.8 billion and assisted 35 borrowers. Outstanding loans amounted to P8.4 billion as of end-December 2016.

Credit Assistance for Cacao Agri-Business Entities and other Organizations 100 Financing Program

LANDBANK, through the CACAO 100 Financing Program, supports the cacao industry in the Philippines in attaining its target production of 100,000 metric tons of cacao and engaging about 130,000 cacao farmers in 2020 to meet the increasing demand for cacao in the domestic and international markets. The program is envisioned also to augment farmers' income through intercropping in coconut areas. Eligible projects for financing are cacao nursery, cacao plantation, cacao beans processing, manufacturing of by-products, trading and export of cacao.

As of December 31, 2016, total loan releases reached P736.4 million and assisted 42 borrowers benefiting 3,742 farmer beneficiaries. Outstanding balance as of end-December 2016 amounted to P338.1 million.

LANDBANK-SMC Corn and Cassava Assemblers/ Consolidators Financing Program

The LBP-SMC Corn and Cassava Assemblers/Consolidators Financing Program aims to enhance the production of agri-based raw materials for the production of animal feeds. The San Miguel Corp. through its subsidiary, the San Miguel Food, Inc. (SMFI), signed a Memorandum of Agreement that tapped the small farmers as suppliers of cassava and corn used as raw materials in the production of animal feeds. Cassava is one of the main ingredients for feeds due to its highly digestible quality, high energy, presence of lactic acid in the crop and ability to nurture good bacteria.

As of December 31, 2016, total loan releases reached P65.4 million and assisted nine borrowers and benefited 1,588 beneficiaries. Outstanding balance as of end-December 2016 amounted to P25.0 million.

Agricultural and Fisheries Financing Program

The Agricultural and Fisheries Financing Program (AFFP), a tie-up between LANDBANK and DA-APCP, is a flexible credit facility for small farmers and fishers who are registered in the Registry System for Basic Sector in Agriculture (RSBSA) which is intended to serve as an alternative to the rigid and stringent credit facilities usually provided by banks.

For January to December 2016, the Bank's loan releases amounted to P208.5 million. Total cumulative loan releases reached P355.7 million channeled to 2,340 ARBOs and assisted 2,340 beneficiaries.

Coffee 100 Financing Program

LANDBANK's Coffee 100 Financing Program aims to support the growth of the local coffee industry, increase its production and enhance the quality in order to take full advantage of the demand in the market. The program is offered to coffee farmers, who may be individuals, corporations, cooperatives or even local government units. Likewise, the program is intended to shift from financing generic commodities like corn and palay to a more targeted approach, with coffee and cacao as priorities.

As of December 31, 2016, total loan releases reached P70.6 million and benefited 203 small farmers. Outstanding loans amounted to P54.2 million as of end-December 2016.

Coconut Production and Processing Financing Program

LANDBANK launched the Coconut Production and Processing Financing Program (Coco-Financing Program) to provide credit assistance to coconut stakeholders engaged in the production and processing of the crop. Coconut is one of the top ten produce of the country as exhibited by the good export performance because of the variety of products and by-products from the tree like coconut meat, oil, husk, shell, shell charcoal, leaves, husk, pith, trunk and roots. With LANDBANK's financial support, the program can generate more jobs in the rural communities by optimizing the business opportunities among coconut farmers.

As of December 31, 2016, loans released amounted to P43.6 million and benefited 2,452 small farmers. Outstanding loans amounted to P34.5 million.

LANDBANK launched the Coconut Production and Processing Financing Program (Coco-Financing Program) to provide credit assistance to coconut stakeholders engaged in the production and processing of the crop.

2,452
coconut farmers benefited

LANDBANK launched the Climate Special Adaptation Facility for the Ecosystem (SAFE) Program to support the government's implementation on projects to improve community's resilience to hazards brought by climate change.

Poultry Lending Program

The Poultry Lending Program was launched by LANDBANK on April 24, 2015 to support the development of the poultry sector taking into account the increasing demand for poultry both in the domestic and foreign markets and to take advantage of the country's avian-flu free status.

Under the program, credit support is provided to industry players to support their poultry-related economic activities, including the shift or adoption of climate-controlled poultry production system to increase production efficiency. Chicken broiler and egg production are the most progressive animal enterprises in the Philippines today. The poultry industry began as a backyard enterprise but has shifted to the formation of very large integrated contract farming operations.

As of December 31, 2016, total loans released reached P10.4 billion and assisted 286 borrowers. Outstanding loans amounted to P6.7 billion and benefited 1,266 small farmers.

LANDBANK implemented the Agri-Mechanization Program to provide credit assistance to the mechanization and modernization of agricultural production processes.

Climate Special Adaptation Facility for The Ecosystem Program

LANDBANK launched the Climate Special Adaptation Facility for the Ecosystem (SAFE) Program to support the government's implementation on projects to improve community's resilience to hazards brought by climate change.

As of December 2016, LANDBANK loan releases reached P30.0 million.

New Lending Programs Implemented in 2016

- *Oil Palm Financing Program*

  Oil palm farming is gaining momentum to the high demand of palm oil in both domestic and international markets as it is used in a wide range of products, from margarine and chocolate to ice cream, soaps, cosmetics and fuel for cars and power plants. The four main traditional uses of palm oil in food products are for cooking/frying oil, shortenings, and margarine and confectionary fats and is also popularly used in industrial frying applications.

  In June 2016, LANDBANK implemented the Oil Palm Financing Program to provide credit assistance to the oil palm industry stakeholders particularly farmers for their planting, rehabilitation and fertilization needs.

- *Agri-Mechanization Program*

  In August 2016, LANDBANK implemented the Agri-Mechanization Program to provide credit assistance to the mechanization and modernization of agricultural production processes from planting to harvesting to processing; and thus, increase efficiency, reduce postharvest losses and optimize the income of farmers to address the challenges brought about by globalization and the ASEAN integration.

- *Climate Resilience Agricultural Program*

  Climate change is one of the most serious threats facing humanity today, and if left uncontrolled, one of the sectors identified to be climate-sensitive is agriculture. In September 2016, LANDBANK launched the Climate Resilience Agricultural Program to provide credit assistance to promote climate change adaptation initiatives towards climate resilient agriculture and address climate change risks.

SUPPORT TO THE COMPREHENSIVE AGRARIAN REFORM PROGRAM

Republic Act. No. 6657 created the Comprehensive Agrarian Reform Program (CARP) which envisioned to have an equitable land ownership with empowered agrarian reform beneficiaries who can effectively manage their economic and social development to have a better quality of life.

LANDBANK, as the financial intermediary of CARP, is tasked with land evaluation, compensation to owners of private agricultural lands and collection of amortizations from CARP farmer-beneficiaries.

CARP Land Transfer Operations

As one of the implementing agencies of CARP LANDBANK processed and approved for payment 14,023 hectares with a total value of P2.0 billion in 2016.

Landowners Compensation and Assistance

As a financial intermediary of CARP, in 2016, LANDBANK compensated P3.7 billion for landowners compensation, representing cash payment of P810.6 million while the remaining P2.9 billion were paid in the form of CARP bonds (P2.5 billion for payment of principal and P424.9 million for payment of interest).

LANDBANK also assisted CARP-covered landowners and bondholders in the marketing/trading or encashment of their CARP bonds. In 2016, total CARP bonds sold amounted to P507.4 million involving 925 landowners and bondholders which generated an income of P9.8 million.

P2.0B

total value of land transfer claims processed and approved for payment

Land Amortization and Loan Collections From CARP Farmer Beneficiaries

In 2016, the total land amortization collections from CARP beneficiaries amounted to P763.2 million. Total loan collections, on the other hand, reached P3.8 million for loans funded by the Agrarian Reform Fund.

LANDBANK-Administered Agrarian Reform Fund for CARP

In 2016, the Agrarian Reform Fund (ARF) fund balance of the Bank amounted to P4.5 billion.

Also, the Bank received P2.9 billion for bond servicing requirements of the 10-year CARP bonds from the Bureau of the Treasury under the automatic appropriation of the National Government.

GAWAD SA PINAKATANGING KOOPERATIBA (GAWAD PITAK)

PLATINUM AWARD AGRI-BASED COOPERATIVE

Lamac Multi-Purpose Cooperative

Special Award: Outstanding Cooperative in Environmental Preservation, Conservation and Management

Pinamungajan, Cebu

GININTUANG GAWAD PITAK NON-AGRI-BASED COOPERATIVE

Iwahori Multi-Purpose Cooperative

Mariveles, Bataan

PLATINUM AWARD NON-AGRI-BASED COOPERATIVE

Cebu CFI Community Cooperative

Cebu City, Cebu

HALL OF FAME AWARD AGRI-BASED COOPERATIVE

Nagkakaisang Magsasaka Agricultural Primary Multi-Purpose Cooperative

Talavera, Nueva Ecija

GININTUANG GAWAD PITAK AGRI-BASED COOPERATIVE

Diffun Saranay and Development Cooperative

Diffun, Quirino

ULIRANG MANGINGISDA

Romedel A. Duco

ICTUS Premier Multi-Purpose Cooperative

Lake Sebu, South Cotabato

OUSTANDING AGRI-BASED COOPERATIVES

1st **Buenavista Development Cooperative**
Buenavista, Guimaras

2nd **Bontoc Multi-Purpose Cooperative**
Bontoc, Southern Leyte

3rd **Libacao Development Cooperative**
Libacao, Aklan

4th **Batangas Sugar Planters Cooperative**
Marketing Association
Balayan, Batangas

5th **Bantug Agricultural Multi-Purpose Cooperative**
Talavera, Nueva Ecija

OUSTANDING NON-AGRI-BASED COOPERATIVES

1st **Sacred Heart Savings Cooperative**
Galimuyod, Ilocos Sur

2nd **Watchlife Workers Multi-Purpose Cooperative**
Mariveles, Bataan

3rd **Bukidnon Government Employees Multi-Purpose Cooperative**
Malaybalay, Bukidnon

4th **Ibaan Market Vendors and Community Multi-Purpose Cooperative**
Ibaan, Batangas

5th **Golden Group Gabay Puhunan Brotherhood Multi-Purpose Cooperative**
San Fernando, Pampanga

OUTSTANDING ARB COOPERATIVE

Catholic Servants of Christ Community Cooperative
Baliuag, Bulacan

OUTSTANDING COOPERATIVE IN MICROFINANCE OPERATION

ICTUS Premier Multi-Purpose Cooperative
Surallah, South Cotabato

Pinoy Lingap-Damayan Multi-Purpose Cooperative
Virac, Catanduanes

ULIRANG MAGSASAKA

Danny Rey A. Antenor
Self-Reliant Multi-Purpose Cooperative
Surallah, South Cotabato

1st Runner-up
Francisco V. Manigo Lamac
Multi-Purpose Cooperative
Tubigon, Bohol

2nd Runner-up
Leydee F. Sideño
Buenavista Development Cooperative
Buenavista, Guimaras

GAWAD COUNTRYSIDE FINANCIAL INSTITUTIONS (GAWAD CFI)

GOLDEN AWARD

Rural Bank of Goa, Inc.
Goa, Camarines Sur

RURAL BANK CATEGORY

1st **Cantilan Bank, Inc.** (A Rural Bank)
Special Award:
Best CFI Availer for Agri-Agra LoansCantilan, Surigao del Sur

2nd **Rural Bank of San Mateo**
(Isabela), Inc. San Mateo, Isabela

3rd **Ormon Bank -**
A Rural Bank of Mulanay (Quezon), Inc. Bay, Laguna

BEST CFI INTERMEDIARY

Katipunan Bank, Inc.
(A Rural Bank)Dipolog City, Zamboanga del Norte

GAWAD ENTREPRENEUR

LANDBANK ENTREPRENEUR OF THE YEAR

Jerry John and Jocelyn Taray
Tree Life Coco
Carmen, North Cotabato

OUTSTANDING AGRI-BASED ENTREPRENEUR

Rosalina D. Mapoy
God's Favorite Farm Candaba,
Pampanga; San Miguel, Bulacan

BAGONG BAYANI ENTREPRENEUR

Samuel and Gina Nesperos
S. Nesperos Agricultural Buy and Sell
Isulan, Sultan Kudarat

GAWAD KORPORASYON NA KAAGAPAY SA ATING GANAP NA TAGUMPAY (GAWAD KAAGAPAY)

LARGE CORPORATION AGRI-BASED CATEGORY

Gawad KAAGAPAY
Ana's Breeders Farm, Inc.
Toril District, Davao City

1st Runner-up
Limketkai Manufacturing Corporation
Cagayan de Oro City

2nd Runner-up
Universal Harvester, Inc.
Cubao, Quezon City

MEDIUM-SIZED CORPORATION NON-AGRI-BASED CATEGORY

Gawad KAAGAPAY Unihealth-Baypointe Hospital and Medical Center
Subic Bay Freeport Zone, Zambales

MEDIUM-SIZED CORPORATION AGRI-BASED CATEGORY

Gawad KAAGAPAY Nueva Vizcaya Agricultural Terminal, Inc.
Bambang, Nueva Vizcaya

1st Runner-up
Cebu Sherilin Agro-Industrial Corporation
Naga City, Cebu

LARGE CORPORATION NON-AGRI-BASED CATEGORY

Gawad KAAGAPAY
Ayala Land, Inc.
Makati City

1st Runner-up
Fiesta Communities, Inc.
Angeles, Pampanga

2nd Runner-up
AMA Computer College
Quezon City

GAWAD MICROFINANCE INSTITUTIONS (GAWAD MFI)

NATIONAL WINNERS

1st ASA Philippines Foundation, Inc.

Special Awards:
Best MFI Intermediary and Best MFI Availer
Pasig City

2nd Pag-Inupdanay, Inc.
Silay City, Negros Occidental

3rd ARDCI NGO Group, Inc.
Virac, Catanduanes

CORPORATE SOCIAL RESPONSIBILITY PROGRAMS

Volunteerific Program

The Volunteerific Program of LANDBANK is an open opportunity platform for employees and partner members of LANDBANK to extend their time and capabilities to help the marginalized sectors of society.

This Bank program was initiated to promote and nurture the culture of volunteerism among the workforce, following support for Republic Act No. 9418 (s.2016) - An Act Institutionalizing a Strategy for Rural Development, Strengthening Volunteerism and for Other Purposes, and the Civil Service Commission Memorandum Circular No. 23 (s.2012) – Volunteer Program in the Public Sector. Implementation of the annual Program proper is in coordination with the Philippine National Volunteer Service Coordinating Agency. Participants are able to spend their off-work time in various programs under the Corporate Social Responsibility (CSR) thrust of LANDBANK. These include the Gawad KABUHAYAN Program, Gawad Patnubay Scholarship Program, Manila Bay SUNSET Partnership Program, Gawad Sibol, and Gawad KATUBIGAN among others.

Each are anchored on specific causes, such as livelihood, education, environment, and disaster mitigation.

Information on available volunteer–related activities originates from the Corporate Affairs Department that manages the Bank's CSR programs, and are cascaded to the various sectors of the Bank. LANDBANK allows pursuit of other volunteer efforts under approval of designated authorities or prescribed guidelines.

Time rendered under the Volunteerific Program are verified and recorded for monitoring of volunteer hours per Bank Sector. This is part of the criteria for the granting of a yearly Volunteerism Award to the sector that will garner the most points based on hours served by each employee and combined number of hours within each sector. Specifically, the required time for individuals is 24 hours with at least 50 % participation of total number of employees per sector.

Any monetary award will be donated to a volunteer involving organization or beneficiary of the winning sector's choice.

Table 1. Running balance of average hours rendered for the Volunteerific Program, as of December 29, 2016

SECTOR	TOTAL NO. OF EMPLOYEES	TOTAL NO. OF VOLUNTEERS	TOTAL NO. OF VOLUTEERIFIC HOURS RENDERED	VOLUNTEERIFIC PERCENTAGE	AVERAGE EMPLOYEE
PARTICIPATION					
Aricultural and Development Lending	1,168	792	4,490	68%	5.7
Branch Banking	4,382	2,557	10,751	58%	4.2
Corporate Services	465	356	3,228	77%	9.1
Units under the Board and the Office of the President	916	498	2,603	54%	5.2
Operations	2,082	1,480	13,172	71%	8.9
Treasury and Investment Banking	106	90	728	85%	8.1

Manila Bay SUNSET Partnership Program, Inc.

Then Manila Bay SUNSET Partnership Program, Inc. or MBSPPI is the flagship CSR Program of LANDBANK. It is a public-private collaboration of 25 member institutions (Table 2) to implement a sustainable approach to help clean and protect the marine and coastal resources of the Manila Bay and promote proper management and correct attitude toward handling garbage.

Part of the on-going priority activities of the program are: 1) quarterly clean-up of Manila Bay areas; 2) information, education, and communication (IEC) campaigns in different public schools in Manila City; 3) fund-raising activities through the Manila Bay Clean-up Run; 4) recovery program of collecting waste polystyrene from partner institutions; and 5) adopting of a Manila Bay tributary/ estero and introducing water quality improvement interventions.

Manila Bay Clean-up and Launch of "Adopt-an-Estero" Program

Clean-up activities registered a 24 % increase in the total number of volunteers, with 2,235 volunteers in 2016 from 1,800 volunteers in 2015. The total number of truckloads of trash collected also increased to 26 truckloads in 2016 from compared to nine truckloads in 2015.

MBSPPI was able to retrieve 273 kilograms of waste polystyrene products, which were recycled to become rulers and distributed to schools.

During the Manila Bay clean-up activity held on August 20, 2016, the MBSPPI formally launched its "Adopt-an-Estero" program.

The "Adopt-an-Estero" Program seeks to expand approaches to sustainable water quality improvement and protection of the coastal resources of Manila Bay by including the clean-up of water channels interconnected to the Bay. It also aims to increase community awareness and commitment, including those of stakeholders living near tributaries and "estero" or creek environs.

Volunteers from LANDBANK and partner institutions of MBSPPI who participated in the clean-up in August 2016 worked together to clear trash from the shores of Manila Bay and dropped the effective microorganisms (EM) or Bokashi mud balls at Estero de Abad, Adriatico, Manila, the pilot site of the "Adopt-an-Estero" program. The Bokashi mud balls inhibit the growth of algae and break down sludge and silt in the water to help improve clarity and water flow.

EM mudballs were dropped, complemented by the application of EM solution to Estero de Abad, for three consecutive months – August to October 2016. Afterwards, the Environmental Management Bureau of NCR (EMB-NCR) conducted water quality sampling to assess the effectiveness of the intervention.

Results from the water quality monitoring of EMB-NCR indicated the creek to be heavily polluted, leading to recommendations for continued use of suitable clean-up technology and stronger campaigns on environmental awareness and education.

In 2016, MBSPPI created a Facebook Page titled "Solusyon Ni Binion." It has so far generated a total of 3,368 "Likes" with an average of 1,979 "Reach" and 544 "Engagement" per post for the year.

Campus Tours

Campus Tours were conducted in four schools in Manila, Quezon City, and Las Piñas City, where some 1,500 high school students participated. These students also received 1,500 up-cycled rulers made from waste polystyrene products from program partner Polystyrene Packaging Council of the Philippines (PPCP). The MBSPPI produced a video entitled "That Thing Called Basura," and this was shown to the students to help promote proper waste management.

Table 2. Manila Bay SUNSET Partnership Program
As of December 2016

1. Land Bank of the Philippines
2. City Government of Manila
3. Cooperative Development Authority
4. Department of Environment and Natural Resources (DENR) - Manila Bay Coordinating Office
5. DENR - National Capital Region
6. De La Salle University Manila
7. Department of Public Works and Highways - NCR
8. Environmental Management Bureau - NCR
9. LANDBANKOOP
10. LBP Countryside Development Foundation, Inc.
11. LBP Insurance Brokerage, Inc.
12. LBP Leasing and Finance Corporation
13. LBP Resources and Development Corporation
14. Manila Broadcasting Company
15. Manila Ocean Park
16. Manila Yacht Club
17. Masaganang Sakahan, Inc.
18. Maynilad Water Services, Inc.
19. Metropolitan Manila Development Authority
20. Miss Earth Foundation, Inc.
21. Pamantasan ng Lungsod ng Maynila
22. Polystyrene Packaging Council of the Philippines
23. Polytechnic University of the Philippines
24. University of the Philippines, Manila
25. Villar Sipag at Tiyaga Foundation, Inc.

Gawad Sibol (Adopt-A-Watershed Program Phase III)

The Gawad Sibol Program is a continuation of the Adopt-A-Watershed which started in 2006 with the following objectives: reforest, protect and increase biodiversity of denuded watersheds across the Philippines; contribute to the National Greening Program (NGP) of the DENR; help mitigate the impact of global warming and climate change, and minimize floods during typhoons in the covered areas; empower local community groups (indigenous people and peoples' organizations) as partners for the program's success and sustainability; and provide volunteerism opportunities to LANDBANK employees.

By the end of 2018, the program is expected to have increased the number of areas covered across the country to a total 25 sites and 114 hectares in land area.

Table 3. Adopt-A- Watershed Program Accomplishments (2006-2015) and Targets (2016-2018),

Program	No. of Sites	No. of Hectares
Adopt-A-Watershed Phase I- 2006 to 2011	6	14
Adopt-A-Watershed Phase II- 2012 to 2015	6	40
Gawad Sibol (Adopt-A-Watershed Phase III) - 2016 to 2018	13	60
TOTAL	**25**	**114**

Based on the continuous monitoring, rigid on-site validation and consultation, and impact assessment and evaluation, here are the cumulative gains of the Adopt-A-Watershed/Gawad Sibol program:

a. A total of 133,300 hardwood, mangroves and fruit-bearing trees were planted during the entire course of the program;
b. A total of 100 hectares of land covered in various watersheds located in all 18 regions in the Philippines;
c. Around 5,000 volunteers from LANDBANK nationwide have participated in the program, where each employee/volunteer planted 20-25 trees each; and
d. Achieved 91.48% survival rate among all the trees planted in six sites nationwide during the Phase II of Adopt-A-Watershed.

Gawad KATUBIGAN Program

The Gawad KATUBIGAN (Kaakibat na Tulong sa Bayan para sa Inuming Kailangan) is a disaster preparedness and response program under the Bank's CSR. It provides disaster-prone areas with preparedness training as well as access to clean water through portable water filtration systems.

It started as a disaster response program in 2015 providing access to clean drinking to calamity-struck areas, but has since incorporated disaster preparedness.

In partnership with Waves for Water International (W4W) and Philippine Disaster Resilience Foundation (PDRF), the program distributes water filtration systems capable of filtering one million gallons of water per device, which can last from five to ten years. The program also aims to reduce waterborne diseases.

Throughout the program, a total of 270 filters were distributed to 24 municipalities across the country benefiting around 27,000 individuals.

Meanwhile, the disaster preparedness component of the program has helped three pre-identified disaster-prone communities. These were selected based on the assessment of partners W4W and PDRF, and with the cooperation of local government units.

The communities are in Baguio, Coron and Tacloban where a total of 362 water filtration systems, six tanks and six drums were allocated, benefiting almost 12,000 individuals in these areas.

Support For International Climate Change Pact

LANDBANK committed to strengthen its CSR environmental programs joining 32 government agencies, non-government organizations, and local government units in signing the Philippine Earth Day 2016 Covenant.

The agreement signing was part of the Earth Day celebration held on April 22, 2016 at the DENR Central Office in Quezon City.

LANDBANK's commitment to environmental protection extends to a number of its CSR programs under MBSPPI and the Gawad Sibol. Under the pact, LANDBANK committed to plant 50,000 trees in 13 watersheds nationwide covering 60 hectares from 2016-2018 through the Gawad Sibol program.

The Bank also pledged to manage and preserve coastal resources through regular clean-up activities of the MBSPPI; promote solid waste management through educational campaigns in various elementary schools in Manila; and promote recycling by producing and distributing 5,000 rulers made from used polystyrene to public secondary schools in Manila.

The Philippine Earth Day 2016 Covenant is the country's support to the landmark Paris Agreement. The Paris Agreement was negotiated and adopted by 196 countries during the 21st Conference of Parties of the U.N. Framework Convention on Climate Change in Paris last December 2015.

Gawad Patnubay Scholarship Program

The Gawad Patnubay Scholarship Program is a two-pronged program that offers both formal and informal education in the fields of agriculture and fisheries. Scholars, who are children of agrarian reform beneficiaries, are provided with 100 percent subsidy on all school fees, with book and monthly allowances every semester, among others.

The formal education track is being implemented in partnership with the International Rice Research Institute (IRRI), and the Philippine Federation of Farm Schools implement the informal education track.

In 2016, a total of 161 scholarships were extended by the Bank through the Gawad Patnubay.

Table 4 provides the breakdown of the number of scholars:

Number of Gawad Patnubay Scholars, 2016	
Formal	
ANCOP (4th Yr)	50
ANCOP - Caritas	22
IRRI	28
IRRI Graduates	22
Informal	
PARFED (Informal)	18
PARFED FEP	
Family enterprise program	4
PARFED Graduates	17
Total	**161**

Meanwhile, Table 5 contains a summary of scholar profiles under the formal track of the Program:

Table 5. Summary of Gawad Patnubay scholar profiles, 2015 and 2016

Particulars	2015	2016	Total
Graduates	12	10	22
With Honors	8	3	11
Licensure Exam Taker	10	4	14
Licensure Exam Passer	10	2	12
E2E Participants	12	9	21
E2E Completed	12	9	21
E2E Interns Placed	12	5	17

Education to Employment (E2e) Inter Wnship Program Under the Gawad Patnubay Scholarship Program

To ensure that the support to the Gawad Patnubay scholars does not end upon graduation, the Bank has established the E2E Internship Program. It aims to provide holistic educational support to the graduates of the scholarship through the following:

- 100% subsidy for their review and examination for the Licensure Exam for Agriculturists (LEA)
- 10-week internship wherein three weeks are spent for classroom lectures at the LANDBANK Plaza and seven week are spent for field internship with partner institutions
- Assistance in securing employment in Lending Centers or partner institutions

In 2016, nine scholars graduated, which automatically qualified them to participate in the program. Also in the same year, three graduated cum laude, and two passed the LEA.

Name	School	Course	Honors Received	Placement
Jannie Gracelyn Aviles	UPLB	BS AgriBusiness Management	cum laude	LANDBANK
Jessica Evangelista	UPLB	BS Agricultural Economics		LANDBANK
Aizel Perez	UPLB	BS Agricultural Economics		University of the Philippines Los Baños (UPLB)
Erin Marie San Valentin	UPLB	BS Agriculture Biotechnology		International Rice Research Institute (IRRI)
El Shaira Labargan	VSU	BS Food Technology		Philippine Rice Research Institute (PhilRice)
Phebelyn Andres	USM	BS Agricultural Economics	cum laude, Licensed Agriculturist	LANDBANK
Rheo Ryan Balbuena	USM	BS Agriculture, Major in Horticulture	cum laude, Licensed Agriculturist	International Rice Research Institute (IRRI)
Gizel Jade Dublas	USM	BS Agriculture, Major in Entomology		Universal Harvester, Inc.
Ricmar Marcos	USM	BS Agriculture, Major in Agronomy		Universal Harvester, Inc.

Gawad e-Dukasyon Program

To reach out to the youth and help educate them about the importance of agriculture, LANDBANK established the Gawad e-Dukasyon Program. This is in partnership with the Knowledge Channel Foundation, Inc. (KCFI), and in cooperation with the Department of Education (DepEd).

The program introduces new media component in education by making use of modern and innovative forms of media such as videos and internet modules. It sends across the Bank's message of promoting agriculture and agriculture studies among the youth to encourage them to pursue agriculture-related courses in college.

Gawad e-Dukasyon Program's primary objective is to produce videos: Crop Production and Harvest, Poultry Raising, and Aquaculture and Fisheries. These videos, entitled "AgriCOOLture," are aired over Knowledge Channel, and the e-modules are made available on the internet. The videos are also shown over all Knowledge Channel-connected public schools nationwide as supplement for the students' Agriculture subject in the curriculum.

In 2016, the video series, which stars popular young actor Enchong Dee, was able to reach the following:

- 5,007,943 learners of the 6,000+ public schools connected to K Channel through on-air broadcast and videos on-demand
- More than 10,000 out-of-school youth and mature learners enrolled in the DepEd Alternative Learning System (ALS) with access to K Channel On-Demand package for ALS
- Over 100,000 teachers of formal schools and community learning centers with access to K Channel
- Learners of private and public schools, and their parents and siblings in over 1,500,000 households all over the country with access to K Channel broadcast
- The general public with access to K Channel through its online learning portal

The Gawad e-Dukasyon Program complements the Bank's Gawad Patnubay Scholarship Program, as both Programs bring forward the message that agriculture is a good career path and a possible source of income and business.

LANDBANK Christmas CSR Program

In 2015, Landbankers supported the project "One Million Books for One Million Filipino Children" of Center for Art, New Ventures and Sustainability Development (CANVAS).

A total of 850 storybooks were turned over to students of Nicomedes C. Tolentino Elementary School and Pangyan National High School in Glan, Saranggani in February 2016. Head Office-based Landbankers, through a fund-raising activity led by CANVAS during the LANDBANK Christmas Bazaar, funded the storybooks. Employees funded one book by paying P100.00 in exchange for a caricature drawn by a CANVAS artist.

Landbankers once again used the Christmas Bazaar 2016 as a venue to gather books. A total of 21 boxes were filled with book donations, which will be turned over to the Solar Library in Shalom Science Institute (SSI), Lanao del Sur. As the Bank's counterpart in the initiative, Givebay will provide twice the number of books donated by Landbankers to the Solar Library.

One Million Lapis Program

Pledging support to improving education in the country, LANDBANK participated in the "One Million Lapis Campaign", with lead agencies Council for Welfare of Children (CWC) and the DepEd.

The campaign worked to collect a million pencils for the benefit of underprivileged students in primary schools across the country. The donations received from Bank employees during the period covering July 1, 2016 to September 26, 2016 are expected to contribute in efforts to address the lack of school tools necessary for effective learning in the classroom. Together with private establishments, and other government institutions, LANDBANK displayed 20 drop boxes for new or old pencil donations in various floors of the LANDBANK Plaza.

LANDBANK turned over the donations totalling 54,056 pencils to CWC on September 30, 2016. All donations were officially counted in November in time for the celebration of National Children's Month.

LANDBANK Gawad Kabuhayan Program

LANDBANK's Gawad Kabuhayan Program is a "recovery through livelihood" program launched by the Bank in early 2013 in partnership with Habitat for Humanity Philippines (HFHP).

The program is the first of its kind, which integrates a livelihood component in HFHP's disaster recovery effort as it goes beyond building houses for disaster survivors. It equips relocated families with skills that allow them to start income-generating enterprises.

In 2016, LANDBANK and HFHP inaugurated the Macapaya Livelihood Center in Cagayan de Oro City. The livelihood center is designed to cater wholesale selling of rice and other goods to Calaanan Home Partners Phase 3 and to nearby communities. Around 420 direct home partners will benefit from the center, as well as the greater community of Camaman-an and Indahag with approximately 1,200 households.

Ipon at Kabuhayan Para sa mga Kababayan (Financial Inclusion Caravan)

LANDBANK continuously prioritizes programs aimed at promoting greater financial inclusion among the unbanked and unserved communities in the country. In 2016, the Bank led a nine-municipality caravan titled, "Ipon at Kabuhayan para sa mga Kababayan", wherein participants engaged in half-day forums featuring modules on financial literacy. The move is a way for the Bank to introduce formal banking services, as well as business and livelihood opportunities.

Each caravan venue featured several booths, including a savings booth where LANDBANK offered a simplified account opening process. An ATM and Cash Deposit Machine demonstration booth was also made available to acquaint participants with the use of the machines. These machines are accessible in LANDBANK Easy Access Facilities (LEAFs) that function as Other Banking Offices in areas where the Bank has no branches.

LANDBANK offered special accounts that do not require an initial deposit or maintaining balance for the first six months. This was done to further encourage participants to open their own savings accounts. The Bank gave100 attendees in each area ATM accounts with P100 initial deposit, while the first 100 to open accounts were automatically credited with P50.

The Bank partnered with local government units and cooperatives in each area and was joined by Philippine Long Distance Telephone's financial technology solutions company FINTQ and the Department of Social Welfare and Development in select areas. Also a partner in the savings module is the Bangko Sentral ng Pilipinas (BSP).

The caravan was held simultaneously last June 11, 2016 in nine sites, namely: Sta. Marcela, Apayao; San Antonio, Zambales; Palayan, Nueva Ecija; Alabat, Quezon; Laurel, Batangas; Sta. Margarita, Western Samar; Amlan, Negros Oriental; Sulop, Davao del Sur; and Sinacaban, Misamis Occidental.

The Financial Inclusion Caravan allowed LANDBANK to reach out to an estimated 4,000 unbanked Filipinos, most of whom opened savings accounts on the spot.





Awards And Recognitions Received By Landbank In 2016

In 2016, LANDBANK received numerous awards as it continued to promote inclusive growth and development through facilities and programs created to serve and strengthen client, partner-institution and workforce relationships. These commitments have given pride and resulted in a fulfilling year for LANDBANK.

Local awards and recognitions

LANDBANK received the Top Performing Government Securities Eligible Dealer from the Bureau of Treasury (BTr) for the Bank's outstanding contribution in supporting the local Government Securities market. This award was also given to the Bank in 2014 and 2015. The award was given during the Annual Recognition Ceremony of BTr.

During the 11th Philippine Dealing System Annual Awards where the Top 5 Spot Foreign Exchange Dealers and Top 5 Fixed Income Dealing Participants were recognized, LANDBANK received two awards. The Bank placed second in total foreign exchange transactions, and fifth in total securities transactions.

Meanwhile, environmental efforts of the Bank through its CSR initiatives—the Manila Bay SUNSET Partnership Program and Adopt-A-Watershed Phase II – generated two Kampeon ng Katubigan Awards during the 2nd World Water Day Awards held by Maynilad Water Services and National Water Resources Board.

The SUNSET Program also won for LANDBANK an Environmental Impact Award from the Philippine Council Associations and Association Executives during its ANG SUSI Institutional Awards.

The Bank was also recognized for its quality management practices by the Development Academy of the Philippines, receiving a Philippine Quality Award (PQA) for Proficiency in Quality Management (Level II).

For its 2015 calendars that featured caves in the Philippines, LANDBANK received the Philippine Quill Award of Merit from the International Association of Business Communicators Philippines (IABC). The award reflects the Bank's ability to use communication skills as an effective tool in promoting the Bank, and voicing its support for the country's natural resources.

International merit

The Philippine Quality Award for Proficiency in Quality Management (Level II) afforded the Bank another international award, this time from the Asia Pacific Quality Organization through its Global Performance Excellence Awards. LANDBANK is only one of two banks that were given awards, and is the only Philippine bank to receive the recognition.

Meanwhile, the credit support facility entitled Bringing Urbanization and Innovations thru LANDBANK's Diverse Engineering Resource Support, or BUILDERS Program, was awarded Best SME Product in the Philippines by The Asian Banker during the Philippine Country Awards 2016.

LANDBANK also received the Outstanding Development Project for the Talayan Sewage Treatment Plant under the Environmental Development category of the Association of Development Financing Institutions in Asia and the Pacific, or ADFIAP Awards 2016.

Another environment-related sustainable

The Global Banking and Finance Review Magazine handed two awards—Best Agribusiness Bank and Best CSR Bank.

finance program won LANDBANK a Certificate of Merit from the Global Sustainable Finance Network. The Climate Synergistic Mitigation, Adaptation, Resiliency, and Transformation, or Climate SMART Program won under the Best Innovation in Sustainable Finance Products and Services category at the Karlshruhe Sustainable Finance Awards.

The Global Banking and Finance Review Magazine handed two awards—Best Agribusiness Bank and Best CSR Bank. These awards were given to highlight the LANDBANK's contributions to agri-related efforts toward reviving the industry, as well as CSR programs focusing on livelihood, education, environment protection, and disaster response, respectively.

LANDBANK also received the Asian Bank of the Year award from Terrapinn Holdings Co., Ltd. for its financial inclusion efforts and support to farmers, MSMEs, and agri and aqua businesses.

As for the its banking performance, workplace development, and customer service orientation, LANDBANK was conferred with the following: Most Innovative Deal from The Asset Magazine for the Bank's participation as lead arranger in the Therma Visayas Loan Facility totalling P31.97 billion; Domestic Retail Bank of the Year-Philippines and Graduate Employment Program of the Year from the Asian Banking and Finance Magazine; and Customer Service Provider of the Year from the International Banker.

- *APQO: Quest for Excellence Award*

The Asia Pacific Quality Organization (APQO) has named LANDBANK as one of the winners in the prestigious Global Performance Excellence Awards (GPEA).

The Bank received the Quest for Excellence Award, the third highest award under the Non-Profit or Government Entity category. It joins 29 other organizations from 10 Asian and Pacific Rim countries that were recognized as "exemplary companies of world class quality performance."

- *PQA Proficiency in Quality Management (Level 2)*

The Bank garnered the Philippine Quality Award (PQA) Level 2 Recognition for Proficiency in Quality Management. Being a PQA awardee, LANDBANK is now considered an organization with Government Excellence Class status.

- *Best Agribusiness Bank – Philippines; Best CSR Bank – Philippines*

LANDBANK was named "Best Agribusiness Bank 2016" and "Best CSR Bank 2016" in the Philippines by London-based Global Banking and Finance for its financing programs that contribute to improving agricultural productivity, ensuring food security, and promoting agri-entrepreneurship, as well as for its initiatives to promote financial inclusion.

- *Asian Banking and Finance Awards 2016*

This year, LANDBANK won two Retail Banking Awards during the Asian Banking and Finance Awards 2016: (1) Domestic Retail Bank of the Year - Philippines; and (2) Graduate Employment Programme of the Year - Philippines.

LANDBANK was one of the 65 winning banks from 24 countries in the Retail Banking Awards.

- *Asian Banker: Best SME Product for BUILDERS Program*

LANDBANK's BUILDERS program was awarded "Best SME Product" at the Asian Banker's Philippine Country Awards 2016. The awards ceremony was held in conjunction with the Philippine International Banking Convention held last October 7, 2016 at the Shangri-La at the Fort, Bonifacio Global City.

The Bringing Urbanization and Innovations thru LANDBANK's Diverse Engineering Resource Support, or BUILDERS program, provides business loans to SMEs in the local construction market. It forms part of the Bank's contribution to the public-private partnership projects of the national government by extending credit support to private and public sector players in the industry.

- *Asian Bank of the Year*

LANDBANK was named "Asian Bank of the Year" at the SMART Awards Asia 2016 for its financial inclusion efforts and support for farmers, agri- and aqua-businesses, and micro, small and medium enterprises.

The awards ceremony took place during the gala dinner held as part of the Cards and Payments Asia 2016 Conference in Singapore last April 20.

- *Oustanding Development Project: Talayan Sewage Treatment Plant*

LANDBANK was adjudged a winner under the Outstanding Development Project – Environmental Development category of the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) Awards 2016 for its Talayan Sewage Treatment Plant project.

- *IFM Awards 2016*

LANDBANK won three awards during the International Finance Magazine (IFM) Awards 2016: Most Socially Responsible Bank; Most Innovative Lending Platform for the LANDBANK Mobile LoanSaver; and Best Corporate Social Responsibility (CSR) Initiative.

The IFM Award recognized LANDBANK for its contributions to raising the bar in the financial industry through CSR or charitable activities, better corporate governance and other achievements that impact the global finance community.

Based in London, IFM was established with a mission to convey credible financial news and articles to the global financial community in a concise, simple and easy-to-understand manner.

- *The Asset: Most Innovative Deal*

The Therma Visayas Inc. (TVI) deal, in which LANDBANK is one of the Joint Lead Arrangers and Project Lenders in the PHP31.97 Billion Syndicated Term Loan Facility, was awarded as the "Most Innovative Deal" by The Asset Triple A Asia Infrastructure Awards 2016 last June 30 in Hong Kong.

The Deal was awarded the most innovative project finance transaction because of the introduction of new concepts in the Philippine local market which include the core equity standby letter of credit and top-up loan facility.

- *International Banker: Best Customer Service Provider of the Year Asia 2016*

LANDBANK was recently awarded the "Best Customer Service Provider of the Year Asia 2016" during the International Banker's annual Banking Awards to acknowledge the top Asian and Australasian banking institutions and individuals. This award acknowledges and celebrates LANDBANK's innovation and leadership in the area of banking customer service in Asia.

- *Karlsruhe Award for Sustainable Finance 2016*

For the fourth year in a row, LANDBANK was recognized by the Global Sustainable Finance Network (GSFN) for its contributions in the field of sustainable finance.

The Bank was conferred with a Certificate of Merit for its Climate SMART (Synergistic Mitigation, Adaptation, Resiliency, and Transformation) financing program under the Best Innovation in Sustainable Financial Products and Services category. The award was given in a ceremony held at the annual Global Sustainable Finance Conference in Karlsruhe, Germany.

- *Top Performing GSED*

For the third straight year, LANDBANK was named as the top performing Government Securities Eligible Dealer (GSED) at the annual recognition ceremony hosted by the Bureau of the Treasury (BTr). The award recognizes the outstanding contribution of GSEDs in support of the local Government Securities (GS) market.

- *PDS Group awards*

LANDBANK garnered awards in two categories, Top 5 Spot Foreign Exchange Dealers and Top 5 Fixed-Income Dealing Participants, during the 11th Philippine Dealing System Annual Awards Night held last March 3 at Makati Shangri-La Hotel.

LANDBANK emerged as the second in the Top 5 Foreign Exchange Dealers after BDO Unibank, with Metrobank coming in at third, Deutsche Bank (Manila Branch) at fourth and Bank of the Philippine Islands (BPI) at fifth. The Top 5 Spot Foreign Exchange Dealer awards are given to Foreign Exchange Dealer Banks that generated the most trading volume for the year as measured by the total USD/PHP volume turnover transacted by USD amount.

For the Top 5 Fixed-Income Dealing Participants, LANDBANK came in at fifth following BPI (1), Metrobank (2), First Metro Investment Corporation (3) and Citibank (4). The Top 5 Fixed-Income Dealing Participant awards are given to Dealing Participants that have generated the most trading volume for the year as measured by the total volume of securities transacted by face amount.

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  Environmental Impact Award

  LANDBANK's flagship CSR program, the Manila Bay SUNSET Partnership Program, Inc. (MBSPPI), was recognized for its "Manila Bay Clean-Up Drive" during the recently-concluded "Ang Susi Awards 2016" of the Philippine Council Associations and Association Executives (PCAAE).

- *World Water Day Awards: Kampeon ng Katubigan*

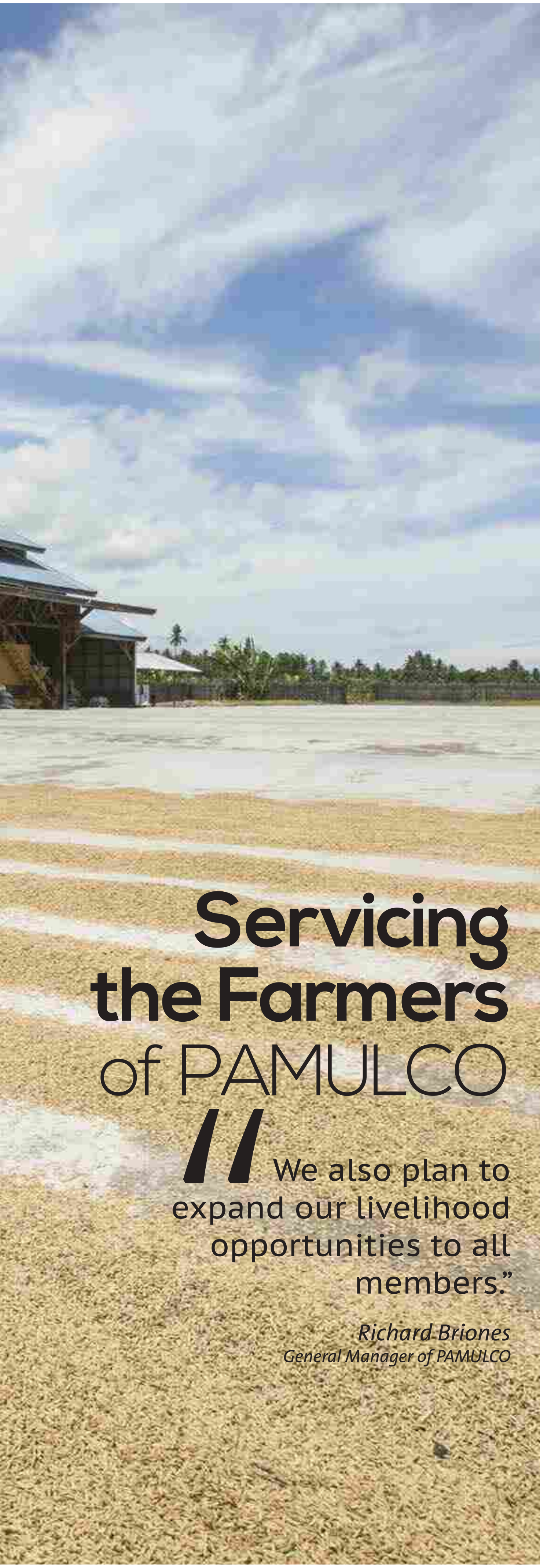
  LANDBANK received two "Kampeon ng Katubigan" awards for advancing programs for water access and environmental sustainability. Maynilad Water Services (Maynilad) and National Water Resources Board (NWRB) conferred the awards for LANDBANK's environmental programs – Manila Bay SUNSET Program Partnership and Adopt-A-Watershed Phase II – at the second World Water Day Awards.

  The PCAAE acknowledged MBSPPI's contribution to the association sector and to the country through its environmentally responsible initiatives.

- *Philippine Quill Award of Merit*

  The LANDBANK 2015 wall and desk calendars titled "The Beauty that Lies Within: A Look at Philippine Caves" received the Award of Merit at the Philippine Quill Awards conferred by the International Association of Business Communicators. The 2015 calendars won under the Communication Skills Division, Publications Category.



Servicing the Farmers of PAMULCO

"We also plan to expand our livelihood opportunities to all members."

Richard Briones
General Manager of PAMULCO

Pangi Multi Purpose Cooperative (PAMULCO) started as an idea. It was established in 1992 through the initiative of Rogelio Dumaguing, a farmer from the sleepy town of Maitum in Saranggani. The cooperative initially had trouble organizing, but later found 21 like-minded individuals who became its incorporators.

PAMULCO then began to take shape. It started catering to the needs of farmers and fishers in Pangi, and later to the rest of barangays in Maitum, and the nearby municipality of Kiamba, which produces the most rice and corn in the province.

"It was during our first convention that we realized PAMULCO will not be just a farmers' organization but a cooperative with a cause," Dumaguing said.

Dumaguing admits, though, that they couldn't do it alone. In 1994 with the help of LANDBANK, PAMULCO was able to secure tractors, and other farming equipment and facilities. PAMULCO was also able to obtain P800,000 production loan and P500,000 working capital for farming from the Bank.

"Then our members kept on growing, we were able to put up a small rice mill," Dumaguing added.

Eventually, LANDBANK increased PAMULCO's credit line from P800,000 to P2 million.

But even with LANDBANK's help, PAMULCO faced challenges during its start-up years that caused major disruption in its operations. Among them included the devastation of crops during the El Niño of 1996 and 1997. The money that the cooperative loaned from LANDBANK went to waste. In 2010, because of unforeseen circumstances, PAMULCO had millions in unpaid loans with LANDBANK. But through their dedication and countless prayers, they are now almost debt-free.

"We decided to cut some costs and talked to the members about saving," says PAMULCO General Manager Ronald Briones. "This served as a huge lesson for us. And it became a turning point and a realization."

With LANDBANK's assistance, PAMULCO was also able to help its members. Teddy Alvior, a farmer in the rural town of Maguling, Saranggi joined the cooperative because he knew it was going to help their livelihood. "The co-op also helped us give good education to our children, as well as provide equipment and facilities that we need for farming and harvesting."

Presently, LANDBANK has approved additional loan for PAMULCO for the procurement of an additional mill and other facilities and equipment.

In the near future, PAMULCO also hopes to grow its members. "We also plan to expand our livelihood opportunities to all members," says Briones.

Customer Service

BANK'S DELIVERY CHANNELS

Branches

In 2016, LANDBANK expanded its branch network to 370 by opening 10 new branches. It maintained its position as the bank with the most extensive network in the Philippines with presence in all of the country's 81 provinces.

Of the total 370 branches, 87 are in NCR, 150 in Luzon, 60 in the Visayas and 73 in Mindanao. Apart from its branch network, the Bank also operates six tellering booths and six foreign exchange booths to provide additional banking services.

1,634

ATMs

Automated Tellering Machines (ATMs)

As part of the Bank's commitment to provide convenience to its 12.3 million cardholders, LANDBANK has installed 131 new ATMs in 2016, maintaining its rank as the fourth largest bank in terms of ATM network in the Philippines. The Bank's 1,634 ATMs are strategically located across the country: National Capital Region-360 (22%), Northern and Central Luzon-377 (23%), Southern Luzon-303 (19%), Visayas-245 (15%), and Mindanao-349 (21%).

In line with the Bank's vision to deliver services in all provinces, cities, and municipalities, LANDBANK ATM's penetration rate in all cities in 2016 has reached 94% (137 out of 145). The penetration rate in all municipalities stood at 23% (350 out of 1,489).

LANDBANK Express Access Machine (LEAM)

LEAM is a touch-screen financial kiosk machine designed to accept payments/ collections for national government agencies. Initially, this is available to BIR taxpayers only.

The implementation of LEAM automates the traditional over-the-counter mode of tax payment as it provides faster payment transaction and customer convenience.

As of December 2016, LEAM is available in 50 of LANDBANK branches, with 18 in NCR, 10 in Northern and Central Luzon, eight in Southern Luzon, four in the Visayas, and 10 in Mindanao.

The LEAM was also enhanced to serve as an alternative channel for accessing LANDBANK's online banking products, the LANDBANK ePayment Portal (EPP) and i-Access.

Cash Deposit Machine (CDM)

CDM is a self-service machine with cash deposit functionality, which made LANDBANK the first government bank to provide an automated channel for real-time cash deposit transaction. It expedites deposit transactions as customers no longer need to queue for over-the-counter transactions.

The CDM is available at selected branches (on-site) and at all LANDBANK Easy Access Facility (LEAF sites).

In 2016, the Bank installed 52 additional CDMs, which brought the total to 82 units across the country. Eight CDMs are available in the NCR, 23 in Northern and Central Luzon, 17 in Southern Luzon, 16 in the Visayas, and 18 in Mindanao.

Mobile ATMs

In 2016, LANDBANK has maintained 10 Mobile ATMs across the country at one each per Branches Group. These mobile ATMs serve as an alternative channel for withdrawal transactions of other depositors from local government units, government agencies, and private corporations, and support the cash grant distribution to the beneficiaries of the government's Conditional Cash Transfer (CCT) Program.

ALTERNATIVE MOBILE BANKING FACILITY

LANDBANK Mobile Banking Application (MBA)

The **LANDBANK Mobile Banking Application** is a free application that provides clients with convenient access to the Bank's wide array of services through their smartphones, anytime, anywhere.

MBA has been consistently performing in both enrollment and utilization since its implementation in January 2015, as the application is continuously being enhanced and updated.

Whether for an ATM Savings Account, a Regular Current Account or a Current Account with ATM access, clients may avail of various banking services online that is guaranteed with secure encryption technology for added protection.

By enrolling in iAccess, the Bank's retail Internet banking facility, and downloading the MBA through the Google Play Store or Apple App Store, clients may enjoy the full range of services including balance and transaction history of savings, credit card, and cash card accounts, checkbook requisition, fund transfer, bills payment, locking/unlocking of ATM card transactions through Mobilock, ForEx and UITF rates inquiry, and LANDBANK ATM and branch locator.

- As of December 2016, there are 132,499 active users of MBA out of the total 2.2 million iAccess users. In the same period, monetary transactions were recorded at 206,774 which is equivalent to P1.4 billion Both volume and amount remarkably increased by 350%, from 45,919 and 482% from P244.9 million, respectively, in previous year.
- Similarly, bills payment transactions registered a significant increase of 246% from 8,916 to 30,843, with an equivalent amount of P83.8 million, up by 364% from the previous year's P18.0 million.
- Fund Transfer transactions using MBA grew by 348% and 461% in terms of volume and amount, respectively. Meanwhile, increase in inter-bank fund transfer volume was noted at 1,930% and 2,019% for transaction amount.
- As protection against unauthorized international and/or local access, clients have the option to automatically lock or unlock their enrolled ATM Cards through the MBA's Mobilock feature. Since its implementation in May 2016, card locking transactions reached 9,774, and card unlocking transactions numbered 7,312. These were initiated online by the cardholders using Mobilock, while some cardholders directly sought the assistance of LANDBANK Branches and Customer Care Center.

In 2016, LANDBANK expanded its branch network to 370 by opening 10 new branches. It maintained its position as the bank with the most extensive network in the Philippines with presence in all of the country's 81 provinces.

LANDBANK becomes the first bank with physical presence in the island municipality of Alabat, Quezon – a result of the strong cooperation between LGU Alabat and LANDBANK.

DEVELOPMENT CONDUITS

LANDBANK Easy Access Facility (LEAF)

To sustain the promotion of financial inclusion, LANDBANK opened Other Banking Offices called LEAFs in municipalities where there are no LANDBANK Branch or EO, or conduits that offer banking services.

The LEAFs host different machines to service the non-transactional banking-related services such as Cash Deposit Machine (CDM) for deposits, ATM for withdrawals and LANDBANK Express Access Machine (LEAM) for bills payments.

As of December 2016, LANDBANK has a total of 40 LEAFs nationwide; 24 in Luzon, six in the Visayas and 10 in Mindanao. Out of the 40 LEAFs, 18 were opened in 2016.

BANKING SERVICES SYSTEMS AND FACILITIES

Phonebanking

The LANDBANK Phone Access (LPA) is an alternative delivery channel that allows ATM and current account holders to make banking transactions via landline or mobile phones. Bank transactions include fund transfer, bills payment, bank statement request, checkbook reorder, check status, and balance inquiry, among others. It also allows account holders to report lost/ stolen cards and talk to LANDBANK Phonebankers for inquiries and concerns.

At the end of 2016, the LPA has a total of 3.27 million enrolled accounts representing 99.89% of the 3.28 million eligible accounts. During the year, LPA processed 1.4 million total financial and non-financial transactions. Financial transactions recorded a total amount of P226 million – fund transfer with P218.14 million and bills payment, P8.0 million.

Retail Internet Banking

The LANDBANK iAccess is an alternative banking channel for individual depositors, which facilitates convenient and reliable banking transactions via the Internet. This banking channel uses secure encryption technology for added protection.

By logging on to www.lbpiaccess.com, an enrolled depositor can perform financial and non-financial transactions.

By the end of 2016, iAccess enrollment reached 2.26 million from 1.82 million in 2015, registering a growth rate of 24.4%. iAccess volume of transactions in 2016 totaled 36.96 million of which 98.7% were non-monetary transactions. Meanwhile, monetary transactions involved a total amount of P5.59 billion from bills payment, fund transfer and checkbook requisition.

Institutional Internet Banking

The LANDBANK weAccess is the Bank's Internet banking system, which allows private and government client institutions to perform banking transactions online. Enrolled users can manage their Regular Savings, Current Accounts, and High Yield Savings Account and enjoy banking with ease and security as weAccess employs secured encryption, VeriSign digital verification, and Virtual Token application.

Various corporate banking services can be accessed online by logging on to www.lbpweaccess.com. These include balance inquiry, account statement, fund transfer, account sweeping, bills payment, auto debiting, auto crediting, payroll, check status inquiry and loan information.

In 2016, there were 8,710 new enrollees, bringing the total number of enrollees to 29,211 or 42% increase from 20,501 in 2015. A total of 476,726 transactions were processed for the year with an equivalent amount of P271 billion.

Electronic Payment Portal (ePP)

The ePP is a web-based payment channel designed to accept payments of fees, dues, and charges from clients of enrolled merchants with or without an Agency Transactional Website.

As of December 2016, a total of 123 new merchants were enrolled. LANDBANK ePP transactions for the year reached 41,561 amounting to P79.39 million.

The number of enrolled merchants, volume and amount of transactions significantly increased by 339.29%, 4,150% and 3,708%, respectively due to the full implementation of the ePP facility in July 2015.

The following enhancements were implemented to further improve client's user experience and increase utilization of the LANDBANK ePP:

123

new merchants enrolled in ePP

- LANDBANK ePP BancNet Internet Payment Gateway interface (August 15, 2016) - allows payors to use their deposit accounts maintained at any participating BancNet-member banks as payment source for their transactions in the LANDBANK ePP.
- ePP Web Service Facility with Quezon City Government (QCG) (September 15, 2016) - enables LANDBANK ePP to interface and accept payment transactions through the interactive websites of enrolled merchants.
- The Mobile Responsive Design (December 8, 2016) - provides a better user experience through ease of reading and navigation across wide range of devices from desktop to mobile devices.

Electronic Payment System (ePS)

The LANDBANK Electronic Payment System is a web-based payment channel designed to accept payments and process electronic payments through the interface of the system of merchants (government or private institutions) with the payment gateway of LANDBANK.

For the year 2016, LANDBANK ePS volume and amount of transaction significantly increased by 109.67% and 107.93%, registering 554,598 and P772.64 million, respectively.

To sustain the promotion of financial inclusion, LANDBANK opened Other Banking Offices called LEAFs in municipalities where there are no LANDBANK Branch or EO, or conduits that offer banking services.

The LANDBANK Visa Debit Card enables cardholders to perform local and international transactions through access to 2.3 million ATMs worldwide

outstanding checks; and in addressing cash programming concerns through specific schedule of payments.

In 2016, LANDBANK branches processed 2.95 million MDS transactions of 36 government agencies or 87.40% of government's total disbursements amounting P1.83 trillion. These disbursements included payments and fund releases of the government for developmental projects, operating expenses and salaries/benefits of government personnel.

- *Revenue Collection Services and Other Services*

LANDBANK, with its branches spread all over the country, is strategic conduit for the settlement of duties and taxes by individuals, corporations, and government agencies.

In 2016, the tax collection of the Bank for the national government totaled P246.85 billion with 7.36 million total transactions. Of this amount, P132.09 billion involving 5.83 million transactions were collected for the Bureau of Internal Revenue (BIR), while P110.98 billion with 5.83 million transactions were for the Bureau of the Treasury and P3.78 billion involving 37,465 transactions were for tariffs and duties collected for the Bureau of Customs.

- *Government Collection Services*

LANDBANK also collected a total of P8.8B for the different programs and projects by various government institutions such as Philippine Health Insurance Corporation (PHIC), Social Security System (SSS), Home Development Mutual Fund (HDMF), National Home Mortgage and Finance Corporation (NHMFC), Philippine Charity Sweepstakes Office (PCSO), Philippine National Police (PNP), National Food Authority (NFA), Social Housing Finance Corporation (SHFC), National Single Window (NSW), POEA- Agency Hires, POEA-Agency Hires), Subic Bay Metropolitan Authority (SBMA), Research Institute of for Tropical Medicine (RITM); Local Government Units (Muntinlupa, Quezon City and San Pablo City of Laguna), water districts of Baguio, Carcar, Davao City, Dagupan City, Leyte Metropolitan, Malaybalay, Plaridel, Rosales, and Toledo; and state universities (Batangas State University, Bulacan State University, Isabela State University, Nueva Ecija University of Science and Technology (NEUST), Polytechnic University of the Philippines (PUP), Southern Luzon State University (SLSU), Technological University of the Philippines (TUP), and Visayas State University).

- *Private Collection Services*

In 2016, a total of P 8.33 billion was collected for various private institutions such as BancNet Point-of-Sale, BPI Pont-of-Sale, Philippine Long Distance Telephone Company, Smart Communications, Manila Water, Maynilad Water, Skycable, Globe Telecom Inc., Innove, MERALCO, CIGNALTV, AFAB Power, AFAB Rent and Utilities, Antique Provincial Government Employees Multi-Purpose Cooperative, Bohol I Electric Cooperative Inc., Cagayan I Electric Cooperative, Cebu III Electric Cooperative Inc., College of Immaculate Conception, Columban College Inc., Comclark Network Technology Corp., Converge Information Communications Technology, Davao del Sur Electric Cooperative Inc., Davao Oriental Electric Cooperative Inc., Dragonpay, DEVMH-Hospital Bills, First City Provincial College, First Laguna Electric Cooperative Inc., Foundations for People Development Inc., Landbank Visa Credit Card, LANDBANKOOP, LBP – Tarlac Employees MPC, Macondray Finance Corporation, Mountain View College Employees Credit Cooperative, Pampanga I Electric Cooperative Inc., Parasat Cable TV Inc., Ruralnet Inc., Subic Water Sewerage Co. Inc., and Venturecap Lending Investor Corporation.

- **Electronic Modified Disbursement Scheme (eMDS)**

LANDBANK Point of Sale (POS) Debit/Sale

Point-of-Sale (POS) System involves the installation of payment terminals at accredited retail merchants for the authentication of debit card purchases. This facility is operated in partnership with BPI and BancNet.

The partnership service allows ATM cardholders across the country to purchase goods or services by debiting the cardholder's ATM/debit/ cash card of the purchase amount and crediting the sale proceeds to the retail merchant's account maintained at LANDBANK.

In 2016, the 436 installed POS debit/ sale terminals processed 876,079 transactions amounting to P6.005 billion.

LANDBANK POS Cash Out

There were 126 POS Cash Out Terminals installed since its launch in May 2015. LANDBANK, in partnership with BancNet, was the first in the industry to launch the POS Cash Out. This innovation allows Peso withdrawal transactions from certified POS terminals installed in partner-institutions.

At the end of 2016, POS Cash Out terminals processed 234,094 transactions amounting to P994,431.

The Bank's Treasury and Investment Banking Sector achieved a total income of P20.3 billion.

BANK PRODUCTS AND SERVICES

Bank Products

- *Deposits*

As a universal bank, all LANDBANK branches offer a wide array of deposit products that provide financial solutions to the needs and requirements of its customers. Savings, current and time deposit accounts are available in peso and foreign currencies, such as US Dollar, Euro, Japanese Yen and Chinese Yuan.

In January 2016, LANDBANK introduced High-Yield US Dollar Time Deposit (HYUSDTD) accounts to individual and institutional depositors. The HYUSDTD is a special time deposit account which earns a much higher interest at a lower minimum placement than those required by the US Dollar-denominated time deposit products offered by other banks.

At a low minimum placement of $2,000, the HYUSDTD has the lowest among peer banks with tenors of two and three years with interest rate of 2% and 2.5%, respectively, compounded annually.

- *Treasury and Investment Products*

The year 2016 was a highly volatile period, driven by expectations of another interest rate hike from the US Federal Reserve and aggravated by political concerns domestically and abroad.

Notwithstanding however, the Bank's Treasury and Investment Banking Sector achieved a total income of P20.326 billion. Highlights of its accomplishments include the following:

Expanded Sales and Distribution Network

LANDBANK Treasury reinforced its Investment Sales and Distribution Department (ISDD) with the full operation of six NCR Treasury Desks and 10 Regional Treasury Hubs, covering 16 regions, 81 provinces and 370 LANDBANK Branches and Extension Offices.

This expanded operations enabled LANDBANK to tap retail clients, and new clients from various industries such as thrift and rural banks, cooperatives, insurance companies, Local Government Units, State Universities and Colleges and other educational institutions, water districts and hospitals.

With LANDBANK as Lead Issue Manager and one of the 15 selling agents for the 10-year Retail Treasury Bond (RTB) Offering Tranche 18 of the Bureau of the Treasury, ISDD captured a fifth of the total market compromising of retail, individual and GOCC clients, and attained a total sales volume amounting to P19.87 billion or 20% of the total RTBs offered.

Sales from distribution of various treasury products for the year ended December 2016 amounted to P102.5 billion with an income of P23.5 million.

Investment Banking and Capital Markets

LANDBANK's Investment Banking Group continued to take an active role in investment banking deals for both government agencies and private corporations. LANDBANK acted as the Joint Lead Issue Manager for the P100.13B Retail Treasury Bonds Tranche 18 of the Bureau of the Treasury, issued in September 2016. LANDBANK was also the Joint Lead Arranger for the Therma Visayas Inc.'s syndicated loan facility. The Asset Triple A Asia Infrastructure Awards accorded LANDBANK with "Most Innovative Deal" in June 2016.

P20.3M

income from sales and distribution of treasury products

The Bank served as the arranger for the P17B NGCP Corporate Notes and P3.5B Energy World Gas Operations, Philippines Inc. Corporate Notes. It also actively participated in syndicated loan transactions for Esquire Financing, Inc., Alloy MTD Bataan Inc., Citicore Power Inc., and Energy World Power Operations Philippines, Inc.

The Bank likewise participated in Globe Consent Solicitation Exercise for its issued bonds and provided financial advisory services for equities and bidding for Public-Private-Partnership projects of private entities.

The Investment Banking Group likewise handled the Bank's equity investments, including those of Countryside Financial Institutions (CFIs). As of year-end- 2016, the Bank's total outstanding investments reached P6.057 billion.

Dominant Industry Position

From 2012-2016, LANDBANK has been consistently among the Top 5 Fixed-Income Dealing Participants awardee of the Philippine Dealing and Exchange Corporation.

The Bank's remittance business in 2016 posted another record-high performance as it generated USD1.609B of remittances.

- *Remittance Products*

The Bank's remittance business in 2016 posted another record-high performance as it generated USD1.609 billion of remittances, surpassing previous year's volume of USD1.571billion. These remittances were sourced from its foreign correspondent and depository banks and remittance agency partners from the Asia-Pacific, Middle East, USA, Canada and Europe.

The Bank maintained deposit accounts with 24 top-tier banks in 11 countries and continued to have a strong correspondent relationship with 567 foreign banks. Likewise, the Bank nurtured solid partnerships with 234 foreign and local companies specializing in the remittance and overseas manpower deployment businesses.

With the LANDBANK Remittance System (LBRS), an automated 24/7 and real-time system of processing remittances that supports various modes of data transmission and payment settlement, the Bank is able to actively forge partnerships with large local and global money transfer companies, as well as shipping and manning agencies. In September 2016, the Bank signed a partnership with Western Union in providing credit to account and cash pickup services to take advantage of the latter's global reach.

The Bank also aggressively marketed the "Cash-Pickup Anywhere" service to expand its nationwide network by tapping Puregold supermarkets, in addition to LANDBANK branches and partner-paying agents. This allows recipients the convenience of choosing where to claim the money sent to them by their loved ones. As of end 2016, the Bank had 22 partner paying agents composed of commercial banks, rural banks and pawnshops. Including LANDBANK branches, the number of pay-out outlets reached 2,783.

To support the financial requirements of outbound Filipino workers, the Bank launched the Pre-Departure Loan in partnership with the Philippine Overseas Employment Administration (POEA). The loan is available for those hired through the Government Placement Program, initially for those bound for South Korea. The proceeds of the loan is intended to defray the Filipino worker's deployment expenses e.g., plane fare, visa fee, medical examination, etc. The loan program uses the Bank's mobile loan platform.

To nurture savings awareness and to provide OFWs with viable investment options, the Bank conducts regular financial literacy seminars and campaigns in coordination with the Bangko Sentral ng Pilipinas, Department of Foreign Affairs, Department of Labor and Employment, Overseas Workers' Welfare Administration, Philippine Overseas Employment Administration and client shipping and manning agencies.

As of December 2016, OFW accounts registered an ADB of P1.137 billion which is 15.89% higher than the P981million ADB in 2015. The number of OFW accounts likewise increased by 26.81% or equivalent to 25,638 new OFW accounts, from 98,141 in 2015 to 124,457 in 2016.

Through its remittance business, the Bank generated an Average Daily Balance (ADB) of P2.2 billion in low-cost deposits from remittance partners, OFWs and OFW beneficiaries, and revenue from remittance transactions in the forms of service fees and foreign exchange margin.

25,638

new OFW accounts

LANDBANK signed a memorandum of understanding with ACCESS Advisory (ACCESS) and National Confederation of Cooperative (NATCCO) to launch initiatives geared towards harnessing the OFW remittances for rural development.

- *Trust Products*

2016 marked the 41st year of the Trust Banking Group (TBG) in the industry. It was also the year of the implementation of CustodyWare, an advance technology that supports its Third-Party Security Custody Services, and boosted TBG's Overall Asset Under Management (AUM) to P101.61billion. On the same year, TBG advanced to 7th place from the previous year's 9th place among the 25 trust entities in the industry.

True to its commitment as "Stewards for Growth and Good Governance", TBG continues to spread and advocate financial stewardship through investment forums and financial literacy sessions to create awareness and instill change in the individuals' financial outlook priorities.

New Products and Services

On August 1, 2016, TBG launched two new UITF products with P5,000 minimum initial investment and minimum additional contribution of P1,000:

- **LANDBANK Money Market Plus Fund** is designed for investors with moderate risk profile as the fund itself is invested in 100% diversified portfolio of short-termed fixed income investments and special deposit arrangements.

- **LANDBANK Equity Index Fund** caters to investors with aggressive risk profile where 100% of the fund is invested in shares of stock issued by corporations listed at the Philipine Stock Exchange, diversified in a portfolio of equities comprising the PSEi.

Personal Equity and Retirement Account (PERA) Cash Custodian Services

On December 16, 2016, the Bangko Sentral ng Pilipinas (BSP) officially launched the Personal Equity and Retirement Account (PERA) with LANDBANK's TBG performing as Cash Custodian. As Cash Custodian, LANDBANK shall receive funds, maintain custody and disposition of all funds in connection with PERA and report all financial transactions of PERA funds.

LANDBANK President and CEO Gilda Pico, and PLDT, Smart and Voyager Innovations Chairman Manuel Pangilinan seal the collaboration on the expansion of the LANDBANK Mobile Loan Saver. With them are (extreme left) Voyager Innovations Managing Director and Head Lito Villanueva, (second from right) Voyager Innovations President and CEO Orlando Vea, and (extreme right) PLDT and Smart Head of Enterprise/ EVP Eric Alberto, and (third from left) LANDBANK Agricultural and Development Lending Sector Head/EVP Cecilia Borromeo and (second from left) Lending Program Management Group Head/FVP Leila Martin.

- *LANDBANK Visa Debit Card*

In 2016, 559,112 LANDBANK Visa Debit Cards were issued. This brings the total number of LANDBANK Visa Debit Cards to 1,5.4 million since its launch in 2014. Transaction volume also went up from 4.67 million in 2015 to 7.52 million in 2016 with an equivalent transaction value of P37.89 billion.

The LANDBANK Visa Debit Card enables cardholders to perform local and international transactions through access to 2.3 million ATMs worldwide and an expansive network of over 30 million merchants resulting from the Bank's partnership with Visa.

Bank Services

- *LANDBANK Mobile LoanSaver (LMLS)*

LMLS is a mobile-based, savings-linked salary loan product of the Bank and is considered the first paperless and fully electronic salary loan facility in the country. The facility offered is in partnership with Smart eMoney, Inc. (SMI). It is available to employees of private and government offices with payroll accounts in LANDBANK.

LMLS provides fast and easy salary loan application process with auto-savings component where employees have the option to save a minimum amount every payday.

As of year-end 2016, the Bank has released a total of P14.9 billion to 96,984 LMLS availers.

CASH MANAGEMENT SERVICES FOR THE NATIONAL GOVERNMENT

- *Check Truncation System (CTS)*

CTS is a clearing facility of LANDBANK that complements with the Check Image Clearing System Facility of the Philippine Clearing House Corporation (PCHC). The new system allows the clearing of checks based on the check images and electronic payment information, instead of the physical check. This provides the Branches the opportunity to participate in the PCHC clearing regardless of the location. This also improves customer service by way of extending acceptance time for check deposits as well as reducing / standardizing float days.

- *Modified Disbursement System*

MDS is the payment procedure whereby the government banks are authorized to process payments of government agencies to facilitate settlement of accounts payables due to their creditors.

As the primary depository bank of the national government, LANDBANK services the disbursement system of government funds through the Modified Disbursement System (MDS), in coordination with the Department of Budget and Management and the Bureau of the Treasury.

Through the MDS, LANDBANK has supported agencies in reducing due and demandable accounts payable and minimizing volume of

PhilHealth's Electronic Premium Remittance System (EPRS)-Electronic Modified Disbursement System (eMDS) was successfully implemented last October 11, 2016 with the Rizal Medical Center (RMC) as the pilot agency. The EPRS is a web-based application developed by PhilHealth which is interfaced with the LANDBANK eMDS, where government agencies will be able to remit their premiums electronically, making it easier for employers to remit and report premium contributions to PhilHealth.

eMDS is a secured Internet facility that allows enrolled government agencies to perform selected MDS transactions online.

eMDS is a secured Internet facility that allows enrolled government agencies to perform selected MDS transactions online. It addresses the tedious and costly processing of MDS transactions and aims to eliminate physical transmission of MDS documents.

Its functionalities include account information, transmission of advice of checks issued and cancelled, transfer of fund allocation, processing of payment to creditors and requisition of checkbook.

In 2016, there were 1,064 newly enrolled agencies, bringing the total number of enrolees to 3,176. The volume of transaction remarkably increased by 387,282 from 89,444, registering 433% growth rate with amount equivalent to P271billion.

In the last quarter of 2016, eMDS has successfully implemented its interfaces with PhilHealth's Electronic Premium Remittance System (EPRS) and GSIS' Electronic Billing and Collection System (EBCS).

EPRS and EBCS allow employers to remit and report PhilHealth premiums and GSIS contributions via the List of Due and Demandable Accounts Payable (LDDAP) Module.

- *Conditional Cash Transfer*

LANDBANK serves as the distribution arm of the Department of Social Welfare and Development (DSWD) for the government's Conditional Cash Transfer (CCT) Program also known as "Pantawid Pamilyang Pilipino Program" (4Ps).

LANDBANK has made it easier and convenient for the 4Ps beneficiaries to access their cash grants through LANDBANK Cash Cards and Prepaid Cards. The Bank has also partnered with accredited rural banks, cooperatives and NGOs to serve as conduits in cash disbursements. Mobile ATMs were likewise deployed in various areas to facilitate cash distribution.

In 2016, the total cash grants paid to eligible and compliant 4Ps household beneficiaries amounted to P47.112 billion, benefiting over 4.388 million households all over the country.

CUSTOMER SATISFACTION SURVEY

In 2016, LANDBANK, through a third party research firm, The Nielsen Company (Philippines), Inc. conducted the second run of comprehensive and nationwide customer satisfaction survey. This undertaking aims to measure the satisfaction level of clients on how the Bank delivers its products and services. Also, it is intended to capture the customer's sentiments and measure the performance of LANDBANK's different segments and all its branches, as basis for continuous corporate improvement initiatives and business growth.

The survey was conducted in 361 branches and 48 lending units from August to October 2016, with a total of 6,460 respondents (6,176 branch clients and 284 lending unit clients). Computer-assisted personal interview was the methodology used for face-to-face interviews with individual branch clients. On the other hand, online survey was conducted for institutional branch clients and lending unit clients. The result of the survey showed an overall satisfaction rating of 98% from the randomly selected client-respondents. LANDBANK submitted the rating to the Governance Commission on GOCCs (GCG), in compliance with the performance agreement of the Bank in anticipating the needs and providing new/enhanced products and services to the clients.

CONTINUING THE JOURNEY TO BUSINESS EXCELLENCE

LANDBANK's quality and excellence journey in 2016 was marked by efforts at sustaining the gains that were realized in the past year.

Valuable learnings from LANDBANK's application for Philippine Quality Award recognition were gained through the Feedback Report. This report can serve as the basis for developing a template to further enhance the current brand of customer service as well as internal business systems and processes.

LANDBANK, represented by Quality Manangement Department Head/DM Sandra May Daraman, received the Global Performance Excellence Awards (GPEA) Quest for Excellence during the Awards Gala of the 22nd Asia Pacific Quality Organization (APQO) International Conference on Quality in Rotorua, New Zealand on November 21, 2016. LANDBANK joins 29 other organizations from 10 Asian and Pacific Rim countries that were recognized as "exemplary companies of world class quality performance."

By virtue of the LEVEL 2 recognition from the Philippine Quality Award as proficient in its existing practice of quality management, LANDBANK was nominated by the Development Academy of the Philippines (DAP) to participate in the Global Performance Excellence Award (GPEA) organized annually by the Asia Pacific Quality Organization (APQO).

- The APQO was founded and organized by National Quality Organizations in Asian and Pacific Rim countries including the American Society for Quality and was incorporated in the Philippines in 1985. It is a non-profit organization formed to be a primary mover for quality and continuous improvement for goods and services and quality of life in the Asia Pacific Region. APQO has several hundred National Quality Organizations (Core Members), Corporate Members, and Individual Members.
- The GPEA is the only formal international recognition of performance/business excellence. Since 2000, 201 organizations have achieved the three rigorous categories of this award: 1 - World Class Award, 2 – Best in Class Award and 3 – Quest for Excellence Award.
- The GPEA process promotes awareness in performance excellence as an increasingly important tool in competitiveness towards global business success and sustainability.
- The GPEA provides for an international recognition to national quality award recipients using the Baldrige Criteria Framework of the Malcolm Baldrige Quality Award (American Quality Award) in the assessment. Thus, the national quality award recipients that will qualify to the GPEA will serve as role model for other organizations and can serve as a benchmark for others across countries. The assessments are done by trained Baldrige examiners and consultants of Fortune 500 corporations.

LANDBANK was among the 30 organizations from 10 Asian and Pacific Rim Countries recognized as exemplary companies of world class quality performance (14 World Class, 10 Best in Class and six Quest for Excellence Awardees). In particular, LANDBANK achieved the Quest for Excellence Award, the third highest award under the Government/Not for Profit category. The award was presented at the 22nd APQO/International Conference on Quality in Rotorua, New Zealand last November 2016. This was the 16th year for the Global Performance Excellence Awards.

Sustaining the Gains through IMS and QC

The recognitions received during the past year all the more reinforced LANDBANK's resolve to further improve and sustain the best practices as well as improve on the weaknesses cited in the feedback reports.

One major step is to build-up and strengthen a customer-centric culture attuned with internationally accepted standards. LANDBANK was certified to ISO 9001:2008 Quality Management System (QMS) and ISO 14001:2004 Environmental Management System (EMS) but was limited in scope and coverage.

The decision to pursue an integrated

management system (IMS) for both ISO 9001:2015 and ISO 14001:2015 was brought about by the need to address new or enhanced internationally-accepted standard requirements based on the concepts of process approach, risk-based thinking and life cycle perspective. The adoption of an IMS will instill not only the discipline for continuous improvement but also to be kept abreast with the changing global business requirements. Preparations for the certification of the entire Bank to the two standards in an integrated manner by year 2018 are underway.

In order to to harness the innovative and creative power of the employees, nine LANDBANK units were identified as pilot Quality Circles (QC). These units will form composed of a small group of employees to participate in mutual development and problem-solving activities that would help improve quality and productivity in the workplace. Each pilot QC represents each of the Bank's sectors and major core business/support functions. Plans for training/capability building and timelines for the actual implementation of pilot projects were laid out for its deployment first quarter of 2017.

INFORMATION TECHNOLOGY SUPPORT AND BANK PROCESSES AUTOMATION

The Bank completed the following IT projects and automation of bank processes aligned with sustaining institutional gains and fortifying its pillars of growth:

Collateral Management System (CMS)

The CMS allows the Bank to track the movement of the document inventory across the Bank and trace the location, type and asset owners of the collateral.

In 2015, the existing document inventory of all of the 39 provincial lending centers, Loans Implementation Department and Provident Fund Office were migrated to CMS (Phase I).

Under Phase II in 2016, the CMS was interfaced with the Loans Origination System (LOS), thus improving the end-to-end data processing of lending operations from organization to financial booking. This also resulted in synchronized LOS and CMS databases which facilitated regulatory reporting. This also enhanced the internal control and monitoring of collateral processing.

Check Truncation System (CTS)

The CTS is a project in support of the Bank's compliance to the requirement per Philippine Clearing House Corporation (PCHC) MC No.2807 of 2015 regarding the Implementation of the Check Image Clearing System. The project aims to provide faster movement of funds even in the farthest and remotest region reached via modern day telecommunication by eliminating the movement of physical checks in all the clearing cycle.

Data Warehouse Module III - Data Integration for Asset-Liability and Risk Management System

The Bank maintains and continues to update its enterprise data warehouse (EDW) which is a repository of subject-oriented, integrated, time-variant and non-volatile data from various data sources, structured and optimized for analytical and informational processing or reporting.

In 2016, with the completion of the DW Module III, the Treasury and Bills Payable Data were integrated with the existing deposits and loans data. This sets the data foundation and prepares the EDW to serve the requirements of the Asset-Liability and Risk Management System.

LANDBANK was among the 30 organizations from 10 Asian and Pacific Rim Countries recognized as exemplary companies of world class quality performance

In 2016, with the completion of the DW Module III, the Treasury and Bills Payable Data were integrated with the existing deposits and loans data.

Upgrading of the Integrated Documents and Reports Archival and Retrieval System (IDRARS)

The Bank uses the IDRARS for its efficient document and reports archival and retrieval. In 2016, the system was upgraded to enhance its platform and performance, document search, delivery, printing, security, and system administration and management.

IT Infrastructure Upgrade

- *Security and Network Infrastructure Upgrade*

  The continuing expansion of Internet and networks triggers growth in potential risk to these implemented platforms. As a network security solution, the Bank taps the Next Generation Intrusion Prevention System (NGIPS) to provide full visibility and analysis of enterprise network behavior.

- *New Disk Storage System with Mirroring Capabilities*

  The new disk storage system as replacement of the external storage at both Production and Back-up Data Centers was put in place to improve the Data Center's disk storage power consumption, weight, footprint and capacity. Information in the disk storage systems would be mirrored real-time to the backup site for data protection.

- *Mainframe Operating System Upgrade*

  The Mainframe Operating System Upgrade from version 4.2.2 to 5.1.2 was pursued to further enhance the reliability and serviceability of the Bank's deposits system, Automated Teller Machines, Financial Management System, Customer Information and Central Liability System, Inter-Branch Transactions Online Systems, and other existing IT applications running in the Mainframe System.

- *Upgrade of Local Area Network (LAN) at the Disaster Recovery Site*

  The LAN was upgraded to provide the network devices at the Disaster Recovery site and provide additional infrastructure to support the growing requirements of the Bank.

- *Acquisition of Additional Disks*

  Consistent with ever growing business matched with further upsurge in data storage requirements, the Bank acquired the following in 2016:

  - For Mainframe Systems – Additional five terabytes for Head Office Data Center, and seven terabytes for Disaster Recovery Site (SAS Disk);
  - For Open Systems – Additional five terabytes EMC Disk Storage (Solid-State Disk).

Customer Care Center

The year 2016, saw the implementation of centralized complaints handling in the Bank care of the LANDBANK Customer Care Center (CCC), as per Executive Order 92 Series of 2016 or the Guidelines on LANDBANK Customer Assistance Management.

The guidelines were set pursuant to the BSP Memorandum Circular 857 Series of 2014, which required all BSP-supervised financial institutions to have their respective manuals of customer assistance policies and procedure.

In 2016, the LANDBANK CCC handled a total of 226,931 inquiries, requests and reported incidents via phone and e-mail.

Also within the year, the LANDBANK Phone Access Phase II Project commenced. It aims to comply with the IST project of the Bank, and will enhance the enrollment system of the self-service feature of the phonebanking facility. (This may also be discussed under the Section on IT Initiatives)

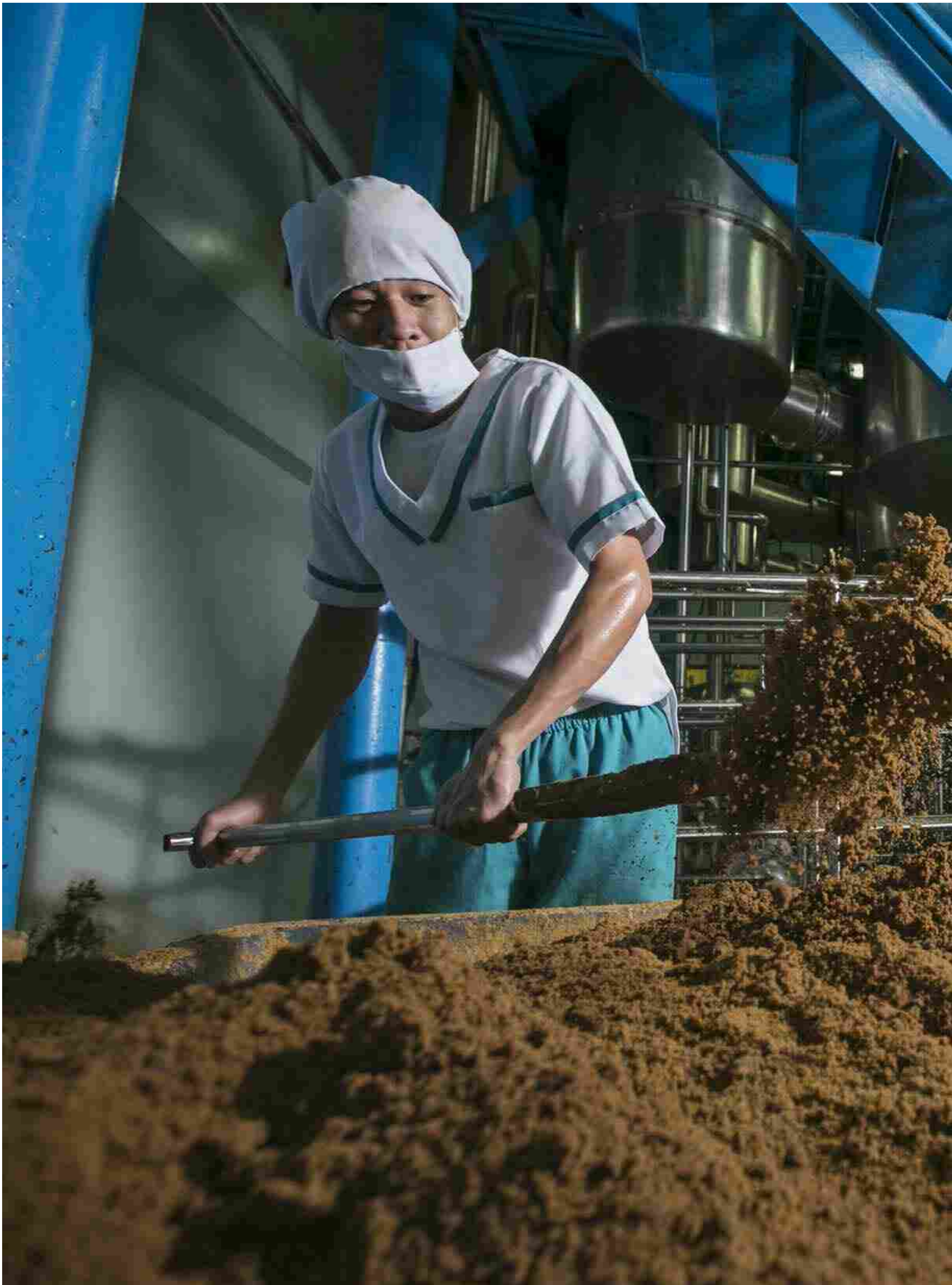
Take the Lead Program

As part of its anniversary celebrations in 2016, LANDBANK launched the "Take the LEAD", a bank-wide program that aims to bolster the Bank's drive towards service excellence.

"Take the LEAD" translates LANDBANK's "We Help You Grow" tagline into a service brand promise. LEAD stands for listen, explore, act and delight. The program will be rolled out in three phases, composed of: 1) employee awareness (LEAD to Serve campaign); 2) employee participation (Take the LEAD training); and 3) employee recognition (service excellence leader recognition).

After its launch in August 2016, Take the LEAD was cascaded to the heads of the field units in Manila, Baguio, Cagayan de Oro, Bacolod, Davao and Cebu. The roadshow was completed on September 16, 2016.

LANDBANK launched "Take the LEAD", a bank-wide program that aims to bolster the Bank's drive towards service excellence.



Milling Muscovado

> "In the future, aside from procuring more equipment and providing high quality muscovado, we aim to bring about a healthy lifestyle to Filipinos through our products."
>
> *Atty. Florian Alcantara*
> *Owner of Raw Brown Sugar Milling Company*

Raw Brown Sugar Milling Company is a thriving food processing plant in Negros Oriental that produces raw brown sugar more commonly called muscovado.

There was a time when uncertainty loomed over the local sugar industry. But instead of backing down, Atty. Florian Alcantara, owner of Raw Brown Sugar Milling Company, decided to compete and to innovate.

"Thailand was fast becoming the standing ground for sugar – their mills were efficient," Atty. Alcantara says. "But I didn't let that dampen my mood. We moved forward."

It was at this point that LANDBANK stepped into the picture.

"Through the LANDBANK loan for productivity improvement, we were able to acquire equipment and expand our plant that reduced extra labor costs and increased our production from four to ten tons on our target per month," said Production Manager Miguel Bengoechea. "And there's always room for improvement. We will soon acquire a cooling machine that will offset manual mixing, which will eventually save us 30% of the time for this activity," he added.

The company's first step towards innovation was establishing its own sugar mill. Through the Department of Science and Technology (DOST), the staff underwent training for the cleaner production of muscovado. The company also beneffited from the Small Enterprise Technology Upgrading Program, a DOST support project that aspires to boost the competitiveness and productivity of small and medium enterprises by helping them in adapting innovative solutions and technologies to their facilities and systems.

The Department of Science and Technology (DOST) chose Raw Brown Sugar Milling Company as one of the recipients of a machine powered by methane that can boost the production of muscovado. According to Atty. Alcantara, the facility can guarantee a steady supply of clean, quality and sediment-free muscovado in the whole region of Negros Oriental. The new equipment also adopts good manufacturing practices that are acceptable to international and local markets.

"In the future, aside from procuring more equipment and providing high quality muscovado, we aim to bring about a healthy lifestyle to Filipinos through our products," Atty. Alcantara said.

LAND BANK OF THE PHILIPPINES
ORGANIZATIONAL STRUCTURE AS OF DECEMBER 31, 2016

LBP BOARD OF DIRECTORS

AUDIT & COMPLIANCE COMMITEE

CMG - AMELIA S. AMPARADO, FVP
- AMLD – Jose Emmanuel C. Valdez, SMA
- RCD – Reynaldo Michael R. Bien, IT Officer

IAG - MARIA EDELWINA D. CARREON, AVP
- CRD – Rene I. Silva – DM
- FOAD – Viemerey E. Mercado, DM
- HOSTAD – Kriden F. Balgomera, Audit Mngr.
- AST – Solita R. Vitug, Audit Mngr.
- QAS - Vacant

AGRI-AGRA SOCIAL CONCERNS COMMITTEE

CORPORATE GOVERNANCE COMMITTEE (CGCom

INVESTMENT & LOANS COMMITTEE (ILC)

CorSec – Felix L. Manlangit, VP

RISK OVERSIGHT COMMITTEE (RiskCom)

RMG – SOFIA C. LADORES, VP
- BRMD – Marjory R. Cortez, BEO
- CRMD – Audie A. Cabusao, AVP
- ERMO – Benedict M. Vocal, RMO
- ISTRMO – Maria Rosa Lorelie H. Concepcion, RMS III
- TRMD – Rosemarie E. Sotelo, AVP
- CPFRU - Jennifer B. Cura, BEO
- ISSU – Emily C. Capili, Sr. RMO

TRUST COMMITTEE (TrustCom)

TBG – JOSEPHINE G. CERVERO, SVP
- TCRD – Analiza M. Vasco, AVP
- TrAMD – Camilo G. Sanchez, AVP
- TBDD – Madonna M. Cinco, DM
- TrOD – Dianne S. Mabgoo, SMA
- TPMD – Ryan Joseph M. Salud, Head
- TLRCU – Mario S. Sabino, Jr., Manager
- Market Research & Investment Officer – Eduardo G. Velasco

ALEX V. BUENAVENTURA
LBP PRESIDENT AND CEO

ASG – ALEX A. LORAYES, SVP
- AOC – Separate Sheet (attached)
- BSD – RicartePorfirio A. Rey, AVP
- LAPD – Vicente Ramon A. Castro, AVP
- LTPD – Marife Lynn O. Pascua, Agrarian Operations Officer

SPG – ANTONIO V. HUGO, JR., FVP
- CMISD – Samuel E. Acuña, DM
- CPEPSD – Sheila Marie M. Encabo, AVP
- CSPDD – Cressida M. Alday-Mendoza, DM
- QMD – Sandra May C. Daraman, DM

LSG - NOEL B. MARQUEZ, VP
- ALD – Dennis P. Dinglasan, Legal Mngr.
- BLSD – Cesar S. Cabañez, AVP
- CLSD – Rafael L. Berbaño, AVP
- LD – Roderick P. Sacro
- FLSD – Felix L. Manlangit, VP

Security Officer/PSO– EfrenS. Tedor, VP

LCDFI – PETER ANDREW GUTIERREZ, Executive Director

ADLS
CECILIA C. BORROMEO, EVP

PROVINCIAL LENDING GROUPS (4)
- NCLLG – Ma. Celste A. Burgos, SVP
- SLLG – Filipina B. Monje, SVP
- VLG – Elsie Fe B. Tagupa, VP
- MLG – Joselito P. Gutierrez, SVP

CBG – EDWARD JOHN T. REYES, SVP
- CBD I – Lucila E. Tesorero, VP
- CBD II – Emma M. Brosas, VP
- FID – Cielito H. Lunaria, VP
- PSD – Esperanza N. Martinez, AVP

RMLG – LOLITA T. SILVA, FVP
- MBD I – Bonifacio J. Lopez, PF Officer
- MBD II – Luz D. Abalos, AVP
- SME – MLD II – Marietta B. Cajuguiran, AVP
- SME – MLD II – Danilo D. Dayanghirang, AVP

LPMG – EMELLIE V. TAMAYO, VP
- DAD – Melinda C. Cruz, AVP
- EPMD – Prudencio E. Calado III, DM
- FSD –Ronnie H. Encarnacion, DM
- PMD I – Edgardo S. Luzano, AVP
- PMD II – Generoso S. David, DM

LSD – Teresita S. Aringo, ADM

LRD – Eleanor D. Quicoy, Accounts Mngt. Officer

SPAD – Ma. Cristina C. Malab, AVP

LIBI – George R. Francisco, President and CEO

LLFC – Manuel H. Lopez, President and CEO

MSI – Roy C. Oscillada, President and CEO/General Manager

BBS
LIDUVINO S. GERON, SVP

BRANCHES GROUP (10)
- NNCRBG – LEILA C. MARTIN, FVP
- SNCRBG – Ramon R. Monteloyola, SVP
- NLBG – Nomerlito A. Juatchon, VP
- CLBG – Sylvia C. Lim, VP
- SWLBG – Ma. Cielito D. Valdivia, VP
- SELBG – Mariloul. Villafranca, VP
- WVBG –Althon C. Ferolino, VP
- EVBG – Manuel Jose Mari S. Infante, FVP
- WMBG – Khurshid U. Kalabud, VP
- EMBG – Camilo C. Leyba, FVP

CeBG – RANDOLPH L. MONTESA, FVP
- CMSD – NinnaRichelle H. Veran, DM
- CCAD – AnnamariaM. Calara, BEO
- DCAMD – Marissa B. Pineda, DM
- EPD – Pacifico De Paz Jr., VP
- eBSU – Clarita B. Dela Rosa , Sr. E-Product Specialist

CeBG – RANDOLPH L. MONTESA, FVP
- CMSD – NinnaRichelle H. Veran, DM
- CCAD – AnnamariaM. Calara, BEO
- DCAMD – Marissa B. Pineda, DM
- EPD – Pacifico De Paz Jr., VP
- eBSU – Clarita B. Dela Rosa , Sr. E-Product Specialist

ORG – RENATO G. EJE, FVP
- DRMD – Jose James T. Figueras, AVP
- ORMSD – Reo S. Andarino, AVP
- Overseas Representative Officers (OROs)

BBSD – Elenita C. Rapanut, VP

CCT-PMO – Domingo Conrado G. Galsim, AVP

SID – Aurelia M. Lavilla, ADM

CSS
JULIO D. CLIMACO, JR., EVP

HRMG – VOLTAIRE PABLO P. PABLO III, VP
- ERD – Mira Leah. B Patio, SMA
- ODD – Emmanuel G. Hio, Jr., AVP
- PAD – Joselito B. Vallada, AVP

FPSG – CAROLYN I. OLFINDO, VP
- FMD – Hermie C. Villa, DM
- PrOCD – Alwin I. Reyes, AVP
- PMED – Alexander S. Lazaro, ADM

CAD – Catherine Rowena B. Villanueva, FVP

PFO – Belina A. Llamanzares, AVP

LBRDC – SIMEONA S. GUEVARRA, President and CEO

OS
ALAN V. BORNAS, SVP

BOG – ANNALENE M. BAUTISTA, FVP
- FDRD – Corazon A. Gatdula, AVP
- ITD – Manuel F. Francisco, DM
- LID–Wilhelmina T. Florencio, ADM
- PV-CID – Winston Rochel L. Galang, VP

BSG – VP ANA S. CONCHA
- ACMD – Arnold Jose G. Adolfo, DM
- CCD – Reynaldo C. Capa, AVP
- MCMD – Irish D. Tan, DM

CG – MA. ELOISA C. DAYRIT, VP
- AAD – Cecilia D. Ramos, DM
- AgAD – Jaime G. dela Cruz, DM
- FAD – Merceditas N. Olivia, AVP
- SMD – Benjamin P. Villanueva, Jr., DM
- TOD – Cristie Corazon A. Villanueva, ADM

TMG – ALDEN F. ABITONA, VP
- DCMD – Cary Brian M. Santos, Mngr.
- EBSD – Arthur E. Dalampan, AVP
- ESD – Rossana F. Berones, IT Mngr.
- IT-PMD – Rosemarie A. Tam, AVP
- NOD – Enrique L. Sazon Jr., AVP
- RBSD – Grace Ofelia Lovely V. Dayo, AVP
- ITSO – Lolita L. Sumaylo, IT Officer
- PCAS – Alona L. Manabat, IT Officer

IT-QMO – Josie M. Castro, ADM

TIBS
CAREL D. HALOG, SVP

ALMG – IVY C. SACRAMENTO, AVP
- BSMD – Ivy C. Sacramento, AVP
- LRMD – Ma. Elizabeth L. Gener, VP

FMG – CAREL D. HALOG, SVP
- CMTD – Ma. Francia O. Titar, VP
- FSHSD – Adelfa R. Masacupan, AVP
- RFTD – Christine G. Mota, VP

IBG - VACANT
- IBD I – Vacant
- IBD 2 –Florence Rosalind R. Claveria, DM

ISDD – Lolita M. Almazar, VP

TSD – Nida S. Pagdangan, Mngr.

Institutional Viability

COMPLIANCE WITH THE PROVISIONS OF THE CODE OF CORPORATE GOVERNANCE

LANDBANK is fully compliant with the provisions of the Code of Corporate Governance.

LANDBANK's corporate governance is reflected in its organizational structure that defines a governance hierarchy led from top by the Board of Directors and its delegated duties and responsibilities through the six Board-level Committees namely, (1) the Corporate Governance Committee, (2) the Audit and Compliance Committee, (3) the Risk Oversight Committee, (4) the Trust Committee, (5) the Investment and Loan Committee, and (6) the Agri-Agra Social Concerns Committee. These six committees are ably supported by independent Bank units — the Trust Banking Group, Risk Management Group, Internal Audit Group and Compliance Management Group — which perform specific functions for the said Committees. These independent units report directly to the Board but are administratively supervised by the President and CEO. The Office of the Corporate Secretary provides logistical support to the LANDBANK Board and the Corporate Governance Committee.

As LANDBANK continually adheres to globally accepted governance principles and best practices, it maintains the Board's independence from management such that the Chairman of the Board and the President and CEO are two distinct individuals with clearly delineated duties and responsibilities.

While the Chairman assumes leadership, monitors the Bank's adherence to good governance policies as well as the overall performance of the Bank, the President and CEO, on the other hand, directly manages the day-to-day operations of the Bank and executes the policies and strategies approved by the Board in pursuit of its institutional goals and objectives.

Specifically, the President and CEO supervises the Bank's five sectors, namely, (1) Agricultural and Development Lending Sector; (2) Branch Banking Sector; (3) Corporate Services Sector; (4) Operations Sector; and (5) Treasury and Investment Banking Sector. There are Bank units which report directly to the President and CEO, namely, the Strategic Planning Group, the Agrarian Services Group, the Legal Services Group and the Physical Security Office/Bank Security Officer.

Selection Process for the Board and Senior Management

Under Sec. 15 of R.A. No. 10149 (An Act to Promote Financial Viability and Fiscal Discipline in Government-Owned and –Controlled (GOCCs) and to Strengthen the Role of the State in its Governance and Management to Make Them More Responsive to the Needs of Public Interest and for Other Purposes), all appointive directors of GOCCs are appointed by the President of the Philippines from shortlists prepared by the Governance Commission for GOCCs (GCG), which include only nominees who meet the Fit and Proper Rule and such other qualifications which the GCG may determine

The President and CEO shall be elected annually by the members of the Board from among its ranks. However, the would-be President and CEO will only be qualified for election if he meets the requirements under the Fit and Proper Rule, and if he is appointed by the President of the Philippines into the Governing Board of the GOCC.

The President shall be subject to the disciplinary powers of the Board and may be removed by the Board for cause.

Senior management, on the other hand, are appointed to any executive position in the Bank and must be of good moral character and of unquestionable integrity and responsibility, and who is of recognized competence in the field of economics, agriculture, industry, law, banking and/or finance, and possess demonstrated administrative skill and ability.

Overall Responsibility of the Board

The LANDBANK Board of Directors assumes the certain responsibilities to the Bank's various stakeholders – the bank itself, its stockholder, the National Government, its clients, its management and employees, the regulators, the deposit insurer and the public at large. These stakeholders have the right to expect that the institution is being managed in a prudent and sound manner. The Board of Directors is primarily responsible for the approval and oversight of the implementation of the Bank's strategic objectives, risk strategy, corporate governance and corporate values. They are also responsible for the monitoring and oversight of the performance of senior management as the latter manages the day-to-day affairs of LANDBANK.

The LANDBANK Board sets the overall policies and strategic directions of the Bank, which serve as the guide of management and operating units in the day-to-day operations. Moreover, the LANDBANK Board provides the oversight functions in the overall Bank performance, and champions good corporate governance by strong adherence to ethical standards and compliance with legal, institutional and regulatory requirements. The Board also ensures that the Bank remains accountable to its various stakeholders.

All Members of the Board of Directors are expected to abide by the following:

a. Must at all times work for the best interest of the Bank and ensure that personal interest does not bias his decisions as a board member.

   The basic principle to be observed is that a Director shall not use his position to make profit or to acquire benefit or advantage for himself and/or his related interests. He shall avoid situations that may compromise his impartiality. If an actual or potential conflict of interests shall arise on the part of Directors or senior executives, it shall be fully disclosed and the concerned Director shall not participate in the decision-making. A Director who has a continuing conflict of interests of a material nature shall consider resigning.

b. Devote time and attention necessary to properly discharge his duties and responsibilities.

   A Director shall devote sufficient time to familiarize himself with the Bank's business. He shall be constantly aware of the Bank's condition and be knowledgeable enough to contribute meaningfully to the Board's work. He shall attend and actively participate in Board and Committee meetings, request and review meeting materials, ask questions and request explanations.

c. Act judiciously.

   Before deciding on any matter brought before the Board of Directors, every Director shall thoroughly evaluate the issues, ask questions and seek clarifications when necessary.

d. Exercise independent judgment.

   A Director shall view each problem/situation objectively. When a disagreement with others occurs, he shall carefully evaluate the situation and state his position. He should not be afraid to take a position even though it might be unpopular. Corollary, he shall support plans and ideas that he thinks are beneficial to the Bank.

e. Has a working knowledge of the statutory and regulatory requirements affecting the LANDBANK Charter and other regulatory bodies.

   A Director shall also keep himself informed of industry developments and business trends in order to safeguard the Bank's competitiveness.

f. Observe confidentiality.

   A Director should observe the confidentiality of non-public information acquired by reason of his position as Director. He should not disclose any information to any other person without the authority of the Board.

g. Ensure the continuing soundness, effectiveness and adequacy of the Bank's control environment.

h. A Director or Officer shall not solicit, nor accept, directly or indirectly, any gift, gratuity, favor, entertainment, loan or anything of monetary value ("Gift") from any person where such Gift: (a) would be illegal or in violation of law; (b) is part of an attempt or agreement to do anything in return; (c) has a value beyond what is normal and customary in the Bank's business; (d) is being made to influence the member of Board's, or Officers' actions as such; or (e) could create the appearance of a conflict of interest.

i. Attend orientation and training.

A Director shall have an adequate orientation process and continuous development and education regarding the Bank's operations .

To continuously strengthen the Board's key role in guiding the company's success and the individual directors' competencies, the members of the LANDBANK Board attend trainings and seminars. The following were the trainings and seminars attended by the members of the Board in 2016:

1. Corporate Governance Going Forward
2. Mitigating Risk on Current Trends in Money Laundering
3. Seminar on Anti-Money Laundering Law
4. Seminar on Basic Trust Banking for Bank Officers and Directors
5. Corporate Governance and Risk Management for Bank's Board of Directors
6. Corporate Governance Orientation Program for Government Owned and Controlled Corporations
7. Basic Trust Banking Seminar for Bank Officers and Directors
8. Update on Anti-Money Laundering Act
9. Public Corporate Governance Seminar
10. 2015 CISCO Executive Briefing Conference

Description of the Role and Contribution of Executive, Non-Executive and Independent Directors and of the Chairman of the Board

1. Chairman of the Board of Directors

   The Chairman of the LANDBANK Board of Directors is responsible for the efficient functioning of the Board. He calls the meetings, approves, and sets the agenda and presides over Board meetings. He also ensures that all directors are enabled and encouraged to actively participate in all discussions and resolutions on matters taken up by the Board.

2. Vice Chairman of the Board of Directors (Executive Member)

   The Vice Chairman of the Board of Directors is the Bank's President and CEO. The President of the Philippines issues two appointment letters to the LANDBANK President and CEO – one appoints him as the Bank's Head of Agency and another as one of its appointive directors.

   In the absence of the Chairman of the Board, the Vice Chairman presides over the meetings of the Board .

   Among the nine members of the LANDBANK Board of Directors, the Vice Chairman is the sole executive director in the Board of Directors.

3. Independent Directors

   The Board of Directors appoints the independent directors from among the four appointive directors. For 2016, the independent directors were Directors Victor Gerardo J. Bulatao and Tomas T. de Leon, Jr..

   In the appointment of independent directors, the Board of Directors ensures that the appointee will be able to devote sufficient time to effectively carry out his duties and responsibilities.

   Pursuant to BSP Circular No. 749, s. 2016, the independent directors are members of the following Board-level committees:
   a. Audit and Compliance Committee (at least two members including the Chairman)
   b. Corporate Governance Committee (at least two members including the Chairman)
   c. Risk Oversight Committee (at least one)

Composition of the Board of Directors

The LANDBANK Board of Directors welcomed new members in 2016. The election of President Rodrigo Roa Duterte into office in May 2016 ushered the change in LANDBANK's leadership.

Chairman	Carlos G. Dominguez	Ex-Officio Member	Secretary of Finance	Non-executive
Vice Chairman	Alex V. Buenaventura	Ex-Officio Member	President & CEO	Executive
Members	Emmanuel F. Piñol	Ex-Officio Member	Secretary of Agriculture	Non-executive
	Rafael V. Mariano	Ex-Officio Member	Secretary of Agrarian Reform	Non-executive
	Silvestre H. Bello III	Ex-Officio Member	Secretary of Labor and Employment	Non-executive
	Virgilio de Vera Robes		Private Sector Representative	Non-executive
	Crispino T. Aguelo		Agrarian Reform Beneficiaries Representative	Non-executive
	Victor Gerardo J. Bulatao		Agrarian Reform Beneficiaries Representative	Non-executive

Mr. Alex V. Buenaventura was appointed by the President of the Philippines on 11 November 2016, and assumed the position of President/Chief Executive Officer of the Bank, vice Ms. Gilda E. Pico.

Mr. Virgilio De Vera Robes was appointed by the President of the Philippines on 13 December 2016, as Director of LBP representing the private sector, vice Mr. Tomas T. de Leon, Jr.

The last seat in the Board remained unoccupied even after the end of December 2016.

Qualifications of the Board of Directors

Pursuant to R. A. 8791, R. A. 10149, BSP Circular No. 749 (series of 2012), the LANDBANK Charter, GCG Memorandum Circular No. 2012-07 and other pertinent laws and regulations, the following are the qualifications of the LANDBANK Board of Directors:

1. No person shall be elected or appointed director of the Bank unless he is a natural-born citizen of the Philippines, not less than 35 years of age, of good moral character and has attained proficiency, expertise and recognized competence in one or more of the following: banking, finance, economics, law, agriculture, agrarian reform, business management. Provided further, that no Director, stakeholder or employee of any other bank shall be eligible for election or appointment as member of the Board of Directors of the Bank.

2. An ex-officio member must be least a college graduate or have at least five year-experience in business. For an appointive director, he must have a college degree with at least five years relevant work experience, except for a sectoral representative who only needs to be a bona fide member of the indicated sector of the association being represented as provided for in the Charter or By-Laws.

3. He must have attended a special seminar on corporate governance for Board of Directors conducted or accredited by the BSP.

4. He must be fit and proper for the position of a Director of the Bank. In determining whether a position is fit and proper for the position of a Director, the following matters must be considered:

   - integrity/probity;
   - competence;
   - education;
   - diligence; and
   - experience/training

All members of the LANDBANK Board, including the President and CEO and its other officers, including Appointive Directors in Subsidiaries and Affiliates shall be qualified by the Fit and Proper Rule issued by the Governance Commission for GOCCs (GCG) approved by the President of the Philippines, including any future amendments and revisions thereof.

Relevant Qualifications and Experiences

1.Carlos G. Dominguez	Ex-Officio Chairman	Age	Nationality
	Secretary	71	Filipino
	Department of Finance		
Present Position – Government	**Position**	**Date Assumed**	
Department of Finance	Secretary	1 July 2016	
Past Positions – Other Private Institutions	**Position**	**From**	**To**
A. BPI	Vice President	1983	1986
B. BPI Agriculture Development Bank	President	1984	1986
C. Halifax Capital Resources Inc.	President	1992	2016
D. Manila Electric Co.	Director	2001	2003
E. Philippine Airlines	President	1993	1995
F. Philippine Associated Smelting and Refining Corp.	President	1999	2002
G. RCBC Capital Corp.	Independent Director	2004	2010
H. RCBC Capital Corp.	Chairman	1994	2002
I. Retail Specialist, Inc.	President	1991	2016
I. United Paragon Mining	Director	1993	2016

Employment (LAST 10 YEARS)

Name Of Office	Position	Duration (Year)	
A. Ministry of Natural Resources	Minister	1986	1987
B. Department of Agriculture	Secretary	1986	1990
C. Land Bank of the Philippines	Director	1986	1990
D. Republic Planters Bank	Chairman	1988	1992

2. Alex V. Buenaventura	Ex-Officio Vice Chairman	Age	Nationality
	President Land Bank of the Philippines	64	Filipino
Present Position – Government	**Position**	**Date Assumed**	
• Land Bank of the Philippines	President	11 November 2016	
Present Position – Other Private Institutions	**Position**	**Date Assumed**	
A. Ultrabowl, Inc.	Chairman	1986	
B. ALN 3 Brothers, Inc.	Chairman/ President	2012	
C. Buencor Farms, Inc.	Chairman/ President	2016	
Past Positions – Government	**Position**	**From**	**To**
A. Davao Del Norte State College, Panabo City	Trustee	1997	2003
Past Positions – Other Private Institutions	**Position**	**From**	**To**
A. One Network Bank (A Rural Bank of BDO)	President	2014	2016
B. Corporative System Foundation	Trustee	2007	2009
C. One Network Bank, Inc. (A Rural Bank)	President	2004	2014
D. Rural Bank of Panabo, Inc.	President/General Manager	1980	1993

Employment (LAST 10 YEARS)			
Name Of Office	Position	Duration (Year)	
• A. C.B. Pambukid	Proprietor/Owner	1993	Present

3. Emmanuel F. Piñol	Ex-Officio Member	Age	Nationality
	Secretary Department of Agriculture	63	Filipino

Present Position – Government	Position	Date Assumed
• Department of Agriculture	Secretary	1 July 2016

Past Position – Government	Position	From	To
A. Provincial Government of Cotabato	Vice-Governor	2007	2010
B. Provincial Government of Cotabato	Governor	2001	2007
C. Local Government Unit M'Lang Cotabato	Municipal Mayor	1998	1998

4. Rafael V. Mariano	Ex-Officio Member	Age	Nationality
	Secretary Department of Agrarian Reform	60	Filipino

Present Position – Government	Position	Date Assumed
• Department of Agrarian Reform	Secretary	1 July 2016

Past Positions – Government	Position	From	To
E. House of Representative	Party-List Representative	2012	2013

5. Silvestre H. Bello III	Ex-Officio Member	Age	Nationality
	Secretary Department of Labor & Employment	73	Filipino

Present Positions – Government	Position	Date Assumed
A. Department of Labor & Employment	Secretary	1 July 2016
B. OWWA Board	Chairperson	2016
C. National Wages and Productivity Council	Chairperson	2016
D. POEA Board	Chairperson	2016
E. Sugar Tripartite Council	Chairperson	2016
F. National Maritime Polytechnic	Chairperson	2016
G. TESDA Board	Chairperson	2016
H. National Housing Authority	Ex-Officio Member	2016
I. Philhealth Board	Ex-Officio Member	2016
J. SSS Board	Ex-Officio Member	2016
K. Pag-Ibig Board	Ex-Officio Member	2016

Past Positions – Other Private Institutions	Position	From	To
A. Philippines Airlines	Board of Advisors	1993	1998
B. San Miguel Purefoods Corp.	Independent Director	2013	2016
C. Camp John Hay Development Corp.	Board of Directors	2008	2016
D. CAP Philippines Inc.	Board of Directors	2006	2016
E. Comprehensive Annuity Plan & Pension Corp.	Board of Directors	2006	2016

Past Positions – Government	Position	From	To
A. House of Representatives	Representative 1BAP Partylist 16th Congress	2013	2016
B. Cabinet Secretary	Secretary	2008	2010
C. Office of the Solicitor General	Solicitor General	1996	1998
D. Department of Justice	Secretary	1990	1992

6. Virgilio de Vera Robes	Representative	Age	Nationality
	Private Sector	69	Filipino

Present Position – Government	Position	Date Assumed
• Land Bank of the Philippines	Director	13 December 2016

Present Positions – Other Private Institutions	Position	Date Assumed
A. RobesLand, Inc.	Chairman	2005
B. Guillermo C. Robes Realty Corp.	Director	1996

Past Positions – Government	Position	From	To
A. Province of Bulacan	OIC – Vice Governor	1987	1988

7. Crispino T. Aguelo	Representative	Age	Nationality
	Agrarian Reform Beneficiaries	70	Filipino

Present Positions – Government	Position	Date Assumed
A. Land Bank of the Philippines	Director	2010
B. Masaganang Sakahan, Inc.	Chairman – Board of Directors	2013

Past Positions – Government	Position	From	To
A. Department of Agrarian Reform	Member – Presidential Agrarian Reform Council	1992	1998
B. Local Government Unit	Municipal Councilor	1986	1989

Past Positions – Other Private Institutions	Position	From	To
A. Pambansang Kilusan ng Samahang Magsasaka	National President	2007	2013

8. Victor Gerardo J. Bulatao	Representative	Age	Nationality
	Agrarian Reform Beneficiaries	69	Filipino

Present Position – Government	Position	Date Assumed
• Land Bank of the Philippines	Director	2010

Present Positions – Other Private Institutions	Position	Date Assumed
A. Kaisahan Tungo sa Kaunlaran ng Kanayunan at Repormang Pansakahan	Chair, Board of Trustee	1990
B. Quedan-Kaisahan (NGO)	Chair, Board of Trustee	1998
C. Balay Mindanaw Foundation, Inc. (NGO)	Member, Board of Trustee	1996

Past Positions – Government	Position	From	To
A. Department of Agrarian Reform	Undersecretary for Field Operation and Support Services	1997	1998

Past Positions – Other Private Institutions	Position	From	To
A. Kaisahan Tungo sa Kaunlaran ng Kanayunan at Repormang Pansakahan (NGO)	Founding Trustee	1990	2016
~ do ~	Board Chair	2015	2016
B. Consortium For Advancing People's Participation Through Sustainable Integrated Area Development	Founding Board Chair	1999	2010
~ do ~	Managing Trustee	2007	2014
C. Institute of Politics and Governance	Senior Consultant and Treasurer	1998	2001

Employment (LAST 10 YEARS)			
Name Of Office	Position	Duration (Year)	
A. Department of Agriculture Assisted Projects	Technical Adviser on Foreign	2011	2016
B. Federation of Free Farmers	Consultant/ Project Adviser	2008	2010
C. National Dairy Authority	Administrator	2001	2006
D. Center for Small Entrepreneurs	Supervising Trustee	2007	2008

The Board-Level Committees

Corporate Governance Committee (CG Comm)

The LANDBANK CG Comm's duties and responsibilities include the promotion of transparency and operational responsibility and accountability in a manner consistent with the Bank's vision, mission, strategic intent and operating values as well as ensuring the Board's effectiveness and due observance of corporate governance principles and guidelines, among others.

Chairperson: Director Victor Gerardo J. Bulatao
Members: DOF Secretary Carlos G. Dominguez
(Alternate Members:
Treasurer Roberto B. Tan /
Deputy Treasurer Christine L. Sanchez)
DOLE Sec. Silvestre H. Bello III
Director Crispino T. Aguelo
Director Virgilio de Vera Robes

In 2016, among the major accomplishments of the CG Comm is the re-visitation of the 2015 Bank-wide Job Leveling Implementation Principles and the review of the nominees to the Boards of the LANDBANK Subsidiaries and the proposed LANDBANK representatives to the CFIs with Equity Investment.

The CG Comm held 10 meetings in 2016 with an average attendance of 68 %.

Audit and Compliance Committee (AC Com)

The AC Com is a Board-level committee whose primary purpose is to provide assistance to the LANDBANK Board of Directors in fulfilling its oversight responsibilities over the Bank's reporting policies, practices and control, internal and external audit functions, and compliance function.

The AC Com's fundamental responsibilities and functions include the following:

1. Provide functional supervision over the Internal Audit Group (IAG) and Compliance Management Group (CMG);
2. Assess the reports from external auditors and regulatory agencies, and ensure that Management judiciously and appropriately acts on the recommendations on significant deficiencies and/or material weaknesses identified;
3. Ensure that a review of the effectiveness of the Bank's internal controls including financial, operational and compliance controls and risk management, is conducted at least annually;
4. Establish and maintain mechanisms to raise concerns about possible improprieties or malpractices in matters of financial reporting, internal control, auditing or other issues to persons or entities that have the power to take corrective action. It shall ensure that arrangements are in place for the independent investigation, appropriate follow-up action, and subsequent resolution and complaints; and
5. Assess the organizational structure and staffing of IAG and CMG, including the endorsement to the Board the appointment or removal of its respective Heads, subject to the Bank's standard guidelines.

Chairperson: Director Victor Gerardo J. Bulatao
Members: Director Tomas T. De Leon, Jr.
(Vice-Chairman)
Director Crispino T. Aguelo
Director Domingo I. Diaz (until June 2016)
DA OIC-Usec. Allan Q. Umali
(vice DA Secretary Proceso J. Alcala until June 2016)

The Committee's accomplishments for CY 2016 were the following:

1. Approved/noted four major initiatives and proposals for compliance and enhancement of internal processes
   a. Revised the LANDBANK Money Laundering and Terrorist Financing Prevention Program Manual
   b. Transformation of Internal Audit Function Project's deliverables
      - End-to-End Process Audit Framework/Methodology
      - Revised Audit Assessment Framework
      - Improvement in the IT Audit Approach and Methodology
      - Revised IT Audit Rating
   c. Procurement of Consultancy Services for the Conduct of External Quality Assessment Review of IAG
   d. Creation of Board-Level Committee for Related Party Transactions

2. Required the various business units to present the status/action taken on various incidents occurred in the Bank to strengthen/enhance internal controls on information systems, lending operations, incoming remittances, case management, and human resource management

The AC Com held 12 meetings in 2016 with an average attendance of 74%.

Trust Committee (TrustCom)

The TrustCom exercises functional oversight and supervision of the Trust Banking Group and is responsible for formulating the Group's strategic direction towards the goal of optimizing its trust and fiduciary business.

The TrustCom, likewise, oversees and supervises the proper administration of the Trust Banking Group's trust and fiduciary business, investment activities, risk management activities and provides strategic direction towards growing its trust and fiduciary business.

In line with BSP Circular No. 766 of 2012, among the major functions of the Committee are: (i) ensure that fiduciary activities are conducted in accordance with applicable laws, rules and regulations, and prudent practices; (ii) ensure that policies and procedures that translate the Board's objectives and risk tolerance into prudent operating standards are in place and continue to be relevant, comprehensive and effective; (iii) oversee the implementation of the risk management framework and ensure that internal controls are in place relative to the fiduciary activities; (iv) adopt an appropriate organizational structure/staffing pattern and operating budgets that shall enable the Trust Banking Group to effectively carry out its functions; (v) oversee and evaluate performance of the Trust Officer; (vi) conduct regular meetings at least once every quarter or more frequently as necessary, depending on the size and complexity of the fiduciary business, and; (vii) report regularly to the Board on matters arising from fiduciary activities.

For 2016, the TrustCom approved various guidelines and policies to aid in the conduct of proper administration of trust business: (i) Policy on Selection of Third-Party Service Providers; (ii) Revised Guidelines on Client Suitability Assessment; (iii) Updated Policy on Management Action Triggers, and; (iv) Policy on Portfolio Models for Other Fiduciary Accounts, to name a few.

Composed of five members, the TrustCom is chaired by DAR Secretary Rafael V. Mariano (with Undersecretary Luis Meinrado C. Pañgulayan as Alternate Member), DOF Secretary Carlos G. Dominguez as Vice-Chairman, (with Deputy Treasurer Christine I. Sanchez as Alternate Member), including DOLE Secretary Silvestre H. Bello III, LANDBANK President and CEO Alex V. Buenaventura, and Senior Vice President and Trust Officer Josephine G. Cervero, as members thereof.

The Committee held seven meetings in 2016 with an average attendance rate of 74 %.

Agri-Agra Social Concerns Committee (AASCC)

In order to provide specific focus on LANDBANK's social mandate, the Board of Directors created the Agri-Agra Social Concerns Committee.

The Charter of the AASCC defines the scope of functions of the Committee as follows:

1. Formulate non-credit policies to improve the delivery of services on CARP and other agri-agra matters;
2. Serve as clearing house for CARP-related non-credit programs of LBP and endorse to the LBP Board for final approval;
3. Monitor the status of implementation of the various non-credit agri-agra programs of the Bank; and
4. Monitor the status of implementation of social concerns programs of LBP.

The AASCC is chaired by Director Victor Gerardo J. Bulatao with President and CEO Alex V. Buenaventura as the Vice Chairman. Members of the Committee are Director Crispino T. Aguelo, DAR Secretary Rafael V. Mariano and DA Secretary Emmanuel F. Piñol. Undersecretary Luis Meinrado C. Pañgulayan and Assistant Secretary Francisco M. Villano Jr., are the alternate members of DAR and DA respectively.

In 2016, AASCC held eight meetings with an average attendance rate of 80%.

Risk Oversight Committee (RiskCom)

The RiskCom is primarily responsible for the LANDBANK's risk management (RM) framework, policies and guidelines and ensures the alignment of RM objectives with the Bank's overall business strategies and performance goals.

The RiskCom oversees the RM program of the LANDBANK ensuring that RM systems are in place, limits and tolerances are observed, system of limits remain effective and immediate corrective actions are taken whenever there are breaches.

The Risk Oversight Committee is chaired by Director Tomas T. de Leon, Jr. with the Finance Secretary as Vice-Chair (represented by the alternate, Deputy Treasurer of the Philippines Christine L. Sanchez). Director Crispino T. Aguelo, Agriculture Secretary (represented by Undersecretary Francisco M. Villano, Jr.) and the Agrarian Reform Secretary (represented by Undersecretary Luis Meinrado C. Pañgulayan) complete the RiskCom members for 2016.

The Committee held 22 meetings with an average attendance of 82% wherein 254 regular reports, 28 special reports and results of stress-testing were deliberated to assess and mitigate various risks such as credit, market, interest rate, liquidity, operational, information security and technology, etc.

The major LANDBANK initiatives and new/enhanced guidelines approved by the RiskCom in 2016 were as follows:

1. Credit RM
   - Credit Risk Rating Models and Implementing Guidelines per BSP Circular 855 dated 29 October 2014 (re: Guidelines on Sound Credit RM Practices) and in compliance with GCG for 2016
2. Market RM
   - Guidelines on monitoring of matched trade transactions, off-market rates, deposit concentration and pre-settlement risk, among others
   - Setting and review of market risk limits, retention of treasury risk limits
   - Guidelines on the use of voice logger
3. Operational RM
   - Guidelines on outsourcing
4. Information Security and Technology RM
   - Guidelines for assessment of process risk and information technology and security risk
5. Enterprise RM
   - SGV's turnover of final report on Enterprise Risk Managemenr (ERM) Phase III: Risk Management Framework Assessment (RMFA)

Also, as part of the continuing education of the RiskCom members, an annual Directors' Retreat is held to re-orient and provide updates on regulatory issuances to RiskCom members on risk policies, guidelines and risk strategies relative to various operational aspects of the LANDBANK.

Investment and Loan Committee (ILC)

The ILC provides support to the LANDBANK's Board in the evaluation and approval of loan and investment proposals, in accordance with the LANDBANK's Codified Approving/Signing Authority (CASA).

The ILC also evaluates and approves credit policies and guidelines including, but not limited to – (1) limits on the LANDBANK's total lending exposures to different industries/ sectors; (2) terms and conditions for each type of credit accommodation; (3) remedial measures such as restructuring; and (4) foreclosures, dacion en pago and other settlement options. In addition, the ILC reviews and recommends to the LANDBANK's Board approval of investment policies and guidelines that define the structure, eligible investments and management of investment portfolios.

The ILC is composed of LANDBANK President and CEO Alex V. Buenaventura as Chair with Director Gerardo J. Bulatao as the Vice Chair and Director Crispino T. Aguelo, Director Virgilio De Vera Robes as members.

The ILC meets weekly and held a total of 46 meetings in 2016 with an average attendance of 88.19%.

All Board-level Committees, including the ILC, submitted Performance Rating Scorecards with parameters on Composition, Processes and Tasks. The overall rating of the ILC was Exemplary.

COMPENSATION OF THE LANDBANK DIRECTORS

LANDBANK's Total Compensation Framework (TCF) for Directors, Executives and Employees are guided by principles of meritocracy and equal opportunity. In addition, the current Allowances, Benefits and Incentives (ABI) are governed by guidelines released by regulatory agencies and duly approved by the Bank's Board of Directors (BOD).

The Human Resources Management Group (HRMG) spearheads the study and assessment of the current ABIs as well additional incentives. Revisions in the current TCF undergoes the following process:

HRMG conducts a study on the feasibility of the proposed ABI, based from requests from the Management, concerned parties in the Bank or from HR itself:

- Availability of the resource, current industry practices, total cost, impact to the net income and possible violations are some of the key factors considered in the study;
- The initial results are presented to the Head of our Corporate Services Sector. Afterwards, approval of the Management Committee (MANCOM) composed of the current Executives and subsequently, the Board of Directors will be sought.
- Upon approval, related guidelines (e.g., Executive Orders) are revised;
- An HR advisory will be released containing information to the concerned employees.

The ABIs of the Bank's Directors are guided by the following Governance Commission for GOCC's (GCG) circulars: 1) MC 2016-01 Compensation Framework for GOCC Governing Boards; 2) MC 2015-06 2015 Interim Performance-Based Incentive System (PBI) for GOCC Appointive Directors; and 3) Reissued MC 2012-02 Revised Interim Rules on Per Diem and other entitlements of Members of the Governing Boards of GOCCs covered by RA 10149.

The Bank's Corporate Secretary (CORSEC) oversees the implementation of the ABIs of LANDBANK's appointive Directors. Each Director is assigned two (2) committees to chair and ensure that decisions made are aligned with the Bank's overall business strategy. The Directors' attendance and actual performance in their chosen committees are reported on a regular basis to the Bank's Board. Similar to the process mentioned earlier, inclusion of any additional benefits/incentives have to be approved by the proper committees.

EVALUATION OF THE BOARD'S PERFORMANCE

Performance evaluation of the Bank's Board of Directors is central to corporate governance.

Performance rating sheets developed by the Institute of Corporate Directors (ICD) are disseminated yearly to evaluate the performance of the Board and the Board-level Committees. The results of the performance assessments are evaluated and deliberated upon annually by the Corporate Governance Committee in a duly constituted meeting.

A second performance evaluation for directors, which was developed by the Governance Commission for GOCCs (GCG), was implemented to increase the level of confidentiality and security in the information being given by the directors. This is called the internet-based Performance Evaluation for Directors (iPED) System. The Director Performance Review (DPR), one of the components of the Performance Evaluation for Directors in the GOCC Sector, appraises the performance of individual members of the GOCC Governing Board. The DPR Forms are being accomplished and submitted by each director directly to the GCG through the iPED System.

ATTENDANCE OF BOARD MEMBERS TO MEETINGS

The LANDBANK Board Meetings are regularly held every second and fourth Monday of each month. In 2016, 24 Board Meetings were held with an average attendance of 85.64 %.

Director's Attendance to Board and Committee Meetings (CY 2016)

	Name of Directors	Board Meeting		Agri-Agra Social Concerns Committee		Corporate Governance Committee		Audit and Compliance Committee	
	(January-June 2016)	(12 Meetings)		(4 Meetings)		(5 Meetings)		(7 Meetings)	
		Attended	%	Attended	%	Attended	%	Attended	%
1.	Chairman Cesar V. Purisima	11	91.7	N/A		2	40	N/A	
2.	President and CEO Gilda E. Pico	12	100	4	100	5	100	N/A	
3.	Proceso J. Alcala	7	58.3	0	0	N/A		0	0
4.	Virgilio R. De Los Reyes	8	66.7	4	100	N/A		N/A	
5.	Rosalinda D. Baldoz	8	66.7	N/A		3	60	N/A	
6.	Crispino T. Aguelo	12	100	4	100	N/A		7	100
7.	Victor Gerardo J. Bulatao	12	100	4	100	5	100	7	100
8.	Domingo I. Diaz	12	100	N/A		5	100	5	71.4

Name of Directors	Risk Oversight Committee		Investment and Loan Committee		Trust Committee	
(January-June 2016)	(9 Meetings)		(24 Meetings)		(3 Meetings)	
	Attended	%	Attended	%	Attended	%
1. Chairman Cesar V. Purisima	2	22.2	N/A		1	33.3
2. President and CEO Gilda E. Pico	N/A		22	91.7	N/A	
3. Proceso J. Alcala	0	0	N/A		N/A	
4. Virgilio R. De Los Reyes	N/A		N/A		2	66.7
5. Rosalinda D. Baldoz	N/A		N/A		3	100
6. Crispino T. Aguelo	9	100	24	100	N/A	
7. Victor Gerardo J. Bulatao	N/A		24	100	N/A	
8. Domingo I. Diaz	9	100	22	91.7	N/A	

Name of Directors	Board Meeting		Agri-Agra Social Concerns Committee		Corporate Governance Committee		Audit and Compliance Committee	
(July-December 2016)	(12 Meetings)		(4 Meetings)		(5 Meetings)		(7 Meetings)	
	Attended	%	Attended	%	Attended	%	Attended	%
1. Chairman Carlos G. Dominguez	11	91.7	N/A		4	80	N/A	
2. Emmanuel F. Piñol	8	66.7	2	50	N/A		3	60
3. Rafael V. Mariano	12	100	3	75	N/A		N/A	
4. Silvestre H. Bello III	4	33.3	N/A		1	20	N/A	
5. Crispino T. Aguelo	11	91.7	4	100	4 of 4[/1]	100	5	100
6. Victor Gerardo J. Bulatao	12	100	4	100	5	100	5	100

[/1] Membership in Risk Oversight Committee Started on September 20, 2016

Name of Directors	Risk Oversight Committee		Investment and Loan Committee		Trust Committee	
(July-December 2016)	(9 Meetings)		(24 Meetings)		(3 Meetings)	
	Attended	%	Attended	%	Attended	%
1. Chairman Carlos G. Dominguez	7	77.7	N/A		3	75
2. Emmanuel F. Piñol	6	66.7	N/A		N/A	
3. Rafael V. Mariano	3 of 6[/2]	50	N/A		4	100
4. Silvestre H. Bello III	N/A		N/A		0	0
5. Crispino T. Aguelo	9	100	22	100	N/A	
6. Victor Gerardo J. Bulatao	N/A		22	100	N/A	

[/2] Membership in Corporate Governance Committee on September 6, 2016

UNITS UNDER THE BOARD OF DIRECTORS

Internal Audit Group (IAG)

The IAG is functionally under the supervision of the Audit and Compliance Committee, a board-level Committee, and administratively under the Office of the President and CEO of the Bank. Its main function is to provide independent, objective assurance and support services designed to add value and improve the internal control systems, risk management and governance processes of the Bank.

As part of its competency building program, all IAG personnel attended 73 trainings and seminars with a total of 1,394 hours to further enhance their technical knowledge and skills, writing and presentation abilities and leadership skills. The Bank also encouraged and provided support to auditors in obtaining global certifications. For the year, 11 auditors completed/passed global certifications administered by the Institute of Internal Auditors, Information Systems Audit and Control Association and MICROSOFT, as follows:

a. 3 Certified Internal Auditors
b. 7 Certified Information Systems Auditors
c. 1 Certified Risk Management Auditor
d. 1 Microsoft Technology Associates: Windows Server Administrator Fundamentals Examination

For CY 2016, the IAG completed the following audit engagements:

KRA	Actual	Target	% Accomplishment
1. Regular Audit	262	261	100%
2. IT Systems Audit			
Application Audit	24	26	92%
Post- Implementation Review	8	8	100%
Sub-Total	**32**	**34**	**94%**
3. Special Audits	12	-	
4. End-to-End Process Audit	4	-	
TOTAL	310	295	105%

On top the abovementioned audit engagements, it also undertook other major programs/projects and functions, as follows:

1. Validation of the 2016 ICAAP Document
2. Review of the quality of loan accounts classified as large exposures
3. Assessment of Eurogiro System
4. Review of the Business Continuity Management Plan
5. Confirmation of balances of private deposit accounts
6. Participation in 12 system development projects in consulting activity
7. Review of 8 Technology Service Providers (TSPs)
8. Review of the Bank's Information Security Program
9. Lead Auditor during the internal audit of LANDBANK's Environmental Management System
10. Quality Assurance Review of the EMS Internal Audit Process
11. Internal Quality Assessment Review of the Internal Audit Group
12. Secretariat to the Audit and Compliance Committee (12 meetings) and Accountability Assessment Committee (19 meetings)

In its continuing efforts to improve its audit processes and methodologies, IAG engaged the services of SGV and Co. in the Transformation of the Internal Audit Function Project to develop the End-to-End Process Audit Methodology, align the existing Audit Rating System to the 2013 COSO Internal Control – Integrated Framework, and enhance the existing IT Audit methodology and develop of the Technology Service Provider (TSP Review). The said deliverables were completed and approved by the Audit and Compliance Committee in CY 2016.

Risk Management Group (RMG)

Risk Management (RM) involves the oversight function covering risk identification, assessment, measurement, control, monitoring and reporting of risks inherent in all activities of the Bank.

The Risk Management Group (RMG), as an independent unit, performs the oversight function for all major risk areas (credit, market, and liquidity, operational, among others) of LANDBANK. RMG reports functionally to the Risk Oversight Committee (RiskCom) and administratively to the President and CEO of the Bank.

The RMG provides the overall direction for the Bank's risk management functions of the Bank. It identifies, assesses controls and mitigates, as well as monitors the Bank's risk profile. In order to ensure the establishment of a sound and formally structured risk management framework throughout LANDBANK, RMG presents its reports to the Senior Management and the Board of Directors.

The RMG also provides guidance on risk management to the Bank's subsidiaries and attached agencies and provides support to the Internal Capital Adequacy and Assessment Process (ICAAP) Steering Committee in the development and enhancement of ICAAP framework through stress testing and scenario analyses.

In 2016, the RMG expanded and is now comprised of seven Bank units, namely, Business Risk Management Department (BRMD), the Credit Risk Management Department (CRMD), Treasury Risk Management Department (TRMD), the Enterprise Risk Management Office (ERMO), Information Security and Technology Risk Management Office (ISTRMO), Credit Policy Formulation and Review Unit (CPFRU), and Investments and Loans Committee Secretariat and Support Unit (ILCSSU).

The notable accomplishments of RMG in 2016 include the following:

- Development of Credit Risk Frameworks, Rating Models and Implementing Guidelines

    1. Credit Risk Rating Model Validation Framework
    2. Credit Risk Stress Testing Framework
    3. Application Credit Rating Model and Implementing Guidelines for new Livelihood Loan System (LLS) Borrower
    4. Behavioral Credit Rating Model and Implementing Guidelines for existing LLS borrower

- Setting and review of market risk limits, retention of treasury risk limits including the issuance of guidelines on monitoring of match trade transactions, off-market rates, deposit concentration and pre-settlement risk, among others

- Completion of Enterprise Risk Management (ERM) Phase III: Turn-over of Final Report by Sycip, Gorres, Velayo (SGV) & Co

    1. Risk Management Framework Assessment Summary
    2. Survey Analysis
    3. RMFA Key Recommendations
    4. Survey Results Per Group

- Facilitation of the preparation and submission of the Bank's 2016 Internal Capital Adequacy Assessment Process (ICAAP) to Bangko Sentral ng Pilipinas (BSP) before prescribed deadline.

- Spin-off of Information Security & Technology Risk Management Office (ISTRMO) from Business Risk Management Department (BRMD) to be responsible and accountable for the Bank-wide information technology and security risk program

- Bank-wide implementation of operational RM tools was strengthened as RMG conducted walk-throughs to Bank's Business Units including the LANDBANK Subsidiaries

Trust Banking Group (TBG)

The TBG is under the direct supervision of the Trust Committee, consistent with the provisions stipulated in the BSP Manual of Operations for Banks. It is comprised of the following Bank units – (1) the Trust Business Development Department, (2) Trust Account Management Department, (3) Trust Portfolio Management Department, (4) Trust Operations Department, and (5) Third-Party Custodianship and Registry Department.

The Trust Business Development Department handles the solicitation, marketing of new businesses and product development. Marketing Desks were set up in Quezon City, Makati City, Ortigas, Cebu and Davao areas to further extend geographic marketing reach and book accounts at point of sale. The Trust Account Management Department, on the other hand, handles the management and growth of existing trust accounts. The Trust Portfolio Management Department handles evaluation of investments, performs fund management duties of various trust and investment management accounts, prepares investment studies and monitors key economic variables and market indicators. The Trust Operations Department is in charge of the accounting, financial reporting, reconciliation, settlements, cashiering functions and acts as custodian of non-traded assets and documents. The Third Party Custodianship and Registry Department was created in order to provide securities custody and registry services both to Government Owned and Controlled Corporations, government financial institutions and other private financial institutions requiring said services.

Compliance Management Group (CMG)

The CMG oversees the implementation of the Bank's compliance system which is designed to identify and mitigate business risks and ensure that business operations are conducted in accordance with laws and regulations, Code of Conduct and the sound policies and standards of good practice. The CMG is headed by the Chief Compliance Officer (CCO) who functionally reports to the Board of Directors through the Audit and Compliance Committee.

The major accomplishments of the CMG are contained in the section on "Ensuring Effective Compliance and Management Systems and Processes."

UNITS UNDER THE OFFICE OF THE PRESIDENT AND CEO

The LANDBANK President and CEO directly supervises four bank units, to wit: (1) Strategic Planning Group, (2) Agrarian Services Group, (3) Legal Services Group, and (4) Security Officer/Physical Security Office.

Agricultural and Development Lending Sector

The Agricultural and Development Lending Sector (ADLS), which was headed by EVP Cecilia C. Borromeo, manages the lending operations of the Bank. ADLS extends financial credit facilities to the mandated sectors of the Bank farmers, including agrarian reform beneficiaries and fishers' cooperatives and their associations' loans in support of improving agriculture and fisheries and other programs of the national government.

As of end of 2016, there were a total of 48 Lending Units – 40 in the central provinces and eight Lending Units at the Head Office. These Lending Units in the central provinces are grouped by major island clusters, namely: Northern and Central Luzon, Southern Luzon, Visayas and Mindanao Lending Groups while Lending Units at the Head Office are grouped into Corporate Banking and Retail and MID Market Lending. The Corporate Banking Group supervises management of loan accounts of top and large corporations, public sector agencies and entities (government-owned and-controlled corporations, local government units), and foreign and local financial institutions based in the NCR. The Retail and MID Market Lending Group handles the overall administration, monitoring, supervision and management of housing mortgage and mortgage loans, Sales Contract Receivables, Small and Medium Enterprises (SMEs) accounts including livelihood (salary) and OFW loans in the NCR. The Lending Programs Management Group handles program development, monitoring and sourcing of foreign and domestic funds, while the Lending Support Department provides the administrative support. The Loan Recovery Department handles loan recovery functions and past due loans.

In 2016, the ADLS earnings were driven by 12% growth in loan portfolio of P468.1 billion as compared with 2015 of P418.4 billion, which was attributed largely to loans in agri-aqua business, tourism and environmental-related projects. In 2016, there were five lending programs launched to support the Bank's mandate. These were the following: (i) Agri-mechanization Financing – provides credit assistance supporting mechanization of agricultural production processes, modernizes the agriculture sector, and enhances farm productivity and achieve food security; (ii) Climate Resilience Agriculture – provides credit assistance to eligible borrowers in order to promote climate change adaptation initiatives towards climate resilient agriculture and to address climate change risks and help nurture innovation development at the community level; (iii) Oil Palm Financing – provides credit assistance to oil palm industry stakeholders particularly farmers and to contribute with the overall efforts of the government in generating employment and to increase loan portfolio in palm industry; (iv) Empowering Barangays in Remote Areas through Credit and Enterprises – intends to expand credit outreach to farmers, fishers, MSMEs, especially in unserved areas for financial inclusivity; and (v) Innovation and Technology (I-Tech) Lending Program which offers support to the commercial production of patented Filipino inventions.

In line with Bank's commitment for inclusive growth and development agenda, the Bank funded LGUs and private sectors' loans to support the infrastructure projects. These loans resulted in the following: 41,495 households connected with potable water; 111 additional kilowatts produced; 41 hospitals with 1,877 hospital beds constructed; 114 school buildings with 1,070 classrooms built; and 875 kilometers of farm to market roads constructed.

ADLS commits to embark on greening the Bank's loan portfolio or shifting the loans to the priority sectors to a more agri-based portfolio for the next five years.

ADLS will improve existing lending programs and develop new lending programs such as the following: (1) Value Chain Financing program which focuses on agricultural production will support backward-forward business linkages among private companies and other business entities; (2) Young Agri Entrepreneurs program which will encourage young entrepreneurs to venture into agri-aqua production; and (3) Franchising Lending Program which will assist the neophyte SMEs in the business.

Branch Banking Sector

The Branch Banking Sector (BBS), which is headed by SVP Liduvino S. Geron, handles the deposit-taking and servicing branch banking requirements of the various clients of the Bank.

As of end-December 2016, the Bank had a total of 315 branches, 54 extension offices, 40 LANDBANK Easy Access Facilities, 50 LANDBANK Express Access Machines and 82 Cash Deposit Machines and one servicing unit. These units are clustered according to ten geographical locations for an effective branch management and control, as follows: North and South NCR; North Luzon; Central Luzon; Southeast and Southwest Luzon; East and West Visayas; and East and West Mindanao Branches Groups.

The sector also provides support for OFWs in the remittance business and the Bank's Card and e-banking operations of the Bank. The Branch Banking Support Department handles the administrative support to the various units of the Sector while the Systems Implementation Department provides support to all system users in the Branches. The CCT Program Management Office, on the other hand, oversees the implementation requirements of the National Government's Conditional Cash Transfer (CCT) Program. The CCT PMO closely coordinates with the Department of Social Welfare and Development, concerned Bank units, and LANDBANK-accredited CCT conduits to ensure the efficient delivery and distribution of cash grants to eligible beneficiaries.

In 2016, BBS launched the MasterCard branded LANDBANK Credit Card and new payment: Electronic Payment Portal; Electronic Modified Disbursement Scheme (eMDS); and MOBILOCK for Mobile Banking Application.

In line with continued expansion to deliver its products and services, the Bank opened nine extension offices and 16 LEAFs in 2016. It installed 131 ATMs, 52 Cash Deposit Machines, 274 Point-of-Sale terminals and five ATM Direct Connect nationwide.

Consistent with the Bank's mandate, BBS aims to: (1) Establish more branches and extension offices, and install more ATMs, Cash Deposit Machines and Point-of-Sale terminals nationwide; (2) Move transactions away from over-the-counter (OTC) thru increased electronic banking transactions by 5%; (3) Expand Remittance Network with remittance companies with global coverage; (4) Establish an OFW Information Center as additional support to OFWs in banking transactions; (5) Expand OFW products and services, thru an improved innovation of specific programs like re-launching of Bagong Bayani ATM Card bundled with insurance features; (6) Enhance and market Electronic Payment Solutions that will promote more convenience in banking transactions, such as inclusion of bills payment facility in ATMs and market Electronic Payment Portal and Electronic Payment System and ; (7) Promote Retail Payment Solution with a real-time, low value electronic fund transfer; and (8) Strengthen Security Features of Bank's Electronic Products with the implementation of the 3D Secure Authenticated Payment System.

Treasury and Investment Banking Sector

The Treasury and Investment Banking Sector (TIBS), which is headed by SVP Carel D. Halog, supervises the overall transactions in treasury operations, financial resource management and investment banking. This sector is comprised of three groups, namely the – (1) Asset and Liability Management Group (ALMG); (2) Financial Markets Group (FMG); and (3) Investment Banking Group (IBG).

The ALMG oversees the Bank's balance sheet and liquidity and reserve positions. The FMG manages the LANDBANK trading units for both Peso and Foreign Currency-denominated instruments, formulates trading strategies and monitors financial markets. On the other hand, the IBG handles the following Bank's transactions: the provision of underwriting services and financial advisory for debt and equity capital market; specialized and structured; and fund arrangement and advisory services for corporate finance. Moreover, it handles investment banking services for project finance transactions and monitors the overall performance of the Bank's investment in equity and other financial instruments.

Despite the market volatility in the year 2016, TIBS registered a total income of P20.26 billion, bulk of which came from income from investments, dividends, and treasury loans and Due from BSP deposit facilities.

The Investment Sales and Distribution Department (ISDD) was reinforced with the full operation of 6 NCR Treasury Desks and 10 Regional Treasury Hubs covering 16 regions, 81 provinces and 371 LANDBANK Branches and Extension Offices.

Through its expanded operations, LANDBANK was able to tap retail clients, as well as new various industry clients such as thrift and rural banks, cooperatives, insurance companies, local government units, state universities and colleges and other educational institutions, water districts and hospitals.

In 2016, the Bank was recognized as one of the 15 selling agents for the P100.13 billion Retail Treasury Bonds (RTBs) Tranche 18 of the Bureau of Treasury last September 20, 2016. LANDBANK Treasury's ISDD captured 1/5 of the total market comprising of retail, individual and GOCC clients, and attained a total sales volume amounting to P19.87 billion or 20% of the total RTBs offered.

Sales from distribution of various treasury products for the year ended December 2016 amounted to P102.5 billion with an income of P23.5 million.

LANDBANK acted as Joint Lead Arranger for Therma Visayas, Inc.'s syndicated loan facility which was awarded as the "Most Innovative Deal" in June 2016. The Bank also served as the arranger for the Corporate Notes of P17.0 billion NGCP and P3.5 billion Energy World Gas Operations Philippines Inc. The Bank participated in other syndicated loan transactions.

Given the Bank performance, it was awarded as one of top 5 fixed income dealers in the secondary market and cash settlement bank for 2016 by the Philippine Dealing System Holdings Corporation.

As of year-end 2016, the Bank's total outstanding investments reached P6.1 billion.

TIBS targets to expand market base through the Treasury Hubs and intensify efforts of FX sales in major provinces of the country. Also, TIBS plans to broaden financial literacy program through enhancing financial awareness and savings consciousness of the Bank's retail and corporate clients.

Operations Sector

The Operations Sector (OS), which is headed by SVP Alan V. Bornas, provides Bank-wide operational support including accounting services and the development and implementation of information technology system-related infrastructure. This sector supervises four bank groups with each corresponding function, as follows:

The Banking Services Group supervises the operations of its three departments: (1) ATM and Cash Management; (2) Central Clearing; and MDS and Collections Management. This sector oversees wholly the central cash vault servicing such as cash withdrawals from Bangko Sentral ng Pilipinas (BSP), cash deliveries to the Bank's cash centers in the NCR and nearby provinces, ATM monitoring and transactions reconciliation, check's monitoring, sorting and clearing, the processing of branches' collections and remittances, and the allocation and reimbursement of the National Government's Modified Disbursement Scheme (MDS).

The Banking Operations Group oversees the international trade, non-trade and foreign currency transactions, maintains the loans subsidiary ledgers maintenance, billing and collection functions related to lending operations, and processes inward and outward remittances both for foreign and domestic transactions. It is composed of four bank units: (1) Foreign and Domestic Remittance; (2) International Trade; (3) Loans Implementation; and (4) Property Valuation and Credit Information.

The Controllership Group undertakes the supervision of the performance of general accounting, inter-office floats management, preparation of the Bank's financial statements and reports for external regulatory bodies, Bank-wide budget preparation and control, management of the Bank's tax position and documentation of operations and preparation of procedural guidelines on Bank operations. It also directs five different departments of the Bank: (1) Administrative Accounting Department; (2) Agrarian Accounting Department; (3) Financial Accounting Department; (4) Systems and Methods Department; and (5) Treasury Operations Department.

The Technology Management Group supervises information technology (IT) management functions in close coordination with the Bank's IT plans, implementation of IT programs in coordination with the designated project teams, IT architecture designing, management and enhancement of IT infrastructure and applications and provides technical evaluation or advice for end-user selection of application software and hardware. The group is comprised of the following departments: Data Center Management, E-Banking Systems, Enterprise Systems, IT Project Management, Network Operations and Retail Banking Systems.

Corporate Services Sector

The Corporate Services Sector is headed by EVP Julio D. Climaco, Jr. It is comprised of four bank units: (1) Human Resource Management Group which oversees the provision of Bankwide human resource support services; (2) Facilities and Procurement Services Group, manages the Bank's facilities, properties and supplies; (3) Provident Fund Office, manages the Bank's Provident Fund; and (4) Corporate Affairs Department, covers the management and administration of LANDBANK's media and external relations programs.

LANDBANK RISK MANAGEMENT PHILOSOPHY AND CULTURE

Risk Management (RM) goes hand-in-hand on co-equal footing with LANDBANK's business strategy. It is an integrative component of good governance which the LANDBANK Board, through the Risk Oversight Committee (RiskCom) and Senior Management, ensure adequacy of framework, policies, internal controls, RM systems and procedures to manage risks.

The Bank's core RM philosophy is to balance risk and reward by maximizing business opportunities, operating within the risk threshold and minimizing losses beyond its appetite. RM is embedded in all the business processes of the Bank and it ascertains that risk-taking is commensurate with its risk appetite.

The Bank's RM completes the triumvirate of audit and compliance functions which focus at the risk controls of the Bank. Together with internal audit and compliance, the synergy of the three functions provides credence to the role of the Bank's corporate governance in implementing an effective RM framework.

LANDBANK's RM approach is governed by the Board-approved Enterprise RM (ERM) anchored on its mission, vision and strategic objectives. The LANDBANK's implementation of the ERM system with defined pro-active RM departs from silo approach. Thus, RM is implemented beyond compliance across the entire organization with active participation of the Board, Senior Management and all business units (BUs) of the Bank. ERM is implemented in three levels namely, strategic, portfolio and transactional.

At the Strategic Level, the LANDBANK Board through the RiskCom and Senior Management, are actively involved in an enterprise-wide RM oversight which involves development and approval of RM policies, framework/structure, internal controls, and RM system as well as the annual review thereof. The LANDBANK Board and Senior Management are also involved in an organizational-wide risk monitoring which is used as basis for decision-making and review of LANDBANK's controls/ mitigating measures (operational, financial and compliance control) and RM system.

At the Portfolio Level, the Groups or Departments oversee the implementation of policies and processes and monitor possible breaches. Risk Management Group (RMG) recommends policies, processes and revisions based on risk reports submitted by the risk-taking Business Units (BUs) to address risk occurrences that cannot be solved at the level of the risk-taking BUs.

At the Transactional Level, the Authorized Risk Takers (ARTs) who act as the first line of defense are involved in the actual implementation of risk policies and procedures. The ARTs embrace the continuous management of risk events and immediately escalate the risk occurrences that cannot be solved at their level to the Department or Group level.

RM involves the oversight function covering risk identification, assessment, measurement, control, monitoring and reporting of risks inherent in all activities of the Bank. The RMG, as an independent unit, performs the oversight function for all major risk areas (credit, market, liquidity, operational, IT risk, information security, consumer protection, among others) of the Bank. RMG reports functionally to the RiskCom and administratively to the President and Chief Executive Officer (CEO) of LANDBANK.

In 2016, the notable accomplishments of RMG on credit risk management include the implementation of credit risk rating models for corporate and Micro, Small and Medium Enterprise (MSME) borrowers, enhancements of Local Government Unit (LGU) credit risk rating model, approval of the credit risk rating model for Easy Home Loan (EHL) and cooperative borrowers and the adoption of the Expected Credit Loss (ECL) model.

On market risk, the Bank continued the setting and review of market risk limits and the issuance of guidelines on monitoring of matched trade transactions, off-market rates, deposit concentration, pre-settlement risk and voice loggers, among others. Regular review and revision of risk guidelines and manuals were conducted in accordance with regulators' policies and industry best practices and the shock absorption capabilities of the Bank were ascertained through the regular conduct of credit and treasury risk stress testing.

The Operational RM Framework (ORMF) of the Bank was strengthened through the execution of Service Level Agreement (SLA) between the Business RM Department (BRMD) and the Internal Audit Group (IAG) to address common audit issues on Operational RM (ORM) implementation. The People RM Framework (PRMF) was enhanced in coordination with the Human Resource Management Group (HRMG) and the Bank's Business Continuity Management (BCM) was intensified with the development of Business Continuity Risk Assessment (BCRA) and Business Continuity Plans (BCPs) for each BU of the Bank.

The management of information security (InfoSec) risks was strengthened by widening the scope of risk assessment to include people holding key positions and sensitive information. This was institutionalized by updating the corresponding guidelines. For information technology oversight, new electronic programs and channels were reviewed for possible compromise on confidentiality, integrity, and availability of the Bank's information assets.

Moreover, the final report on ERM Phase III of SyCip Gorres Velayo (SGV) & Co. disclosed the conclusive assessment that the Bank's risk management strategy falls under the "starting the advanced approach". Identification of top emerging risks was also achieved in the ERM Phase III project.

Regular and special market, credit, operational and InfoSec risk reports were presented to the RISKCOM which substantiate that appropriate RM tools are embedded in the Bank's processes to ensure compliance with regulatory and internal risk control measures. Revisions of credit policies and guidelines were recommended to the Investment and Loan Committee (ILC) to align with BSP Circular 855. Compliance with regulatory and internal limits and approved terms and conditions were reported to the LANDBANK Board and Senior Management.

They were also apprised regularly on remedial measures such as restructuring, renewal, foreclosures, dacion en pago, other settlement options and recovery on written-off accounts.

Credit Risk Management

Credit risk arises from the failure of a counterparty to meet the terms of any contract with the Bank. Credit risk is not limited to the loan portfolio but is found in all the Bank's activities where success depends on counterparty, issuer, or borrower performance. It arises any time the Bank's funds are extended, committed, invested, or otherwise exposed through actual or implied contractual agreements, whether reflected on or off the balance sheet. The Bank considers its loan portfolio as the major source of credit risk. However, other sources of credit risk exist throughout the activities of the Bank, including the banking and trading books and On- and Off-Balance Sheet transactions.

• Maximum Credit Risk Exposure

The table below shows LANDBANK's maximum exposure to credit risk, before and after considering eligible collateral held or other credit enhancements.

On-Balance Sheet (BS) Items	2016 (In P millions)							
	CEA	0%	20%	50%	75%	100%	150%	Credit RWA
Cash on Hand	27,872	27,872						
Checks and Other Cash Items (COCI)	319		319					64
Due from Bangko Sentral ng Pilipinas (BSP)	355,466	355,466						
Due from Other Banks	11,650		71	11,536		43		5,825
Available-for-Sale (AFS) Financial Assets	271,213	238,823	1/	26,528		5,862		19,126
Held-to-Maturity (HTM) Financial Assets	153,753	144,160	2/	4,401		5,192		7,392
Unquoted Debt Securities Classified as Loan	10,679			501		10,178		10,428
Loans and Receivables	433,055		3,481	16,311	62,661	348,248	2,354	407,626
1. Interbank Loans Receivables	29,122		3,481	12,083		13,536	22	20,306
2. Loans and Receivables - Others								
a. LGUs and Public Sector Entities	31,006					31,006		31,006
b. Government Corporation	1,922					1,922		1,922
c. Corporates	274,664					274,664		274,664
d. Microfinance/Small and Medium Enterprise	62,661				62,661			46,996
e. Loans to individuals	31,104			4,228		26,876		28,990
Other Loans and Receivables 3/	14,806	14,795		11				6
Sales Contract Receivable (SCR)	945					307	638	1,264
Real and Other Properties Acquired (ROPA)	4,249						4,249	6,374
Total Exposures Excluding Other Assets	1,284,007	781,116	3,871	59,288	62,661	369,830	7,241	458,105
Add: Other Assets	13,175	11				13,164		13,164
Total On-BS RWA not covered by CRM								45
Total On-BS Exposures	1,297,182	781,127	3,871	59,288	62,661	382,994	7,241	471,314

1/ AFS paired with warrants amounting to P3,780 million at 0% risk weight
2/ HTM paired with warrants amounting to P3,347 million at 0% risk weight
3/ Arising from Repurchase Agreements, Certificates of Assignment/Participation with Recourse, and Securities Lending and Borrowing Transactions

Off-BS Items	2016 (In P millions)							
	CEA	0%	20%	50%	75%	100%	150%	Credit RWA
A. Direct credit substitutes	6,599					6,599		6,599
B. Transaction-related contingencies	34,196					34,196		34,196
C. Trade-related contingencies	1,743			1,154		589		1,166
D. Other commitments	-							-
Total Off-BS Exposures	42,538	-	-	1,154	-	41,384	-	41,961
Counterparty RWA in the Trading Book	CEA	0%	20%	50%	75%	100%	150%	Credit RWA
Derivative Exposures	323		68	11		244		263
Total	1,340,043	781,127	3,939	60,453	62,661	424,622	7,241	513,538

CEA: Credit Exposure Amount   CRM: Credit Risk Mitigant   RWA: Risk Weighted Assets

• Credit Exposures and Credit-Related Commitments

As of 31 December 2016, LANDBANK's Gross Loans and Receivables amounted to **P433,055 million**, net of credit risk mitigation which consists mainly of prime collaterals such as deposit holdout, government securities (GS) and sovereign guarantees. Net Loans and Receivables stood at Corporates at P274,664 Million (63.42%), followed by MSMEs at P62,661 Million (14.47%), Loans to Individuals at P31,104 Million (7.18%), and Government Entities at P31,006 Million (7.16%). The Bank also holds substantial receivables arising from Repurchase Agreements aggregating P14,806 Million. The P41,961Million credit risk weight of net Off-balance Sheet exposures of P42,538 million is computed based on respective Credit Conversion Factors (CCFs). These accounts are composed mainly of general guarantees of indebtedness (e.g., financial standby letters of credit - domestic and foreign), performance bonds and warranties related to particular transactions, and contingencies arising from movement of goods and trust transactions. Outstanding derivative exposures are mainly over-the-counter (OTC) foreign exchange (FX) option contracts.

The Bank's Total Gross Loans and Receivables reflected a Credit Risk Weighted Assets (RWA) of **P407,626 Million** following the Standardized Approach. This represents **79.38%** of the Total Credit RWA of **P513,538 Million**. However, the Total Credit RWA increased by P55,246 Million or **12.05%**, from **P458,292 Million** in 2015 to **P513,538 Million** in 2016. The Total Credit RWA represents **89.77%** of the Bank's Aggregate RWA of **P572,060 Million**.

• Management of Credit Risk

Credit RM aims to adequately manage the risk of financial loss arising from the failure of borrowers or counterparties to settle their obligations in accordance with the terms and conditions of the duly approved contractual agreement.

This involves the identification, measurement and monitoring of actual or potential losses and the implementation of appropriate measures, including the setting-up of applicable limits to keep credit risk exposures within the Bank's risk appetite or the acceptable level of credit risk that it is willing to accept in pursuit of its lending plans and programs.

The Bank also manages the credit risk inherent in the entire portfolio as well as the risk in individual credits or transactions and the correlation of credit risk with other risks. The effective management of credit risk is a critical component of a comprehensive approach to RM and essential to the long-term success of the Bank.

The Bank manages credit risk through a structured framework duly approved by the LANDBANK Board that sets out policies and procedures covering the identification, measurement, control, and monitoring of credit risk. Accordingly, approval of credit application goes through prescribed loan approving levels which, depending on the transaction or amount of loan applied, could be elevated to the Credit Committee (CRECOM) a Management-level Committee, the ILC, a Board-level Committee and up to the LANDBANK Board, whenever applicable. The approval process also covers proposed remedial actions aimed at helping problem accounts regain normal operations. The Bank has put in place comprehensive set of credit policies through the issuance of Credit Manual, Credit Policy Issuances (CPIs) and Credit Bulletins (CBs). As the Bank's middle office for credit risk, the Credit RM Department (CRMD) handles credit risk oversight, risk measurement and risk rating of borrowers.

To effectively monitor and maintain the quality of its loan portfolio, the Bank conducts annual qualitative and impairment review to assure proper loan classification and setting-up of valuation reserves. As of 31 December 2016, the Bank's net Non-Performing Loan (NPL) stood at **P1,490 Million or 0.29%** of the total regular loan portfolio.

• Credit Risk Rating

LANDBANK's Credit Risk Engine System (CRES) serves as the main platform for the generation of automated credit ratings of borrowers to help determine their credit worthiness.The Bank undertakes continuing development and implementation of the automated CRES scoring facility to provide support to its ongoing initiatives for the adoption of applicable banking regulations and global best practices and approaches in Credit RM.

The Bank's CRES facility generates Probability of Default (PD) which forms part of the risk components required to calculate the ECL in accordance with the provisions of BSP Circular 855, dated 29 October 2014 (Guidelines on Sound Credit RM and Practices) as well as the Philippine Financial Reporting Standards (PFRS) 9 which is scheduled for implementation in 2018.

Toward this end, the Bank approved in 2016 the enhancement of the following automated credit scoring models and their corresponding rating guidelines:

- Behavioral Scoring Model for LGUs
- Behavioral Scoring Model for Small Medium Enterprises (SMEs)
- Behavioral Scoring Model for Corporates
- Application Scoring Model for Salary Loan Availers

Similarly, the following automated credit scoring models were approved by the LANDBANK Board:

- Application Scoring Model for Individual Home Buyers
- Behavioral Scoring Model for Existing Salary Loan Availers
- Behavioral Scoring Model for Countryside Financial Institutions (CFIs)
- Behavioral Scoring Model for Cooperatives

Nonetheless, the Bank shall continue to use the expert-based credit rating system for Universal Banks, Commercial Banks and Offshore Banks.

• Credit Risk Monitoring

LANDBANK has continuously adopted a formal reporting system for the LANDBANK Board and Senior Management to be able to monitor the credit quality of individual and loan portfolio using asset quality indicators such as past due ratio, NPL ratio, level of non-performing assets, coverage ratio, concentration risk. Clean large exposures, breaches in regulatory and internal limits, potential credit risk, Directors, Officers, Stockholder and their Related Interests (DOSRI) loans, Related Party Transactions (RPTs) and compliance with Real Estate Stress Test (REST) are intensively monitored by the ILC and the RISKCOM. The recovery of written-off accounts is also within the radar of the LANDBANK Board and Senior Management.

• Collateral and Other Credit Enhancements

Collateral is not the ultimate and primary factor in granting credit.The required amount and type of collateral and other credit enhancements to mitigate credit exposures depend primarily on the results of the holistic and prudent credit assessment.When needed, the Bank diligently evaluates the enforceability, realizable value and marketability of offered collaterals. The Bank's Credit Manual and CPIs provide the guidelines on the acceptability of loan collateral and maximum valuation for each type of collateral. The primary collaterals accepted are Holdout on Deposits, GS, Real Estate Mortgage (REM) and Chattel Mortgage (CM). The Bank also accepts government guarantees, cross suretyship from corporations and such other eligible guarantees. In the case of agricultural and agriculture-related loans that are vulnerable to the effects of climate and weather disturbances, borrowers are encouraged to avail of crop insurance guarantees and other insurance mechanisms to shield them from these risks.

• Credit Stress Test

LANDBANK regularly conducts stress testing of individual large exposure and its loan portfolio taking into account plausible risk events with high probability of occurrence. Utilizing such scenarios with documented assumptions, tests are done to determine the magnitude of impact on the Bank's loan portfolio, on the Credit RWA, and finally on the Capital Adequacy Ratio (CAR). The stress testing also includes prescribed regulatory tests such as uniform stress test and REST stress test. Results of the stress testing, together with the contingency plans, are escalated to the ILC and RiskCom.

Market Risk Management

Market Risk Management Framework

LANDBANK is exposed to market risks in both its trading and non-trading banking activities. The Bank assumes market risk in market making and position taking in GS and other debt instruments, equity, FX and other securities, as well as, in derivatives or financial instruments that derive their values from price, price fluctuations and price expectations of an underlying instrument (e.g., share, bond, FX or index). The Bank's exposure on derivatives is currently limited to currency swaps and currency forwards to manage FX exposure. The Bank is also exposed to derivatives that are embedded in some financial contracts, although, these are relatively insignificant in volume.

The Bank uses a combination of risk sensitivities, Value-at-Risk (VaR), stress testing, CAR and capital metrics to manage market risks and establish limits. The LANDBANK Board, RiskCom and the Asset and Liability Committee (ALCO), a Management-level Committee, define and set the various market risk limits for each trading portfolio. The Treasury and Investment Banking Sector (TIBS), particularly the Financial Markets Group (FMG) which manages the Bank's trading units as well as the Asset and Liability Management Group (ALMG) which manages the liquidity and reserve positions, conduct risk-taking activities within limits at all times and ensures that breaches are escalated to the Senior Management for appropriate action.

A management alert is activated whenever losses during a specified period equal or exceed specified management alert level. The Bank controls and minimizes the losses that may be incurred in daily trading activities through the VaR and Management Action Triggers (MATs). Positions are monitored on a daily basis to ensure that these are maintained within established position limits to control losses. Position limits are subordinated to MATs and VaR limits. Macaulay and Modified Duration are used to identify the interest rate sensitivity of the Bond Portfolio of the Bank. In the same way, certain subsidiaries of the Bank independently quantify and manage their respective market risk exposures by maintaining their respective RM system and processes in place.

• *Market Risk Weighted Assets*

As of 31 December 2016, LANDBANK's Total Market RWA stood at **P4,064 Million**, broken down as follows:

In P Million

PARTICULARS	AMOUNT
Interest Rate Exposure	860
Equity Exposure	5
FX Exposure	284
Options	2,915
Total Market RWA	**4,064**

The Total Market RWA represents **0.71%** of the Bank's Aggregate RWA of **P572,060 Million.**

• *Managing Market Risk Components*

Market Risk is associated to earnings arising from changes in interest rate, FX rates, equity and in their implied volatilities. Market risk arises in trading as well as non-trading portfolios.

The Bank manages the following key market risk components using its internal risk mitigation techniques:

1. Interest Rate Risk in the Trading Book
   Interest Rate Risk represents exposures to instruments whose values vary with the level or volatility of interest rates as a result of market making and portfolio taking. LANDBANK continues to manage interest rate risk in trading activities through factor sensitivities and the use of an effective and independently validated VaR methodology and stress testing.

2. Equity Price Risk Management LANDBANK is exposed to equity price risk resulting from changes in the levels of volatility of equity prices, which in turn affect the value of equity securities and impacts on profit and loss of the Bank. Equities are subject to daily mark-to-market and controlled through risk limits such as position, VaR and MATs.

In P Million

PARTICULAR	DAILY LIMIT		MAT
	POSITION	VaR	
Equity	**1,000.00**	**15.00**	YTD Gain Erosion Income Target

YTD: Year-to-Date

• Foreign Exchange Risk Management

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in FX rates. Using the Philippine Peso as the functional currency, the Bank daily monitors the currency positions to ensure that these are within established limits.
The following limits are set for foreign-currency related transactions:

In US $ Million

PARTICULAR	DAILY LIMIT POSITION	VaR	MAT
FX Trading	50.00	0.36	YTD Gain Erosion
FS	20.00	0.20	Income Target

FS: Foreign Securities

The Bank had the following significant exposures denominated in foreign currencies as of 31 December 2016:

In $ Thousand

PARTICULAR	USD	JPY	EUR	AUD	Others	Total
ASSETS						
FX Currency Notes & Coins on Hand (FCNCH)/ Cash and Other Cash Items (COCI)	21,649	174	96	10	44	21,973
Due from banks	216,953	4,167	10,919	262	1,164	233,465
Held for Trading	1,864	0	0	0	0	1,864
Available For Sale Investment	916,386	0	0	0	0	916,386
Investments in Bonds and Other Debt Instruments (IBODI)	505,921	0	0	0	0	505,921
Interbank Loans Receivable	313,000	0	0	0	0	313,000
Loans & Receivables	262,924	61,796	0	0	0	324,720
Investment in Subsidiaries	0	0	1	0	923	924
Other Assets	24,024	836	0	0	0	24,860
Gross FX Assets	2,262,721	66,973	11,016	272	2,131	2,343,113
LIABILITIES						
Deposit Liabilities	1,214,415	1,207	6,228	0	7	1,221,857
Bills Payable	271,220	297,618	27,392	0	0	596,230
Others	140,483	1,113	5,085	0	0	146,681
Gross FX Liabilities	1,626,118	299,938	38,705	0	7	1,964,768

• Market Risk Measurement and Validation Tools

1. Value-at-Risk Analysis

VaR is a statistical approach for measuring the potential variability of trading revenue. It is used to measure market risk in the trading book under normal conditions, estimating the potential range of loss in the market value of the trading portfolio, over a one-day period, at 99.0% confidence level, assuming a static portfolio.

The Bank uses internally developed Historical Simulation Model in computing VaR of Equities, Foreign Securities (FS), GS and FX trading portfolios as well as Net Open Position which is acceptable to BSP. Moreover, the Bank continuously pursues initiatives to improve processes in preparation for the migration towards an Internal Model Approach for capital charging. The VaR disclosure is intended for external disclosure and for regulatory purposes.

The VaR both at portfolio and across portfolio level are monitored. Daily VaR calculations are compared against VaR limits which is the monetary amount of risk deemed tolerable by Management. The over-all VaR limit for the Treasury trading activities was set at P202 Million throughout 2016. The Bank also determines Diversified VaR that takes into account the diversification effect in which all losses in all securities in a portfolio are imperfectly correlated.

2. Stress Test

Measuring market risk using statistical RM models has recently become the main focus of RM efforts in the banking industry where banking activities are exposed to changes in fair value of financial instruments. However, the Bank believes that the statistical models alone do not provide reliable method of monitoring and controlling risk because these models (while relatively sophisticated) have several known limitations, at the same time, do not incorporate the potential loss caused by very unusual market events. Thus, the VaR process is complemented by Stress Testing to measure this potential risk.

Stress Test is a RM tool used to determine the impact on earnings of market movements considered "extreme", i.e., beyond "normal" occurrence. The Bank utilizes Stress Tests to estimate possible losses which the VaR does not capture.

The Bank's Portfolio Scenario Analysis (PSA) analyzes the impact of major risks that emerge out of the different scenarios, considering adverse and probable risk events, on activities related to Treasury's trading and investment portfolios. This seeks to establish how far the Bank can absorb certain levels of stress, to explore the events that could cause a significant impact to the Bank and to assess its vulnerabilities and capability to deal with shocks such as price risk, interest rate risk, FX risk and eventually, liquidity risk. Reverse Stress Tests are conducted to identify and simulate the events that can lead the Bank to a particular tail event.

Results of the PSA are also simulated in the CAR computation to be able to assess its impact on the CAR compliance set at **10%** and the Common Equity Tier (CET) 1 ratio of at least **8.5%** set by BSP with conservation buffers.

3. Back-Testing
   LANDBANK adopts back-testing as the basic technique in verifying the quality of risk measures used by comparing actual trading results with model-generated risk measures.

   Under the back-testing process, exception occurs if mark-to-market and trading loss exceeds the result of the model-generated risk measure. The number of exceptions is noted and the model is classified into one of the three zones as follows:

ZONE CLASSIFICATION	NUMBER OF EXCEPTIONS
safe/green zone	0-4 exceptions
non-conclusive/yellow zone	5-9 exceptions
problematic/red zone	10 or more exceptions

   Back-testing results are presented to the ALCO and the RiskCom which examine the actual performance of portfolios against VaR measures to assess model accuracy and to enhance the risk estimation process in general.

4. Model Validation
   Risk models used in managing market risk are subjected to independent model validation. The IAG is tasked to do model validation of RM models. The Bank also engaged the services of a third party to conduct the independent model validation.

- *Interest Rate Risk Management*

Interest Rate Risk in the banking book

For interest rate risk in the banking book, a key component of LANDBANK's asset and liability policy is the management of interest rate sensitivity. Interest rate sensitivity is the relationship between market interest rates and net interest income due to the maturity or re-pricing characteristics of interest-bearing assets and liabilities.

The Bank establishes the lending rates for its loans based on a spread over its internal base rate, reflecting the average cost of funds that is generally reset at the beginning of every two weeks. Interest rates on floating rate loans are typically reset every 30 to 90 days. For deposits, regular savings and time deposit account rates are set by reference to prevailing market rates.

The Bank manages interest risk based on approved policies and guidelines, established limit setting procedures and interest rate risk limits, application of interest rate risk measurement models and reporting standards such as Re-pricing Gap/Earning-at-Risk (EaR), Economic Value of Equity (EVE)-at-Risk and Bond Duration Report.

The two interest rate risk perspectives adopted by the Bank in measuring interest rate risk in the banking book are as follows:

1. **Earnings Perspective:** The Bank uses the EaR Model to estimate changes in Net Interest Income (NII) under a variety of rate scenarios over a 12-month horizon. To determine the actual behavior of Non-Maturing Deposits (NMDs) and capture the Bank's actual interest rate risk exposure, the Bank analyze its deposit base to estimate the proportion of core and non-core deposits and determine how actual maturity or re-pricing behavior may vary from the contractual terms.

Core Deposits are NMDs which are unlikely to re-price even under significant changes in interest rate environment while Non-Core (Volatile) Deposits are NMDs that are characterized by 'activity' as manifested by the behavior based on withdrawal patterns, computed through statistical analysis of net withdrawal levels. Non-Core NMDs are re-bucketed based on net withdrawal pattern for the past five years and Core NMDs are allocated in the 'more than five years'.

Excluded in the analysis of actual maturity or re-pricing behavior for the determination of Re-pricing Gap are fixed rate loans subject to prepayment risk and term deposits subject to early redemption risk. Prepayment of loans and early withdrawal of maturing deposits are considered isolated cases which will have minimal effect on the Bank's interest rate risk estimation.

The following table sets the Re-pricing Gap position of the Bank as of 31 December 2016 and the increase/decline in earnings for upward and downward interest rate shocks in the banking book:

In P Million

PARTICULARS	Within 1 month	> 1 month to 3 months	> 3 months to 6 months	> 6 months to 12 months
Financial Assets				
Loans	88,735	132,948	44,444	28,939
Investments	1,792	6,282	5,948	5,661
Liquid Assets	125,857	0	0	0
Other Assets	22	12	1	11
Total Financial Assets	**216,406**	**139,242**	**50,393**	**34,611**
Financial Liabilities				
Deposits	909,716	125,717	21,275	17,923
Bills Payable	3,531	631	13,037	0
Others	0	0	0	0
Total Financial Liabilities	**913,247**	**126,348**	**34,312**	**17,923**
Off-Balance Sheet				
Derivatives	(32,567)	(497)	0	0
Commitments	0	0	0	(25,992)
Total Off-Balance Sheet	(32,567)	(497)	0	(25,992)
Re-pricing Gap	(729,407)	12,397	16,081	(9,304)

Change in Interest Rates - in basis points (bps)

In P Million

EaR	-300/-15	-200/-10	-100/-5	-50/-2.5	+50/+2.5	+100/+5	+200/+10	+300/+15
	18,651.48	12,434.32	6,217.16	3,108.58	(3,108.58)	(6,217.16)	(12,434.32)	(18,651.48)

2. **Economic Value Perspective:** The Bank uses the EVE-at-Risk Model to assess the potential long-term effects of changes in interest rates over the remaining life of its holdings. This model also measures the change in the Bank's EVE for specified changes in interest rates.

   The table below shows the increase (decline) in economic value for upward and downward rate shocks using the EVE-at-Risk Model to measure interest rate risk in the banking book.

Change in Interest Rates - in bps

In P Million

EVE-at-Risk	-300	-200	-100	-50	+50	+100	+200	+300
	11,441	7,570	3,756	1,871	(1,857)	(3,700)	(7,346)	(10,937)

Both viewpoints are assessed to determine the full scope of the interest rate risk exposure. Moreover, interest risk is not managed in isolation, instead, interest risk measurement systems are integrated into the Bank's general RM system and the results from models used are interpreted in relation with other risk exposures.

The interest rate risk exposures of the Bank are measured and reported to the ALCO and RiskCom at least on a monthly basis under the Earnings Perspective through EaR Model and quarterly for the Economic Value Perspective using EVE-at-Risk Model.

LIQUIDITY RISK MANAGEMENT

Liquidity Risk Management Framework

The Bank's liquidity RM process is consistent with the its general RM framework covering risk identification, measurement and analysis, monitoring and control. The policies that govern liquidity RM are reviewed and approved on a regular basis by ALCO and RiskCom The basic liquidity policy of the Bank is to maintain fund availability at all times and hence, to be in a position to meet all of its obligations, in the normal course of business.

The Bank considers liquidity risk based on market and funding liquidity risk perspectives. Trading or market liquidity risk refers to inability to unwind positions created from market, exchanges and counterparties due to temporary or permanent factors. The Bank cannot easily eliminate or offset a particular position because of inadequate liquidity in the market. This may be associated with large transactions having significant effect on market prices that lack sufficient depth, or with structured or complex investments having small potential buyers. This liquidity risk perspective is captured through stress testing or scenario analysis.

Funding liquidity risk refers to current and prospective risk arising from the inability to meet investment and funding requirements arising from cash flow mismatches without incurring unacceptable losses. It occurs from the mismatch of asset, liability, exchange contract and contingent commitment maturities. Funding liquidity risk is being monitored and controlled through the classification of maturities of assets and liabilities over time bands and across functional currencies as reflected in the Liquidity Gap Report (LGR).

The LANDBANK Board exercises oversight through RiskCom and delegated the responsibility of managing the overall liquidity of the Bank to the ALCO. The ALCO and the TIBS are responsible for the daily implementation and monitoring of relevant variables affecting Bank's liquidity position. The ALCO reviews the assets and liabilities position on a regular basis and, in coordination with the TIBS, recommend measures to promote diversification of its liabilities according to source, instrument and currency to minimize liquidity risks resulting from concentration in funding sources.

The ALCO meets twice a month or more frequently as required by prevailing situations. The RMG, through the Treasury Risk Management Department (TRMD) is responsible for the oversight monitoring of the Bank's liquidity risk positions and ensures that reports on the Bank's current risk are prepared and provided to ALCO and RiskCom in a timely manner.

The Bank performs a comprehensive liquidity risk measurement and control using as tool the Consolidated LGR covering the bank-wide balance sheet. Risk models used in liquidity RM are subjected to independent model validation as conducted by the IAG.

Liquidity Risk Measurement Models

LANDBANK manages liquidity risk using the following tools:

1. Liquidity Gap Report

   The Bank performs liquidity gap analysis using the LGR which is a risk measurement tool used in identifying the current liquidity position to determine the ability to meet future funding needs. It breaks down balance sheet items according to estimated maturities of assets and liabilities in order to determine any future structural imbalances such as long-term assets growing faster than long term liabilities. The RMG, through TRMD, assists ALCO in its function by preparing Peso, FX Regular, FCDU and Consolidated LGR on a monthly basis.

The table below presents the assets and liabilities based on the contractual maturity, settlement and expected recovery dates:

In P Thousand

LANDBANK						
PARTICULARS	2016			2015		
	Due within 1 year	Due > 1 year	Total	Due within	Due > 1 year	Total 1 year
ASSETS						
Cash & Other Cash Items	28,250,784	0	28,250,784	26,889,156	0	26,889,156
Due from BSP	355,405,020	0	355,405,020	314,934,580	0	314,934,580
Due from Other Banks	11,620,068	1,692	11,621,760	5,781,050	1,685	5,782,735
Interbank Loan Receivable	15,562,360	0	15,562,360	17,799,877	0	17,799,877
Security Purchased Under Agreement to Resell	14,803,584	0	14,803,584	83,654,000	0	83,654,000
Loans & Receivables	175,805,122	324,151,602	499,956,724	155,403,886	293,642,674	449,046,560
Investments	41,770,353	410,897,766	452,668,119	30,652,845	254,175,401	284,828,246
Other Assets	1,747,689	19,743,357	21,491,046	2,106,127	18,026,935	20,133,062
Total Assets	644,964,980	754,794,417	1,399,759,397	637,221,521	565,846,695	1,203,068,216
LIABILITIES						
Deposits						
Demand	558,645,451	0	558,645,451	474,739,429	0	474,739,429
Savings	621,493,284	0	621,493,284	533,308,804	0	533,308,804
Time	43,741,305	1,097,295	44,838,600	26,735,535	444,090	27,179,625
LTNCD		11,000,000	11,000,000	0	11,000,000	11,000,000
Bills Payable	8,678,194	21,357,140	30,035,334	1,882,262	19,467,669	21,349,931
Unsecure Subordinated Debt	0	0	0	0	10,500,000	10,500,000
Due to BTr, BSP, & MCs/PCIC	1,626,972	165,894	1,792,866	2,240,728	163,469	2,404,197
Due to Local Banks	1,723	0	1,723	16,758	0	16,758
Other Liabilities & Payable	300,931	41,432,087	41,733,018	336,966	35,988,549	36,325,515
Total Liabilities	1,234,487,860	75,052,416	1,309,540,276	1,039,260,482	77,563,777	1,116,824,259

- Core Deposit: Core Deposit is calculated based on Net Withdrawal Pattern. It serves as a buffer that protects the Bank's assets, which are subject to interest rate risks. Core Deposit level is computed to determine the lowest deposit level that is expected to be retained under normal operating conditions. The computation involves determining the deposit mix comprising of volatile and non-volatile or Core Deposits.

- Non-Maturing Deposits: Regular savings (Total savings less High Yield Savings Accounts and Easy Savings Plus) and demand deposits are NMDs. An analysis made to proximate scenario is to simulate behavioral withdrawal pattern. This is done by observing the pattern of deposit decays of the total end of-day data for demand deposit account based on a five-year historical demand deposit data. The highest withdrawal percentage change is determined for each tenor bucket. The percentages are used as basis for slotting the NMD amount under the different tenors.

The following table sets forth the asset-liability gap position over the detailed time period for the Bank at carrying amounts as of 31 December 2016 based on contractual repayment arrangements which take into account the effective maturities as indicated by the deposit retention history.

In P Million

PARTICULARS	Due within 3 months	Due > 3 months to 6 months	Due > 6 months to 1 year	Due > 1 year to 5 years	Due > 5 years	Total
Financial Assets						
Cash & Due from Banks	337,896	0	57,379	0	2	395,277
Total Loans	108,669	69,984	27,518	155,237	168,915	530,323
Total Investments	17,747	5,948	18,075	164,075	246,823	452,668
Other Assets	1,132	0	615	0	19,744	21,491
Total Assets	465,444	75,932	103,587	319,312	435,484	1,399,759
Financial Liabilities						
Deposits	34,081	1,190	1,991	603	1,198,112	1,235,977
Borrowings	3,955	3,737	986	6,969	14,388	30,035
Other Liabilities & Unsecured	1,629	0	301	0	41,598	
Subordinated Debt						43,528
Total Capital					90,219	90,219
Total Liabilities & Capital	39,665	4,927	3,278	7,572	1,344,317	1,399,759
Gap Position	425,780	71,005	100,309	311,740	(908,834)	

As of 31 December 2016, the Bank has in its possession a comfortable level of highly liquid assets to cover for liquidity risk that may arise in the earlier tenor buckets. Most assets (particularly loans and investments) have long term maturities. Cumulative gap after contingent accounts is positive in all buckets except in the 'more than 5 years' bucket. Maximum Cumulative Outflow (MCO) limit was not breached in the entire time bucket within the one year horizon.

The Bank has established guidelines for liquidity risk limit setting to enable it to properly and prudently manage and control liquidity risk, consistent with the nature and complexity of its business activities, overall level of risk and its risk appetite.

The MCO limit set by the LANDBANK Board is one of the tools used to manage and control the liquidity risk in the Bank's gap report. It is a measure of the liquidity gap between maturing assets and liabilities. MCO limits put a cap on the total amount of negative gaps in the '1 day to 1 year' time buckets.

2. Financial Ratio Analysis

Financial Ratio Analysis is another liquidity risk measurement tool that calculates and compares liquidity and leverage ratios derived from information on the Bank's financial statements against set liquidity/leverage limits.

The following table sets out LANDBANK's liquidity ratios as of the dates indicated:

PARTICULARS	In P Million except when expressed in percentage 31 December			
	2016 (Audited)	2015 (Audited)	2014 (Audited)	2013 (Audited)
Liquid Assets (*)	P867,227	P722,850	P625,897	502,535
Financial Ratios:				
Liquid Assets to Total Assets	61.96%	60.08%	50.23%	59.33%
Liquid Assets to Total Deposits	70.17%	69.09%	68.55%	71.38%

*Note: Liquid Assets include the following:
1. Cash and other Cash Items
2. Interbank Loans
3. Government Securities
4.Tradable non-Government securities and commercial paper

3. Liquidity Stress Test

Liquidity management and contingency planning is complemented with the use of stress testing and scenario analysis. Stress Test for liquidity risk is done to supplement the LGR/MCO Model as it makes provisions for varied but plausible situations through scenario analysis with the single goal of preparing for potential liquidity problems. This could serve as input for making appropriate liquidity management decisions and come up with mitigating measures to ensure that the Bank will be able to withstand such events. The scenarios are based on historic events, case studies of liquidity crisis and models using hypothetical events.

Result of Stress Test analysis helps the Bank to focus on the level of liquidity that could be reasonably built within a specified period to meet different situations. This also serves as guide for the Bank in the limit setting process for the MCO and various financial ratios.

4. Liquidity Coverage Ratio

The Liquidity Coverage Ratio (LCR) is reported every quarter to ensure that the Bank maintains an adequate level of unencumbered High Quality Liquid Assets (HQLA) to meet liquidity needs for a 30 calendar-day liquidity stress scenario.

The Bank computes the LCR using the BSP prescribed formula:

$$LCR = \frac{\text{Stock of HQLA}}{\text{Total Net Cash Outflow over the next 30 calendar days}}$$

Where:

High Quality Liquid Assets - Comprised of cash or assets that can be converted into cash at little or no loss of value in private markets, to offset the net cash outflows it could encounter under a liquidity stress scenario

Total Net Cash Outflows - the total expected cash outflows minus total expected cash inflows, in the specified stress scenario for the subsequent 30 calendar days

As of 31 December 2016, the Bank's LCR is higher than the 90% minimum requirement for the CY 2018 and maximum LCR trigger alert of 100% targeted for the CY 2019.

5. Liquidity Contingency Plan

The Bank formulated the LCP using extreme scenarios of adverse conditions to ensure that it has sufficient liquidity at all times. The LCP evaluates the Bank's ability to withstand the extreme scenarios. The contingency plan focuses on the Bank's strategy for coordinating managerial action during a crisis and includes procedures for making up cash flow shortfalls in adverse situations.

In the event of a liquidity crisis, the Bank is prepared to activate the contingency plan based on the recommendation of the ALCO which has the overall responsibility for the management and execution of the plan, unless otherwise elevated to the Crisis Management Committee (CMC).

Although deposit liabilities remain to be the major source of fund, the Bank identifies the different alternative funding sources like cash from operations, stock of marketable assets, government and retail deposit sources, and various credit lines from banks, among others, which are available within one day to six months.

Operational Risk Management

BSP issued on 18 January 2016 the Circular 900 or the Guidelines on ORM. Thus, the Bank continued to take steps to strengthen the functions (ORMF) to fully adhere with the regulatory requirements. BRMD conducted complementation sessions with the IAG to address common issues and concerns regarding the implementation of ORM tools with the BUs.

Among the major initiatives to strengthen the ORMF is the revision of the Risk Control Self-Assessment (RCSA) Guidelines. Salient features of the revised guideline covers:

- Definition of the scope and coverage of self-assessment for process risk
- Inclusion of Property Valuation & Credit Information Department (PVCID) Field Teams and Area Legal Units in the list of BUs required to prepare RCSA
- Identification of Risk Owners (i.e. Primary and Secondary Risk Owners)
- Adjustment of timeline in the preparation and submission of RCSA from January to October of each year
  Additional provisions on BRMD's validation process, reporting of RCSA results and IAG's independent on-site assessment; and
- Changes in the definition of some terms.

Another improvement introduced to adhere with BSP Circular 900 dated 18 January 2016 is the enhancement of the PRMF. It was developed in coordination with the HRMG. The PRMF is aligned with Section 7 of BSP Circular 900, "Management of Human Resource-related Risk". The framework aims to establish and implement RM strategies and best practices to effectively address and manage people risk that are embedded in the day-to-day operations.

Similarly, the BCM Framework of the LANDBANK was also enhanced with the development of BCPs for each of its BU. On top of that, the bank-wide BCP is being reviewed, updated and tested annually. The BCP was reinforced with the establishment of back-up/alternate sites for critical and vital operations of the Bank. A BCRA for each location of the LANDBANK's Field Units (FUs) was also instituted to identify, prioritize and control risks that could potentially disrupt the delivery of services to its clients.

The Bank has also supported the continuing education of officers and staff of Risk Management Group (RMG) through the certification program of the American Academy of Financial and Management (AAFM), where five employees were duly admitted and licensed as a Certified Risk Analyst (CRA) and the Bank's Business Continuity Officer (BCO) was certified by ICOR based in Illinois, USA.

Embedding of ORM across the institution is manifested with the BUs becoming aware of the specific operational risks they are confronted with. Taking a proactive stance in managing and escalating breaches as soon as they occur strengthens governance and enhances the oversight of these risks. BUs conduct self-assessment using various RM tools such as RCSA, Business Impact Assessment (BIA), BCQ, heat maps, and hazard maps to quantify potential operational losses which serve as their dashboard in monitoring operational risk. RMG regularly monitors and escalate to RISKCOM and Management Committee (MANCOM) the 2016 actual losses versus estimated losses.

Operational Risk Exposure

LANDBANK uses the Basic Indicator Approach for calculating the capital charge for operations risk under Pillar 1. The average Gross Revenue of the Bank for the last three years is used to calculate the Operational RWA. Thus, with the Gross Revenue of the Bank consistently increasing with business expansion, the Operational RWA has also been increasing annually. As of 31 December 2016, the Bank's Total Operational RWA using the Basic Indicator Approach was P54,458 Million or **9.52%** of the Bank's Aggregate RWA of **P572,060 million**.

Cognizant that Gross Revenues (BSP proxy data) is but a shadow indicator of operational risks in the Basic Indicator Approach, LANDBANK conducts a simulation of the computation of the estimated losses using the Bank's actual historical losses and estimated probability of occurrence to determine the variance from the Basic Indicator Approach model. Self-risk assessment of the five sub-risks of operational risk (people, process, systems, event and legal risks) shows that the total estimated loss is way below the Total Operational RWA under the Basic Indicator Approach. Among the five components of operations risk, event risk registered the highest estimated loss.

The following are controls and risk management tools to address event risk which are currently implemented by the Bank:

- Creation of CMC and Business Continuity Committee (BCC)
- BCQ and Validation Form
- Geo-Hazard Maps
- Emergency Evacuation Drill activities
- Personnel and Building Safety Plan for LANDBANK Plaza and FUs'
- Emergency Preparedness and Proper Response Plan
- Emergency Preparedness Measures
- Security Measures
- Communication During Emergencies/Disasters
- Building Maintenance
- Transfer of risk through insurance
- Controls and measures against Card Skimming
- Conduct of regular internal and external audits

In 2016, LANDBANK started to embark on other initiatives to mitigate event risk such as:

- Use of Infoboard in disseminating information on weather bulletins including other activities at LANDBANK Plaza
- Procurement of emergency sling bag for each FU and Floor Emergency Response Team (FERT)
- Provision of hard hats for all Bank's personnel
- Installation of solar panel to additional nine bank-owned buildings
- Conduct of electrical audit in additional 10 bank-owned buildings
  Procurement of Abloy lock for top covers of lobby type Automated Teller Machine (ATM)
- Procurement of C-Plate as protection for deep-insert skimming
- Implementation of ATM Whitelisting solution that will allow valid ATM programs to run

Further, emergency drills are regularly executed and the Bank ensures that sufficient amount and appropriate type of insurance are in place. The Bank is confident that substantial loss on operational risk can be mitigated because the existing controls and preparedness measures are in place.

Information Security And Technology Risk Management

A significant achievement in 2016 was strengthening the management of Information Security and Technology Risks by expanding the Information Security and Technology Risk Unit (ISTRU) into an office Information Security & Technology Risk Management Office (ISTRMO), under the direct supervision of the Chief Risk Officer.

While the banking industry perceives system risk as high risks among the operational risks, the Bank has conducted a forward-looking risk assessment and put the following controls in place to avoid/minimize estimated losses arising from system risk:

- Implementation of Information Technology (IT) governance
- Enhancement and implementation of LANDBANK's ITRM System
- Enhancement of IT policies and guidelines
- Compliance with information security policies
- Enhancement of BCP and Disaster Recovery Plan (DRP) for IT operations
- Creation of the IT-Quality Management Office (IT-QMO)
- Reinforcement of the functions of the ISTRMO under the RMG
- Upgrading of ATMs
- Compliance with Europay, MasterCard, and VISA (EMV) migration requirements
- Continued upgrading of IT infrastructure
- Conduct of regular IT Disaster Recovery Drill
- Observance of strict procurement process and monitoring of the performance of service providers
- Conduct of internal audit of IT operations, vulnerability assessment, penetration testing, and compromise assessment
- Additional insurance coverage for fixed assets and electronic crimes
- Monitoring and oversight of the Senior Management, ITCOM and RiskCom

With the prevalence of cybersecurity risks, the Bank intensified the upgrading of its IT infrastructure and network security to mitigate system risk. Initiatives include proposed acquisition of Data Loss Prevention (DLP) system, implementation of additional end-point anti-malware protection system, and anti-Distributed Denial of Service (DDoS) solution.

Enterprise Risk Management

Risk Categories

As LANDBANK continues to embark on ERM, the Risk Self-Assessment (RSA) process participated in by the Senior Management was utilized to define critical risks of the Bank. Pre-selected Mission Critical Risks were defined as fundamental risks that a bank must address and these include Credit Risk, Market Risk, Liquidity Risk, Interest Rate Risk and Banking Regulations Risk.

Compliance with regulatory policies applicable to the banking industry is within the 360 degree radar of the LANDBANK Board and Senior Management particularly the capital requirement in order to strategically align economic capital with regulatory requirements such as Basel III, Anti-Money Laundering Act (AMLA) amendments.

Emerging risks were also identified which considered business issues that have surfaced as important areas of concern over the course of doing executive interviews with the Senior Management. With the issuance of Executive Order No. 198 Approving the Merger of LANDBANK and the Development Bank of the Philippines, signed on 4 February 2016 the Bank considered the merger as the major emerging risk.

The enterprise risk assessment identified the key merger risks and through the RSA process under the ERM, the Senior Management prioritized critical risks in terms of inherent impact and opportunities for risk management improvement.

Formulation of RM strategies to mitigate the risk and its root causes was performed by risk teams from various risk-taking units using Bow-Tie Analysis. The Bow-Tie Analysis map clearly displays the links between the potential causes, preventive and mitigating controls and consequences of the risks related to merger.

Nonetheless, the merger of the two banks did not push through.

Risk Management Framework Assessment

As part of the ERM, the RM Framework Assessment (RMFA) was conducted in sessions with the Senior Management as participants, to re-assess the maturity of the Bank's RM framework and to provide recommendation regarding enhancements on the its RM capabilities. The result provided an assessment on the design of the Bank's RM framework and the consistency of its application across the Bank.
RM framework elements are composed of five items with corresponding sub-items:

1. Governance and Organization
   - Executive Sponsorship
   - RM Organization
   - Ownership and Accountability
   - Supervision and Oversight
2. RM Strategy
   - Alignment to Business Objectives
   - Risk Tolerance and Appetite
   - Policies and Procedures
   - Risk Language, Categorization, Identification or Assessment
3. Reporting and Communication
   - Reporting (external or internal)
   - Escalation procedures
4. Tools and Technology
   - Data Repositories or Workflow Support Tools
   - Early Warning Systems or Issues Tracking and Remediation
   - Analytical and Modeling Tools
5. Culture and Capability
   - Skills and Identification
   - Training
   - Measurement and Reward
   - Behavior (Integrity or Ethics)

After a thorough evaluation of Bank's Risk Management Framework, the consultant assessed the maturity level of the Bank's risk management framework as "near to advanced approach" but considerably behind the "leading approach". The RMFA resulted in a broader recognition and understanding of the leading risk management practices as well as key recommendations and opportunities for improvement of each element of the LANDBANK's RM framework.

Internal Capital Adequacy Assessment Process

For 2016, LANDBANK conducted a thorough and comprehensive Internal Capital Adequacy Assessment Process (ICAAP) to determine the quality and adequacy of the its capital, given the existing risks exposure as well as future risks arising from growth, new markets and expansion of the product portfolio. The LANBANK Board and Senior Management performed collaborative governance and provided directions to enhance the RM process and strengthen the capital position of the Bank.

To align with the local and global best practices, the Bank has strengthened and enhanced its ICAAP development process with the following major revisions:

- Review and enhancement of the Risk Appetite Statement (RAS) and Materiality Threshold for Pillar 2 risks on an annual basis
- Inclusion of Event and Legal Risk under the Operational Risk in addition to People, Process, System in compliance with BSP Circular 900

- Linking the Bank's ERM Framework with ICAAP Model by relating the forward-looking risk assessment with the Risk Driver Maps containing the corresponding strategies and adopting the enterprise-wide view of risk and management of emerging risk across the institution instead of silo approach
- Linking the RCSA process in determining risk drivers and potential losses
- Institutionalizing the ICAAP Communication Process
- Implementation of the "ICAAP Quarterly Monitoring Report"
- Defining the primary and secondary risk owners

ICAAP Culture

The ICAAP is embedded in the Bank's operating philosophy and has been cascaded down to the BUs level, forming an integral part of the Bank's RM process. This process enables the LANDBANK Board and Senior Management to assess, on a continuing basis, the risks that are inherent in the daily activities of the BUs.

All BUs of the Bank use ICAAP in the day-to-day operations and they are aware of the corresponding capital charge for every single transaction or business they will generate and implement. In monitoring the efficient performance of the BUs across the organization in the area of RM and utilization of capital, the Bank adopts a rigorous escalation and thorough monitoring process via regular reports on estimated loss versus actual loss of each BU.

Strengthening Capital Planning

For 2016 LANDBANK had sufficient and strong capital to deliver its mandated services and to cover the risk inherent in its operations. Under the most probable scenario, the Bank estimated the 2016 year-end CAR at **12.4%** vs. 10% minimum regulatory requirement for CAR. The actual CAR recorded as of 31 December 2016 was **11.40%** implying a very objective risk assessment and capital planning.

Similarly the actual CET 1 ratio of **10.54%** as of 31 December 2016 is more than required 6% CET 1 ratio. The actual

CAR and CET 1 ratios of the Bank were more than the BSP minimum requirements of **10%** CAR and **6%** CET 1 ratio and were compliant with Basel III requirements.

As a policy, LANDBANK maintains a strong capital base at all times to boost customer confidence, enhance competitiveness, ensure stability, and sustain long-term growth and viability. As such, the Bank continues to adhere to BSP's policies, rules and more specifically, comply with regulatory requirements on capital structure, as well as capital adequacy. The Bank shall likewise vigorously continue preserving capital to sustain developmental pursuit and service to its mandated clients while maintaining acceptable Return on Equity (ROE) of at least equal to the average ROE of the whole commercial banking industry.

LANDBANK's General Policy on Capital Planning was enhanced to establish capital levels that will adequately support the Bank's business plans and ensure continued compliance with the evolving capital and capital ratio requirements of the BSP. Given that internal capital generation through earnings remains as the principal source of the Bank's capital accumulation, the primary thrust of the LANDBANK's capital planning activities was maximizing its profitability (and consequently, high retained earnings) in the foreseeable future.

In 2015, LANDBANK requested for the inclusion of P20.0 Billion equity for the Bank in the 2016 national budget. R.A. No. 10707 or the General Appropriations Act (GAA) of 2016 contained P3.0 Billion "programmed funds" and P6.0 Billion "unprogrammed funds" for the Bank. The Bank received the P3.0 Billion "programmed funds" in January 2016 and P2.8 Billion of the P6.0 Billion "unprogrammed funds" in December 2016. This gave the Bank additional capital buffer to support the national development programs and expand loans to the mandated and priority sectors.

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To address capital concerns on a more permanent basis, LANDBANK requested for inclusion of P20.0 billion equity for the Bank in the 2016 national budget. R.A. No. 10707 or the General Appropriations Act (GAA) of 2016 contained P3.0 billion "programmed funds" and P6.0 billion "unprogrammed funds" for the Bank. The Bank received the P3.0 billion "programmed funds" in January 2016 and P2.8 billion of the P6.0 billion "unprogrammed funds" in December 2016. This gave the Bank additional capital buffer to support the national development programs and expand loans to the mandated and priority sectors .

LANDBANK likewise adopted the following as internal capital threshold in 2016:

Internal Capital Threshold

	BSP Rquirement	Internal Buffer	Internal Capital Threshold
CET 1	9.0%	1.0%	10.0%
Tier	9.0%	1.0%	10.0%
CAR	10.0%	1.0%	11.0%

These thresholds are 1% above the capital ratios required by the BSP beginning 2017. The 1% additional buffer over the required BSP capital ratios serves as a cushion over the Pillar 2 risks which the Bank may potentially absorb under a business as usual scenario.

Should the set internal capital threshold be breached, the Bank will consider the following actions in order to ensure that the Bank's capital ratios are always compliant with the capital ratios required by the BSP.

- Manage loan and investment portfolios
- Raise Tier 1 capital
- Secure additional capital infusion from the National Government.

ENSURING EFFECTIVE COMPLIANCE MANAGEMENT SYSTEMS AND PROCESSES

LANDBANK's Compliance Management Program remains an essential and critical component of the Bank's organizational and governance structure. In 2016, the Bank ensured the implementation and maintenance of a robust and effective compliance management system through continuing improvements in its compliance monitoring, reporting and evaluation, adoption of best practices, and enhancement of the compliance function, policies, processes and systems with the active involvement of the LANDBANK Board and the Senior Management.

Cognizant of the evolving challenges in identifying and mitigating various business risks, several initiatives were undertaken to effectively carry out the Bank's compliance functions and strengthen its responses in order to ensure that business operations are conducted in compliance with relevant and applicable laws, rules and regulations, code of conduct and sound policies as well as standards of good practice.

Identification and Assessment of Regulatory Risks, Compliance Monitoring and Reporting

The Compliance Management Group (CMG), which oversees the implementation of the Bank's Compliance Management Program, identified and conducted risk assessment of laws, rules and regulations as well as other areas with identified business risk exposures.

In 2016, there were 230 regulations identified by the CMG as applicable to the Bank's operations. These were disseminated to the concerned Bank units through the issuance of a Compliance Bulletin. To monitor the actions taken by the concerned Bank units as to compliance with the requirements of the regulatory issuances, the CMG required the Bank Units to submit their accomplished Compliance Action Plan report for validation.

Different compliance testing approaches suited to the identified and assessed regulatory risks were adopted by the Bank to further validate compliance. These include pre-testing which involves the checking of initial actions undertaken or plan of action to be implemented in order to comply with the new regulatory requirements, and periodic testing which refers to the regular checking of compliance to existing laws, rules and regulations. Another approach is the independent testing wherein a more detailed and thorough review is conducted on specific areas or activities identified as highly vulnerable to regulatory risks. If breaches or deviations are noted, the CMG immediately notified the concerned Bank Unit for appropriate action.

For reporting purposes, the Chief Compliance Officer (also Head of CMG) regularly updates the LANDBANK Board through Audit and Compliance Committee (ACCom) and the Management on emerging regulatory risks, areas with compliance vulnerabilities, new regulations and guidelines, compliance testing results, corrective measures employed and the Bank's general status of regulatory compliance.

- *Annual Review and Updating of the Compliance Manual and the Money Laundering and Terrorist Prevention Program (MLPP) Manual*

- Compliance Manual

In January 2016, the LANDBANK Board approved the updated the Compliance Manual which documents the Bank's risk-based Compliance Management Program including the planned activities such as the identification and review of new regulations and its corresponding regulatory requirements, assessment of regulatory risk, compliance testing and reporting, and continuing communication and training of Bank personnel on regulations and compliance matters. The said Manual incorporated new or updates on laws, rules and regulations and other applicable standards that have impact on operations to ascertain that the Bank's responses are attuned to the changing internal and external environments.

- Money Laundering and Terrorist Prevention Program (MLPP) Manual

On 9 February 2016, the updated Money Laundering and Terrorist Prevention Program (MLPP) Manual was approved by the LANDBANK Board. The MLPP Manual embodied the new and revised AML-related policies and guidelines, including, but not limited to the provisions of R.A. 9160 "Anti Money Laundering Act", as amended. This also incorporated the Bank's updated policies on (1) Customer Acceptance, Risk Classification, Risk Assessment, Identification and Application of Due Diligence; (2) Handling Negative Media Reports; and (3) Whitelisting of AML Alerts, among others. With the enhancement of the AML Compliance Testing Program during the year, the MLLP Manual was updated to include additional coverage areas and improvements in testing procedures.

Anti-Money Laundering System (AML) Enhancements

With the objective of enhancing the overall effectiveness of the Anti-Money Laundering (AML) System, the Bank acquired in January 2016 a new AML System. While the Bank continuously made enhancements to meet the new covered and suspicious transaction reporting requirements of the Anti-Money Laundering Council, the new system is expected to increase operational efficiencies in regulatory filing as well as in the process of detecting, monitoring, and reporting of possible suspicious transactions.

• AML and Compliance Training and Communication

To continuously embed a compliance culture in the Bank and foster increased level of awareness among the Bank employees, the CMG embarked on appropriate training strategies that will enhance knowledge on regulatory compliance. These include the conduct of lectures and seminars on AML and Compliance matters to participants in the Bank's various programs such as the LANDBANK in Perspective Program for new hires, the Branch Banking Sector Trainors' Program, the Management Training Program and the Branch Officers Development Program.

The CMG also spearheaded the Bank-wide AML refresher session for Bank employees through the LANDBANK e-Learning Access Portal Program which was successfully implemented with a 99.72% participation rate nationwide. As part of the continuing education and strengthening of the tone at the top, the yearly AML refresher course was also conducted during the year for the LANDBANK Board and the Senior Management.

To update the Bank employees across all sectors, the CMG issued the "Compliance Nuggets" which is regularly published in the Bank's Newsgram and posted in the Lotus Notes. These provided employees with wider accessibility and easy-to-read information and updates on AML and Compliance issues. The CMG also maintains and updates regularly the Compliance Function Database which is a repository or central record of all pertinent regulations and issuances.

• Constructive Working Relationship with Regulators

The Bank ensures that a constructive working relationship with various regulatory agencies is being maintained through open and transparent communications, frequent dialogues, and consultations. These activities enabled the Bank to clarify specific regulatory concerns and issues in order to respond appropriately and more effectively.

HUMAN RESOURCE MANAGEMENT

Continuing Compliance with the Anti-Red Tape Act of 2007

In line with LANDBANK's commitment to continuously improve the quality of service to its clients and the public in general, LANDBANK intensified its compliance with Republic Act No. 9485, otherwise known as "An Act to Improve Efficiency in the Delivery of Government Service to the Public by Reducing Bureaucratic Red Tape, Preventing Graft and Corruption, and Providing Penalties Thereof" or the Anti-Red Tape Act (ARTA) of 2007.

In 2016, LANDBANK and the Civil Service Commission (CSC) entered into an agreement for the conduct of the second run of the self-funded Anti-Red Tape Act Report Card Survey (ARTA-RCS). LANDBANK initiated since 2015 a self-funded ARTA-RCS as one of the Bank's commitments under its Performance Scorecard required by the Governance Commission for GOCCs (GCG). The survey covered 100 selected LANDBANK Branches and Extension Offices nationwide which were not included in the previous ARTA-RCS. The 2016 ARTA-RCS results showed that LANDBANK achieved a 100% passing rate with a final numerical score of 87.88% equivalent to a "Good" descriptive rating. Among the 100 Branches/EOs evaluated, 35 got Excellent Rating, 64 were rated Good, and one (1) garnered an Acceptable Rating.

In compliance with the implementing rules and regulations of Republic Act No. 9485 or the ARTA of 2007, the Citizen's Charter for Branch Banking Products and Services was repackaged to make it user-friendly. Furthermore, the Citizen's Charter for Agrarian Products and Services was formulated to provide support to agrarian reform beneficiaries.
To engage the citizenry in improving public service delivery through increasing awareness on the anti-red tape campaign and on citizens' rights and responsibilities as clients or consumers of government services, LANDBANK actively participated in the ARTA Caravans conducted by the CSC in Quezon City, Tacloban, Cagayan de Oro, and Puerto Princesa in 2016.

Healthcare Services

To provide the employees with access to medical services, LANDBANK operates a worksite Medical Clinic manned by healthcare professionals (i.e., internists, occupational health physician, nurses) offering services such as consultation, first aid treatment, medical record-keeping, certification/ fitness assessment and emergency ambulance transportation. In 2016, the LBP Medical Clinic served 6,108 personnel.

As an additional health promotion initiative for its employees, LANDBANK implements "My Access to Health" Program to assist employees in attaining compliance with physician's recommendations for proper nutrition, prescriptions medications and follow-through laboratory examinations. This brings to the worksite the following services:

- "My Access to Health Community Pharmacist Program" is an on-going partnership with United Laboratories, Inc./ RITEMED, which allows employees to order medicines at a discounted price with items conveniently delivered to the worksite. For 2016, 724 personnel enjoyed a total of P28,000 in discounts.

- Phlebotomists are available twice a week at the LBP Medical Clinic to extract blood from those with medical conditions requiring regular monitoring.

- A registered dietitian offers nutritional counselling twice a month for those in need of guidance on proper nutrition. In 2016, 87 individuals sought dietary advice.

Annual Medical Examination

LANDBANK values its human resources and provides its employees with opportunities to maintain their health and well-being. Starting 2016, LANDBANK has made mandatory the annual medical examination with the issuance of Executive Order No. 001, Guidelines on the Mandatory Annual Medical Examinations (AME) for LANDBANK Employees. This is in line with the Bank's thrusts of safeguarding employee health, safety and well-being, promoting productivity, and complying with the Occupational Safety and Health Standards set by the Department of Labor and Employment and the Policy on Working Conditions at the Workplace issued by the Civil Service Commission.

In addition to HMO-accredited facilities for the conduct of the AME nationwide, the on-site Annual Physical Examination at the LANDBANK Plaza was organized to make the service more accessible to LBP personnel. This facility was availed by 1,370 employees in 2016.

Also in 2016, 980 officers underwent Executive Check-Up (ECU) at different partner clinics or hospitals nationwide with LANDBANK shouldering the cost. Availment of the ECU by an officer on a work day was considered official business.

Vaccination Program

To protect the health of employees and prevent communicable diseases, LANDBANK procures vaccines and implements a nationwide annual Influenza Vaccination Program on a voluntary basis. For 2016, there were 5,140 vaccine recipients. Arrangements for access to discounted prices of vaccines, i.e., for cervical cancer, pneumonia, chicken pox, measles-mumps-rubella, herpes zoster, were also made available to employees and their family members with a total of 570 availers.

Health Education

As part of the efforts to increase awareness and provide employees with accurate and updated health information for practical application in everyday life, LANDBANK conducted Wellness Forums and published Health Notes.
In 2016, a total of 14 monthly Wellness Forums were organized with 367 participants. Wellness experts were invited to talk on various topics and promote adoption of healthy and well-balanced life. "Health Notes," a communication tool which aims to keep LANDBANK employees informed about health issues (e.g., smoking cessation, drug abuse prevention, modern natural family planning methods, heat stroke, Zika virus, emergency preparedness and response measures, HIV-AIDS) were disseminated through various means of communication (e.g., internal email network, social media). Twenty-two health advisories were released in 2016.

Occupational Safety And Health Promotion

In compliance with the provisions of the Labor Code-Occupational Safety and Health Standards (OSH), the Bank's Health and Safety Committee was reconstituted in 2016. A resource speaker from the UP Manila College of Public Health conducted an orientation session to provide new members with basic information on OSH.
To ensure proper placement of newly-hired personnel, 716 personnel were evaluated/ classified based on their individual health risks and the health hazards that may accompany the work assignment.
In order to prevent the spread of pulmonary tuberculosis (PTB) in the workplace, contact tracing/screening was implemented for 12 primary cases of PTB, with 92 close contacts evaluated for the disease.

Other Mechanisms To Support Employees' Health

In addition to assisting employees secure healthcare coverage administered by a Health Maintenance Organization (HMO), LANDBANK provides health-related benefits to its employees who had undergone gynecologic procedures, sustained injuries due to work-related accidents, or were diagnosed with dreaded diseases or critical/debilitating medical conditions to facilitate recovery and rehabilitation, or to properly manage health for those leaving the service. In 2016, among the services provided were:

- 78 requests for special leave privileges under the Magna Carta of Women
- two cases endorsed for special leaves/Rehabilitation Privilege
- 232 claims for financial assistance and 34 requests for sick leave extension due to dreaded illnesses, 382 cases evaluated for separation due to medical conditions

LANDBANK Day Care Center

The LANDBANK Day Care Center (LBDCC), which has been operating since 2005, is a worksite day care center for employees' children with ages 3 to 12 years. It aims to assist employees in maintaining work life balance and help resolve gender and development (GAD) issues related to childcare and parenting. LBDCC implements a 10-month Early Childhood Care and Development (ECCD) program accredited by the Department of Social Welfare and Development (DSWD) with an Outstanding rating (5-star/level 3 compliance).

In 2016, there were 49 children who attended the regular program which benefited 70 employee-parents. In addition, a total of 658 walk-in attendees availed of the LBDCC service and benefited 337 employee-parents.
Four Parenting Sessions on helpful topics such as parenting effectiveness and Attention Deficit Hyperactivity Disorder were held in 2016.

LANDBANK Gym And Fitness Center

The LBP Gym and Fitness Center (LBP-GFC) operates before and after office hours to provide employees opportunities to pursue physical fitness. A fitness instructor is available to design individualized programs and ensure participants' safety while using gym equipment.

In 2016, there were 11,041 gym availers. Group exercises offering a wide range of activities (e.g., yoga, zumba, dance aero, yogalates) were held daily with a total of 1,898 participants. An additional 13 fitness-related special activities (e.g., kettlebell, battling rope, medicine ball workouts, body composition analysis) were conducted at the LBP-GFC.

Lactation Station

LANDBANK is a strong advocate of exclusive breastfeeding and has been recognized by the Department of Health as a "Mother Baby Friendly Workplace." In line with this, a worksite Lactation Station where nursing employees can express and store their breastmilk in a clean and sanitary environment continuously operates. Thirty-six personnel accessed this facility in 2016. To further motivate employees, three learning sessions on breastfeeding were held in 2016. The importance of breastfeeding was the subject matter in two issues of the internal communication tool, "Health Notes".

Employee Wellness Program

Holistic wellness (i.e., addressing physical, mental, social, spiritual dimensions of health) for employees is promoted via the ILiveWellness Program which is implemented Bankwide. These are as follows:

- *Psychological Support Program*

  In 2016, stress management workshops were held to help participants from various branches and their support units, handle psychological stress and prevent illness and maintain productivity. A referral system is in place to provide employees access to the services of mental health professionals. Six employees were assisted under this program in 2016.

- *Sports and Recreation Program*

  In the Head Office, competitive sports events (e.g., bowling, basketball, chess, darts, table tennis, billiards, volleyball, badminton) held at the worksite Recreation Center or in nearby venues, were conducted with 892 participants in 2016.

  Participation in sports activities (e.g., golf, billiards, badminton, volleyball, basketball, bowling, practical shooting) organized by external institutions like the Government Corporation Athletic Association and the Bankers Athletic Association, were also supported by LANDBANK with 149 employees.

  Employee clubs were likewise provided support to enable them to pursue a hobby or interest. In 2016, LANDBANK supported six employee clubs for six recreational/sports events with 468 participants.

  Also, under the ILiveWellness program are fellowship and family-oriented activities with 14 events held in 2016 (i.e., officers' night, ballroom dancing sessions, musical theatre workshop for employees' dependents, live streaming of Pacquiao versus Vargas boxing match for employees and their family members, and Christmas Party for children of employees).

- *Financial Wellness Program*

  In 2016, seventeen (17) learning sessions aimed at equipping employees with knowledge and skills on potential entrepreneurial ventures were attended by 594 participants. Some of the learning sessions organized were as follows:

- Ice Cream-Making and Shop business;
- No-Bake Cake and Cheesecake for Business;
- Rice Business for Retailer and Wholesaler;
- Water Refilling Station Business and Management;
- Finance and Lending Business; and
- T-Shirt Printing for Business.

A session on financial literacy, the ABCs of Unit Investment Trust Fund - A Briefing On Unit Investment Trust Fund, was also conducted to help employees manage their personal finances effectively.

- *Spiritual Wellness Program*

Regular worship services and spiritual counselling are conducted at the LBP Chapel in coordination with the Catholic employee community. Spiritual learning sessions by other employee spiritual groups are also being held.

In 2016, the Philippine Bible Week was observed with the conduct of a learning session entitled "Taste of Mercy and Compassion" with a total of 30 attendees.

Employee Volunteerism Activities

In 2016, worksite bloodletting activities were conducted twice in partnership with the Philippine Red Cross (PRC). The campaign yielded 202.05 liters of blood from 449 donors. For these initiatives, the PRC recognized LANDBANK as one of its Outstanding Blood Services Partner for 2016.

Also, the employee group of breastfeeding advocates dubbed as Lactation Breastfeeding Partners donated 9,360 milliliters of breastmilk to the Philippine General Hospital Milk Bank.

Likewise, LANDBANK employees gave a positive response to the call for monetary contributions to the Bank's Corporate Social Responsibility Fund yielding 15,900 work hours donated by 5,295 employees. The equivalent salary of these work hours are then channelled to the Bank's Gawad Patnubay scholarship program for deserving but financially-disadvantaged students pursuing agriculture-related courses.

Gender and Development Program

The LANDBANK Gender and Development (GAD) Focal Point System Technical Working Group was reconstituted in 2016 to enable the organization to participate fully in GAD promotion in the workplace and in the conduct of its business. Trainings were conducted to equip members with knowledge and skills in the implementation of GAD programs.
In 2016, several GAD promotion activities were held and among these are Women's Month Celebration and an 18-day Campaign to End Violence Against Women through a learning session and awareness initiative through orange lighting activity.

Relief and Disaster Assistance Program

In accordance with LBP Executive Order No. 028, s. 2015, Guidelines on the Implementation of the Relief and Disaster Assistance (RDA) Program, a total of P2.45 million in financial assistance ranging from P5,000 to P20,000 was granted by the Bank through its Relief and Disaster Assistance Fund (RDAF) to 309 personnel whose residential houses were damaged by various calamities, namely Typhoons "Nona", "Ferdie" and "Lawin" and different fire incidents in 2016.

Employee Discipline And Accountability

In 2016 LANDBANK, through its Employee Relations Department, formulated and implemented policies to strengthen discipline and integrity as civil servants in the workplace. The LANDBANK Anti-Bribery and Anti-Graft and Corruption Policy was established to reaffirm the Bank's commitment to implement tighter measures against bribery and graft and corrupt practices. The Revised Guidelines in Handling Past Due Financial Obligations of LANDBANK Employees was issued to align with the principle of leading simple and modest lifestyles as embodied in the Code of Conduct for LANDBANK Employees and Republic Act No. 6713, An Act Establishing a Code of Conduct and Ethical Standards for Public Officials and Employees. The Guidelines on the Grant of Time-Off Privileges for LBP Employees Association (LBPEA) officers and members were formulated to foster and improve the relationship between Bank employees and Management. Moreover, the Bank disseminated for strict observance and compliance the directives from the Office of the President of the Philippines in 2016 on the prohibitions regarding extended meal break and going to gambling casinos.

In compliance with Memo Circular No. 2016-02 issued by the Governance Commission for GOCCs (GCG) on April 22, 2016, LANDBANK implemented the Revised Whistleblowing Policy for the GOCC Sector. An online link was established to GCG's whistleblowing web portal (www.whistleblowing.gcg.gov.ph) which aims to report instances of graft and corruption or any complaint on fraudulent acts, wrongdoings, misdeed and/or irregularities committed or taking place that have adverse or negative effect to the Bank and the government.

In April 2016, the Bank's Integrity Committee was reconstituted and renamed as Integrity Management Committee (IMC) in compliance with Malacañang Executive Order No. 176, dated December 1, 2014, *Institutionalizing the Integrity Management Program (IMP) as the National Corruption Prevention Program in*

All Government Departments, Bureaus, Offices, Agencies, Including GOCCs, GFIs, SUCs, and LGUS through the Establishment of Integrity Management Systems (IMS). The IMP is the government's national corruption prevention program established to harmonize and simplify integrity development initiatives. It is jointly implemented across the bureaucracy by the Office of the President-Office of the Deputy Executive Secretary for Legal Affairs (OP-ODESLA) and the Office of the Ombudsman (OMB).

The Code of Conduct for LANDBANK Employees (the Code) was established and approved by the LBP Board of Directors on November 23, 2006. To integrate new policies and guidelines that had been issued and implemented within the Bank, the Code was revised in 2016 incorporating the following:

a. Additional provisions
   - Internal Whistleblowing and Reporting;
   - No Gift Policy;
   - Rules on Prohibited Concerted Mass Actions;
   - Access and Usage of Official and Personal Social Networking Site (SNS) Accounts;
   - Code of Conduct Compliance Recommitment Certificate; and
   - The Landbanker's Prayer.

b. Revisions
   - Cover design;
   - LBP Vision and Mission;
   - Purpose;
   - Conflict of Interest;
   - Sexual Harassment or Misconduct;
   - Distribution of the Code;
   - Code of Conduct Compliance Certificate; and
   - LANDBANK Milestones.

The revised/updated Code was confirmed by the LBP Board of Directors in March 2016. The revised booklet was distributed to all Bank employees in October 2016.

Learning and Development Initiatives

LANDBANK through the Organization Development Department, as its learning and growth arm, provided training and development programs to 7,778 employees or 99.29% of the total workforce. Training and development programs on branch banking compliance and information technology comprised the top three functional groups by training participation.

The Asian Banking and Finance Magazine adjudged the Bank's Management and Leadership Development Program as the Graduate Employment Award for the Philippines. Of its component programs, the Management Training Programs (Batch 5), Branch Officers Development Program (Batch 2) and Leadership Development Program (LDP) (Batches 8 and 9) produced 116 graduates. As part of our continuing review, the preparation and defense of Business Process Improvement projects were incorporated in the LDP's program design.

To strengthen the human resource or people skills of its supervisors, a Basic Human Resource Management (HRM) program has been institutionalized. This complemented the Coaching and Mentoring Workshop and Applied HRM program for the Department Heads.

On the Bank's "Take the LEAD" customer service program, the ODD in partnership with Corporate Affairs Department and an external training provider, the Power Skills, pilot tested two batches of the supporting training program with 52 participants. Prior to Bankwide roll-out, an audit component was incorporated to help evaluate the program's effectiveness.

The in-house Master of Business Administration, in partnership with the College of the Holy Spirit Manila, was revived in August 2016. Of the 57 Head Office employees who enrolled, 42 availed of the Graduate Education Program (GEP), for a total of 159 scholars. Meanwhile, 56 GEP scholars graduated this year.

Ninety seven personnel passed professional certifications on various relevant fields. Twenty six more are undergoing review or awaiting exam results.

Commercial-related Credit Programs, Agri-related Credit Programs, Branch Banking Sector Online Assessment and Competency Framework Cascade were among the new modules conducted through the LANDBANK e-Learning Access Portal, for a total of seven.

The Bank's Competency Framework

In 2015, LANDBANK commenced its three-year Competency Framework Development initiative, in partnership with Willis Towers Watson, as one of its Performance Scorecard Commitments to the Governance Commission for GOCCs and as mandated by the Civil Service Commission.

A competency framework defines the benchmark against which knowledge and skills of an employee can be assessed based on his/her functions. The expected output is intended to serve as the foundation for the organization's goal of establishing strategic, competency-based human resource programs and processes.

Having a competency–based framework adds strategic relevance to the organization by supplementing data critical to talent management decisions. By linking people competencies to people programs, the organization ensures value across the talent management lifecycle and the delivery of business targets.

Following the Management approval of the Bank's Competency Framework, consisting of core, leadership and functional competencies, in 2016 the Organization Development Department commenced and completed the Communication Cascade and Assessment Trainings. The employees gained an appreciation of the Competency Framework, to be initially adopted by the Bank for its learning and development, and recruitment programs and processes. Meanwhile, the supervisors/raters were trained in assessing their direct reports through an online tool provided by Strata, Inc..

The next phase and the terminal deliverable of the Bank in connection with the Competency Framework Development will involve the design and implementation of training and development interventions to close the gaps arising from the competency assessment. These interventions will include face-to-face and online programs.

LBP Incentive Structure

LANDBANK continues to implement an incentive structure based on various Republic Acts (RA 3844 as amended by RA 7907) and issuances from the National Government (Malacañang Administrative Orders, DBM Circulars, GCG Circulars, and Civil Service Commission Rules & Memorandum Circulars). The Bank incentives to employees and staff include, among others, basic pay, contribution to the Provident Fund, and other benefits (e.g., medical benefit, death and disability) and allowances (e.g., representation and travelling allowance or RATA, Personal Economic Relief Allowance or PERA, meal and children allowance, longevity pay, uniform/clothing allowance, rice subsidy). The Bank, likewise, provides night shift differential to employees who are required to work overnight.

Remuneration Policy

LANDBANK maintains a remuneration policy that rewards good performance and is internally equitable and externally competitive. This policy enables the Bank to attract and retain its pool of quality and competent employees.

LBP Job Leveling

In 2001, Watson Wyatt Philippines, Inc. (now Towers Watson) developed a customized job leveling system for LANDBANK which gave concentration on compensable factors.

The 2001 JE system was done to provide LBP with a tool to establish the following:

a. Bank's job hierarchy;
b. Introduction of a systematic approach to job grading; and
c. Utilization of a classification framework that will drive internal equity.

Since 2001, new jobs have been created while some jobs have been modified due to significant changes that Bank underwent since then.

In 2013, Towers Watson (TW) was engaged by the Governance Commission for GOCCs to develop a job levelling system, the Compensation and Position Classification System (CPCS) for GOCCs.

In September 2016, a re-visitation of Job Leveling Implementation Principles was conducted specifically for employees occupying position levels at PG 7 and 8.

Retirement Policy

As a government institution, LANDBANK's Retirement Program is in compliance with the appropriate rules and regulations as issued by regulatory bodies. These regulations support lengthy tenures resulting in capable and experienced but senior personnel, leading to a skewed demographic as evidenced by the high average age. To improve overall work productivity and provide flexibility to retain key personnel, the Bank provides also early separation of employees with medical conditions and those of a certain age and tenure. This approach has allowed the institution to attract fresh and critical talents to join the Bank's workforce in response to dynamic industry trends. It has also allowed for movement across the Bank giving room for development and growth for the next set of leaders.

Succession Policy

LANDBANK ensures the readiness of successors for key or critical positions in the Bank for the continuity of its business operations through the conduct of succession planning. This is conducted in partnership with those presently occupying the identified critical positions to identify possible successors and determine their readiness to succeed. To support this, Management and Leadership Development Programs are continuously conducted to ensure the availability of a highly trained and qualified management pool. This practice is to provide more than one possible successor, a buffer to unforeseen separations, to ensure business continuity.

FINANCIAL HIGHLIGHTS

Result Of Operation

LANDBANK recorded another milestone with a P13.81 billion net income in 2016. It has now managed to yield an average of more than P1.00 billion in net income monthly for the last three years – showing resilience under the very challenging regulatory conditions implemented during the period.

The Bank's net interest income increased to P31.37 billion in 2016, P3.13 billion or 11% higher than the P28.25 billion in 2015 due to significantly higher interest income from loans and investments. Interest income from loans increased by 9% to P25.93 billion, while interest income from investments increased by 20% to P13.01 billion. Interest expense increased by P1.49 billion or 17% mainly due to the P2.07 billion or 28% increase of interest expense on deposits in 2016. The Bank's deposit level increased to P1.23 trillion in 2016, P189.76 billion or 18% higher than the P1.04 trillion in 2015.

Other operating income declined by P1.25 billion or 17% to P5.98 billion in 2016, mainly due to significant decline on gains from trading. Other operating expenses increased by P1.44 billion or 7% to P22.54 billion for the same period.

Financial Condition

LANDBANK is the fourth largest bank in the Philippines in terms of resources, loans and deposits for several years now. Total resources reached P1.40 trillion in 2016, increasing by P196.56 billion or 16% from P1.21 trillion in the previous year. Regular loans contributed in increasing the Bank resources that reached P488.72 billion, P52.63 billion or 12% higher than P435.45 billion in 2015. It was further boosted by the P167.91 billion or 59% increase in investment portfolio that reached P453.12 billion in 2016. The Bank's loan and investment portfolios were fully covered by the P1.23 trillion deposit liabilities.

Capital And Capital Ratios

As of 31 December 2016, LANDBANK has P200.0 billion authorized capital composed of two billion common shares at P100.00 par value per share. The common stocks are fully subscribed by the National Government (NG) including the P17.8 billion paid-up capital.

Consistent with Basel III and BSP requirements, contained in the following table below are the details and composition of the Bank's comparative qualifying capital for 2016 and 2015 (except for the ratios, all amounts in P Millions).

	GROUP		PARENT	
	Dec. 2016	Dec. 2015	Dec. 2016	Dec. 2015
Tier 1 (going concern) Capital				
Common Equity Tier (CET) 1 Capital	**85,485.94**	**80,003.57**	**85,485.94**	**80,003.57**
- Paid-up Common Stock	17,800.00	11,971.00	17,800.00	11,971.00
-Retained Earnings	50,463.66	43,757.04	50,463.66	43,757.04
-Undivided Profits	13,686.25	13,323.40	13,686.25	13,323.40
-Net Unrealized Gain/(Loss) on AFS Securities	3,536.03	10,952.12	3,536.03	10,952.12
Regulatory Adjustments to CET 1 Capital	**25,219.17**	**28,940.07**	**26,523.53**	**30,403.06**
Total CET 1 Capital	**60,266.77**	**51,063.49**	**58,962.41**	**49,600.50**
Additional Tier 1 Capital	-	-	-	-
Total Tier 1 Capital	**60,266.77**	**51,063.49**	**58,962.41**	**49,600.50**
Tier 2 (gone-concern) Capital	**4,970.58**	**15,092.21**	**4,950.00**	**15,069.97**
- Instrument Issued Eligible as Tier 2 Capital	-	10,500.00	-	10,500.00
-General Loan Loss Provision	4,970.58	4,592.21	4,950.00	4,569.97
Total Qualifying Capital	**65,237.36**	**66,155.70**	**63,912.41**	**64,670.47**

Despite the significant decline in Net Unrealized Gains or Loss (NUGL) in Available for Sale (AFS) securities, the Bank's CET 1 capital increased in 2016 due to the P5.8 billion aggregate equity infusion of the National Government and higher net income. In addition, due to lower regulatory adjustments from the decline in unsecured DOSRI and equity investments in non-financial allied undertaking in 2016, total CET 1 capital improved considerably against the 2015 level.

	GROUP		PARENT	
	Dec. 2016	Dec. 2015	Dec. 2016	Dec. 2015
Regulatory Adjustments to CET 1 Capital	**25,219.17**	**28,940.07**	**26,523.53**	**30,403.06**
Total outstanding unsecured credit accomodations, both secured and unsecured to DOSRI	1,751.78	3,402.54	1,751.78	3,700.30
Total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries	-	-	463.98	-
Deferred Tax Assets	632.69	709.27	562.61	645.19
Other Intangible Assets	991.00	899.90	990.65	899.20
Investment in equity of unconsolidated subsidiary banks and quasi banks, and other financial allied undertakings	-	-	1,438.59	1,409.59
Investment in equity of unconsolidated subsidiary securities dealers/brokers and insurance companies	947.40	910.79	947.40	910.79
Significant minority investment (10%-50% of voting stocks) in banks & quasi banks, and other financial allied undertaking	445.33	492.57	360.00	360.00
Minority Investment (below 10% of voting stocks) in subsidiary banks & quasi banks, and other financial allied undertaking	96.28	91.58	30.55	30.58
Other Equity Investments in non-financial allied undertakings and non-allied undertakings	20,354.69	22,433.44	19,977.97	22,447.42

Full reconciliation of all regulatory capital elements back to the balance sheet in the audited financial statements follows (amount in Million Pesos):

	GROUP					
	2016			2015		
	Regulatory Capital	Reconciling Items	Audited Financial Statements	Regulatory Capital	Reconciling Items	Audited Financial Statements As restated
Paid-up common stock	17,800.00		17,800.00	11,971.00		11,971.00
Paid-in Surplus		101.10	101.10		101.10	101.10
Retained earnings	50,463.66	7,049.92	57,513.58	43,757.04	7,947.04	51,704.08
Revaluation Increment		61.20	61.20		61.20	61.20
Undivided profits	13,686.25	127.88	13,814.13	13,323.40	642.46	13,965.86
Other Comprehensive Income						
Netunrealized gains or losses on AFS securities	3,536.03		3,536.03	10,952.12	(5.82)	10,946.30
Remeasurement of retirement benefit obligation		(0.11)	(0.11)		(0.91)	(0.91)
Deductions	(25,219.17)	25,219.17	-	(28,940.07)	28,940.07	-
Tier I (CET 1) capital/Total equity	**60,266.77**	**32,559.16**	**92,825.93**	**51,063.49**	**37,685.14**	**88,748.63**
Tier 2 Capital	**4,970.58**	**(4,970.58)**	**-**	**15,092.21**	**(15,092.21)**	**-**
Total Qualifying Capital/Total equity	**65,237.35**	**27,588.58**	**92,825.93**	**66,155.70**	**22,592.93**	**88,748.63**

	PARENT					
	2016			2015		
	Regulatory Capital	Reconciling Items	Audited Financial Statements	Regulatory Capital	Reconciling Items	Audited Financial Statements
Paid-up common stock	17,800.00		17,800.00	11,971.00		11,971.00
Paid-in Surplus		101.10	101.10		101.10	101.10
Retained earnings	50,463.66	4,754.63	55,218.29	43,757.04	5,799.11	49,556.15
Undivided profits	13,686.25	(122.55)	13,563.70	13,323.40	340.19	13,663.59
Net unrealized gains or losses on AFS securities	3,536.03		3,536.03	10,952.12		10,952.12
Deductions	(26,523.53)	26,523.53	-	(30,403.06)	30,403.06	-
Tier I (CET 1) capital/Total equity	58,962.41	31,256.71	90,219.12	49,600.50	36,643.46	86,243.96
Tier 2 Capital	4,950.00	(4,950.00)	-	15,069.97	(15,069.97)	-
Total Qualifying Capital/Total equity	63,912.41	26,306.71	90,219.12	64,670.47	21,573.49	86,243.96

There is a significant increase in total risk-weighted assets (RWA), particularly on credit and operational RWAs due to the continued expansion of the balance sheet and gross revenues, respectively.

	GROUP		PARENT	
	Dec. 2016	Dec. 2015	Dec. 2016	Dec. 2015
Risk-Weighted Assets				
Credit Risk-Weighted Assets				
- RW On-Balance Sheet Assets	471,314.45	414,672.49	469,041.75	412,448.68
- RW Off-Balance Sheet Assets	41,960.83	44,382.12	41,960.83	44,382.12
- Counterparty RW Assets in the Trading Books	262.98	165.96	262.98	165.96
Deduction: Gen loan loss provision in-excess of permitted		(928.77)		(930.03)
Total Credit Risk-Weighted Assets	**513,538.26**	**458,291.80**	**511,265.55**	**456,066.73**
Market Risk-Weighted Assets				
- Interest Rate Exposure	860.10	1,626.63	860.10	1,626.63
- Equity Exposure	5.43	-	5.43	-
- Foreign Exchange Exposure	283.89	840.61	283.89	840.61
- Options	2,914.50	3,028.19	2,914.50	3,028.19
Total Market Risk-Weighted Assets	**4,063.92**	**5,495.42**	**4,063.92**	**5,495.42**
Total Operational Risk-Weighted Assets	**54,457.66**	**49,271.32**	**53,920.49**	**48,612.27**
Total Risk-Weighted Assets	**572,059.84**	**513,058.54**	**569,249.97**	**510,174.41**

The CET 1 ratio rose to 10.54% in 2016 from 9.95% in the previous year due to significant improvement of CET1 capital triggered by the P5.8 billion equity infusion. Since the Bank has no outstanding AT1 capital, Tier 1 capital ratio likewise stood at 10.54%, which is comfortably above than the 7.5% BSP requirement.

	GROUP		PARENT	
	Dec. 2016	Dec. 2015	Dec. 2016	Dec. 2015
CET 1 Ratio	**10.54%**	**9.95%**	**10.36%**	**9.72%**
Minimum CET 1 Ratio	6.00%	6.00%	6.00%	6.00%
Capital Conservation Buffer	4.54%	3.95%	4.36%	3.72%
Tier 1 Capital Ratio	**10.54%**	**9.95%**	**10.36%**	**9.72%**
Total Capital Ratio	**11.40%**	**12.89%**	**11.23%**	**12.68%**

LANDBANK's December 2016 total or capital adequacy ratio (CAR) stood at 11.40%, which showed a substantial decline compared to the 12.89% CAR in the previous year. The decline in CAR was mainly due to the redemption of the P10.5 billion subordinated notes in 2016 that were eligible as tier 2 capital until end-2015 only, combined with the lower NUGL in AFS securities.

LANDBANK's capital and capital ratios are expected to improve in 2017. The Bank was exempted by the Department of Finance from remitting cash dividends of at least P6.75 billion for its 2016 net income in 2017. In addition, the Bank received the P3.2 billion balance of P6.0 billion "unprogrammed funds" included in the 2016 national budget as additional equity infusion on 19 June 2017. All these will help ensure that LANDBANK will be compliant with the regulatory environment it will face in the coming years..

LANDBANK FOUNDATION AND SUBSIDIARIES

LANDBANK Countryside Development Foundation, Inc.

The LANDBANK Countryside Development Foundation, Inc. (LCDFI) was established in March 1983 as a non-stock, non-profit corporate foundation of Land Bank of the Philippines (LANDBANK). The Foundation embodies LANDBANK's commitment to spur development in the countryside particularly among its priority sectors such as the small farmers and fishers, agrarian reform beneficiaries, countryside Financial Institutions, small and medium enterprises (SMEs) and Overseas Filipino Workers (OFWs).

In 2013, it was classified by the Governance Commission for GOCCs (GCG) as a government-owned and controlled corporation (GOCC). As such, LCDFI endeavors to comply with all pertinent rules and regulations governing GOCCs and government entities.

In 2016, the required training courses conducted by Governance Commission for GOCCs (GCG), Commission on Audit (COA), Philippine Commission on Women (PCW), Civil Service Commission (CSC) and the Government Procurement Policy Board (BPPB) were continually attended by LCDFI personnel to ensure proper compliance. Also in 2016, six of the 11 members of the Board of Trustees were either resigned or separated from the service and the remaining members were on hold over capacity until a replacement was duly appointed by the President of the Philippines through the GCG.

Financial Highlights

In 2016, LCDFI's total revenue reached P18.64 million higher by 3.84% than the P 17.95 million in 2015. Total expenses decreased by 0.74% from P17.57 million last year to P17.44 million. Total resources recorded a 0.80% increase from P106.16 million in 2015. Total liabilities grew to P4.43 million from P3.20 million in 2015. Total Equity slightly declined by 0.37% from P102.96 million in 2015 to P102.58 million.

Financial Highlights
(In P Millions)

	2016	2015	Growth Rate (%)
Gross Revenues	18.64	17.95	3.84
Total Expenses	17.44	17.57	(0.74)
Net Income After Tax	1.20	0.38	216
Total Resources	107.01	106.16	0.80
Total Liabilities	4.43	3.20	38.44
Total Equity	102.58	102.96	(0.37)

Capacity Building Program

In 2016, LCDFI conducted 77 out of the 79 batches of trainings as requested; conducted 12 Priority Training Modules; and piloted 12 batches of Monitoring and Evaluation of Action Plans. LCDFI was able to train 2,036 participants from 511 LANDBANK Borrowing Cooperatives.

LCDFI also initiated the implementation of the Coaching and Mentoring Program for LANDBANK Borrowing Cooperatives. The program aims to provide an intensive and personalized capacity building assistance to selected LANDBANK Borrowing Cooperatives to address the various and diverse needs specifically of levels C and D cooperatives.

Bangon Mini-Farms Program

LCDFI continued its implementation of the Bangon Mini-Farms Program in CY 2016 with financial support from the LBP Leasing and Finance Corporation (LLFC). This program was developed to provide assistance to farmers based in Leyte Province and other nearby areas affected by Typhoon "Yolanda". The objective of the Bangon Mini-Farms Program is to introduce farmers to the natural mini-farms technology as a means to end hunger and poverty one farmer family at a time.

In 2016, LCDFI assisted 306 farmers and conducted 11 batches of monitoring meetings in Capoocan, Kananga, Tabango and other areas in Leyte.

LCDFI and Bangon Mini-Farms Alpha Sector Association, Inc. (BMFASAI) conducted various trainings to continuously upgrade its members' skills and knowledge. For the first quarter of 2016, trainings on "Basic Bookkeeping and Accounting for Non-Accountants" were held in Ormoc City, Leyte where 39 farmer-members attended.

For the second quarter of 2016, trainings on "Pest and Disease Management" and "Greenhouse Management" were conducted in Kananga, Leyte wherein 93 and 37 farmer-members attended, respectively. These were done in partnership with the Visayas State University, HARBEST Agribusiness Corporation, and the Philippine Carabao Center.

For the rest of 2016, a "Refresher on the Principles of Organic Agriculture and Concoctions" and another round of "Pest and Disease Management" were held on July 27-28 to further beef up the technical expertise of the beneficiaries in implementing Bangon's Organic Farming Protocol.

Fifty three hogs were also dispersed to farmer-partners to supplement their income from their organic crop production activities. The Hog Dispersal program was made possible through a partnership with the Department of Agriculture (DA).

BMFASAI also started to venture into agri-processing and value-added activities. They were able to obtain drier and pulverizing machines to process its members' harvest to dried and powdered goods such as chili and moringa (malunggay) powder. Additional trainings on "Crop Production of Garlic, Ginger, Bay Leaf, Lemon Grass, Purple Yam and Basil for Agri-Processing Purposes" and "Proper Drying Procedures" were conducted to widen the interest and skills of the beneficiaries.

There are also plans to build the Bangon Farmer Center of Our Lady of Hope to serve as the focal point of the Program's operations in the province. A learning and earning farm will be located beside the Center while the Center itself will serve as the consolidation and agri-processing area of the farmer-members' produce. Most construction expenditures have been sourced through private donations.

Likas Saka Program

LCDFI also continued to implement the Likas Saka Program in 2016 supported by donations from LANDBANK and LBP Insurance and Brokerage, Inc. (LIBI). The program has expanded from two existing program sites in 2015 to seven program sites in 2016. The program sites are in Cavinti, Laguna; Balasan, Iloilo; Hinigiran, Negros Occidental; Calape, Bohol; Imelda, Zamboanga Sibugay; Claveria, Misamis Oriental and Sibagay, Agusan Del Sur.

For the year, LCDFI was able to distribute organic farm inputs such as Effective Microorganisms- 1 (EM-1), Mykoplus©, IPB Var 6 white corn seeds, and other farm materials to all program sites.

Twelve batches of monitoring and support activities were conducted to determine the needs of the participating farmer-clusters, as well as provide updates on the organic agriculture technology.

LCDFI partnered with the City Governments of Cavinti, Laguna; Calape, Bohol and Imelda, Zamboanga Sibugay to provide additional support activities for the Program's beneficiaries. LCDFI also forged a partnership with Balay Mindanaw Foundation, Inc. for the implementation of the program in Claveria, Misamis Oriental.

Also LCDFI linked up with the University of St. La Salle University- Bacolod (USLS) through the Program to provide funding support for the Bahay Pag-asa Youth Center (BPYC) Organic Mini-Farm Project in Brgy. Granada, Bacolod City. The LANDBANK-BPYC partnership will pioneer the integration of sustainable agriculture in the rehabilitation of children-in-conflict with the law. This is an innovative and holistic educational and rehabilitation program that may be replicated by other LGUs.

Scholarships

LCDFI continued to play an important part in the implementation of LANDBANK's Gawad Patnubay Scholarship Program.

There were eight scholars under the "LBPEA/MMOAI Scholarship Program" who successfully earned their agriculture-related courses last March 29, 2016, wherein all beneficiaries were enrolled in Misamis Oriental State College of Agriculture and Technology (MOSCAT) in Claveria, Misamis Oriental.

The scholarship program started in the Second Semester of SY 2012-2013 and is funded by the voluntary financial contributions of LANDBANK employees which is being managed by the LBP Employees Association (LBPEA), Middle Management Officers Association (MMOAI) and Senior Management, through the LANDBANK Employee Relations Department. The program is administered by LCDFI as part of LANDBANK's Gawad Patnubay Scholarship Program.

CSR Program

The LCDFI continuously support the Manila Bay SUNSET Partnership Program, Inc. (MBSPPI) as part of its Corporate Social Responsibility (CSR) initiatives. In 2016, LCDFI employees participated in various Manila Bay Clean Up activities.

In all capacity building trainings conducted by LCDFI nationwide, the short film "That Thing Called Basura", an IEC program of MBSSPI advocating for proper waste disposal and management, was shown.

LBP Insurance Brokerage, Inc.

The LBP Insurance Brokerage, Inc. (LIBI) was primarily established to service LANDBANK's insurance requirements and its clients. It is engaged in the business of general insurance brokerage management and consultancy services on insurance related activities. LIBI's secondary purpose is to engage in the business of buying and selling of foreign currencies.

LIBI Financial Highlights
(In P Millions)

	2016	2015	Growth Rate (%)
Gross Revenues	132.47	138.13	(4.10)
Total Expenses	41.54	46.96	(11.54)
Net Income After Tax	71.80	72.21	(0.57)
Total Resources	1,344.32	1,223.57	9.87
Total Liabilities	294.21	313.32	(6.10)
Total Equity	947.40	910.25	4.08

As of December 31, 2016, LIBI's Insurance Division generated a net premium volume of P577.16 million, an increase of P5.12 million or 0.92% compared to P572.04 million recorded in 2015. Net service fees from insurance brokering amounted to P94.96 million, a decrease of P1.04 Million or 1.08% lower than the P96 million net service fees recorded during the same period last year.

LIBI Forex Division recorded a trading income of P8.89 million compared to P12.92 million in 2015 or lower by 31.19% or P4.03 million. Volume of dollars traded by LIBI Forex Division amounted to USD82.82 million, a decrease of USD80.47 or 49.28%, compared to USD163.29 million in 2015. This was due to lack of new accredited forex counter parties and non-renewal of existing forex counter parts accreditation from LBP's Financial Institution Department as a result of non-compliance of requirements.

In 2016, LIBI's net income after tax stood at P71.80 million, 0.57% lower compared to last year of P72.21 million. Meanwhile, LIBI recorded a 4.08% increase in total equity from P910.25 million in 2015 to P947.40 million in 2016. Return on Equity and Return on Asset for 2016 were 7.54% and 5.75 respectively. Per capita income was P2.04 million, higher by 4.61% compared to last year of P1.95 million. In 2016, LIBI's earnings before interest, tax depreciation and amortization (EBITDA) margin posted at 71%, higher than the last year's 68%.

LIBI's investment portfolio as of December 31, 2016 amounted to P797.79 million, an increase of P84.26 million or 11.81% compared to last year's Php713.53 million. Interest income derived from investments and deposits in 2016 of P27.16 million was lower by 2.86% or P0.80 million against the interest income of P27.96 million in 2015 due to matured investments reinvested at a lower interest yield.

Collection efficiency on Accounts Receivable- Trade in 2016 was at 90%, an improvement of 4% compared to the 86% recorded in 2015.

Masaganang Sakahan, Inc.

The year 2016 was a challenging year characterized by destructive typhoons that vastly affected palay-producing cooperatives and changes in national policies. However, in the face of all these adversities and challenges, CY 2016 also marked continuous improvement in Masaganang Sakahan, Inc. (MSI) operations and financial performance.

A. FOCUS ON SOCIAL IMPACT

On Market Access

In 2016, MSI developed and expanded its market by tapping the so called "primary market" of milled rice through persistent marketing efforts and changes in some policies. The "primary market" refers to businesses whose primary business activity involves the purchase of milled rice either for consumption or for purposes of selling.

MSI attained 100% accomplishment of 39 primary markets served with a total traded volume of 10,459.5 bags of milled rice or 116% of CY 2016 target volume traded of 9,000 bags.

On Assistance to Mandated Sectors

In 2016, MSI assisted 22 cooperatives in its Payment-In-Kind (PIK) for loan payment to LANDBANK amounting to P141.47 million. The decline of 12% from 25 assisted cooperatives in 2015 was mainly due to inability of some cooperatives to produce quality Class A palay because a substantive portion of their production was severely damaged by the floods caused by typhoons. MSI extended assistance through an emergency procurement of Class B palay produce by some small cooperatives.

On December 2, 2016 MSI recognized their cooperative-partners for their continuous support and contribution in the success of the MSI Payment-in-Kind Program.

In 2016, MSI started the first phase of development of a two-hectare property purchased in 2015 with the following initiatives: (1) Improvement of office facilities and construction of guard house; (2) Development of goat raising project and in the process of creating guidelines for its dispersal; (3) Preparation for the Pilot Test: Small scale farming for "malagkit" or glutinous palay/rice; and (4) Construction of the 80-ton Mechanical Truck Scale.

B. CENTERED ON CUSTOMERS/ STAKEHOLDERS

On Customer Satisfaction

For the second year in 2016, MSI conducted its survey to assess the level of customer satisfaction on the quality of its services. The survey result of average 4.06 was 102% higher than the target average of 4.0 for 2016 and affirmed customer satisfaction in MSI services.

C. ENHANCING INTERNAL PROCESSES

MSI toll milling process sustained improvement and reached an average milling recovery of 64%. To improve business efficiency, MSI focused on reviewing and enhancing operational structure and policies.

MSI was able to shorten its delivery response to clients to an average of 2.83 days through strengthening its logistics operation in 2016.

To improve business efficiency, MSI developed the following: (1) re-alignment of positions with other LANDBANK subsidiaries (2) Internal Audit Manual; (3) Policies on Waiver of Penalty and on Receivables-Trade/Business and (4) Come-up with a Whistleblowing policy.

D. IMPROVING FINANCIALS

Financial Highlights
(In P Millions)

	2016	2015	Growth Rate (%)
Gross Revenues	287.32	291.65	(1.48)
Total Expenses	23.14	20.40	13.43
Net Income After Tax	27.12	25.63	5.81
Total Resources	216.33	203.16	6.48
Total Liabilities	70.74	71.28	(0.76)
Total Equity	145.59	131.88	10.40

In 2016, MSI recorded a total gross revenue of P287.32 million a decrease of 1.48% compared to last year's P291.65 million. Total expenses increased by 13.43% from P20.40 in 2015 to P23.14 million in 2016. MSI net income after tax stood at P27.12 million, higher by 5.81% compared to P25.63 million in 2015.

MSI total resources reached P216.33 million in 2016, higher by 6.48% compared to P203.16 million recorded during the previous year. Total liabilities declined by 0.76% from P71.28 million a year ago to P70.74 million in 2016.

MSI total equity improved by P13.71 million from last year's P131.88 million to P145.59 million in 2016.

MSI attained 100% of the target EBITDA Margin of 14%.

MSI was able to fully maximize its warehouse capacity totaling 126,274 bags of palay due to its timely forecasting and faster inventory turn-over.

E. EFFORTS ON LEARNING AND GROWTH

To strengthen its human resources capabilities, MSI provided its employees with essential trainings. In June 22-23, 2016, MSI organized a Strategic Business Planning participated in by selected MSI employees and MSI Board of Directors to discuss the business model to be adopted in 2017. The session covered lectures, assessment, presentation and activities pertaining to the analysis of the changing business environment, determination of strategic implication, strategy development and strategy evaluation.

LBP Leasing and Finance Corporation

LBP Leasing and Finance Corporation (LLFC) complements LANDBANK by making available various leasing and financing facilities that support priority sectors in the acquisition of equipment and other capital assets. LLFC also provides working capital requirements which allow clients/borrowers to expand, upgrade or modernize operations.

Among the priority sectors serviced by LLFC are SMEs, rural banks, government agencies, government corporations and agri-business companies.

Financial Highlights
(In P Millions)

	2016	2015	Growth Rate (%)
Gross Revenues	482.92	536.14	(9.93)
Total Expenses	337.70	342.25	(1.33)
Net Income After Tax	109.51	145.05	(24.50)
Total Resources	3,992.90	3,971.33	0.54
Total Liabilities	2,554.31	2,561.74	(0.29)
Total Equity	1,438.59	1,409.59	2.06

In 2016, LLFC realized a gross revenue of P482.92 million, a decrease of 9.93% from P536.14 million in 2015. Meanwhile, total expenses also declined by 1.33% to P337.70 million in 2016 from P342.25 million in the previous year. MSI recorded a net income after tax of P109.51 million in 2016, lower by 24.50% or P35.54 million compared to last year's income of P145.05 million.

The total resources of LLFC in CY 2016 stood at P3.99 million, higher by 0.54% against the P3.97 billion in 2015. Of the Total Portfolio of P3.6 billion as of December 31, 2016, P728.0 million were lease/ loan facilities for SMEs, P1.36 billion for government agencies including GOCCs, P1.29 million for large corporations and P185.3 million for other sectors.

Under LLFC's Transport Re-fleeting Program, a tie-up with Land Transportation and Franchising Board and Land Transportation Office which provides financing for UV Express operators and other public transport operators such as school service and tourist transport service, in 2016, LLFC granted credit to seventy-two (72) public transport operators for their vehicle requirements. Since the Program started, LLFC assisted 251 transport operators or a total of public transport re-fleeting portfolio of P174.6 million as of December 31, 2016.

LBP Resources and Development Corporation

The LANDBANK Resources and Development Corporation (LBRDC) is a wholly owned subsidiary of the LANDBANK that handles the Bank's construction requirements particularly branch construction, renovation and relocation.

LBRDC also assists LANDBANK in the disposal of non-performing or foreclosed assets by providing services such as property management, maintenance services and brokering. LBRDC also provides sanitation, housekeeping, janitorial and messengerial services.

In 2016, LBRDC's gross revenues rose by 5% to P397.74 million from P376.74 million in 2015 mainly due to higher construction revenue of P194.17 million as it was able to construct three (3) buildings and renovated thirty five (35) branch offices. LBRDC also generated P140.58 million revenue from manpower services and P62.99 million from other business activities like brokering, property management, rentals of building, air-conditioning unit (ACU) maintenance services and sale of nine (9) townhouse units at Grand Garden Villas.

LBRDC posted a net income after tax of P61 million, an increase of 4% compared to P58.87 million in 2015.

The company's total resources increased by 7% million from P583.77 million in 2015 to P622.77 million in 2016 primarily due to the increase in cash in bank by P21 million, receivables by P5.51 million, short- term investment by P18 million and prepaid taxes by P4 million. Total liabilities increased by 8% to P91.73 million from P84.65 million in 2015 due to the increase in advances from clients by P4 million, government entities by P3 million, accrued expenses by P16 million and output tax by P3 million. Stockholders' Equity also increased by 6% due to net income generated in 2015 offset by cash dividends remitted to the National Treasury of P29.44 million.

LBRDC continued to upgrade its personnel skills and capabilities through various seminars and trainings. Also, LBRDC continued its housekeeping, janitorial and sanitation services for LANDBANK Plaza Headquarters and Satellite offices as well as for LANDBANK field units nationwide. LBRDC also continuously provide manpower and janitorial services to HOLCIM Phil., Inc. (Calumpit and Norzagaray Plants) and its subsidiary, Excel Concrete Logistics, Inc. and to LAND BANK Insurance Brokerage, Inc.

LBRDC enhanced its operational efficiency through procurement of transportation/ delivery equipment, construction tools and equipment and upgraded its technology to enhance its capability in serving clients.

Financial Highlights
(In P Millions)

	2016	2015	Growth Rate (%)
Gross Revenues	397.74	376.74	5
Total Expenses	311.44	293.49	6
Net Income After Tax	61.00	58.87	4
Total Resources	622.77	583.77	7
Total Liabilities	91.73	84.65	8
Total Equity	531.04	499.12	6

BOARD OF DIRECTORS

SEC. CARLOS G. DOMINGUEZ
Secretary - Department of Finance
Ex-Officio Chairman

Carlos "Sonny" Dominguez has over 40 years of experience managing various organizations in the public and provate sectors. He was a shareholder, and board chairman or member of over a dozen corporations across various industries such as power, agriculture, mining, banking, hospitality, real estate, and investment.

Notable positions held by Sonny were Cabinet Secretary of the Environment and Natural Resources and Agriculture during the Presidency of Corazon Aquino, past president of the leading Philippine corporations such as Philippine Airlines and the Philippine Associate Smelting and Refining Corporation, and the former Bank of the Philippine Islands Agricultural Bank.

Sonny has a Master's Degree in Business Administration from Ateneo De Manila University and attended the Executive Management Program at the Stanford University.

ALEX V. BUENAVENTURA
President and CEO - Land Bank of the Philippines
Vice Chairperson

Alex Valdez Buenaventura assumed as LANDBANK's 9th President and CEO in November 2016.

Alex has 36 solid years of rural banking experience, dealing with small entrepreneurs, agro-industrial enterprises, farmers, cooperatives and other key economic players.

Before joining LANDBANK, he was the long-time president and director of One Network Bank (ONB), the country's largest rural bank in terms of assets, network of branches and net income. ONB is known to be a proponent of inclusive banking and a leading player in Mindanao. During his tenure at ONB, he focused on serving the unbanked and underbanked rural areas in southern Philippines.

A veteran banker, Alex is the former president of the Rural Bankers Association of the Philippines (RBAP) and executive director of the Rural Bankers Research and Development Foundation Inc.

He also served as chairman of the Board of Trustees of Ateneo de Davao University and trustee of Holy Cross of Davao College Inc. and Davao del Norte State College in Panabo City.

From 1995 to 1998, he was the private sector representative for Mindanao of the Small and Medium Enterprises Development (SMED) National Council.

Alex is no neophyte in public service as he served the local government of Panabo City as chairman of the Municipal Industrialization Task Force and director of the Municipal Water District from 1994 to 1996.

An academic achiever, he graduated with honors from elementary to his post-graduate studies. He took up AB Economics Honors Program at the Ateneo de Manila University and completed his Master's in Business Administration at the Catholic University of Louvain in Belgium.

SEC. EMMANUEL F. PIÑOL
Secretary - Department of Agriculture
Ex-Officio Member

Emmanuel "Manny" Piñol belongs to a family of farmers whose grandparents migrated to Mindanao from Iloilo shortly after World War II and settled in M'lang, North Cotabato.

Educated in public schools, Manny was the class valedictorian both in elementary grade and high school. He went to seven colleges and universities, including a brief stay in a Catholic seminary, before finally dropping out to pursue a career in print and broadcast journalism.

Manny was elected Mayor of his hometown, M'lang, as a substitute to his ailing father, Bernardo Sr., in 1995 and three years later, he became governor of North Cotabato.

For nine years, Manny advocated a market-oriented agriculture and job-generating governance which pulled out North Cotabato from the ranks of the 10 Poorest Provinces in the Philippines, reducing the poverty incidence from 52% to only 29% when his term ended in 2007.

During his term as governor, Manny decided to finish his college degree under the Expanded Tertiary Equivalency Accreditation Program (ETEAP). He proceeded to earn a Master's degree in Rural Economic Development from the University of Southern Mindanao and is now pursuing a doctorate degree.

SEC. SILVESTRE H. BELLO III
Secretary - Department of Labor and Employment
Ex-Officio Member

A seasoned lawyer and human rights advocate, Secretary Silvestre "Bebot" H. Bello III has always been a worker for peace and a long-time public servant. In fact, he has unselfishly served the government under four presidents in various capacities.

During the time of President Corazon Aquino, he was named Undersecretary of the Department of Justice (DOJ) from 1986 to 1991, then appointed Secretary until 1992. He served as Solicitor-General for two (2) years during the term of President Fidel Ramos, and again as Justice Secretary in 1998. Under the administration of President Gloria Macapagal-Arroyo, he was tasked to lead the government panel in talking peace with the Communist Party of the Philippines-New People's Army-National Democratic Front – a post he held for over a decade.

Under the new Administration of President Rodrigo R. Duterte, aside from bestowing him with the task of successfully negotiating lasting peace based on justice, he was also entrusted to lead the charge to end "Endo," illegal contractualization and ensure industrial peace.

Professional Work Experience Highlights
Bebot's other past professional and civic involvements include holding top positions such as president and chief executive officer of the Philippine National Oil Company - Development & Management Corporation, general manager and chief executive officer of the Philippine Reclamation Authority, presidential adviser for New Government Centers, Cabinet Oversight Officer for Indigenous Peoples and National Commission on Indigenous Peoples Matters, Cabinet Officer for Regional Development for Region II, Cabinet Secretary, and 1BAP Party List Representative in the 16th Congress.

Bebot also sat on the boards of a host of corporate giants including the Camp John Hay Development Corporation, San Miguel Corporation, CAP Realty Inc., College Assurance Plan, Comprehensive Annuity Plan & Pension Corp., Red Eagle Lending Investors Corp., CAP Life Insurance Corp., CAP General Insurance Corp., Puerto Azul, Baguio Country Club, Philippine Plaza Hotel, Urban Bank, and Ambassador Hotel. Likewise, he was once a part of the Board of Advisors of Philippine Airlines.

Furthermore, Bebot is a distinguished associate of various law offices namely Yulo & Bello; Yulo, Torres & Bello; Yulo, Quisumbing, Torres, Ali & Bello; Yulo, Torres, Tarriela & Bello; Tanjuatco, Oreta & Factoran; Pinlac, Feliciano, Partiza, Mojica & Bello; and C. Alcantara & Sons.

Educational Attainment
A holder of a Bachelor of Arts degree in Political Science from the Manuel L. Quezon University (1961), Bebot took his Bachelor of Laws and graduated with distinction from the Ateneo de Manila University College of Law (1970).

SEC. RAFAEL V. MARIANO
Secretary - Department of Agrarian Reform
Ex-Officio Member

Early Life
Ka Paeng was born on October 24, 1956 to a poor family in the municiplaity of Quezon, Nueva Ecija. He was a farmer who took up agriculture and agri-cooperatives at the Wesleyan University and Christian College of the Philippines (Formerly Liwanag Colleges) in Cabanatuan. He did not graduate from both institutions due to finacial difficulties and his father's illness.

Political Career
Ka Paeng joined the Bisig ng Kabataan (Youth Arm), a local youth activist organization, when he was 20 years old. He was elected councilor of Quezon, Nueva Ecija five years later in 1981. He became the regional vice chairman of the Alyansa ng Magbubukid sa Gitnang Luzon (alliance of Central Luzon Farmers) in 1984 and as secretary-general of the Kilusang Magbubukid ng Pilipinas (Farmers' Movement of the Philippines) in 1985. He later served as the movement's national vice chairman from 1990 to 1993 and its national chairman from 1993 to June 2016. He was among the survivors of the 1987 Mendiola massacre.

In 1998, he assumed the chairmanship of the Bagog Alyansang Makabayan. He was nominated to the Anakpawis party-list in 2004 general elections and served as the party's representative in the Phlippine House of Representatives from July 2004 until June 2013. During his term, he pressed for the passage of the Genuine Agrarian Reform Bill which aimed to distribute land to farmers for free. He was one of five progressive legislators who were detained for 2 months in 2006 in the Batasang Pambansa Complex on charges of plotting to overthrow the governemnt of then President Gloria Arroyo.

Present
On May 21, 2016, after being nominated by the National Democratic Front of the Philippines (NDFP), it was announced that Ka Paeng will be joining the Cabinet of President Rodrigo Duterte as Secretary of the Department of the Agrarian Reform. He assumed the Secretaryship on July 1, 2016 replacing Virgilio de Los Reyes.

MR. VIRGILIO DV. ROBES
Representative - Private Sector

Director Virgilio De Vera Robes is the newest member of the LANDBANK Board as private sector representative.

A licensed real estate broker, Ver currently sits as chairman of Robesland, Inc. He is an advocate of sustainable organic farming and healthy lifestyle, to which he committed after he was diagnosed hypertensive and underwent a triple surgery several years later.

He served as OIC – Vice Governor of Bulacan and senior adviser to former Bulacan Governor Roberto Pagdanganan. He was also a senior adviser to former San Jose del Monte, Bulacan Mayor Reynaldo San Pedro.

Ver is also the founder and former president of Pugad Lawin Philippines, Inc. – San Jose del Monte, an NGO comprised of socio-civic leaders, professionals, entrepreneurs and other volunteers which focuses on addressing the plights of the less fortunate and promoting community building.

MR. CRISPINO T. AGUELO
Representative - Agrarian Reform Beneficiaries Sector

Director Crispino T. Aguelo is a known farmer leader and supporter of the rights of peasants. From 2007 to 2013, he was National President of the Pambansang Kilusan ng mga Samahang Magsasaka (PAKISAMA). He was also a member of the Presidential Agrarian Reform Council of the Department of Agrarian Reform from 1993 to 1999. A Native of Tangalan, Aklan, Cris has been an organic rice farmer since 2000 and a staunch advocate of agrarian reform.

MR. VICTOR GERARDO J. BULATAO
Representative - Agrarian Reform Beneficiaries Sector

Director Victor Gerardo J. Bulatao is an NGO personality with a solid grounding in agrarian reform and rural development. He worked with the Federation of Free Farmers and Association of Major Religious Superiors in the 1970s and in various capacities in the Department of Agrarian Reform, including as Undersecretary in the 1990s.

A former Executive Director of the KAISAHAN tungo sa Kaunlaran sa Kanayunan at Repormang Pansakahan and the Consortium for Advancing People's Participation through Sustainable Integrated Area Dvelopment (CAPP-SIAD), he now serves on the Boards of KAISAHAN, Balay Mindanaw Foundation Inc. (BMFI) and Quidan Kaisahan Negros Occidental (QK). These NGOs are into agrarian reform, participatory local governance, peace building, disater relief and rehabilitaion, and alternative learning systems.

He has an AB Philosophy degree, cum laude, from the Ateneo de Manila University, and as an Edward S. Mason Fellow, a Master of Public Administration from the Harvard Kennedy School.

MANAGEMENT TEAM

As of end-2016

ALEX V. BUENAVENTURA
Office of the President and CEO

CECILIA C. BORROMEO
Executive Vice President
Agricultural and Development Lending Sector

JULIO D. CLIMACO JR.
Executive Vice President
Corporate Services Sector

LIDUVINO S. GERON
Senior Vice President
Branch Banking Sector

ALAN V. BORNAS
Senior Vice President
Operations Sector

CAREL D. HALOG
Senior Vice President
Treasury and Investment Banking Sector

UNITS UNDER THE BOARD AND OFFICE OF THE PRESIDENT

As of end-2016

FELIX L. MANLANGIT
Vice President
Corporate Secretary/Field Legal ServicesDepartment

AMELIA S. AMPARADO
First Vice President
Compliance Management Group

JOSEPHINE G. CERVERO
Senior Vice President
Trust Banking Group

SOFIA C. LADORES
Vice President
Risk Management Group

EFREN S. TEDOR
Vice President
Physical Security Office

ALEX A. LORAYES
Senior Vice President
Agrarian Services Group

NOEL B. MARQUEZ
Vice President
Legal Services Group

ANTONIO V. HUGO, JR.
First Vice President
Strategic Planning Group

AGRICULTURAL AND DEVELOPMENT LENDING SECTOR

EDWARD JOHN T. REYES
Vice President
Corporate Banking Group

LUCILA E. TESORERO
Vice President
Corporate Banking Department I

EMMA M. BROSAS
Vice President
Corporate Banking Department II

CIELITO H. LUNARIA
Vice President
Financial Institutions Department

AGRICULTURAL AND DEVELOPMENT LENDING SECTOR

As of end-2016

EMELLIE V. TAMAYO
Vice President Lending Programs Management Group

LOLITA T. SILVA
First Vice President Retail and Mid-Market Lending Group

MA. CELESTE A. BURGOS
Senior Vice President Northern and Central Luzon Lending Group

FILIPINA B. MONJE
Senior Vice President Southern Luzon Lending Group

ELSIE FE B. TAGUPA
Vice President Visayas Lending Group

JOSELITO P. GUTIERREZ
Senior Vice President Mindanao Lending Group

CHARLOTTE I. CONDE
Vice President Davao Lending Group

BRANCH BANKING SECTOR

ELENITA C. RAPANUT
Vice President Branch Banking Support Department

RANDOLPH L. MONTESA
First Vice President Card and Electronic Banking Group

PACIFICO C. DE PAZ, JR.
Vice President Electronic Products Department

RENATO G. EJE
First Vice President OFW Remittance Group

BRANCH BANKING SECTOR

As of end-2016

LEILA C. MARTIN
First Vice President,
North NCR Branches Group

RAMON R. MONTELOYOLA
Senior Vice President
South NCR Branches Group

NOMERLITO A. JUATCHON
Vice President
North Luzon Branches Group

SYLVIA C. LIM
Vice President
Central Luzon Branches Group

MARILOU L. VILLAFRANCA
Vice President
Southeast Luzon Branches Group

MA. CIELITO D. VALDIVIA
Vice President
Southwest Luzon Branches Group

MANUEL JOSE MARI S. INFANTE
First Vice President
East Visayas Branches Group

ALTHON C. FEROLINO
Vice President
West Visayas Branches Group

CAMILO C. LEYBA
First Vice President
East Mindanao Branches Group

KHURSHID U. KALABUD
Vice President
West Mindanao Branches Group

CORPORATE SERVICES SECTOR

As of end-2016

CATHERINE ROWENA B. VILLANUEVA
First Vice President
Corporate Affairs Department

CAROLYN I. OLFINDO
Vice President
Facilities and Procurement Services Group

VOLTAIRE PABLO P. PABLO III
Vice President
Human Resource Management Group

OPERATIONS SECTOR

As of end-2016

ANNALENE M. BAUTISTA
First Vice President
Banking Operations Group

WINSTON ROCHEL L. GALANG
Vice President
Property Valuation and Credit Information Department

ANA S. CONCHA
Vice President
Banking Services Group

MA. ELOISA C. DAYRIT
Vice President
Controllership Group

ALDEN F. ABITONA
Vice President
Technology Management Group

TREASURY AND INVESTMENT BANKING SECTOR

As of end-2016

LOLITA M. ALMAZAR
Vice President
Investment Sales and Distribution Department

MA. ELIZABETH L. GENER
Vice President
Liquidity and Reserve Management Department

MA. FRANCIA O. TITAR
Vice President
Capital Markets Trading Department

CHRISTINE G. MOTA
Vice President
Rates and FX Trading Department

LANDBANK FOUNDATION AND SUBSIDIARIES

As of end-2016

GAUDIOSO CARLOS A. GARCIA VI
LCDFI Executive Director

SIMEONA S. GUEVARRA
LBRDC President

MANUEL H. LOPEZ
LLFC President and CEO

ROY C. OSCILLADA
MSI President and CEO

RODOLFO V. PESTAÑO
LIBI General Manager

LIST OF HEADS OF SECTORS, GROUPS AND DEPARTMENTS

As of 31 December 2016

UNITS UNDER THE BOARD AND OFFICE OF THE PRESIDENT

President and CEO
Alex V. Buenaventura
President

Corporate Secretary
Felix L. Manlangit
Vice President

Physical Security Office
Efren S. Tedor
Vice President

Internal Audit Group
Maria Edelwina D. Carreon
Assistant Vice President

Credit Review Department
Rene I. Silva
Department Manager

Field Operations Audit Department
Viemerey E. Mercado
Department Manager

Head Office & Systems Technology Audit Dept.
Kriden F. Balgomera
Audit Manager

Compliance Management Group
Amelia S. Amparado
First Vice President

Anti-Money Laundering Department
Jose Emmanuel C. Valdez
Senior Management Associate

Regulatory Compliance Department
Reynaldo Michael R. Bien
Information Technology Officer/Acting Head

Trust Banking Group
Josephine G. Cervero
Senior Vice President

Third Party Custodianship and Registry Department
Analiza M. Vasco
Assistant Vice President

Trust Account Management Department
Camilo G. Sanchez
Assistant Vice President

Trust Business Development Department
Madonna M. Cinco
Department Manager

Trust Operations Department

Trust Portfolio Management Department

Risk Management Group
Sofia C. Ladores
Vice President

Business Risk Management Department
Marjorie R. Cortez
Bank Executive Officer/OIC

Credit Risk Management Department
Audie A. Cabusao
Assistant Vice President

Treasury Risk Management Department
Rosemarie E. Sotelo
Assistant Vice President

Enterprise Risk Management Office
Benedict M. Vocal
Risk Management Officer

Information Security and Technology Risk Management Office
Maria Rosa Lorelie H. Concepcion
Risk Management Specialist III

Agrarian Services Group
Alex A. Lorayes
Senior Vice President

Bond Servicing Department
Ricarte Porfirio A. Rey
Assistant Vice President

Land Transfer Processing Department
Marife Lynn O. Pascua
Agrarian Operations Officer/Acting Head

Landowners Assistance & Policy Department
Vicente Ramon A. Castro
Assistant Vice President

Legal Services Group
Noel B. Marquez
Vice President/Head

Administrative Legal Department
Dennis P. Dinglasan
Legal Manager

Banking Legal Services Department
Cesar S. Cabañes
Assistant Vice President

CARP Legal Services Department
Rafael L. Berbaño
Assistant Vice President

Litigation Department
Roderick P. Sacro
Assistant Vice President

Field Legal Services Department
Felix L. Manlangit
Vice President

Strategic Planning Group
Antonio V. Hugo Jr.
First Vice President

Central MIS Department
Samuel E. Acuña
Department Manager

Corporate Planning & Economics and Policy Studies Department
Sheila Marie M. Encabo
Assistant Vice President

Customer Service & Product Devt. Dept.
Cressida M. Alday-Mendoza
Department Manager

Quality Management Department
Sandra May C. Daraman
Department Manager

AGRICULTURAL AND DEVELOPMENT LENDING SECTOR

Agricultural and Development Lending Sector
Cecilia C. Borromeo
Executive Vice President

Lending Support Department
Teresita S. Aringo
Assistant Department Manager/Head

Loan Recovery Department
Eleanor D. Quicoy
Accounts Management Officer/Acting Head

Special Assets Department
Ma. Cristina C. Malab
Assistant Vice President

Corporate Banking Group
Edward John T. Reyes
Senior Vice President

Corporate Banking Dept. I
Lucila E. Tesorero
Vice President

Corporate Banking Dept. II
Emma M. Brosas
Vice President

Financial Institutions Department
Cielito H. Lunaria
Vice President

Public Sector Department
Esperanza N. Martinez
Assistant Vice President

Lending Programs Management Group
Emellie V. Tamayo
Vice President

Development Assistance Department
Melinda C. Cruz
Assistant Vice President

Environmental Program & Management Dept.
Prudencio E. Calado III
Department Manager

Fund Sourcing Department
Ronnie H. Encarnacion
Department Manager

Program Management Department I
Edgardo S. Luzano
Assistant Vice President

Program Management Department II
Generoso S. David
Department Manager

Retail and Mid-Market Lending Group
Lolita T. Silva
First Vice President

Mortgage Banking Department I
Bonifacio J. Lopez
Provident Fund Officer/Department Manager

Mortgage Banking Department II
Luz D. Abalos
Assistant Vice President

Small and Medium Enterprises - Mid-Market Lending Department 1
Marietta B. Cajuguiran
Assistant Vice President

Small and Medium Enterprises - Mid-Market Lending Department 2
Danilo D. Dayanghirang
Assistant Vice President

Northern & Central Luzon Lending Group
Ma. Celeste A. Burgos
Senior Vice President

Southern Luzon Lending Group
Filipina B. Monje
Senior Vice President

Visayas Lending Group
Elsie Fe B. Tagupa
Vice President

Mindanao Lending Group
Joselito P. Gutierrez
Senior Vice President

CORPORATE SERVICES SECTOR

Corporate Services Sector
Julio D. Climaco Jr.
Executive Vice President

Corporate Affairs Department
Catherine Rowena B. Villanueva
First Vice President

Provident Fund Office
Belina A. Llamanzares
Assistant Vice President

Facilities and Procurement Services Group
Carolyn I. Olfindo
Vice President

Facilities Management Department
Hermie C. Villa
Department Manager

Procurement Department
Alwin I. Reyes
Assistant Vice President

Project Management and Engineering Dept.
Alexander S. Lazaro
Assistant Department Manager

Human Resource Management Group
Voltaire Pablo III P. Pablo
Vice President

Employee Relations Department
Mira Leah B. Patio
Senior Management Associate/ Head

Organization Development Department
Emmanuel Jr. G. Hio
Assistant Vice President

Personnel Administration Department
Joselito B. Vallada
Assistant Vice President

TREASURY AND INVESTMENT BANKING SECTOR

Treasury and Investment Banking Sector
Carel D. Halog
Senior Vice President

Investment Sales and Distribution Department
Lolita M. Almazar
Vice President

Treasury Support Department
Nida S. Pagdanganan
Manager

Asset Liability Management Group
Ivy C. Sacramento
Assistant Vice President/OIC

Balance Sheet Management Department
Ivy C. Sacramento
Assistant Vice President

Liquidity and Reserve Management Department
Ma. Elizabeth L. Gener
Vice President

Financial Markets Group

Capital Markets Trading Department
Ma. Francia O. Titar
Vice President

FX Sales and Hedging Solutions Department
Adelfa R. Masacupan
Assistant Vice President

Rates and FX Trading Department
Christine G. Mota
Vice President

Investment Banking Group

Investment Banking Department 1

Investment Banking Department 2
Florence Rosalind R. Claveria
Department Manager

OPERATIONS SECTOR

Operations Sector
Alan V. Bornas
Senior Vice President

IT Quality Management Office (IT QMO)
Josie M. Castro
Assistant Department Manager

Banking Operations Group
Annalene M. Bautista
First Vice President

Foreign and Domestic Remittance Dept.
Corazon A. Gatdula
Assistant Vice President

International Trade Department
Manuel F. Francisco
Department Manager

Loans Implementation Department
Wilhelmina T. Florencio
Assistant Department Manager

Property Valuation and Credit Information Dept.
Winston Rochel L. Galang
Vice President

Banking Services Group
Ana S. Concha
Vice President/Head

ATM & Cash Management Department
Arnold Jose G. Adolfo
Department Manager

Central Clearing Department
Reynaldo C. Capa
Assistant Vice President

MDS & Collections Management Department
Irish D. Tan
Department Manager

Controllership Group
Ma. Eloisa C. Dayrit
Vice President/Head

Administrative Accounting Department
Cecilia D. Ramos
Department Manager

Agrarian Accounting Department
Jaime G. Dela Cruz
Department Manager

Financial Accounting Department
Merceditas N. Oliva
Assistant Vice President

Systems & Method Department
Benjamin P. Villanueva Jr.
Department Manager

Treasury Operations Dept
Cristie Corazon A. Villanueva
Assistant Department Manager/Acting Head

Technology Management Group
Alden F. Abitona
Vice President

Data Center Management Department
Cary Brian M. Santos
Manager/Acting Head

Electronic Banking Systems Department
Arthur E. Dalampan
Assistant Vice President

Enterprise Systems Department
Rosanna F. Berones
Information Technology Manager

IT Security Office
Lolita L. Sumaylo
Information Technology Officer

IT-Project Management Department
Rosemarie A. Tam
Assistant Vice President

Network Operations Department
Enrique Jr. L. Sazon
Assistant Vice President

Production Ctrl & Administrative Svcs.
Alona L. Manabat
Information Technology Officer

Retail Banking Systems Department
Grace Ofelia Lovely V. Dayo
Assistant Vice President

BRANCH BANKING SECTOR

Branch Banking Sector
Liduvino S. Geron
Senior Vice President/Head

Branch Banking Support Department
Elenita C Rapanut
Vice President

CCT Program Management Office
Domingo Conrado G. Galsim
Assistant Vice President

Systems Implementation Department
Aurelia M. Lavilla
Assistant Department Manager/Head

Card and Electronic Banking Group
Randolph L. Montesa
First Vice President

Cash Management Solutions Department
Ninna Richelle H. Veran
Department Manager

Credit Card Administration Department
Annamaria M. Calara
Bank Executive Officer/Head

Debit Cards and ATM Management Department
Marissa B. Pineda
Department Manager

Electronic Products Department
Pacifico Jr. C. De Paz
Vice President

OFW Remittance Group
Renato G. Eje
First Vice President

Domestic Remittance Mktg Dept.
Jose James T. Figueras
Assistant Vice President

Overseas Remittance Mktg & Support Dept.
Reo S. Andarino
Assistant Vice President

North NCR Branches Group
Leila C. Martin
First Vice President

North NCRBG Cluster-A
Ma. Belma T. Turla
Relationship Officer

North NCRBG Cluster B
Delma O. Bandiola
Relationship Officer

North NCRBG Cluster C
Myrgie O. Mendoza
Relationship Officer

South NCR Branches Group
Ramon R. Monteloyola
Senior Vice President

South NCRBG Cluster-A
Rossana S. Coronel
Relationship Officer

South NCRBG Cluster B
Mylene B. Macapagal
Relationship Officer

South NCRBG Cluster C
Dina Melanie R. Madrid
Relationship Officer

North Luzon Branches Group
Nomerlito A. Juatchon
Vice President

Central Luzon Branches Group
Sylvia C. Lim
Vice President

Southeast Luzon Branches Group
Marilou L. Villafranca
Vice President

Southwest Luzon Branches Group
Ma. Cielito D. Valdivia
Vice President

East Visayas Branches Group
Manuel Jose Mari S. Infante
First Vice President

West Visayas Branches Group
Althon C. Ferolino
Vice President/Head

East Mindanao Branches Group
Camilo C. Leyba
First Vice President

West Mindanao Branches Group
Khurshid U. Kalabud
Vice President

Independent Auditor's Report

Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Ave., Quezon City
CORPORATE GOVERNMENT SECTOR
CLUSTER 1 – BANKING AND CREDIT

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Land Bank of the Philippines
Manila

We have audited the accompanying financial statements of **Land Bank of the Philippines (LBP)**, **and its subsidiaries (referred to as the "Group")** which comprise the statements of financial position as at December 31, 2016 and 2015, and the statements of comprehensive income, statements of changes in capital funds and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with Philippine Public Sector Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 present fairly, in all material respects, the financial position of the **Group** as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Emphasis of Matter

We draw attention to Note 10 to the Financial Statements which disclosed, among others, that the LBP's Available-for-sale -Domestic-Private investments account includes the undelivered 3,366,800 MERALCO shares. Likewise, the corresponding cash dividends earned amounting to P297.086 million and P212.647 million as at December 31, 2016 and 2015, respectively, and property dividends of 9,488,394 shares of stock in Rockwell Land Corporation, were still unpaid to LBP.

To compel MERALCO to comply with the Supreme Court decision, LBP filed the Petition to cite MERALCO and other Respondents in Indirect Contempt before the Supreme Court on April 14, 2015. The Supreme Court has not yet directed the parties to file their respective Memoranda nor submitted the case for Decision as to date.

Our opinion is not modified in respect of the above matter.

COMMISSION ON AUDIT

CORA D. MARQUEZ
Supervising Auditor

20 June 2017

LAND BANK OF THE PHILIPPINES
ISO 9001 CERTIFIED
Official Depository of the Republic of the Philippines

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of the **Land Bank of the Philippines and Subsidiaries (the Group)** and the **Land Bank of the Philippines (the Parent)** is responsible for the preparation and fair presentation of the financial statements as at and for the years ended December 31, 2016 and 2015, including the additional components attached therein in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements before such statements are issued to the regulators, creditors and other users.

The Commission on Audit has examined the financial statements of the Group and of the Parent Company in accordance with the Philippine Standards on Auditing and has expressed opinion on the fairness of presentation upon completion of such audit, in its report to the Board of Directors.

MA. ELOISA C. DAYRIT
VP, Controllership Group

ALAN V. BORNAS
SVP, Operations Sector

ALEX V. BUENAVENTURA
President and CEO

Signed this 14th day of June 2017

LANDBANK Plaza, 1598 M. H. del Pilar corner Dr. J. Quintos Sts.,
Malate, Manila 1004 • Tel Nos. 522-0000 • 551-2200 • 450-7001
www.landbank.com

Land Bank of the Philippines

Statements of Financial Position

December 31, 2016 and 2015 (In Philippine Pesos)

	NOTE	GROUP		PARENT	
ASSETS		**2016**	**2015 (As restated)**	**2016**	**2015**
Cash and other cash items	4	28,251,826,726	26,889,637,489	28,250,784,197	26,889,156,228
Due from Bangko Sentral ng Pilipinas	5	355,405,020,009	314,934,579,624	355,405,020,009	314,934,579,624
Due from other banks	6	11,731,533,951	5,890,980,638	11,621,760,371	5,782,735,575
Interbank loans receivable	7	15,562,360,000	17,799,876,515	15,562,360,000	17,799,876,515
Securities purchased under agreements to resell	8	14,803,583,599	83,654,000,000	14,803,583,599	83,654,000,000
Held for trading	9	9,904,584,983	8,474,023,572	9,904,584,983	8,474,023,572
Available for sale investments - net	10	290,396,560,740	154,131,204,263	290,396,560,740	154,131,204,263
Held to maturity investments	11	152,818,697,546	122,601,782,887	151,928,198,623	121,784,243,661
Loans and receivables - net	12 & 17	501,160,840,640	450,477,539,449	499,956,723,754	449,046,560,011
Investments in subsidiaries	13	0	0	438,775,006	438,775,006
Investment property - net	14	6,128,097,587	6,406,027,644	5,999,869,778	6,290,389,090
Property and equipment - net	15	7,145,490,196	6,772,037,438	6,644,893,199	6,243,994,847
Non-current assets held for sale		267,045,114	371,034,571	258,659,819	347,281,087
Other assets - net	16 & 17	8,667,364,571	7,276,999,088	8,587,623,021	7,251,396,648
Deferred income tax	22	63,094,853	70,683,821	0	0
		1,402,306,100,515	**1,205,750,406,999**	**1,399,759,397,099**	**1,203,068,216,127**
LIABILITIES AND EQUITY					
Liabilities					
Deposit liabilities	18	1,235,625,205,480	1,045,860,316,022	1,235,977,335,203	1,046,227,858,264
Bills payable	19	30,251,333,652	21,749,930,995	30,035,333,652	21,349,930,995
Unsecured subordinated debt	20	0	10,500,000,000	0	10,500,000,000
Derivative liabilities		18,504,560	0	18,504,560	0
Deposits from other banks		1,723,036	16,757,519	1,723,036	16,757,519
Treasurer's, Manager's and Cashier’s checks		1,265,559,561	1,937,582,485	1,265,559,561	1,937,582,485
Payment order payable		94,188,109	91,205,588	94,188,109	91,205,588
Marginal deposits		15,025,639,549	6,526,470,264	15,025,639,549	6,526,470,264
Cash letters of credit		6,373,117,805	7,463,598,413	6,373,117,805	7,463,598,413
Other liabilities	21	20,824,901,209	22,855,913,988	20,748,875,021	22,710,855,010
		1,309,480,172,961	**1,117,001,775,274**	**1,309,540,276,496**	**1,116,824,258,538**
Equity	30				
Common stock		17,800,000,000	11,971,000,000	17,800,000,000	11,971,000,000
Paid-in surplus		101,098,220	101,098,220	101,098,220	101,098,220
Retained earnings free		26,719,129,410	24,513,572,642	25,446,844,724	23,273,646,428
Retained earnings reserve		30,794,448,508	27,190,507,032	29,771,448,508	26,282,507,032
Undivided profits		13,814,129,796	13,965,866,598	13,563,696,007	13,663,584,070
Revaluation increment		61,200,000	61,200,000	0	0
Other Comprehensive Income					
Net unrealized gains on securities available for sale		3,536,033,144	10,946,296,839	3,536,033,144	10,952,121,839
Remeasurement of retirement benefit obligation		(111,524)	(909,606)	0	0
		92,825,927,554	**88,748,631,725**	**90,219,120,603**	**86,243,957,589**
		1,402,306,100,515	**1,205,750,406,999**	**1,399,759,397,099**	**1,203,068,216,127**

The Notes on pges 132 to 182 form partof these financial statements

Land Bank of the Philippines

Statements Comprehensive Income

For the Years ended December 31, 2016 and 2015 (In Philippine Pesos)

		GROUP		PARENT	
	NOTE	2016	2015 (As restated)	2016	2015
INTEREST INCOME					
Loans		25,931,533,423	23,791,892,862	25,719,257,438	23,559,487,460
Investments		13,011,486,550	10,829,494,262	12,984,866,640	10,802,059,058
Due from Bangko Sentral ng Pilipinas		2,709,171,877	2,424,170,012	2,709,171,877	2,424,170,012
Deposit in banks		29,285,949	11,530,149	22,959,257	11,198,867
Others		1,087,878	944,399	847,370	944,399
		41,682,565,677	37,058,031,684	41,437,102,582	36,797,859,796
INTEREST EXPENSE					
Deposit liabilities		9,409,271,625	7,335,408,475	9,410,204,824	7,342,236,329
Borrowed funds		843,737,159	816,547,054	844,998,335	828,378,360
Unsecured subordinated debt		46,265,625	616,875,000	46,265,625	616,875,000
Others		9,219,883	47,823,954	17,599,425	48,595,739
		10,308,494,292	8,816,654,483	10,319,068,209	8,836,085,428
NET INTEREST INCOME		31,374,071,385	28,241,377,201	31,118,034,373	27,961,774,368
PROVISION FOR CREDIT LOSSES	17	144,447,845	133,518,969	118,370,022	104,913,927
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES		31,229,623,540	28,107,858,232	30,999,664,351	27,856,860,441
OTHER OPERATING INCOME					
Dividends		1,942,212,386	1,552,119,872	1,942,183,297	1,552,119,872
Fees and commission		1,709,681,719	1,549,824,362	1,614,721,616	1,453,857,264
Gain from dealings in foreign currency		474,854,097	565,106,953	465,675,584	551,915,699
Gain from sale/redemption/reclass of non-trading of FA and Liab		320,019,255	1,831,786,246	325,844,255	1,831,786,246
Foreign exchange gains from revaluation		133,496,302	17,655,071	133,496,302	17,655,071
Miscellaneous income		1,399,202,772	1,718,117,526	1,341,448,848	1,656,665,105
		5,979,466,531	7,234,610,030	5,823,369,902	7,063,999,257
OTHER OPERATING EXPENSES					
Compensation and fringe benefits		8,683,112,699	8,285,966,334	8,667,061,096	8,250,565,505
Taxes and licenses		2,754,498,888	2,561,339,051	2,726,700,282	2,532,522,963
Depreciation and amortization		944,040,528	802,969,517	927,664,127	784,062,577
Loss on financial assets and liabilities - held for trading		716,566,301	772,171,362	716,566,301	772,171,362
Rent		629,009,957	828,953,497	675,124,454	918,231,706
Miscellaneous expenses		8,817,630,234	7,854,743,785	8,799,420,536	7,827,861,561
		22,544,858,607	21,106,143,546	22,512,536,796	21,085,415,674
INCOME BEFORE INCOME TAX		14,664,231,464	14,236,324,716	14,310,497,457	13,835,444,024
PROVISION FOR INCOME TAX	22	850,101,668	270,458,118	746,801,450	171,859,954
NET INCOME		13,814,129,796	13,965,866,598	13,563,696,007	13,663,584,070
OTHER COMPREHENSIVE INCOME					
Net unrealized losses on securities available for sale		(7,410,263,695)	(2,554,600,410)	(7,416,088,695)	(2,553,203,768)
Remeasurement of retirement benefit obligation		798,082	(909,606)	0	0
TOTAL COMPREHENSIVE INCOME		**6,404,664,183**	**11,410,356,582**	**6,147,607,312**	**11,110,380,302**

The Notes on pges 132 to 182 form partof these financial statements

Land Bank of the Philippines

Statements of Changes in Capital Funds-Group

For the Years ended December 31, 2016 and 2015 (In Philippine Pesos)

	Common Stock (Note 30)		Paid-in	Retained Earnings	Retained Earnings	Undivided	Revaluation	Other Comprehensive	
	Shares	Amount	Surplus	Free	Reserve	Profits	Increment	Income (Loss)	T O T A L
Balance, December 31, 2014	**1,197,100,000**	**11,971,000,000**	**101,098,220**	**19,673,039,494**	**27,035,769,169**	**12,642,378,560**	**61,200,000**	**13,500,897,249**	**84,985,382,692**
Net income during the year as restated						13,965,866,598			13,965,866,598
Net unrealized loss on securities as restated								(2,554,600,410)	(2,554,600,410)
Re-measurement of retirement benefit obligation as restated								(909,606)	(909,606)
Declaration of cash dividends				(6,136,074,048)					(6,136,074,048)
Transfer to retained earnings free				12,642,378,560		(12,642,378,560)			0
Transfer to retained earnings reserve				(710,000,000)	710,000,000				0
PFRS/prior period adjustment as restated				(986,629,737)	(555,225,421)				(1,541,855,158)
Closure of excess book value over cost of investment in subsidiaries				1,555,035					1,555,035
Closure/Dissolution of LBP Finance Services, Italy				30,718,778	(36,716)				30,682,062
Currency translation difference				(1,415,440)					(1,415,440)
Balance, December 31, 2015 as restated	**1,197,100,000**	**11,971,000,000**	**101,098,220**	**24,513,572,642**	**27,190,507,032**	**13,965,866,598**	**61,200,000**	**10,945,387,233**	**88,748,631,725**
Effect due to change in par value from P10 to P100	(1,077,390,000)								0
Capital infusion from the National Government	58,290,000	5,829,000,000							5,829,000,000
Net income during the year						13,814,129,796			13,814,129,796
Net unrealized loss on securities								(7,410,263,695)	(7,410,263,695)
Re-measurement of retirement benefit obligation								798,082	798,082
Declaration of cash dividends				(6,764,159,431)					(6,764,159,431)
Transfer to retained earnings free				13,965,866,598		(13,965,866,598)			0
Transfer to retained earnings reserve				(4,153,941,476)	4,153,941,476				0
PFRS/prior period adjustment				(840,599,899)	(550,000,000)				(1,390,599,899)
Closure of excess book value over cost of investment in subsidiaries				(20)					(20)
Currency translation difference				(1,609,004)					(1,609,004)
Balance, December 31, 2016	**178,000,000**	**17,800,000,000**	**101,098,220**	**26,719,129,410**	**30,794,448,508**	**13,814,129,796**	**61,200,000**	**3,535,921,620**	**92,825,927,554**

The Notes on pges 132 to 182 form partof these financial statements

Statements of Changes in Capital Funds-Parent

For the Years ended December 31, 2016 and 2015 (In Philippine Pesos)

	Common Stock (Note 30)		Paid-in	Retained Earnings	Retained Earnings	Undivided	Other Comprehensive
	Shares	Amount	Surplus	Free	Reserve	Profits	Income (Loss)
Balance, December 31, 2014	**1,197,100,000**	**11,971,000,000**	**101,098,220**	**17,876,609,603**	**26,837,732,453**	**12,389,392,660**	**13,505,325,607**
Net income during the year						13,663,584,070	
Net unrealized loss on securities							(2,553,203,768)
Declaration of cash dividends				(6,000,000,000)			
Transfer to retained earnings free				12,389,392,660		(12,389,392,660)	
PFRS/prior period adjustment				(990,940,395)	(555,225,421)		
Currency translation difference				(1,415,440)			
Balance, December 31, 2015	**1,197,100,000**	**11,971,000,000**	**101,098,220**	**23,273,646,428**	**26,282,507,032**	**13,663,584,070**	**10,952,121,839**
Effect due to change in par value from P10 to P100	(1,077,390,000)						
Capital infusion from the National Government	58,290,000	5,829,000,000					
Net income during the year						13,563,696,007	
Net unrealized loss on securities							(7,416,088,695)
Declaration of cash dividends				(6,600,000,000)			
Transfer to retained earnings free				13,663,584,070		(13,663,584,070)	
Increase in retained earnings-reserve				(4,038,941,476)	4,038,941,476		
PFRS/prior period adjustment				(849,835,294)	(550,000,000)		
Currency translation difference				(1,609,004)			
Balance, December 31, 2016	**178,000,000**	**17,800,000,000**	**101,098,220**	**25,446,844,724**	**29,771,448,508**	**13,563,696,007**	**3,536,033,144**

The Notes on pges 132 to 182 form partof these financial statements

Land Bank of the Philippines

Statements of Cash Flows

For the Years ended December 31, 2016 and 2015 (In Philippine Pesos)

	GROUP		PARENT	
	2016	**2015 (As restated)**	**2016**	**2015**
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest received	40,134,385,755	37,058,820,067	39,888,098,637	36,798,454,847
Interest paid	(9,974,587,863)	(8,822,556,823)	(9,985,246,934)	(8,842,038,516)
Fees and commission received	1,709,681,719	1,549,824,362	1,614,721,616	1,453,857,264
Loss on financial assets and liabilities held for trading	(716,566,301)	(772,171,362)	(716,566,301)	(772,171,362)
Gain from dealings in foreign currency	474,854,097	565,106,953	465,675,584	551,915,699
Miscellaneous income	1,399,202,772	1,718,117,526	1,341,448,848	1,656,665,105
General and administrative expenses	(21,529,600,928)	(19,363,706,415)	(21,484,465,722)	(19,412,286,155)
Operating income before changes in operating assets and liabilities	**11,497,369,251**	**11,933,434,308**	**11,123,665,728**	**11,434,396,882**
Changes in operating assets and liabilities				
(Increase)/Decrease in operating assets				
Interbank loans receivable	2,237,516,515	(556,274,013)	2,237,516,515	(556,274,013)
Held for Trading	(1,430,561,411)	6,338,816,089	(1,430,561,411)	6,338,816,089
Loans and receivable	(50,454,014,676)	(48,108,470,913)	(50,653,983,574)	(47,570,136,967)
Other assets	(240,279,536)	131,327,972	(193,128,502)	132,765,973
Increase/(Decrease) in operating liabilities				
Deposit liabilities	189,764,889,458	133,280,640,672	189,749,476,939	133,276,222,113
Derivative liabilities	18,504,560	(45,033,435)	18,504,560	(45,033,435)
Deposits from other banks	(15,034,483)	8,136,092	(15,034,483)	8,136,092
Payment order payable	2,982,521	(8,172,442)	2,982,521	(8,172,442)
Marginal deposits	8,499,169,285	6,212,199,450	8,499,169,285	6,212,199,450
Cash letters of credit	(1,090,480,608)	(1,039,263,612)	(1,090,480,608)	(1,039,263,613)
Treasurer's, Manager's and Cashier's Checks	(672,022,924)	440,830,298	(672,022,924)	440,830,298
Other liabilities	(2,233,234,867)	2,313,157,805	(2,137,636,927)	2,377,791,401
Net cash generated from operations	**155,884,803,085**	**110,901,328,271**	**155,438,467,119**	**111,002,277,828**
Income taxes paid	(43,096,498)	(44,822,725)	0	0
Net cash generated from operating activities	**155,841,706,587**	**110,856,505,546**	**155,438,467,119**	**111,002,277,828**
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property and equipment	(1,071,509,092)	(1,413,927,546)	(1,083,684,370)	(1,332,470,081)
Disposals of investment property	63,894,446	250,893,085	76,997,086	247,697,943
Disposals of/(additions to) non-current assets held for sale	103,989,457	(123,707,817)	88,621,268	(123,707,817)
Dividends received	1,942,212,386	1,552,119,872	1,942,183,297	1,552,119,872
Gain from investment securities	320,019,255	1,831,786,246	325,844,255	1,831,786,246
Decrease/(increase) in:				
Available for sale investments	(143,675,620,172)	34,655,303,996	(143,681,445,172)	34,656,700,638
Held to maturity investments	(30,216,914,659)	(26,786,923,315)	(30,143,954,962)	(26,758,656,440)
Investment in subsidiaries	0	0	0	47,051,062
Net cash provided by (used in) investing activities	**(172,533,928,379)**	**9,965,544,521**	**(172,475,438,598)**	**10,120,521,423**
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash dividends paid	(6,764,159,431)	(6,136,074,048)	(6,600,000,000)	(6,000,000,000)
Capital infusion from National Government	5,829,000,000	0	5,829,000,000	0
Other charges to capital	(1,395,944,769)	(1,503,013,594)	(1,401,444,298)	(1,547,581,256)
Increase/(decrease) in:				
Bills payable	8,212,596,224	1,793,017,457	8,396,596,224	1,393,017,457
Unsecured subordinated debt	(10,500,000,000)	0	(10,500,000,000)	0
Net cash used in financing activities	**(4,618,507,976)**	**(5,846,070,185)**	**(4,275,848,074)**	**(6,154,563,799)**
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	133,496,302	17,655,071	133,496,302	17,655,071
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(21,177,233,466)**	**114,993,634,953**	**(21,179,323,251)**	**114,985,890,523**

Notes to Financial Statements

(All amounts in Philippine Peso unless otherwise stated)

1. Corporate Information

The Land Bank of the Philippines (Parent) is a financial institution wholly-owned by the National Government. The Parent was established in 1963 as the financial intermediary of the Land Reform Program of the government. Later, it became the first universal bank by charter with expanded commercial banking powers to sustain its social mission of spurring countryside development.

The Parent is a depository bank of the government and its various instrumentalities. The Parent services the requirements of the national government, local government units and government-owned and controlled corporations. As of December 31, 2016, 67percent of the deposit portfolio came from the government while the rest came from private depositors.

The Parent and its subsidiaries (Group) are engaged in the business of banking, financing, leasing, real estate, insurance brokering and other related services to individual, commercial, corporate and institutional clients. The Group's products and services include deposit-taking, lending and related services, treasury and capital market operations, trade services, payments and cash management, and trust services.

The Parent's principal office of business is located at the LandBank Plaza, 1598 M.H. Del Pilar corner Dr. J. Quintos Streets, Malate, Manila.

The accompanying comparative financial statements of the Parent were authorized for issue by the Parent's Board of Directors on February 28, 2017while those of the subsidiaries were approved for issue by their respective Board of Directors on various dates.

2. Summary of Significant Accounting Policies

2.1 Basis of Financial Statements Preparation

The accompanying financial statements have been prepared on a historical cost basis except for financial assets and financial liabilities at fair value through profit or loss (FVPL), available-for-sale (AFS) investments, and derivative financial instruments that have been measured at fair value.

The financial statements of the Parent include the accounts maintained in the Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU). The financial statements individually prepared for these units are combined after eliminating inter-unit accounts.

The functional currency of RBU and FCDU is Philippine Peso and United States Dollar (USD), respectively. For financial reporting purposes, FCDU accounts and foreign currency-denominated accounts in the RBU are translated in Philippine Peso based on the Philippine Dealing System (PDS) closing rate prevailing at end of the year.

The consolidated financial statements are presented in Philippine peso, and all values are rounded to the nearest peso except when otherwise indicated.

2.2 Statement of Compliance

The consolidated financial statements of the Group and of the Parent have been prepared in compliance with the Philippine Financial Reporting Standards (PFRS).

2.3 Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent and the following wholly-owned subsidiaries:

Name	Country of Incorporation	Principal Activity	Functional Currency
LBP Leasing and Finance Corporation	Philippines	Leasing	Philippine peso
LBP Insurance Brokerage, Inc.	Philippines	Insurance brokerage	Philippine peso
LBP Resources and Development Corporation	Philippines	Real estate	Philippine peso
MasaganangSakahan, Inc.	Philippines	Trading	Philippine peso

The consolidated financial statements were prepared using consistent accounting policies for like transactions and other events in similar circumstances. All significant inter-company balances and transactions have been eliminated in consolidation.

Significant Accounting Policies

Foreign currency translation

Transactions and balances

The books of accounts of the RBU are maintained in Philippine Peso, while those of the FCDU are maintained in USD. For financial reporting purposes, the foreign currency-denominated monetary assets and liabilities in the RBU are translated in Philippine Peso based on the Philippine Dealing System (PDS) closing rate prevailing at the statement of financial position date. Foreign exchange differences arising from revaluation and translation of foreign-currency denominated assets and liabilities are credited to or charged against operations in the year in which the rates change.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Fair Value Measurement

The methods and assumptions used by the Group in estimating the fair value of the financial instruments include the following:

Cash and cash equivalents and short-term investments – Carrying amounts approximate fair values due to the relatively short-term maturity of these instruments.

Debt and Equity securities – Fair values are generally based upon quoted market prices. If the market prices are not readily available, fair values are estimated using either values obtained from counterparties or independent parties offering pricing services, values based on adjusted quoted market prices of comparable investments or values computed using the discounted cash flow methodology.

Loans and receivables – Fair values of loans are estimated using the discounted cash flow methodology using the Parent's current incremental lending rates for similar types of loans.

Mortgage loans – Fair values of loans on real estate are estimated using the discounted cash flow methodology using the Parent's current incremental lending rates for similar types of loans.

Short-term investments – Carrying amounts approximate fair values.

Others – Quoted market prices are not readily available for these assets. They are not reported at fair value and are not significant in relation to the Group's total portfolio of securities.

Obligations to repurchase securities are recorded at cost which approximates fair value.

Liabilities – Fair values are estimated using the discounted cash flow methodology using the Parent's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued. Except for the long-term fixed rates liabilities and floating rate liabilities with repricing periods beyond three months, the carrying values approximate fair values due to the relatively short term maturities of the liabilities or frequency of the repricing.

Financial Instruments

Date of recognition

Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date - the date that an asset is delivered to or by the Group. Securities transactions are also recognized on settlement date basis. Derivatives are recognized on trade date basis. Deposits, amounts due to banks and customers and loans are recognized when cash is received by the Group or advanced to the borrowers.

Initial recognition of financial instruments

All financial instruments, including trading and investment securities and loans and receivables, are initially measured at fair value. Except for financial assets and financial liabilities valued at FVPL, the initial measurement of financial instruments includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, HTM investments, AFS investments, and loans and receivables while financial liabilities are classified as financial liabilities at FVPL and financial liabilities carried at amortized cost. The classification depends on the purpose for which the investments were acquired and if they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Determination of fair value

The fair value for financial instruments traded in active markets at the statement of financial position date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. In the absence of an available current bid and asking prices, the price of the most recent transaction is used since it provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models, and other relevant valuation models.

Derivative Instruments

The Parent enters into derivative contracts such as currency forwards and currency swaps to manage its foreign exchange exposure. These derivative financial instruments are initially recorded at fair value on the date at which the derivative contract is entered into and are subsequently remeasured at fair value. Any gains or losses arising from changes in fair values of derivatives (except those accounted for as accounting hedges) are taken directly to the statement of comprehensive income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Derivative instruments are booked at its notional amount under contingent account on trade date and subsequently measured using the mark to forward methods. Any gains/(losses) arising from the market valuation are booked under asset account “Derivatives with positive fair value“ if the market valuation is positive and under the liability account “Derivatives with negative fair value” if the market valuation is negative contra foreign exchange gain/(loss) account.

The Parent did not apply hedge accounting treatment for its derivative transactions.

(a) *Held for trading*

Financial assets held for trading are debt and equity securities recorded in the statement of financial position at fair value. Changes in fair value relating to the held for trading positions are recognized in ‘Gain on Financial Assets HFT’. Interest earned or incurred is recorded in ‘Interest income’ or ‘Interest expense’, respectively, while dividend income is recorded in ‘Dividends’ when the right to receive payment has been established. Included in this classification are debt and equity securities which have been acquired principally for the purpose of selling or repurchasing in the near term.

(b) *Loans and receivables, amounts due from BSP and other banks, interbank loans receivable and securities purchased under resale agreements*

These are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as other financial assets held for trading, designated as AFS investments.

(c) *Held-to-Maturity (HTM) investments*

HTM investments are financial assets with fixed or determinable payments and fixed maturities for which the Group's management has the positive intention and ability to hold to maturity. These investments are carried at amortized cost using the effective interest rate (EIR) method, reduced by any impairment in value. Gains and losses are recognized in statement of comprehensive income when the HTM investments are derecognized, impaired orrevalued (in case of foreign currency denominated), as well as through the amortization process.

(d) *Available-for-sale (AFS) investments*

AFS investments are debt and equity securities which do not qualify to be classified as HFT, HTM or loans and receivables. They are purchased and held indefinitely, but which the Group anticipates to sell in response to liquidity requirements or changes in market conditions. AFS investments are carried at fair market value. The effective yield component (including premium, discounts and directly attributable transaction costs) and foreign exchange restatement results of AFS debt securities are reported in earnings. Dividends on AFS equity instruments are recognized in the statement of comprehensive income when the entity's right to receive payment is established. The unrealized gains and losses arising from the recognition of fair value changes on AFS assets are reported as a separate component of equity in the statement of financial position.

Impairment of Financial Assets

The Group determines at each reporting date if there is objective evidence that a financial asset may be impaired.

Financial assets carried at amortized cost

A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Group first assesses if objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for assets that are not individually significant. If it is determined that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics (i.e., on the basis of the Group's scoring process that considers asset term, industry and collateral) and that group of assets is collectively assessed for impairment. Those characteristics are relevant to the estimation of future cash flows for group of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through use of an allowance account.

The amount of loss is charged to current operations. If a loan or HTM investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, any amounts formerly charged are credited to 'Provision for credit losses' in the statement of comprehensive income and the allowance account, reduced. The HTM investments, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets and historical loss experience for assets with similar credit risk characteristics. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for groups of assets are made to reflect and be directionally consistent with changes in related observable data from period to period (such as changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are charged to income.

Restructured loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews restructured loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate. The difference between the recorded value of the original loan and the present value of the restructured cash flows, discounted at the original effective interest rate, is recognized in 'Provision for credit losses' in the statement of comprehensive income.

Assets Carried at Cost

If there is objective evidence that an impairment loss on an unquoted equity instruments that are not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS Investments

If an AFS investment is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss on that security previously recognized in profit or loss – is removed from equity and recognized in the statement of comprehensive income. Impairment losses on equity instruments recognized in the statement of comprehensive income are not reversed through the statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as AFS investment increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the statement of comprehensive income.

Derecognition of Financial Assets and Liabilities

Financial Assets. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial Liabilities. Derecognition of a financial liability happens when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Offsetting financial instruments

Offsetting of financial assets and financial liabilities are only made and the net amount are reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and the Group intends to either settle on a net basis, or to realize the asset and the liability simultaneously.

Fiduciary Activities

Assets and income arising from fiduciary activities together with related undertakings to return such assets to customers are excluded from the financial statements where the Group acts in a fiduciary capacity such as nominee, trustee or agent.

Subsequent Events

Any post-year-end event that provides additional information about the Group's position at the statement of financial position date (adjusting event) is reflected in the financial statements. Post-year-end events that are non adjusting events, if any, are disclosed in the Notes to the Financial Statements, when material.

Impairment of Property and Equipment, Investment Property and Other Resources

At each reporting date, the Group assesses if there is any indication that the property and equipment and investment properties may be impaired.

Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

Investments in Subsidiaries

The Parent's investments in subsidiaries in which the Parent has control are accounted for under the cost method of accounting in the separate financial statements. These are carried in the statement of financial position at cost less any impairment in value.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization and any impairment in value. When the assets are sold or retired, their cost and accumulated depreciation and amortization are eliminated from the accounts and any gain or loss resulting from their disposal is recognized in the profit or loss.

The initial cost of property and equipment comprises its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance costs, are normally charged to profit and loss in the period in which the costs are incurred.

Depreciation and amortization is calculated on a straight-line basis over the estimated useful life (EUL) of the property and equipment as follows:

	Number of Years
Buildings	10 - 30
Furniture, fixtures and equipment	5 - 10
Leasehold rights	10 - 30*
Transportation equipment	7 - 10

*EUL shall depend on the length of the lease. It shall be the period of the lease or the EUL of the assets, as given, whichever is shorter.

The useful life and depreciation and amortization methods are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

Investment properties

Property acquired by the Group in settlement of loans through foreclosure or dation in payment, and that is not significantly occupied by the Group, is classified as investment property. Investment property comprises land and building.

Investment properties are measured at their fair value as the deemed cost as allowed under PFRS 1 and PAS 40. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and impairment loss. Investment properties are derecognized when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on derecognition of an investment property are recognized in the profit and loss in the year of derecognition.

Expenditures incurred after the fixed investment properties have been put into operation, such as repairs and maintenance costs, are normally charged to expense in the period in which the costs are incurred.

Depreciation is calculated on a straight-line basis over 10 to 30 years, which is the estimated useful life of the investment properties.

Non-Current Assets Held for Sale

Non-current assets held for sale include other properties (chattels, auto and real estate) acquired through repossession or foreclosure that the Group intends to sell within one year from the date of classification as held for sale.

The Group classifies a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The Group is committed to a plan to sell these foreclosed assets and the assets are actively marketed for sale at a price that is reasonable in relation to their current fair values. In the event that the sale of the asset is extended beyond one year, the extension of the period required to complete the sale does not preclude an asset from being classified as held for sale if the delay is caused by events or circumstances beyond the control of the Group and there is sufficient evidence that the Group remains committed to sell the asset.

Assets classified as held for sale are measured at the lower of their carrying amounts immediately prior to their classification as assets held for sale and their fair value less costs to sell. The cost of assets foreclosed includes the carrying amount of the related loan less allowance for impairment at the time of foreclosure. The Group recognizes an impairment loss for any initial and subsequent write-down of the asset to fair value less cost to sell. Gain for any subsequent increase in fair value less cost to sell of an asset is recognized to the extent of the cumulative impairment loss previously recognized. Assets classified as held for sale are not subject to depreciation or amortization.

Intangible Assets

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on the basis of the expected useful lives (three to five years) using the straight line method.

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred.

Income Taxes

Income tax on the profit for the year comprises current tax only. Income tax is recognized in the statement of comprehensive income except to the extent that it relates to items recognized directly in equity. Current income tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantially enacted as of the reporting date, and any adjustment to tax payable in respect to previous years.

Deferred tax assets are recognized for the future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for taxation purposes and the carry forward benefits of the net operating loss carryover (NOLCO) and the minimum corporate income tax (MCIT) over the regular corporate income tax. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amounts of assets and liabilities, using tax rates that have been enacted or substantially enacted as of the reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. The carrying amount of the deferred tax asset is reviewed at each reporting date and reduced, if appropriate.

Employee Benefits

A defined contribution plan is maintained under which the entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employees service in the current and prior period. The standard requires an entity to recognize contributions to a defined contribution plan when an employee has rendered service in exchange for those contributions.

The fund comes from the Bank's annual contribution based on the total number of employees as of December 31 of each year,which for 2016 amounts to P6.27 million.The fund is being administered by the Provident Fund Office and it is kept separate and distinct from its other funds.

The Group maintains a defined contribution plan which provides for estimated pension benefits on its contributory retirement plan covering all regular employees.

Leases

(a) LBP Group is the lessee

(i) Operating lease - leases in which substantially all risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

(ii) Financial lease - leases of assets where the LBP Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and the finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in deferred credits and other liabilities. The interest element of the finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(b) LBP Group is the lessor

(i) Operating lease - properties leased out under operating leases are included in investment property in the statement of financial position. Rental income under operating leases is recognized in the statement of comprehensive income on a straight-line basis over the period of lease.

(ii) Finance lease - when assets are leased out under a finance lease, the present value of the lease payments is recognized as a receivable. The difference between the gross receivable and the present value of the receivable is recognized as unearned income.

Lease income under finance lease is recognized over the term of the lease using the net investment method before tax, which reflects a constant periodic rate of return.

Revenue Recognition

Interest income and fees which are considered an integral part of the effective yield of a financial asset are recognized using the effective interest method, unless collectability is in doubt.

Interest is recognized on impaired loans and other financial assets based on the rate used to discount future cash flows to their net present value.

Dividend income is recognized when the right to receive payment is established.

Gains or losses arising from the trading of securities and foreign currency are recognized in the profit or loss. Generally, commissions, service charges and fees are recognized only upon collection or accrued where there is reasonable degree of certainty as to its collectability.

Commitment fees received to originate a loan when the loan commitment is outside the scope of PAS 39 are deferred and recognized as an adjustment to the effective interest rate. If the loan commitment expires, the fee is recognized as revenue on expiry.

Borrowing Costs

Borrowing costs are expensed when incurred.

Standards issued but not yet effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2017

- Amendment to PFRS 12, *Clarification of the Scope of the Standard (Part of Annual Improvements to PFRS 2014-2016 Cycle)*

  The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

  The amendments do not have any impact on the Group's financial position and result of operation. The Group will include the required disclosures in its 2017 consolidated financial statements.

- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*

  The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

  Application of amendments will result in additional disclosures in the 2017 consolidated financial statements of the Group.

- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

  The amendments clarify that an equity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

  Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted.

  These amendments are not expected to have any impact on the Group.

Effective beginning on or after January 1, 2018

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

  This amendment is not applicable to the Group.

- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard on January 1, 2021.

  The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

  The amendments are not applicable to the Group because none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 9, *Financial Instruments*

  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, Financial Instruments: Recognition and Measurement, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The Group assessed that the adoption of PFRS 9 will have a significant effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's application of hedge accounting and on the amount of its credit losses. The Group is currently assessing the quantitative impact of adopting this standard.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value*
  (Part of Annual Improvements to PFRSs 2014-2016 Cycle)

  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

The amendment is not applicable to the Group.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intention for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

  The interpretation clarifies that in determining the spot exchange rate on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*

  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

  The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in compliance with PFRS requires the Group to make estimates and assumptions that affect the reported amounts of resources, liabilities, income and expenses and disclosure of contingent resources and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

In the process of applying the Group's accounting policies, Management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

a. Operating lease commitments

The entity has entered into commercial property leases on its investment property portfolio. The entity has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

b. Impairment losses on loans and receivables and HTM investments

The Group reviews its loans and receivables and HTM investments to assess impairment at least on an annual basis or earlier when an indicator of impairment exists. In determining if an impairment loss should be recorded in the statement of comprehensive income, the Group makes judgments on any observable data which indicates a measurable decrease in the estimated future cash flows of a financial asset from a portfolio before the decrease can be identified with an individual asset in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. The carrying values of receivables from customers and HTM investments of the Group and the Parent are P653,979,538,186 and P651,884,922,377 as of December 31, 2016 and P573,079,322,336and P570,830,803,672 as of December 31, 2015, respectively.

c. Impairment of AFS investments

The Group determines that available-for-sale investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates among other factors, the normal volatility in price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows. The carrying values of AFS investments for both the Group and the Parent are P290,396,560,740 as of December 31, 2016 and P154,131,204,263 as of December 31, 2015.

d. Classification under HTM investments

The classification of non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity requires significant judgment. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity. Further, the Group determines whether the investments are quoted or not; unquoted debt investments are classified under Loans and receivables. If the Group fails to keep these investments to maturity other than for specific circumstances – for example, selling an insignificant amount or close to maturity – it will be required to reclassify the entire held-to-maturity portfolio as available-for-sale. The investments would therefore be measured at fair value instead of amortized cost. The carrying values of held-to-maturity investments of the Group and the Parent are P152,818,697,546 and P151,928,198,623as of December 31, 2016 and P122,601,782,887 and P121,784,243,661as of December 31, 2015, respectively.

e. Recognition of deferred tax asset

The Group cannot yet establish when it will realize its deductible temporary differences and carry forward benefits of NOLCO and MCIT. When the Group is already in a positive tax position, the Management will review the level of deferred tax assets that it will recognize in the books.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a. Fair value of financial instruments (including derivatives)

The fair value of financial instruments that are not quoted in active markets are determined by using generally accepted valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by the Risk Management Group. All models are reviewed before they are used to ensure that outputs reflect actual data and comparative market prices. To the extent practicable, models use only observable data, however, areas such as credit risk (both own and counterparty), volatilities and correlations require Management to make estimates. Changes in assumptions about these factors could affect reported fair values of financial instruments.

b. *Useful lives of property and equipment*

The Group's Management determines the estimated useful lives and related depreciation charges for its property and equipment. The Bank will increase the depreciation charge where useful lives are less than previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. The carrying values of property and equipment of the Group and the Parent are P7,145,490,196 and P6,644,893,199 as of December 31, 2016 and P6,772,037,438 and P6,243,994,847 as of December 31, 2015, respectively.

4. Cash and Other Cash Items

This account consists of:

	Group		Parent	
	2016	**2015 As restated**	**2016**	**2015**
Cash on hand	27,820,116,755	26,568,357,307	27,820,045,782	26,568,204,651
Checks and other cash items	319,185,867	306,472,027	319,185,867	306,472,027
FX Currency notes & coins on hand	0	33,701	0	33,701
Returned checks and other cash items	103,786,468	8,461,631	103,786,468	8,461,631
Petty cash fund	6,842,000	5,115,441	6,750,000	4,963,441
Revolving fund	1,115,064	434,848	235,508	258,243
Payroll fund	780,572	762,534	780,572	762,534
	28,251,826,726	26,889,637,489	28,250,784,197	26,889,156,228

5. Due from Bangko Sentral ng Pilipinas

This account represents the Parent's demand and special deposits in local currency maintained with BSP to meet reserve requirements and to serve as clearing account for interbank claims consistent with BSP guidelines.

6. Due from Other Banks

This account consists of:

	Group		Parent	
	2016	**2015 As restated**	**2016**	**2015**
Deposit with local banks	399,159,167	212,853,919	289,385,587	105,129,525
Deposit with foreign banks	11,332,374,784	5,678,126,719	11,332,374,784	5,677,606,050
	11,731,533,951	5,890,980,638	11,621,760,371	5,782,735,575

The Group maintains nostro accounts on global basis with 25 foreign depository banks totaling 29 and 30 bank accounts in 2016 and 2015, respectively, the most significant of which are as follows:

2016	2015
1. Wells Fargo Bank, N.A.	1. Wells Fargo Bank, N.A.
2. Standard Chartered Bank, N.Y.	2. Standard Chartered Bank, N.Y.
3. The Bank of New York	3. LandesBank Baden-Wurttemberg
4. JP Morgan Chase Bank	4. The Bank of New York
5. LandesBank Baden-Wurttemberg	5. Standard Chartered Bank, Frankfurt

7. Interbank Loans Receivables

This account consists of the Parent's loans receivable from domestic and foreign banks. Interbank loans receivable carry interest rates at December 31, as follows:

	2016			2015		
Domestic	2.55%	to	4.11%	2.53%	to	2.56%
Foreign	0.12%	to	0.80%	0.015%	to	0.61%

8. Securities Purchased under Agreements to Resell

This account consists of the Parent's Government Securities Purchased under Reverse Repurchase Agreement with the BangkoSentralngPilipinas.

	Group		Parent	
	2016	2015	2016	2015
Domestic				
Government Securities Purchased under Reverse Repurchase Agreement	14,792,325,450	83,654,000,000	14,792,325,450	83,654,000,000
FCDU				
Margin Call on the Bank's Report Transactions Derivative with positive	11,258,149	0	11,258,149	0
	14,803,583,599	83,654,000,000	14,803,583,599	83,654,000,000

Securities Purchased under Agreements to Resell of the Group carry interest rate at 4.00 per cent as at December 31, 2016 and 2015.

9. Held for Trading

This consists of:

	Group		Parent	
	2016	2015	2016	2015
Government Securities – Domestic	8,465,657,400	7,121,502,080	8,465,657,400	7,121,502,080
Private Securities – Domestic	7,227,302	4,701,575	7,227,302	4,701,575
Derivative with positive fair value	1,431,700,281	1,347,819,917	1,431,700,281	1,347,819,917
	9,904,584,983	8,474,023,572	9,904,584,983	8,474,023,572

The Held for Trading (HFT) financial assets of the Group carry interest rates at December 31 as follows:

	2016			2015		
Domestic	1.215%	to	10.50%	1.62%	to	10.50%
Foreign	0%	to	9.625%	2.00%	to	9.50%

HFT includes the foreign exchange (FX) risk cover of the Parent's borrowings from multilateral agencies amounting to P1,213,761,006 and P1,144,019,566in 2016and2015, respectively, which is treated as a derivative financial instrument per BSP Monetary Board Resolution No. 1063 dated August 14, 2008.

Under a Memorandum of Agreement between the National Government (thru the Department of Finance) and the Parent, the former shall guarantee and assume the FX risk relating to foreign currency denominated borrowings from multilateral agencies (i.e. World Bank, Asian Development Bank, JICA, etc.) which are relent in local currencies. The fair value changes on the FX risk cover are reported immediately in the statement of comprehensive income. As of December 31, 2016, the outstanding national amount of the FX risk cover amounted to JPY6,704,591,679.

Prior to 2007, the value of the FX risk cover as an option derivative varies on the movement of the foreign exchange rates of the Bills Payable. Beginning 2007, in accordance with Monetary Board Resolution No. 1063 dated August 14, 2008, the Bank applied the standard option valuation model approach which resulted in an increase in the derivative asset amounting to P69,741,440 in 2016 and a decrease of P41,729,383 in 2015.

The derivative with positive fair value comprise of the following:

	2016	2015
Foreign Exchange Risk Cover	1,213,761,006	1,144,019,566
Debt Warrants	92,655,060	87,698,051
Forward Contracts	125,284,215	116,102,300
	1,431,700,281	1,347,819,917

The Garman-Kohlhagen valuation model used in pricing the derivative Foreign Exchange Risk Cover (FXRC) was found acceptable by the BangkoSentralngPilipinas(BSP) during the conduct of their on-site validation in 2009.

10. Available for Sale Investments

This account consists of:

	Group		Parent	
	2016	2015	2016	2015
Domestic				
Government	222,882,526,585	102,246,734,504	222,882,526,585	102,246,734,504
Private	13,825,136,451	16,447,378,034	13,825,136,451	16,447,378,034
Foreign				
Government	43,680,900,441	25,651,369,845	43,680,900,441	25,651,369,845
Private securities	2,656,479,215	2,508,304,235	2,656,479,215	2,508,304,235
Investment in non-marketable securities, net of allowance for probable losses of P1,407,712,336 in 2016 and P1,408,592,444 in 2015	7,351,518,048	7,277,417,645	7,351,518,048	7,277,417,645
	290,396,560,740	154,131,204,263	290,396,560,740	154,131,204,263

Available-for-sale investments of the Group carry interest rates at December 31 as follows:

	2016			2015		
Domestic	2.12%	to	12.88%	1.62%	to	12.88%
Foreign	0.00%	to	10.63%	2.75%	to	10.63%

Available-for-sale investments-Domestic Private include 42,002,750 MERALCO shares of stocks with market value of P11,130,728,750 which are subject of legal disputes.

In November 2008, MERALCO unlawfully cancelled the 42,002,750shares of stocks registered in the name of the Parent and reissued the same in favor of another individual allegedly in compliance with the Demand to Comply issued by the Sheriffs of the Department of Agrarian Reform (DAR) Regional Adjudicator. Of these 42,002,750shares, 3,366,800 shares had been negotiated by another party; 37,233,200 shares remained quarantined at the Philippine Depository and Trust Corporation (PDTC); and another 1,402,750 shares has not yet been lodged with PDTC. However, the execution sale which was the basis for the issuance of the Demand to Comply was null and void from the beginning because of the Supreme Court's Temporary Restraining Order (TRO) enjoining the sale and the Resolution quashing all acts done pursuant to the Adjudicator's Writ. On December 17, 2008, the DAR Adjudication Board so ordered and required:

1) For MERALCO to cancel the Stock Certificates issued in favor of another party;

2) To restore the ownership of the subject MERALCO shares of stock to the Land Bank of the Philippines and to record the same in the Stock and Transfer Book of MERALCO; and

3) For the Philippine Stock Exchange, Inc. (PSE), the Philippine Depository and Trust Corporation (PDTC), the Securities Transfer Services, Inc. (STS), the Philippine Dealing System Holdings, Corp. and Subsidiaries (PDS Group) and any stockholder, dealer or agent of subject MERALCO shares to forthwith STOP: trading or dealing those shares and/or affecting settlement thereof, *inter alia*, so as to undo the foregoing contravening acts.

The Parent's shares of stock in MERALCO are not part of the Agrarian Reform Fund (ARF), a fund which is solely answerable to the obligation of the National Government pursuant to its Agrarian Reform Program. In accordance with Section 63 of Republic Act 6657 (Comprehensive Agrarian Reform Law), assets of the bank cannot be used to pay for land acquisition as this shall only be sourced from the ARF.

In its December 14, 2011 *Decision* in G.R. No. 188376, the Supreme Court directed MERALCO to return to the Land Bank of the Philippines (LBP) 42,002,750 MERALCO shares of stock. The Supreme Court further declared that the MERALCO shares of stocks are corporate assets of LBP illegally taken to satisfy the payment of just compensation that should have been appropriated only from the ARF. This ruling has become final and executory on September 11, 2012 (Entry of Judgment).LBP immediately filed a motion before the Regional Agrarian Reform Adjudicator (RARAD) for the issuance of a writ of execution to implement the Supreme Court decision. This was, however, vigorously opposed by the other party. On April 1, 2013, the RARAD finally issued the *Writ of Execution.* As partial compliance, MERALCO delivered to LBP 38,635,950 shares including cash dividends in the total amount of P1,206,955,618; and property dividends consisting of 108,884,212 shares of stock in Rockwell Land Corporation.

Still undelivered are 3,366,800 shares, plus accrued cash dividends thereon, amounting to P297,086,432 as of December 31, 2016, plus 9,488,394 shares of stock in Rockwell Land Corporation as property dividends, and the unpaid dividends due from the 1,402,750 MERALCO shares amounting to P8,145,010. These 1,402,750 shares are part of the 38,635,950 shares restored to LBP, but certificated in the name of the other party before the Supreme Court decision was partially implemented.

To recover fully the MERALCO shares and dividends, LBP sent its June 18, 2014 *Letter* to the Office of the Regional Adjudicator Region IV – B (MIMAROPA) requesting the office to direct the Sheriff to perform all necessary acts for the full implementation of the April 1, 2013 *Writ of Execution* such as, but not limited to, the issuance of another *Demand to Comply* to be served upon MERALCO. LBP again sent the August 15, 2014 *Letter* to RARAD reiterating its request to expedite the full implementation of the Supreme Court's ruling in G.R. No. 188376 and to prevent further damage to LBP.

On February 6, 2015, LBP received the January 24, 2014 *Sheriff'sReport* from the Sheriff of the Regional Adjudicator Region IV-B (MIMAROPA) regarding MERALCO's partial compliance of the December 14, 2011 Supreme Court *Decision* in G.R. No. 188376. LBP's June 18, 2014 *Letter* and August 15, 2014 *Letter* were not acted upon by the RARAD, and no further writ of execution or demand to comply were issued.

Since RARAD no longer issued a writ of execution or demand to comply, LBP sent the February 11, 2015 *Letter* addressed to MERALCO to demand the delivery of the remaining 3,366,800 shares of stocks plus unpaid dividends. MERALCO failed to respond to LBP's demand.

On account of the January 24, 2014 *Sheriff'sReport* and MERALCO's failure to respond to LBP's February 11, 2015 *Letter,* LBP prepared a petition for contempt against MERALCO and its representatives for failing to deliver the remaining 3,366,800 shares of stocks plus accrued dividends and the unpaid dividends due from the 1,402,750 MERALCO shares delivered to LBP, and to compel full compliance with the December 14, 2011 Supreme Court *Decision*.

On March 10, 2015, the petition was sent to the Office of the Government Corporate Counsel (OGCC) for review and signature. OGCC approved the filing of the petition before the Supreme Court. On April 14, 2015, the ***Petition to Cite Respondents in Indirect Contempt*** was filed before the Supreme Court.

The Supreme Court has not yet directed the parties to file their respective Memoranda nor submitted the case for Decision as to date.

Parent's Accumulated market gains/losses on AFS government and private issues as of December 31, 2016 amounted to P5,757,789,248. Parent's Net unrealized gains/losses on AFS was P3,536,033,144.

The difference in the amount outstanding of the local currency accumulated market gains/losses and net unrealized gains/losses on AFS as of December 31, 2016 in the amount of P2,221,756,104 represents the remaining unamortized portion of the net unrealized gain or loss, that has been recognized directly in equity when the Available-for-sale securities has been reclassified to Held to maturity securities on various dates. The said amount shall be continuously amortized to profit or loss over the remaining life of the Held-to-maturity securities.

Total Investment in Non-Marketable Equity Securities (INMES) account of the Parent includes investment of US$143,146,324 (P6,781,381,460) in Metro Rail Transit Corporation's (MRTC) preference shares and Unsecuritized Equity Rental Payments.

In 2008, the National Government, as confirmed through Executive Order No. 855 dated January 18, 2010, instructed LBP and the DevelopmentBank of the Philippines (DBP) to acquire majority interest in MRTC as a result of the recommendation made by the inter-agency Committee tasked to review the MRT III project. In the same year, the LBP Board of Directors approved the purchase of MRTC interests in the form of unsecuritized portion of the Equity Rental Payment (ERP), MRT Bonds (See Notes to the Financial Statements No.12) and Preference Shares issued by MRT III Funding Corporation. LBP together with DBP completed its acquisition in May 2009, collectively owning around 80 per cent of MRTC interests. LBP owns approximately 37.77 per cent economic interest in MRTC.

The acquisition cost, book value and percentage of economic interest in MRTC are as follows:

	Acquisition Cost As of December 31, 2016 (In US Dollars)	Book Value As of December 31, 2016 (In US Dollars)	Percentage in MRTC
▪MRT III Bonds	95,891,497	186,802,650	
▪MRT III Preferred Shares	54,000,000	54,000,000	
Securitized ERPs	149,891,497	240,802,650	26.65%
Unsecuritized ERPs	90,579,859	89,146,324	11.12%
	240,471,356	329,948,974	37.77%

The decrease in the investment in unsecuritized ERP was brought about by the refund of US$1,433,535 (equally shared by the Bank and DBP) received from a third party in 2010. The refund represents cash that was already in the account of the third party, hence this did not affect the LBP's percentage of economic interest in MRTC. Another refund of US$1,381,747 was received by the Bank and DBP in early 2011 representing Accrued ERPs.

11. Held to Maturity Investments

This account consists of:

	Group		Parent	
	2016	**2015**	**2016**	**2015**
Government				
Domestic	140,122,852,716	111,168,854,442	139,232,353,793	110,351,315,216
Foreign	7,548,562,307	6,312,833,190	7,548,562,307	6,312,833,190
Private				
Domestic	4,525,200,772	4,525,369,411	4,525,200,772	4,525,369,411
Foreign	622,081,751	594,725,844	622,081,751	594,725,844
	152,818,697,546	122,601,782,887	151,928,198,623	121,784,243,661

Held to maturity investments of the Group carry interest rates at December 31 as follows:

	2016			2015		
Domestic	2.12%	to	18.25%	2.12%	to	18.25%
Foreign	3.70%	to	11.63%	5.12%	to	11.63%

12. Loans and Receivables

This account consists of:

	Group		Parent	
	2016	2015 As restated	2016	2015
Interbank loans receivable	13,933,991,858	16,709,831,946	13,933,991,858	16,709,831,946
Allowance for credit losses	(377,489,237)	(372,425,567)	(377,489,237)	(372,425,567)
	13,556,502,621	16,337,406,379	13,556,502,621	16,337,406,379
Loans to Government	75,362,941,773	77,116,862,729	77,323,717,031	78,912,843,115
Allowance for credit losses	(39,254,484)	(46,612,110)	(37,475,575)	(44,833,201)
	75,323,687,289	77,070,250,619	77,286,241,456	78,868,009,914
Agrarian Reform and other Agriculture Loans	82,676,676,393	72,463,771,389	82,656,139,911	72,435,187,659
Allowance for credit losses	(813,149,563)	(802,391,283)	(804,241,345)	(802,391,283)
	81,863,526,830	71,661,380,106	81,851,898,566	71,632,796,376
Microfinance Loans	15,195,660,709	9,312,152,807	15,195,660,709	9,312,152,807
Allowance for credit losses	(162,299,417)	(280,484,849)	(162,299,417)	(280,484,849)
	15,033,361,292	9,031,667,958	15,033,361,292	9,031,667,958
SME/MSE Loans	50,434,960,772	40,914,536,276	50,340,269,990	40,914,536,276
Allowance for credit losses	(1,265,855,622)	(1,409,011,227)	(1,264,527,250)	(1,409,011,227)
	49,169,105,150	39,505,525,049	49,075,742,740	39,505,525,049
Contract to Sell	1,213,186,524	1,220,138,412	1,213,186,524	1,220,138,412
Allowance for credit losses	(67,094,207)	(60,124,866)	(67,094,207)	(60,124,866)
	1,146,092,317	1,160,013,546	1,146,092,317	1,160,013,546
Loans to Private Corporation	221,228,865,584	195,860,324,146	219,809,378,837	194,168,885,913
Allowance for credit losses	(2,098,313,121)	(1,222,570,672)	(1,958,547,377)	(1,062,855,272)
	219,130,552,463	194,637,753,474	217,850,831,460	193,106,030,641
Loans to Individuals for Housing Purposes	4,594,431,303	3,888,373,652	4,594,431,303	3,888,373,652
Allowance for credit losses	(113,440,784)	(77,954,795)	(113,440,784)	(77,954,795)
	4,480,990,519	3,810,418,857	4,480,990,519	3,810,418,857
Loans to Individual for Consumption	20,927,918,069	15,701,598,988	20,927,918,069	15,701,598,988
Allowance for credit losses	(265,346,014)	(291,792,666)	(265,346,014)	(291,792,666)
	20,662,572,055	15,409,806,322	20,662,572,055	15,409,806,322
Loans to Individual for Other Purposes	3,265,151,628	2,426,139,439	3,038,124,371	2,307,306,091
Allowance for credit losses	(30,993,589)	(32,989,036)	(26,974,555)	(32,286,304)
	3,234,158,039	2,393,150,403	3,011,149,816	2,275,019,787
Loans & Receivable-Others-Non Residents-FCDU	42,617,143	0	42,617,143	0
	483,643,165,718	431,017,372,713	483,997,999,985	431,136,694,829
Accrued interest receivable	3,682,585,380	3,412,268,550	3,679,060,625	3,407,919,772
Allowance for credit losses	(208,095,604)	(268,093,309)	(208,095,604)	(268,093,309)
	3,474,489,776	3,144,175,241	3,470,965,021	3,139,826,463
Accounts receivable	1,880,863,405	1,724,176,154	1,777,505,545	1,599,142,055
Allowance for credit losses	(939,519,428)	(820,507,950)	(895,077,510)	(767,859,383)
	941,343,977	903,668,204	882,428,035	831,282,672
Sales contract receivable	1,025,704,678	881,212,093	1,010,467,301	882,876,193
Allowance for credit losses	(65,928,195)	(44,625,559)	(65,928,195)	(44,625,559)
	959,776,483	836,586,534	944,539,106	838,250,634
Due from ARF	44,812,459	190,422,226	44,812,459	190,422,226
Unquoted debt securities	11,343,693,075	13,608,063,739	11,343,693,075	13,608,063,739
Allowance for credit losses	(727,713,927)	(697,980,552)	(727,713,927)	(697,980,552)
	10,615,979,148	12,910,083,187	10,615,979,148	12,910,083,187
Lease contract receivable	1,509,819,094	1,516,217,992	0	0
Allowance for credit losses	(28,546,015)	(40,986,648)	0	0
	1,481,273,079	1,475,231,344	0	0
	501,160,840,640	450,477,539,449	499,956,723,754	449,046,560,011

Interest rates on loans in 2016 range from 0.75 per cent to 15.00 per cent for peso denominated loans and from 0.6196 per cent to6.88 per cent for foreign currency denominated loans.

Unquoted debt securities of the Parent classified as loans consist of government and private securities amounting to P134,033,530 and P10,481,945,618, respectively, as of December 31, 2016 and P882,198,165 and P12,027,885,022, respectively, as of December 31, 2015. The account includes Metro Rail Transit Corporation's (MRTC) Bonds with book value of $186,802,650 (P9,287,287,769) which form part of LBP's interests in the said company purchased in accordance with the approval of the Bank's Board of Directors in November 2008 and broken down as follows:

	Face Value	**Book Value**	
	USD	USD	PHP
FX Regular	234,359,461	135,318,884	6,728,054,914
FCDU	93,640,243	51,483,766	2,559,772,855
	327,999,704	186,802,650	9,287,827,769

Covered by Memorandum of Agreement (MOA) signed on August 22, 1988 between LBP and BangkoSentralngPilipinas, the unpaid obligations of rural banks to BSP were converted into LBP equity investments to said rural banks. Accordingly, these became non-interest bearing obligations of LBP with BSP and all expenses or losses, if any, which LBP may suffer under the conversion scheme, shall be for the account of BSP.

Outstanding equity investments on closed rural banks and its corresponding borrowings account from BSP have been excluded from Unquoted Debt Securities Classified as Loans account and from the Bills Payable account, respectively, provided that these accounts have already been written-off by BSP.

Allowance for credit losses

The details of allowance for credit losses on loans of the Parent are:

	2016	**2015**
Balance, January 1	4,434,160,030	3,340,369,232
Provision	10,835,402	37,173,978
Write-offs	(260,717,891)	(178,740,457)
Transfers and other adjustments	893,158,220	1,235,357,277
Balance, December 31	5,077,435,761	4,434,160,030

As of December 31, 2016 and 2015, the breakdown of Gross Loans as to secured and unsecured follows:

	Parent			
	2016		**2015**	
	Amount	**%**	**Amount**	**%**
Secured loans:				
Guarantee of the Republic of the Philippines	62,872,554,788	12.86	65,736,248,945	15.09
Various guarantees	140,926,345,944	28.81	126,857,104,169	29.12
Various mortgages	155,918,505,389	31.88	129,522,139,940	29.74
	359,717,406,121	73.55	322,115,493,054	73.95
Unsecured loans	129,358,029,625	26.45	113,455,361,805	26.05
Gross loan at amortized cost	489,075,435,746	100.00	435,570,854,859	100.00

Non-performing loans (NPLs) included in the total loan portfolio of the Parent are presented below as net of specific allowance for credit losses in compliance with BSP Circular No. 772, which amends regulations governing non-performing loans.

	2016	**2015**
Total NPLs	7,173,190,276	6,394,449,785
Allowance for credit losses	(5,077,435,761)	(4,434,160,030)
Net NPLs	2,095,754,515	1,960,289,755

13. Investment in Subsidiaries

This account consists of the following investments in subsidiaries which are 100 per cent owned by the Parent and are accounted for at cost:

Name	Amount
LBP Leasing and Finance Corporation (formerly LBP Leasing Corporation)	310,252,630
LBP Insurance Brokerage, Inc.	52,500,000
LBP Resources and Development Corporation	51,467,436
MasaganangSakahan, Inc.	24,554,940
	438,775,006

14. Investment Property

This account consists of:

	Group					
	2016			2015		
	Land	Building	Total	Land	Building	Total
At Cost						
At January 1	5,140,496,096	2,798,310,365	7,938,806,461	5,714,389,263	2,754,029,924	8,468,419,187
Additions/(Disposals)	23,562,486	(47,223,866)	(23,661,380)	(573,893,167)	44,280,441	(529,612,726)
At December 31	5,164,058,582	2,751,086,499	7,915,145,081	5,140,496,096	2,798,310,365	7,938,806,461
Accumulated depreciation and impairment						
At January 1	381,363,319	1,151,415,498	1,532,778,817	597,617,301	1,058,793,463	1,656,410,764
Depreciation	0	113,958,857	113,958,857	0	129,798,857	129,798,857
Transfers/Adjustment	335,034,811	(178,902,576)	156,132,235	(223,181,682)	(74,605,628)	(297,787,310)
Impairment	2,950,232	(18,772,647)	(15,822,415)	6,927,700	37,428,806	44,356,506
At December 31	719,348,362	1,067,699,132	1,787,047,494	381,363,319	1,151,415,498	1,532,778,817
Net book value	4,444,710,220	1,683,387,367	6,128,097,587	4,759,132,777	1,646,894,867	6,406,027,644

	Parent					
	2016			2015		
	Land	Building	Total	Land	Building	Total
At Cost						
At January 1	5,061,545,050	2,714,412,369	7,775,957,419	5,635,438,217	2,670,131,928	8,305,570,145
Additions/(Disposals)	6,389,630	(47,223,866)	(40,834,236)	(573,893,167)	44,280,441	(529,612,726)
At December 31	5,067,934,680	2,667,188,503	7,735,123,183	5,061,545,050	2,714,412,369	7,775,957,419
Accumulated depreciation and impairment						
At January 1	377,976,034	1,107,592,295	1,485,568,329	597,617,301	1,018,393,091	1,616,010,392
Depreciation	0	112,325,488	112,325,488	0	126,376,026	126,376,026
Transfers/Adjustment	335,034,811	(178,902,576)	156,132,235	(223,181,682)	(74,605,628)	(297,787,310)
Impairment	0	(18,772,647)	(18,772,647)	3,540,415	37,428,806	40,969,221
At December 31	713,010,845	1,022,242,560	1,735,253,405	377,976,034	1,107,592,295	1,485,568,329
Net book value	4,354,923,835	1,644,945,943	5,999,869,778	4,683,569,016	1,606,820,074	6,290,389,090

Depreciation of the Group amounting to P113,958,857 and P129,798,857 and of the Parent amounting to P112,325,488 and P126,376,026 in 2016 and 2015, respectively, are included in depreciation and amortization expense in the statement of comprehensive income.

Investment properties acquired through foreclosure as of December 31, 2016 which are still within the redemption period by the borrowers and with on-going court case amounted to P66,879,367 and P1,164,627,305, respectively. Properties amounting to P58,499,744 are agricultural lands covered by the government's agrarian reform program.

15. Property and Equipment

This account consists of:

Group	Land	Building Under Construction	Buildings	Leasehold Rights and Improvements	Transportation and Equipment	Furniture and Office Equipment	Transportation Equipment Under Lease	Others	Total 2016	Total 2015 As restated
At Cost										
At January 1	612,984,636	114,409,118	4,612,950,162	670,346,069	82,089,219	6,718,884,746	775,167,733	76,672,175	13,663,503,858	12,404,769,224
Additions	7,027,500	73,926,623	41,021,914	257,903,240	16,824,185	959,506,496	50,317,440	9,692,826	1,416,220,224	1,683,600,054
Disposals	0	0	(15,755,725)	(4,188,129)	(2,269,375)	(214,180,414)	(37,763,783)	(2,491,000)	(276,648,426)	(206,132,809)
Transfers	0	(30,595,903)	(5,133,022)	(99,473,003)	(15,820,284)	(183,874,618)	0	58,639	(334,838,191)	(218,732,611)
At December 31	620,012,136	157,739,838	4,633,083,329	824,588,177	80,823,745	7,280,336,210	787,721,390	83,932,640	14,468,237,465	13,663,503,858
Accumulated Depreciation, Amortization & Impairment loss										
At January 1	0	0	1,999,412,718	287,503,058	64,617,492	4,145,961,503	305,209,574	67,299,434	6,870,003,779	6,437,999,803
Depreciation & amortization	0	0	55,925,263	60,894,050	1,141,366	563,249,962	13,788,601	2,778,795	697,778,037	581,774,001
Disposals	0	0	(11,323,753)	(10,609,246)	(1,496,178)	(208,234,382)	(18,678,615)	(2,241,900)	(252,584,074)	(172,699,458)
Transfers/Adjustments	0	0	(37,105,817)	16,382,673	(9,919,252)	3,604,447	193,611	10,718,625	(16,125,713)	22,929,433
At December 31	0	0	2,006,908,411	354,170,535	54,343,428	4,504,581,530	300,513,171	78,554,954	7,299,072,029	6,870,003,779
Allow for Losses	0	0	7,213,932	824,720	2,825,144	12,550,388	0	261,056	23,675,240	21,462,641
Net book value	620,012,136	157,739,838	2,618,960,986	469,592,922	23,655,173	2,763,204,292	487,208,219	5,116,630	7,145,490,196	6,772,037,438

Parent	Land	Building Under Construction	Buildings	Leasehold Rights and Improvements	Transportation and Equipment	Furniture and Office Equipment	Transportation Equipment Under Lease	Others	Total 2016	Total 2015
At Cost										
At January 1	602,202,636	114,409,118	4,515,395,192	670,185,054	65,919,279	6,692,277,735	285,738,416	57,598,516	13,003,725,946	11,819,511,914
Additions	7,027,500	73,926,623	40,128,560	257,831,310	13,593,798	954,753,957	50,317,440	9,611,012	1,407,190,200	1,600,668,335
Disposals	0	0	(15,755,725)	(4,188,129)	(2,269,375)	(213,275,505)	(903,517)	0	(236,392,251)	(197,721,692)
Transfers	0	(30,595,903)	(5,133,022)	(99,473,003)	(15,820,284)	(183,844,252)	0	58,639	(334,807,825)	(218,732,611)
At December 31	609,230,136	157,739,838	4,534,635,005	824,355,232	61,423,418	7,249,911,935	335,152,339	67,268,167	13,839,716,070	13,003,725,946
Accumulated Depreciation & Amortization										
At January 1	0	0	1,962,671,483	287,367,617	54,286,587	4,126,034,787	252,381,692	55,526,292	6,738,268,458	6,316,326,081
Depreciation & amortization	0	0	51,960,255	60,858,196	125,161	561,471,597	6,157,684	0	680,572,893	564,259,683
Disposals	0	0	(11,323,753)	(10,609,246)	(1,496,178)	(207,337,666)	(813,165)	0	(231,580,008)	(166,069,516)
Transfers/Adjustments	0	0	(37,105,817)	16,382,673	(9,919,252)	3,616,448	193,611	10,718,625	(16,113,712)	23,752,210
At December 31	0	0	1,966,202,168	353,999,240	42,996,318	4,483,785,166	257,919,822	66,244,917	7,171,147,631	6,738,268,458
Allow for Losses	0	0	7,213,932	824,720	2,825,144	12,550,388	0	261,056	23,675,240	21,462,641
Net book value	609,230,136	157,739,838	2,561,218,905	469,531,272	15,601,956	2,753,576,381	77,232,517	762,194	6,644,893,199	6,243,994,847

Depreciation and amortization of the Group amounting to P697,778,037 and P581,774,001 and of the Parent amounting to P680,572,893 and P564,259,683in 2016 and 2015, respectively, are included in depreciation and amortization expense in the statement of comprehensive income.

Office equipment, furniture and vehicles with carrying amount of P18,917,775and P379,684,742 in 2016 and 2015, respectively, are temporarily idle. The carrying amounts of properties which are held for disposal are P95,200,366 and P11,898,469 in 2016 and 2015, respectively.

16. Other Assets

This account consists of:

	Group		Parent	
	2016	**2015 As restated**	**2016**	**2015**
Accrued interest receivable	4,249,564,877	2,971,701,785	4,249,564,877	2,971,701,785
Sundry debits	1,132,214,119	1,391,962,556	1,132,214,119	1,391,962,556
Prepaid expenses	703,310,727	397,260,012	695,565,609	436,598,468
Other intangible assets	995,115,732	900,274,550	990,649,656	899,195,138
Documentary stamps	13,642,766	27,628,975	13,642,766	27,628,975
Stationery & supplies on hand	121,214,793	124,464,570	119,015,779	123,029,011
Accounts receivable	124,220,000	134,720,346	120,395,981	131,162,894
Inter-office float items	6,380,704	6,906,291	6,380,704	6,906,291
Others	1,358,779,342	1,359,468,492	1,297,272,019	1,300,600,019
Allowance for credit losses	(37,078,489)	(37,388,489)	(37,078,489)	(37,388,489)
	8,667,364,571	7,276,999,088	8,587,623,021	7,251,396,648

17. Allowance for Credit Losses

Changes in the allowance for credit losses of the Parent are as follows:

	2016	**2015**
Balance at beginning of year:		
Loan portfolio	4,434,160,030	3,340,369,232
Receivables from customers and Other assets	4,045,670,340	3,999,664,246
	8,479,830,370	7,340,033,478
Provisions charged to operations	118,370,022	104,913,927
Accounts charged off and others	(130,652,996)	(179,874,259)
Transfer/adjustments	766,146,962	1,214,757,224
	753,863,988	1,139,796,892
Balance December 31	9,233,694,358	8,479,830,370
Balance at end of year:		
Loan portfolio (Note 12)	5,077,435,761	4,434,160,030
Receivables from customers and other assets	4,156,258,597	4,045,670,340
	9,233,694,358	8,479,830,370

With the foregoing level of allowance for credit losses, Management believes that the Parent has sufficient allowance to cover any losses that the Parent may incur from the non-collection or non-realization of its loans and receivables and other risk assets.

The account includes provision for credit losses/impairment losses of the Parent as follows:

	2016	2015
Loans and receivables	10,835,402	37,173,978
Other loans and receivables	4,125,283	3,234,807
Property and equipment	2,212,599	3,214,963
Others	101,196,738	61,290,179
	118,370,022	104,913,927

18. Deposit Liabilities

This account consists of:

	Group		Parent	
	2016	2015	2016	2015
Domestic				
Demand deposits	558,433,859,126	474,530,109,127	558,645,451,456	474,739,410,247
Savings deposits	604,692,020,353	505,527,477,627	604,832,103,495	505,685,191,060
Time certificate of deposits	740,236,375	852,279,517	740,236,375	852,279,517
Long Term Negotiable Certificate of Deposits	11,000,000,000	11,000,000,000	11,000,000,000	11,000,000,000
	1,174,866,115,854	991,909,866,271	1,175,217,791,326	992,276,880,824
Foreign				
Demand deposits –FCDU/EFCDU	0	18,723	0	18,723
Savings deposit –FCDU/EFCDU	16,660,725,911	27,623,085,394	16,661,180,162	27,623,613,083
Time certificate of deposit-FCDU/EFCDU	44,098,363,715	26,327,345,634	44,098,363,715	26,327,345,634
	60,759,089,626	53,950,449,751	60,759,543,877	53,950,977,440
	1,235,625,205,480	1,045,860,316,022	1,235,977,335,203	1,046,227,858,264

Domestic deposit liabilities earn annual fixed interest rates ranging from0.25to 3.75 per centin 2016 and 0.25 to 3.75 per cent in 2015. Foreign deposit rates range from 0.15 to 2.50 per cent and from00.31 to 1.12 per centin 2016 and 2015, respectively. In 2016 and 2015, P830,665,634,534 or 67 per cent and P705,448,431,124 or 67 per cent, respectively, of the Parent's deposit portfolio came from the government while the rest came from private depositors.

19. Bills Payable

This account consists of:

	Group		Parent	
	2016	2015	2016	2015
BangkoSentralngPilipinas	64,110,213	70,499,354	64,110,213	70,499,354
Domestic borrowings	542,684,470	771,973,888	326,684,470	371,973,888
Foreign borrowings	22,951,863,236	20,907,457,753	22,951,863,236	20,907,457,753
Foreign interbank borrowings	3,480,400,000	0	3,480,400,000	0
Foreign repo borrowings	3,212,275,733	0	3,212,275,733	0
	30,251,333,652	21,749,930,995	30,035,333,652	21,349,930,995

The breakdown of Bills payable (foreign borrowings) is as follows:

Creditor/Funder	2016	2015
World Bank/IBRD	9,888,905,728	8,225,523,429
Asian Development Bank (ADB)	566,749,295	585,369,941
Japan International Cooperation Agency (JICA)	11,134,289,635	10,733,047,997
Kreditanstalt fur Wiederaufbau (KfW)	1,361,918,578	1,363,516,386
	22,951,863,236	20,907,457,753

The total foreign borrowings of P22,951,863,236 is guaranteed by the National Government. Foreign borrowings relent in local currency amounting to P14,529,862,463 are provided with foreign exchange risk cover (FXRC) by the National Government. This has historical value of P14,820,234,026. The Bank's foreign borrowings from multilateral and bilateral agencies have maturities ranging from 15 to 40 years.

Interest rates on foreign and domestic borrowings in 2016 range from 0.53 to 2.70 per cent and 0.75 to 4.75 per cent, respectively, while for 2015, the rates range from 0.71 to 2.70 per cent and 0.75 to 4.75 per cent, for foreign and domestic borrowings, respectively.

20. Unsecured Subordinated Debt

This account consists of:

	Issue Date	Maturity Date	Amount
Domestic	January 27, 2012	January 27, 2022	10,500,000,000

21. Other Liabilities

This account consists of:

	Group		Parent	
	2016	2015 As restated	2016	2015
Accrued interest, fringe benefits, taxes and other expense payable	3,789,817,883	4,101,260,604	3,694,835,040	3,977,173,119
Accounts payable	10,890,952,708	12,722,905,667	11,032,008,827	12,788,784,896
Due to Agrarian Reform Fund	206,742,900	242,406,604	206,742,900	242,406,604
Sundry credits	916,312,733	500,707,725	916,312,733	500,707,725
Unearned income	36,492,648	38,021,752	36,601,557	38,130,661
Withholding tax payable	276,535,509	318,482,447	274,195,133	317,161,940
Miscellaneous liabilities	3,429,780,765	3,651,652,110	3,724,218,339	3,820,253,049
Others	1,278,266,063	1,280,477,079	863,960,492	1,026,237,016
	20,824,901,209	22,855,913,988	20,748,875,021	22,710,855,010

22. Income and Other Taxes

Under Philippine tax laws, the Regular Banking Unit of the Parent is subject to percentage and other taxes (presented as Taxes and Licenses in the statement ofcomprehensive income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax and documentary stamp taxes. Income taxes include the corporate income tax and final withholding tax on gross interest income from government securities, deposits and other deposit substitutes. These income taxes and deferred tax benefits are presented in the statement of comprehensive income either Provision for or (Benefit from) Income Tax.

Based on Republic Act No. 9337, which was passed into law in May 2005 and amended certain provisions of the National Internal Revenue Code of 1997, the normal corporate income tax rate is 30 per cent effective January 1, 2009. The interest allowed as deductible expense is reduced by an amount equivalent to 33 per cent of the interest income subjected to final tax.

FCDU offshore income (income from non-residents) derived by depository banks under the expanded foreign currency deposit system is exempt from income tax while gross onshore income (income from residents) from other FCDUs and other depository banks under the Expanded Foreign Currency Deposit System, including interest income from foreign currency loans, is subject to 10 per cent final tax. Interest income derived by resident individual or corporation on deposits with other FCDUs and Offshore Banking Units (OBU) are subject to 7.5 per cent final tax.

The provision for/(benefit from) income tax consists of:

	Group		Parent	
	2016	2015 As restated	2016	2015
Current:				
Normal income tax (NIT)	845,567,740	279,039,631	746,801,450	171,859,954
Minimum corporate income tax (MCIT)	0	0	0	0
	845,567,740	279,039,631	746,801,450	171,859,954
Deferred	4,533,928	(8,581,513)	0	0
	850,101,668	270,458,118	746,801,450	171,859,954

The reconciliation of the provision for income tax computed at the statutory tax rate and actual provision is as follows:

	Group		Parent	
	2016	2015 As restated	2016	2015
Statutory income tax	4,485,618,320	4,275,642,314	4,379,498,118	4,155,378,106
Tax effects of:				
FCDU income	(839,624,870)	(810,012,347)	(839,624,870)	(810,012,347)
Tax exempt & tax paid income	(5,124,251,251)	(4,276,356,986)	(5,114,209,879)	(4,266,023,647)
Other deductible/Non-deductible expense	188,346,420	217,734,897	188,343,962	217,734,897
Non-deductible interest expense	1,828,120,028	1,570,353,764	1,828,120,028	1,570,353,764
Deferred tax asset	4,533,928	(8,581,513)	0	0
Others	307,359,093	(698,322,011)	304,674,091	(695,570,819)
	850,101,668	270,458,118	746,801,450	171,859,954

There was no deferred tax asset recognized by the Parent in CY2016. Subsidiaries recognized deferred tax assets of P63,094,853and P70,683,821in CY2016 and CY2015, respectively.

Below are the temporary differences for which no deferred tax asset is recognized by the Parent since Management believes that it is not probable that future taxable profits will be available against which the asset can be utilized:

	2016	2015
Allowance for credit losses	12,503,639,633	12,837,793,754

Supplementary Information Required Under Revenue Regulations (RR) Nos. 19-2011 and 15-2010

Supplementary information Under RR No. 19-2011

In addition to the required supplementary information under RR No. 15-2010, on December 9, 2011, the BIR issued RR No. 19-2011 (and as further amended by RR No. 2-2014 dated January 24, 2014) which prescribes the new annual income tax forms that will be used for filing effective taxable year 2011. Specifically, companies are required to disclose certain tax information in their respective notes to financial statements. For the taxable year December 31, 2016, the Parent Company reported the following revenues and expenses for income tax purposes:

Revenues	
Services/operations	24,270,787,424
Non-operating and taxable other income:	
Trading and securities gain (loss)	(93,025,045)
Service charges, fees and commissions	1,599,016,401
Profit from assets sold	406,437,809
Income from trust operations	167,923,049
Others	431,976,747
	2,512,328,961
Expenses	
Cost of services:	
Compensation and fringe benefits	6,651,630,839
Others	8,189,498,960
	14,841,129,799
Itemized deductions:	
Compensation and fringe benefits	1,978,620,152
Taxes and licenses	2,623,088,958
Security, messengerial and janitorial	633,791,751
Communications, light and water	386,714,519

Information technology expenses	463,664,537
Depreciation and amortization	348,840,596
Bad debts	218,182,071
Repairs and maintenance	117,070,199
Transportation and travel	206,310,013
Management and professional fees	174,921,910
Rent	21,363,934
Representation and entertainment	115,199,201
Others	3,387,081,252
	10,674,849,093

Supplementary information Under RR No. 15-2010

On November 25, 2010, the BIR issued RR No. 15-2010 to amend certain provisions of RR No. 21-2002 which provides that starting 2010 the notes to financial statements shall include information on taxes, duties and license fees paid or accrued during the taxable year.

I. The documentary stamp tax (DST) on loan instruments and other transactions subject thereto for the tax period 2016 are as follows:

Documents / transactions	**DST Paid**
Debt instruments, bonds, certificate of time deposits	3,078,869,954
Mortgages, pledges, deed of assignments/trust	63,958,960
Foreign bills of exchange, letters of credit	65,410,580
Acceptance of bills of exchange payable in the Philippines	23,871,188
Bank, checks, drafts and telegraphic transfer/others	3,856,773
	3,235,967,455

II. All other taxes, local and national, paid for 2016:

National	
Percentage taxes (GRT)	2,445,574,343
Fringe benefits tax	8,223,765
National taxes	554,715
	2,454,352,823
Local	
Real estate tax	87,981,381
Local business tax	34,715,334
Mayor’s Permit/Municipal License/Other Regulatory Fees/License Permit	67,380,063
Other local taxes	9,101,888
	199,178,666
	2,653,531,489

III. The amount of withholding taxes paid/accrued for the year amounted to:

Tax on Compensation and benefits	920,130,939
Creditable withholding taxes	135,503,744
Final withholding taxes	1,602,614,853
	2,658,249,536

IV. Taxes withheld by client on their income payments to the Bank were claimed as tax credits:

Tax Credits against Income Tax	1,898,642,969
Tax Credits against Gross Receipts Tax	306,522,463
	2,205,165,432

23. Retirement Cost

The Parent has separate funded contributory defined contribution retirement plans covering all its officers and regular employees. Under the retirement plans, all concerned officers and employees are entitled to cash benefit after satisfying certain age and service requirements. Total expenses charged against operations in 2016 and 2015 amounted to P592,211,966 and P575,487,426, respectively.

24. Lease Contracts

Operating lease commitments – as lessee

Future minimum rentals payable under non-cancellable operating leases as at December 31 are as follows:

	Parent	
	2016	2015
Within one year	376,950,983	391,464,091
After one year but not more than five years	903,105,446	904,041,335
More than five years	348,199,927	515,070,759
	1,628,256,356	1,810,576,185

Operating lease commitments – as lessor

Future minimum rentals receivable under non-cancellable operating leases as at December 31 are as follows:

	Parent	
	2016	2015
Within one year	17,232,221	11,290,802
After one year but not more than five years	11,598,817	15,995,898
More than five years	3,522,472	12,779,915
	32,353,510	40,066,615

25. Related Party Transactions

In the ordinary course of business, the Parent has loan transactions with certain directors, officers, stockholders and related interests (DOSRI). Existing banking regulations limit the amount of individual loans to DOSRI, 70 per cent of which must be secured by their respective deposits and book value of their respective investments in the Parent. In the aggregate, loans to DOSRI generally should not exceed the respective total unimpaired capital or 15 per cent of total loan portfolio, whichever is lower, of the Parent.

BSP Circular No. 547 dated September 21, 2006 prescribed the DOSRI rules for government borrowings in government-owned or controlled banks. Said circular considered as indirect borrowings of the Republic of the Philippines (ROP), loans, other credit accommodations and guarantees to: (a) Government-Owned and Controlled Corporations (GOCCs); and (b) Corporations where the ROP, its agencies/departments/ bureaus, and/or GOCCs own at least 20 per cent of the subscribed capital stocks.

Total outstanding DOSRI loans of the Parent as of December 31, 2016 amounted to P67,434,480,229 of which P67,207,341,187 are government borrowings covered by BSP Circular No. 547.

The following are the significant transactions of the Parent with related parties:

	2016				2015			
	Key Management Personnel	Subsidiaries	Others (GOCCs, Provident Fund and Rural Banks)	Total	Key Management Personnel	Subsidiaries	Others (GOCCs, Provident Fund and Rural Banks)	Total
Receivables from customers	14,240,547	2,056,762,078	67,420,239,682	69,491,242,307	29,366,825	1,920,835,558	71,934,072,499	73,884,274,882
Deposit liabilities	0	352,129,723	0	352,129,723	0	367,542,242	0	367,542,242
Other liabilities	0	664,282,958	0	664,282,958	0	566,170,232	0	566,170,232
	14,240,547	3,073,174,759	67,420,239,682	70,507,654,988	29,366,825	2,854,548,032	71,934,072,499	74,817,987,356

The following are the percentage of DOSRI loans:

	2016	2015
DOSRI to Total Loans	13.79%	16.52%
Unsecured DOSRI to Total DOSRI	3.29%	5.14%
Past due DOSRI to Total DOSRI	0	0
Non-performing DOSRI to Total DOSRI	0	0

The following are the significant transactions with subsidiaries:

	2016	2015
Sales/(Purchases)	(50,089,161)	(27,996,821)
Interest income	62,729,684	77,714,114
Interest expense	(120,560,858)	(156,760,579)
Lease expense	(46,140,175)	(45,236,905)
Other income	17,826,349	1,468,308
Other expenses	(342,779,942)	(344,944,265)

Transactions with other related parties:

Compensation of key management personnel:

	Group		Parent	
	2016	2015 (As restated)	2016	2015
Short-term employee benefits	99,042,860	149,466,121	81,219,717	129,662,548
Post-employment benefits	20,994,781	32,184,805	20,667,833	31,844,139
Other long-term benefits	31,750,375	53,320,367	31,750,375	53,320,367
	151,788,016	234,971,293	133,637,925	214,827,054

Terms and conditions of transactions with related parties:

The sales to and purchases from related parties are made at normal market prices and settlement is made in cash. There have been no guarantees provided or received for any related party receivables or payables. For the years ended December 31, 2016 and 2015, the Group has not made any provision for doubtful accounts relating to amounts owed by related parties. This assessment is undertaken each financial year through examination of the financial position of the related party and the market in which the related party operates.

26. Trust Operations

The Parent is authorized under its Charter to offer trust services and administer trust funds through its Trust Banking Group. The Parent accepts funds entrusted by clients and undertakes as trustee to invest such funds in acceptable securities or other investment outlets. Trust funds or assets under Management of the Parent under its trust operations amounted to P101,607,181,197 and P69,241,998,618as at December 31, 2016 and 2015, respectively.

Summary of Assets under Management is as follows:

	2016 (Unaudited)	2015 (Audited)
Special Purpose Trust	772,214,891	1,602,937,108
Other Fiduciary Accounts	58,178,627,791	14,757,580,664
Agency	32,993,894,750	25,586,625,262
Trust	9,662,443,765	27,294,855,584
	101,607,181,197	69,241,998,618

In compliance with the requirements of the General Banking Law, government securities with total face value of P850,000,000in 2016and P850,000,000 in 2015 are deposited with BSP as security for the Parent’s faithful performance of its fiduciary obligation.

27. Derivative Financial Instruments

For Derivative instruments, fair values are estimated based on quoted market prices, prices provided by independent parties or values determined using accepted valuation models with observable inputs.

Freestanding Derivatives

Currency Forwards

As of December 31, 2016, the outstanding notional amount of the currency sell forward/swap agreements with maturity of less than six months amounted to P34,638,430,000 with market value of P34,571,950,655.

Over the Counter Interest Rate Option Contract Bought

As of December 31,2016, the outstanding notional amount of the debt warrants bought to mature on November 29, 2032 amounted to P76,618,607 with market value of P92,655,060.

Foreign Exchange (FX) Risk Cover

The foreign exchange risk cover on foreign borrowings is a derivative financial instrument per BSP Monetary Board Resolution No. 1063 dated August 14, 2008 and its fair value changes are reported in the statement of comprehensive income. As of December 31, 2016, the outstanding notional amount of the FX risk cover amounted to JPY6,704,591,679.

Embedded Derivatives

Embedded Credit Derivatives

This includes credit default swaps embedded in host debt instruments and with credit linkages to reference entities.

Embedded Optionalities in Debt Investments

This includes call, put, extension, and conversion options in debt securities and loan receivables. The embedded call, put and extension options are deemed to be closely related to their host contracts, while the put option embedded in a debt investment is not deemed to be significant.

Embedded Currency Derivatives

The Group has currency derivatives embedded in host non-financial contracts such as lease agreements and purchase orders.

28. Commitments and Contingent Liabilities

In the normal course of business, the Group makes various commitments and incurs certain contingent liabilities which are not presented in the financial statements. The Group does not anticipate material losses from these commitments and contingent liabilities.

The Group is contingently liable for lawsuits or claims filed by third parties which are either pending decision by the courts or under negotiation, the outcome of which is not presently determinable. In the opinion of Management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material effect on the Group's financial statements.

The following is a summary of various commitments and contingencies at their equivalent peso revalued amounts arising from off-balance sheet items which the Parent has contracted:

	Parent	
	2016	2015
Trust Department accounts	101,607,181,197	69,241,998,618
Commitments	68,006,353,434	76,136,294,550
Standby/commercial letters of credit	31,005,280,619	23,186,750,555
Derivatives	37,467,182,586	21,849,619,710
Outstanding guarantees	727,783,209	824,682,129
Spot exchange contracts	198,880,000	3,873,156,496
Late deposits received	612,047,865	732,085,717
Outward bills for collection	113,060,539	108,308,511
Liability Indemnity Fund	38,746,232	32,775,170
Others	591,970,101	406,550,184
	240,368,485,782	196,392,221,640

29. Financial Performance

The following basic ratios measure the financial performance of the Parent:

	2016	2015
Net interest margin ratio	3.08%	3.26%
Return on average assets	1.07%	1.24%
Return on average equity	15.72%	17.71%

30. Equity

As of December 31, 2016, the Parent's authorized capital has reached P200.0 billion composed of 2 billion common shares with par value of P100.0 per share. The increase in the Bank's authorized capital from P25 billion as of end-2015 was based on Executive Order No. 198 issued on February 04, 2016. Paid-up capital likewise increased to P17.8 billion with P5.8 billion aggregate capital infusion from the National Government in 2016.

The Parent complies with the provision of RA No. 7656 on dividend declaration to the National Government (NG) and with the loan and guarantee agreements between the World Bank, the Parent and the Department of Finance (DOF).

However, the Parent has requested for exemption from declaring cash dividends to the National Government on its net income for 2016.

Capital Management

The overall capital management objective of the Group is to create a more efficient capital structure while ensuring compliance with externally imposed capital requirements.

The Group manages its capital by maintaining strong credit ratings and healthy capital ratios to support its business and sustain its mandate. Adjustments to the Group's capital structure are made in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

Regulatory Qualifying Capital

Under existing BSP regulations, the Parent's compliance with regulatory requirements and ratios is determined based on the amount of the Parent's unimpaired capital (regulatory net worth) as reported to the BSP.

In addition, the risk-based capital ratio of a bank, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10 per cent for both stand-alone basis (head office and branches) and consolidated basis (Parent and subsidiaries engaged in financial allied undertakings but excluding insurance companies). Qualifying capital and risk-weighted assets are computed based on BSP regulations. Risk-weighted assets consist of total assets less cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits and other non-risk items determined by the Monetary Board (MB) of the BSP.

The Bank adopted BASEL 3 CAR computation pursuant to BSP Circular No. 781 effective January 31, 2014. INMES and AFS Equity were included as regulatory adjustments/deduction to Tier 1 capital.

	Group		Parent	
	2016	**2015**	**2016**	**2015**
	(Amounts in Millions)			
Tier 1 Capital	85,486	80,004	85,486	80,004
Tier 2 Capital	4,970	15,092	4,950	15,070
Gross Qualifying Capital	90,456	95,096	90,436	95,074
Less: Required Deductions	25,219	28,940	26,524	30,403
Total Qualifying Capital	65,237	66,156	63,912	64,671
Risk Weighted Assets	572,060	513,059	569,219	510,174
Adjusted Tier 1 Capital ratio	10.54%	9.95%	10.36%	9.72%
Total Capital Adequacy Ratio (CAR)	11.40%	12.89%	11.23%	12.68%

The regulatory qualifying capital of the Parent consists of Tier 1 (core) capital, which comprises paid-up common stock, retained earnings, current year profit less required deductions such as unsecured credit accommodations to DOSRI, deferred income tax, other intangible assets, equity investments and investment in non-marketable securities. The other component of regulatory capital is Tier 2 (supplementary) capital, which includes unsecured subordinated debt and general loan loss provision.

LBP Group has fully complied with the CAR requirement of the BSP.

31. Financial Risk Management

LBP RISK MANAGEMENT PHILOSOPHY AND CULTURE

Risk Management (RM) goes hand-in-hand on co-equal footing with Parent's business strategy. It is an integrative component of good governance which the Parent Board through the Risk Oversight Committee (RISKCOM) and Senior Management ensure adequacy of framework, policies, internal controls, RM systems and procedures to manage risks.

The core RM philosophy of the Parent is to balance risk and reward by maximizing business opportunities, operating within the risk threshold and minimizing losses beyond its appetite. RM is embedded in all the business processes of the Bank and it ascertains that risk-taking is commensurate with its risk appetite.

The Parent's RM completes the triumvirate of audit and compliance functions which focus at the risk controls of the Bank. Together with internal audit and compliance, the synergy of the three functions provides credence to the role of the Parent's corporate governance in implementing an effective RM framework.

The Parent's RM approach is governed by the Board-approved Enterprise RM (ERM) anchored on its mission, vision and strategic objectives. The Bank's implementation of ERM system with defined pro-active RM across various operations of the Bank is beyond compliance. ERM is implemented in three levels namely (1) strategic, (2) portfolio and (3) transactional.

At the Strategic Level, the Parent's Board through the RISKCOM and Senior Management are actively involved in an organizational-wide RM oversight which involves development and approval of RM policies, framework/structure, internal controls, and RM system as well as the annual review thereof. The Board of Directors (BoD) and Senior Management are also involved in an organizational-wide risk monitoring whichare used as basis for decision-making and review of the Parent's controls/mitigating measures (operational, financial and compliance control) and RM system.

At the Portfolio Level, the Groups or Departments oversee the implementation of policies and processes and monitor possible breaches. The Risk Management Group (RMG) recommends policies, processes and revisions thereof based on risk reports submitted by the risk taking Business Units (BUs) to address risk occurrences that cannot be solved at the level of the risk taking BUs.

At the Transactional Level, the Authorized Risk Takers (ARTs) are involved in the actual implementation of risk policies and procedures. The Parent's ARTs embrace the continuous management of risk events and immediately escalate the risk occurrences that cannot be solved at their level to the Department or Group level.

RM involves the oversight function covering risk identification, assessment, measurement, control, monitoring and reporting of risks inherent in all activities of the Parent. The RMG as an independent unit performs the oversight function for all major risk areas (credit, market, liquidity, operational, among others) of the Parent. RMG reports functionally to the RISKCOM and administratively to the President & CEO of the Parent.

In 2016, the notable accomplishments of RMG include the approval of the Credit Risk Frameworks Rating Models and Implementing Guidelines as part of the Parent's commitments to Governance Commission for GOCCs (GCG) Sector, the setting and review of market risk limits and retention of treasury risk limits, the issuance of guidelines on monitoring of match trade transactions, off-market rates, deposit concentration, pre-settlement risk and voice loggers, among others. Regular review and revision of risk guidelines and manuals were conducted in accordance with regulators' policies and industry best practices and the shock absorption capabilities of the Parent were ascertained through the regular conduct of credit and treasury risk stress testing.

The Operational RM Framework of the Parent was strengthened through the Service Level Agreement (SLA) between Business RM Department (BRMD) and Internal Audit Group (IAG) to address common audit issues on Operational RM implementation. A People RM Framework (PRMF) was developed in coordination with the Human Resource Management Group (HRMG) and the Bank's Business Continuity Management (BCM) was enhanced with the development of Business Continuity Risk Assessment (BCRA) and Business Continuity Plans (BCPs) for each BU of the Parent.

Management of information security risks was strengthened by widening scope of risk assessment to include people holding key positions and sensitive information. This is institutionalized through the updating of the corresponding guidelines. For information technology oversight, new electronic programs and channels were reviewed for possible compromise on confidentiality, integrity, and availability of the Parent's assets.

Moreover, the turn-over of final report on ERM Phase III to RMG by SyCipGorresVelayo (SGV) & Co. and the preparation and submission of the Parent's 2016 Internal Capital Adequacy Assessment Process (ICAAP) document and Recovery Plan (RP) to BangkoSentralngPilipinas (BSP) within the prescribed cut-off.

Regular and special market, credit and operational risk reports were prepared and presented to the RISKCOM which substantiate that appropriate RM tools are embedded in the Parent's processes to ensure compliance with regulatory and internal risk control measures. Credit policies and guidelines were prepared and presented to ILC including, but not limited to (1) limits on the Parent's total lending exposures to different industries/sectors, (2) terms and conditions for each type of credit accommodation, (3) remedial measures such as restructuring and (4) foreclosures, dacion en pago and other settlement options.

CREDIT RISKMANAGEMENT

Credit risk arises from the failure of a counterparty to meet the terms of any contract with the Parent or otherwise perform as agreed. Credit risk is not limited to the loan portfolio and is found in all Parent activities where success depends on counterparty, issuer, or borrower performance. It arises any time Parent funds are extended, committed, invested, or otherwise exposed through actual or implied contractual agreements, whether reflected on or off the balance sheet. The Parent considers its loan portfolio as the majorsource of credit risk; however, other sources of credit risk exist throughout the activities of the Bank, including the banking and trading book and On- and Off-Balance Sheet transactions.

Maximum Credit Risk Exposure

The table below shows the Group's maximum exposure to credit risk, before and after considering eligible collateral held or other credit enhancements.

On-Balance Sheet Items	2016 (In Millions) Net Exposures	0%	20%	50%	75%	100%	150%	Credit RWA
Cash on Hand	27,872	27,872	0	0	0	0	0	0
Checks and Other Cash Items	319	0	319	0	0	0	0	64
Due from BangkoSentralngPilipinas	355,466	355,466	0	0	0	0	0	0
Due from Other Banks	11,650	0	71	11,536	0	43	0	5,825
Available-for-Sale (AFS) Financial Assets	271,213	238,823	0	26,528	0	5,862	0	19,126
Held-to-Maturity (HTM) Financial Assets	153,753	144,160	0	4,401	0	5,192	0	7,392
Unquoted Debt Securities Classified as Loans	10,679	0	0	501	0	10,178	0	10,428
Loans and Receivables	433,055	0	3,481	16,311	62,661	348,248	2,354	407,626
1. Interbank Loans Receivables	29,122	0	3,481	12,083	0	13,536	22	20,306
2. Loans & Receivables - Others								
a. LGUs & Public Sector Entities	31,006	0	0	0	0	31,006	0	31,006
b. Government Corporation	1,922	0	0	0	0	1,922	0	1,922
c. Corporates	274,664	0	0	0	0	274,664	0	274,664
d. Micro/Small & Medium Enterprise	62,661	0	0	0	62,661	0	0	46,996
e. Loans to individuals	31,104	0	0	4,228	0	26,876	0	28,990
3. Defaulted Exposures	2,576	0	0	0	0	244	2,332	3,742
Other Loans and Receivables 1/	14,806	14,795	0	11	0	0	0	6
Sales Contract Receivable (SCR)	945	0	0	0	0	307	638	1,264
Real and Other Properties Acquired	4,249	0	0	0	0	0	4,249	6,374
Total Exposures Excluding Other Assets	1,284,007	781,116	3,871	59,288	62,661	369,830	7,241	458,105
Other Assets	13,175	11	0	0	0	13,164	0	13,164
Total RW OBS Assets not covered by CRM	0	0	0	0	0	0	0	45
Total On-Balance Sheet Exposures	**1,297,182**	**781,127**	**3,871**	**59,288**	**62,661**	**382,994**	**7,241**	**471,314**

1/ Arising from Repurchase Agreements, Certificates of Assignment/Participation with Recourse, and Securities Lending and Borrowing Transactions

Off-Balance Sheet Items	Credit Equivalent Amount	0%	20%	50%	75%	100%	150%	Credit RWA
A. Direct credit substitutes	6,599	0	0	0	0	6,599	0	6,599
B. Transaction-related contingencies	34,196	0	0	0	0	34,196	0	34,196
C. Trade-related contingencies	1,743	0	0	1,154	0	589	0	1,166
Total Off-Balance Sheet Exposures	**42,538**	**0**	**0**	**1,154**	**0**	**41,384**	**0**	**41,961**
Counterparty RWA In The Trading Book	**Credit Equivalent Amount**	**0%**	**20%**	**50%**	**75%**	**100%**	**150%**	**Credit RWA**
Derivative Exposures	323	0	68	11	0	244	0	263
Total Exposures	**1,340,043**	**781,127**	**3,939**	**60,453**	**62,661**	**424,622**	**7,241**	**513,538**

Credit Exposures and Credit-Related Commitments

As of December 2016, the Group's Gross Loans and Receivables amounted to P433,055 million, net of credit risk mitigation which consists mainly of primary collaterals such as deposit holdout, government securities (GS) and sovereign guarantees. The bulk of net Loans and Receivables went to Corporates at P274,664 million (63.42%), followed by Micro, Small & Medium Enterprises (MSMEs) at P62,661 million (14.47%), loans to individuals at P31,104 million (7.18%), and government entities at P31,006 million (7.16%). The Group also holds substantial receivables arising from repurchase agreements aggregating P14,806 million. For net Off-balance Sheet exposures of P42,538 million, the credit equivalent amounts are computed considering their respective Credit Conversion Factors (CCFs). These accounts are composed mainly of general guarantees of indebtedness (e.g., financial standby letters of credit - domestic and foreign), performance bonds and warranties related to particular transactions, and contingencies arising from movement of goods and trust transactions. Outstanding derivative exposures are mainly over-the-counter (OTC) foreign exchange (Fx) option contracts.

The Group's Gross Loans and Receivables reflected a Credit Risk Weighted Assets (RWA) of P407,626 million following the Standardized Approach in Credit RM. This represents 79.38 percent of the Total Credit RWA of P513,538 million. However, the Total Credit RWA increased by P54,317 million or 11.83 percent, from P459,221 million in 2015 to P513,538 million in 2016. The Total Credit RWA represents 89.77 percent of the Group's Aggregate RWA of P572,060 million.

Risk concentrations of the maximum exposure to credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

The Parent has established concrete guidelines and procedures relative to managing, monitoring and reporting large exposures and credit risk concentrations in accordance with the rules and regulations issued by the BSP.

As of 31 December 2016, the Parent's qualifying capital covering credit risk is P63.912 billion.

On the other hand, the Parent's Single Borrower's Limit (SBL) is pegged at P20.650 billion for direct lending and P28.911 billion for wholesale lending.

Overall credit risk management oversight is a function of the Board of Directors (BOD)-level Risk Management Committee. In general, mitigation measures on credit risks are implemented at various levels. However, oversight on credit risk management is vested on the Risk Management Group which is independent from the business function. This is critical in ensuring the integrity and objectivity of the credit risk assessment, pricing, and management process.

The Parent ensures that the credit risks undertaken are commensurate with the risk appetite and the Parent's capacity to manage such risks. Thus, regular monitoring of both the level of risk and equity capital is undertaken to ensure that even in instances of major credit surprises, the Parent could sustain its operations in spite of the losses incurred and continue to be an efficient financial intermediary for development and institutional financing.

The BSP considers that credit concentration exists when total loan exposure to a particular industry exceeds 30 per cent of total loan portfolio. As of 31 December 2016 and 2015, the Parent does not have credit concentration in any particular industry.

As of December 31, 2016 and 2015, information on the concentration of credit as to industry based on carrying amount is shown below:

	Parent			
	2016		2015	
	Amount	%	Amount	%
Financial intermediation	41,499,841,256	8	42,831,937,600	10
Agriculture, hunting and forestry	82,848,337,774	17	73,458,377,726	17
Real estate, renting and business activities	51,448,278,099	11	52,348,093,045	12
Public administration and defense	43,684,643,149	9	41,542,098,234	9
Manufacturing	35,062,538,415	7	28,112,973,990	6
Community, social and personal services	12,480,366,557	3	9,499,963,124	2
Electricity, gas and water	77,787,367,744	16	67,931,970,305	16
Wholesale & retail trade, repair of motor vehicles, motorcycles & personal and household goods	41,239,331,755	8	35,917,670,451	8
Transport, storage and communication	39,356,260,435	8	33,380,261,640	8
Construction	28,760,843,760	6	24,274,201,400	5

	Parent			
	2016		2015	
	Amount	%	Amount	%
Private households	20,989,139,302	4	15,778,544,062	4
Hotel and restaurant	3,241,279,187	1	2,612,311,316	1
Others	10,677,208,313	2	7,882,451,966	2
	489,075,435,746	**100**	**435,570,854,859**	**100**
Allowance for losses	**(5,077,435,761)**		**(4,434,160,030)**	
	483,997,999,985		**431,136,694,829**	

Management of Credit Risk

Credit RM aims to adequately manage the risk of financial loss arising from the failure of borrowers or counterparties to settle their obligations in accordance with the terms and conditions of the duly approved contractual agreement.

This involves the identification, measurement and monitoring of actual or potential losses and the implementation of appropriate measures, including the setting-up of applicable limits to keep credit risk exposures within the Parent's risk appetite or the acceptable level of credit risk that it is willing to accept in pursuit of its lending plans and programs. The Parent also needs to manage the credit risk inherent in the entire portfolio as well as the risk in individual credits or transactions. It also considers the relationships between credit risk and other risks. The effective management of credit risk is a critical component of a comprehensive approach to RM and essential to the long-term success of the Parent.

The Parent manages credit risk through a structured framework duly approved by the BoD that sets out policies and procedures covering the identification, measurement, control, and monitoring of credit risk. Accordingly, approval of credit application goes through prescribed loan approving levels which, depending on the transaction or amount of loan applied, could be elevated to the Credit Committee (CRECOM) a Management-level Committee, the ILC a Board-level Committee and up to the LANDBANK Board, whenever applicable. The approval process also covers proposed remedial actions aimed at helping problem accounts regain normal operations. The Parent has put in place comprehensive set of credit policies through the issuance of Credit Manual, Credit Policy Issuances (CPIs) and Credit Bulletins (CBs). As the middle office for credit risk, the Parent's Credit RM Department (CRMD) handles credit risk oversight, risk measurement and risk rating of borrowers.

To effectively monitor and maintain the quality of its loan portfolio, the Bank conducts annual qualitative and impairment review to assure proper loan classification and setting-up of valuation reserves. As of December 2016, the Parent's net Non-Performing Loan (NPL) stood at P2,096million or 0.43 percent of the total regular loan portfolio.

Credit Risk Rating

The Parent's Credit Risk Engine System (CRES) serves as the main platform for the generation of automated credit ratings of Bank borrowers to help determine their credit worthiness. The Bank undertakes continuing development and implementation of the automated CRES scoring facility to provide support to its ongoing initiatives for the adoption of applicable banking regulations and global best practices and approaches in Credit RM.

The Parents's CRES facility generates Probability of Default (PD) which form part of the risk components required to calculate the Expected Credit Loss (ECL) in accordance with the provisions of BSP Circular 855, dated 29 October 2014 (Guidelines on Sound Credit RM and Practices) as well as the Philippine Financial Reporting Standards (PFRS) 9 which is scheduled for implementation in 2018. These are also considered for the eventual adoption of the advance approaches in Credit RM under the Basel Committee on Banking Supervision (BCBS) principles on sound Credit RM.

Toward this end, the Parent approved in CY2016 the implementation of the following automated credit scoring models and their corresponding rating guidelines:

- Application Scoring Model for Individual Home Buyers
- Application Scoring Model for Salary Loan Availers
- Behavioral Scoring Model for Existing Salary Loan Availers
- Behavioral Scoring Model for Local Government Units (LGUs)

- Behavioral Scoring Model for Small Medium Enterprises (SMEs)
- Behavioral Scoring Model for Corporates
- Behavioral Scoring Model for Countryside Financial Institutions (CFIs)
- Behavioral Scoring Model for Cooperatives

Nonetheless, the Parent shall continue to use the expert-based credit rating system for loan portfolio with low default or with insufficient data until such time that a statistically-based credit scoring model be made available.

Credit Risk Monitoring

Periodic escalation of credit risk exposures and underlying risk events is being undertaken via a formal reporting system. This enables the Bank through the ILC, RISKCOM and the BoD to keep tab of major credit issues or concerns that need priority action or resolution.

Collateral and Other Credit Enhancements

The required amount and type of loan collateral depend on borrower type and assessment of the credit risk of the borrower. The Bank's Credit Manual and CPIs provide the guidelines on the acceptability of loan collateral and maximum valuation for each type of collateral. The primary collaterals accepted by the Bank are Holdout on Deposits, GS, Real Estate Mortgage (REM) and Chattel Mortgage (CM).

The Parent also accepts government guarantees, cross suretyship from corporations and such other eligible guarantees. In the case of agricultural and agriculture-related loans that are vulnerable to the effects of climate and weather disturbances, borrowers are encouraged to avail of crop insurance guarantees and other insurance mechanisms to shield them from these risks.

Credit Stress Test

The Parent regularly conducts stress testing of its loan portfolio taking into account risk events with high probability of occurrence. Utilizing such scenarios, tests are done to determine the magnitude of their impact on the Parent's loan portfolio, on the Credit RWA, and finally on the Capital Adequacy Ratio (CAR). The stress testing also includes prescribed regulatory tests such as uniform stress test and real estate stress test.

MARKET RISK MANAGEMENT

Market Risk Management Framework

The Parent is exposed to market risks in both its trading and non-trading banking activities. The Bank assumes market risk in market making and position taking in GS and other debt instruments, equity, foreign exchange (Fx) and other securities, as well as, in derivatives or financial instruments that derive their values from price, price fluctuations and price expectations of an underlying instrument (e.g., share, bond, Fx or index). Parent's exposure on derivatives is currently limited to currency swaps and currency forwards to manage Fx exposure. The Bank is also exposed to derivatives that are embedded in some financial contracts, although, these are relatively insignificant in volume.

The Parent uses a combination of risk sensitivities, Value-at-Risk (VaR), stress testing, CAR and capital metrics to manage market risks and establish limits. The LANDBANK Board, RISKCOM and the Asset & Liability Committee (ALCO) a Management-level Committee define and set the various market risk limits for each trading portfolio. The Treasury & Investment Banking Sector (TIBS), particularly the Financial Markets Group (FMG) which manages the Bank's trading units as well as the Asset & Liability Management Group (ALMG) which manages the Bank's liquidity and reserve positions, conducts risk-taking activities within limits at all times and ensures that breaches are escalated to Senior Management for appropriate action.

A management alert is activated whenever losses during a specified period equal or exceed specified management alert level. LANDBANK controls and minimizes the losses that may be incurred in daily trading activities through the VaR and Management Action Triggers (MATs). Positions are monitored on a daily basis to ensure that these are maintained within established position limits to control losses. Position limits are subordinated to MATs and VaR limits. Macaulay and Modified Duration are used to identify the interest rate sensitivity of the Bond Portfolio of the Parent.

In the same way, certain subsidiaries of the Bank independently quantify and manage their respective market risk exposures by maintaining their respective RM system and processes in place.

Market Risk Weighted Assets

As of 31 December 2016, the Group's Total Market RWA stood at P4,064 million, broken down as follows:

Particulars	Amount (In Millions)
Interest Rate Exposure	860
Equity Exposure	5
Fx Exposure	284
Options	2,915
Total Market RWA	**4,064**

The Total Market RWA represents 0.71 percent of the Group's Aggregate RWA of P572,060 million.

Managing Market Risk Components

Market Risk is associated to earnings arising from changes in interest rate, Fx rates, equity and in their implied volatilities. Market risk arises in trading as well as non-trading portfolios.

The Parent manages the following key market risk components using its internal risk mitigation techniques:

1. Interest Rate Risk in the Trading Book

   Market risk in trading arises primarily as a result of market making, application of RM solutions and participation in syndications. The Parent continues to manage interest rate risk in trading activities through factor sensitivities and the use of an effective and independently validated VaR methodology and stress testing.

2. Equity Price Risk Management

   The Parent is exposed to equity price risk resulting from changes in the levels of volatility of equity prices, which in turn affect the value of equity securities and impacts on profit and loss of the Parent. Equities are subject to daily mark-to-market and controlled through risk limits such as position, VaR and MATs.

PARTICULAR	DAILY LIMIT(In Millions)		MAT
	POSITION	VaR	
Equity	1,000.00	15.00	YTD Gain Erosion Income Target

YTD: Year-to-Date

3. Foreign Exchange Risk Management

   Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in Fx rates. Using the Philippine Peso as the Parent's functional currency, the Bank monitored daily the currency positions to ensure that these are within established limits.

   The following limits are set for foreign-currency related transactions:

PARTICULAR	DAILY LIMITIn $ Millions		MAT
	POSITION	VaR	
Fx Trading	50.00	0.36	YTD Gain Erosion Income Target
FS	20.00	0.20	

FS: Foreign Securities

The Parent had the following significant exposures denominated in foreign currencies as at 31 December 2016:

In $ Thousand

PARTICULAR	USD	JPY	EUR	AUD	Others	Total
ASSETS						
FCNCH/COCI	21,649	174	96	10	44	21,973
Due from banks	216,953	4,167	10,919	262	1,164	233,465
Held for Trading	1,864	0	0	0	0	1,864
Available For Sale Investment	916,386	0	0	0	0	916,386
IBODI	505,921	0	0	0	0	505,921
Interbank Loans Receivable	313,000	0	0	0	0	313,000
Loans & Receivables	262,924	61,796	0	0	0	324,720
Investment in Subsidiaries	0	0	1	0	923	924
Other Assets	24,024	836	0	0	0	24,860
Gross Fx Assets	2,262,721	66,973	11,016	272	2,131	2,343,113
LIABILITIES						
Deposit Liabilities	1,214,415	1,207	6,228	0	7	1,221,857
Bills Payable	271,220	297,618	27,392	0	0	596,230
Others	140,483	1,113	5,085	0	0	146,681
Gross Fx Liabilities	1,626,118	299,938	38,705	0	7	1,964,768
Fx Purchases						
Spot Fx Purchases	(2,000)	0	0	0	0	(2,000)
Forward Fx Purchases	(15,000)	(57,023)	0	0	0	(72,023)
Gross Fx Purchases	(17,000)	(57,023)	0	0	0	(74,023)
Fx Sales						
Spot Fx Sales	2,000	0	0	0	0	2,000
Forward Fx Sales	680,000	0	0	0	0	680,000
Gross Fx Sales	682,000	0	0	0	0	682,000

Market Risk Measurement and Validation Tools

1. Value-at-Risk Analysis

VaR is a statistical approach for measuring the potential variability of trading revenue. It is used to measure market risk in the trading book under normal conditions, estimating the potential range of loss in the market value of the trading portfolio, over a one-day period, at the 99 percent confidence level, assuming a static portfolio.

The Parent uses the internally developed Historical Simulation Model in computing VaR of Equities, Fx Net Open Position, GS and FS trading portfolios. The Parent continuously pursues initiatives to improve processes in preparation for the Parent's migration towards an Internal Model Approach for capital charging. The VaRdisclosure is intended for external disclosure and for regulatory purposes. The Parent monitors VaR both at portfolio and across portfolio level. Daily VaR calculations are compared against VaR limits, the monetary amount of risk deemed tolerable by management. The over-all VaR limit for Parent Treasury's trading activities was set at P202 million throughout 2016.

2. Stress Test

Measuring market risk using statistical RM models has recently become the main focus of RM efforts in the banking industry where banking activities are exposed to changes in fair value of financial instruments. However, Parent opinedthat the statistical models alone do not provide reliable method of monitoring and controlling risk because these models (while relatively sophisticated) have several known limitations, at the same time, do not incorporate the potential loss caused by very unusual market events. Thus, the VaR process is complemented by Stress Testing to measure this potential risk.

Stress Test is an RM tool used to determine the impact on earnings of market movements considered "extreme", i.e., beyond "normal" occurrence. Stress Tests are Parent's measures of risks to estimate possible losses which the VaR does not capture.

The Parent's Portfolio Scenario Analysis (PSA) analyzes the impact of major risks that emerge out of the different scenarios, considering adverse and probable risk events, on activities related to Treasury's trading and investment portfolios. This seeks to establish how far the Bank can absorb certain levels of stress, to explore the events that could cause a significant impact to the Bank and to assess its vulnerabilities and capability to deal with shocks such as price risk, interest rate risk, Fx risk and eventually, liquidity risk. The Parent also conducts reverse Stress Testing to identify and simulate the events that can lead the Parent to a particular tail event.

Results of PSA are also simulated in the CAR computation to be able to assess its impact on the CAR compliance set at 10 percent and the Common Equity Tier (CET) 1 ratio of at least 8.5 percent set by BSP with conservation buffers.

3. Back-Test

The Parent adopts the back-testing as the basic technique in verifying the quality of risk measures used by the Bank by comparing actual trading results with model-generated risk measures.

Under the back-testing process, exception occurs if mark-to-market and trading loss exceeds the result of the model-generated risk measure. The number of exceptions is noted and the model is classified into one of the three zones as follows:

ZONE CLASSIFICATION	NUMBER OF EXCEPTIONS
safe/green zone	0-4 exceptions
non-conclusive/yellow zone	5-9 exceptions
problematic/red zone	10 or more exceptions

Back-testing results are presented to the ALCO and the RISKCOM which examine the actual performance of portfolios against VaR measures to assess model accuracy and to enhance the risk estimation process in general.

4. Model Validation

Risk models used in managing market risk are subjected to independent model validation. The Internal Audit Group (IAG) is tasked to do model validation of RM models. The Parent has also engaged the services of a third party who conducted an independent model validation.

INTEREST RATE RISK MANAGEMENT

Interest Rate Risk in the Banking Book

For interest rate risk in the banking book, a key component of the Parent's asset and liability policy is the management of interest rate sensitivity. Interest rate sensitivity is the relationship between market interest rates and net interest income due to the maturity or re-pricing characteristics of interest-earning assets and interest-bearing liabilities.

The Parent establishes the lending rates for its loans based on a spread over its internal base rate, which reflects the Parent's average cost of funds which is generally reset at the beginning of every two weeks. Interest rates on floating rate loans are typically reset every 30 to 90 days. For deposits, regular savings and time deposit accounts rates are set by reference to prevailing market rates.

The Parent manages interest risk based on approved policies and guidelines, established limit setting procedures and interest rate risk limits, application of interest rate risk measurement models and reporting standards such as Re-pricing Gap/Earning-at-Risk (EaR), Economic Value of Equity (EVE)-at-Risk and Bond Duration Report.

The two interest rate risk perspectives adopted by the Parent in measuring interest rate risk in the banking book are as follows:

a. Earnings Perspective: The Parent uses the EaR Model to estimate changes in Net Interest Income (NII) under a variety of rate scenarios over a 12 month horizon. To determine the actual behavior of Non-Maturing Deposits (NMDs) and capture the actual interest rate risk exposure, the Parent analyzed its deposit base to estimate the proportion of core and non-core deposits and determine how actual maturity or re-pricing behavior may vary from the contractual terms.

Core Deposits are NMDs which are unlikely to re-price even under significant changes in interest rate environment while Non-Core (Volatile) Deposits are NMDs that are characterized by 'activity' as manifested by the behavior based on withdrawal patterns, computed through statistical analysis of net withdrawal levels.

Non-Core NMDs are re-bucketed based on net withdrawal pattern for the past five years and Core NMDs are allocated in the 'more than five years'.

Excluded at the moment in the analysis of actual maturity or re-pricing behavior for the determination of Re-pricing Gap are fixed rate loans subject to prepayment risk and term deposits subject to early redemption risk. Prepayment of loans and early withdrawal of maturing deposits are considered isolated cases which will have minimal effect in the Parent's interest rate risk estimation.

The following table sets the Re-pricing Gap position of the Parent as at 31 December 2016 and the increase/decline in earnings for upward and downward interest rate shocks in the banking book:

In Millions

PARTICULARS	Within 1 month	> 1 month to 3 months	> 3 months to 6 months	> 6 months to 12 months
Financial Assets				
Due from BSP	88,735	132,948	44,444	28,939
Total Loans	1,792	6,282	5,948	5,661
Total Investments	125,857	0	0	0
Sales Contract Receivables	22	12	1	11
Total Financial Assets	216,406	139,242	50,393	34,611
Financial Liabilities				
Deposits	909,716	125,717	21,275	17,923
Bills Payable	3,531	631	13,037	0
Others	0	0	0	0
Total Financial Liabilities	913,247	126,348	34,312	17,923
Off-Balance Sheet				
Derivatives	(32,567)	(497)	0	0
Commitments	0	0	0	(25,992)
Total Off-Balance Sheet	(32,567)	(497)	0	(25,992)
Re-pricing Gap	(729,408)	12,397	16,081	(9,304)

Change in Interest Rates - in basis points (bps)

In Millions

EaR	-300/-15	-200/-10	-100/-5	-50/-2.5	+50/+2.5	+100/+5	+200/+10	+300/+15
	P18,652	P12,434	P6,217	P3,109	(P3,109)	(P6,217)	(P12,434)	(P18,652)

b. Economic Value Perspective: The Parent uses the EVE-at-Risk Model to assess the potential long-term effects of changes in interest rates over the remaining life of the Parent's holdings. This model also measures the change in the Parent's EVE for specified changes in interest rates.

The table below shows the increase/(decline) in economic value for upward and downward rate shocks using the EVE-at-Risk Model to measure interest rate risk in the banking book.

Change in Interest Rates - in bps

In Millions

EVE-at-Risk	-300	-200	-100	-50	+50	+100	+200	+300
	P11,441	P7,570	P3,756	P1,871	(P1,857)	(P3,700)	(P7,346)	(P10,937)

Both viewpoints are assessed to determine the full scope of the Parent's interest rate risk exposure. Moreover, interest risk in the Parent is not managed in isolation. Interest risk measurement systems are integrated into the Parent's general RM system and the results from models used are interpreted in relation with other risk exposures.

The interest rate risk exposures of the Parent are measured and reported to the ALCO and RISKCOM at least on a monthly basis under the earnings perspective through EaR Model and quarterly for the economic value perspective using EVE-at-Risk Model.

LIQUIDITY RISK MANAGEMENT

Liquidity Risk Management Framework

The Parent's liquidity RM process is consistent with the general RM framework of the Parent covering risk identification, measurement and analysis, monitoring and control. The policies that govern liquidity RM are reviewed and approved on a regular basis by ALCO and RISKCOM. The Parent's liquidity policy is to maintain fund availability at all times and hence, to be in a position to meet all of its obligations, in normal course of business.

The Parent considers liquidity risk based on market and funding liquidity risk perspectives. Trading or Market liquidity risk refers to inability to unwind positions created from market, exchanges and counterparties due to temporary or permanent factors. The Parent cannot easily eliminate or offset a particular position because of inadequate liquidity in the market. This may be associated with large transactions having significant effect on market prices that lack sufficient depth, or with structured or complex investments having small potential buyers. This liquidity risk perspective is captured through stress testing or scenario analysis.

Funding liquidity risk refers to current and prospective risk arising from the inability to meet investment and funding requirements arising from cash flow mismatches without incurring unacceptable losses. It occurs from the mismatch of asset, liability, exchange contract and contingent commitment maturities. Funding liquidity risk is being monitored and controlled through the classification of maturities of assets and liabilities over time bands and across functional currencies as reflected in the Liquidity Gap Report (LGR).

The Parent Board exercises oversight through RISKCOM and delegated the responsibility of managing the overall liquidity of the Parent to the ALCO. The ALCO and the TIBS are responsible for the daily implementation and monitoring of relevant variables affecting Parent's liquidity position. The ALCO reviews the Parent's assets and liabilities position on a regular basis and, in coordination with the TIBS, recommends measures to promote diversification of its liabilities according to source, instrument and currency to minimize liquidity risks resulting from concentration in funding sources.

The ALCO meets twice a month or more frequently as required by prevailing situations. The RMG, through the Treasury Risk Management Department (TRMD), is responsible for the oversight monitoring of the Parent's liquidity risk positions and ensures that reports on the Parent's current risk are prepared and provided to ALCO and RISKCOM in a timely manner. Although the Parent pursues what it believes to be a prudent policy in managing liquidity risk, a maturity gap does, from time to time, exists between the Parent's assets and liabilities. In part, this comes about as a result of the Bank's policy to seek higher yielding assets, a policy which will generally lead to the average maturity of its financial assets exceeding that of its liabilities.

The Parent performs a comprehensive liquidity risk measurement and control using as tool the Consolidated LGR covering the bank-wide balance sheet. Risk models used in liquidity RM are subjected to independent model validation as conducted by the IAG.

Liquidity Risk Measurement Models

The Parent manages the liquidity risk using the following tools:

1. Liquidity Gap Report

   The Parent performs liquidity gap analysis using the LGR which is a risk measurement tool used in identifying the current liquidity position to determine the ability to meet future funding needs. It breaks down balance sheet items according to estimated maturities of assets and liabilities in order to determine any future structural imbalances such as long-term assets growing faster than long term liabilities. The RMG, through TRMD assists ALCO in its function by preparing Peso, Fx Regular, FCDU and Consolidated LGR on a monthly basis.

The table presents the assets and liabilities based on the contractual maturity, settlement and expected recovery dates:

PARENT						
In Thousands						
	2016			2015		
PARTICULARS	Due within one year	Due more than one year	Total	Due within one year	Due more than one year	Total
ASSETS						
Cash & Other Cash Items	28,250,784	0	28,250,784	26,889,156	0	26,889,156
Due from BSP	355,405,020	0	355,405,020	314,934,580	0	314,934,580
Due from Other Banks	11,620,068	1,692	11,621,760	5,781,050	1,685	5,782,735
Interbank Loan Receivable	15,562,360	0	15,562,360	17,799,877	0	17,799,877
Security Purchased Under Agreement to Resell	14,803,584	0	14,803,584	83,654,000	0	83,654,000
Loans & Receivables	175,805,122	324,151,602	499,956,724	155,403,886	293,642,674	449,046,560
Investments	41,770,353	410,897,766	452,668,119	30,652,845	254,175,401	284,828,246
Other Assets	1,747,689	19,743,357	21,491,046	2,106,127	18,026,935	20,133,062
Total Assets	**644,964,980**	**754,794,417**	**1,399,759,397**	**637,221,521**	**565,846,695**	**1,203,068,216**
LIABILITIES						
Deposits						
Demand	558,645,451	0	558,645,451	474,739,429	0	474,739,429
Savings	621,493,284	0	621,493,284	533,308,804	0	533,308,804
Time	43,741,305	1,097,295	44,838,600	26,735,535	444,090	27,179,625
LTNCD	0	11,000,000	11,000,000	0	11,000,000	11,000,000
Bills Payable	8,678,194	21,357,140	30,035,334	1,882,262	19,467,669	21,349,931
Unsecure Subordinated Debt	0	0	0	0	10,500,000	10,500,000
Due to BTr, BSP, & MCs/PCIC	1,626,972	165,894	1,792,866	2,240,728	163,469	2,404,197
Due to Local Banks	1,723	0	1,723	16,758	0	16,758
Other Liabilities & Payable	300,931	41,432,087	41,733,018	336,966	35,988,549	36,325,515
Total Liabilities	**1,234,487,860**	**75,052,416**	**1,309,540,276**	**1,039,260,482**	**77,563,777**	**1,116,824,259**

- Core Deposit: The Parent determines Core Deposit which is calculated based on Net Withdrawal Pattern. It serves as a buffer that protects the Parent's assets, which are subject to interest rate risks. Core Deposit level is computed to determine the lowest deposit level that is expected to be retained under normal operating conditions. The computation involves determining the deposit mix comprising of volatile and non-volatile or Core Deposits.

- Non-Maturing Deposits: Regular savings (Total savings less High Yield Savings Accounts and Easy Savings Plus) and demand deposits are NMDs. An analysis made to proximate scenario is to simulate behavioral withdrawal pattern. This is done by observing pattern of deposit decays of the total end of-day data for demand deposit account based on a five-year historical demand deposit data. The highest withdrawal percentage change is determined for each tenor bucket. The percentages are used as basis for slotting the NMD amount under the different tenors.

The following table sets forth the asset-liability gap position over the detailed time period for the Parent at carrying amounts as at 31 December 2016 based on contractual repayment arrangements which take into account the effective maturities as indicated by Parent's deposit retention history.

Particulars	Due within 3 months	Due more than 3 months to 6 months	Due more than 6 months to 1 year	Due more than 1 year to 5 years	Due more than 5 years	Total
			In Millions			
Financial Assets						
Cash & Due from Banks	337,897	0	57,379	0	1	395,277
Total Loans	108,669	69,984	27,518	155,237	168,915	530,323
Total Investments	17,747	5,948	18,075	164,075	246,823	452,668
Other Assets	1,132	0	615	0	19,744	21,491
Total Assets	**465,445**	**75,932**	**103,587**	**319,312**	**435,483**	**1,399,759**
Financial Liabilities						
Deposits	34,081	1,190	1,991	603	1,198,112	1,235,977
Borrowings	3,955	3,737	986	6,969	14,388	30,035
Other Liabilities & Unsecured Subordinated Debt	1,629	0	301	0	41,598	43,528
Total Capital	0	0	0	0	90,219	90,219
Total Liabilities & Capital	**39,665**	**4,927**	**3,278**	**7,572**	**1,344,317**	**1,399,759**
Asset & Liabilities Gap Position	**425,780**	**71,005**	**100,309**	**311,740**	**(908,834)**	**0**

As at 31 December 2016, the Parent has in its possession a comfortable level of highly liquid assets to cover for liquidity risk that may arise in the earlier tenor buckets. Most assets (particularly loans and investments) have long term maturities. Cumulative gap after contingent accounts is positive in all buckets except in the 'more than 5 years' bucket. Maximum Cumulative Outflow (MCO) limit was not breached in the entire time bucket within the one year horizon.

The Parent has established guidelines for liquidity risk limit setting to enable it to properly and prudently manage and control liquidity risk, consistent with the nature and complexity of its business activities, overall level of risk and its risk appetite.

The MCO limit set by the Parent Board is one of the tools used to manage and control the liquidity risk in the gap report of the Parent. It is a measure of the liquidity gap between maturing assets and liabilities. MCO limits put a cap on the total amount of negative gaps in the '1 day to 1 year' time buckets.

2. Financial Ratio Analysis

Financial Ratio Analysis is another liquidity risk measurement tool that calculates and compares liquidity and leverage ratios derived from information on the Parent's financial statements against set liquidity/leverage limits.

The following table sets out the Parent's liquidity ratios as of the dates indicated:

In Millions except when expressed in percentage				
	31 December			
PARTICULARS	**2016 (Unaudited)**	**2015 (Audited)**	**2014 (Audited)**	**2013 (Audited)**
Liquid Assets (*)	867,227	722,850	625,897	502,535
Financial Ratios:				
Liquid Assets to Total Assets	62.16%	60.08%	50.23%	59.33%
Liquid Assets to Total Deposits	70.15%	69.09%	68.55%	71.38%

*Note: Liquid Assets include the following:
1. Cash and other Cash Items
2. Interbank Loans
3. Government Securities
4. Tradable non-Government securities and commercial paper

3. Liquidity Stress Test

The Parent complements liquidity management and contingency planning through the use of stress testing and scenario analysis. Stress Test for liquidity risk is done to supplement the LGR/MCO Model as it makes provisions for varied but plausible situations through scenario analysis with the single goal of preparing the

Bank for potential liquidity problems. This could serve as input for making appropriate liquidity management decisions and come up with mitigating measures to ensure that the Parent will be able to withstand such events. The scenarios are based on historic events, case studies of liquidity crisis and models using hypothetical events.

Result of Stress Test analysis helps the Parent focus on the level of liquidity that could be reasonably built within a specified period to meet different situations. This also serves as guide for the Parent in the limit setting process for the MCO and various financial ratios.

4. Liquidity Coverage Ratio

The Parent determines the Liquidity Coverage Ratio (LCR) every quarter to ensure that it maintains an adequate level of unencumbered High Quality Liquid Assets (HQLA) to meet liquidity needs for a 30 calendar day liquidity stress scenario.

The Parent computes the LCR using the BSP prescribed formula:

$$LCR = \frac{StockofHQLA}{TotalNetCashOutflowoverthenext\ 30\ calendardays}$$

Where:

<u>High Quality Liquid Assets</u>- Comprised of cash or assets that can be converted into cash at little or no loss of value in private markets, to offset the net cash outflows it could encounter under a liquidity stress scenario

<u>Total Net Cash Outflows</u> - the total expected cash outflows minus total expected cash inflows, in the specified stress scenario for the subsequent 30 calendar days

As at 31 December 2016, the Parent's LCR is higher than the 90 percent minimum requirement for the CY 2018 and maximum LCR trigger alert of 100 percent targeted for the CY 2019.

5. Liquidity Contingency Plan (LCP)

The Parent formulated the LCP using extreme scenarios of adverse conditions to ensure that the Parent has sufficient liquidity at all times. The LCP evaluates the Bank's ability to withstand the extreme scenarios. The contingency plan focuses on the Bank's strategy for coordinating managerial action during a crisis and includes procedures for making up cash flow shortfalls in adverse situations.

In the event of a liquidity crisis, the Parent activates the contingency plan based on the recommendation of the ALCO which has the over-all responsibility for the management and execution of the plan, unless otherwise elevated to the Crisis Management Committee (CMC).

Although deposit liabilities remain to be the major source of fund, the Parent identifies the different alternative funding sources like cash from operations, stock of marketable assets, government and retail deposit sources, and various credit lines from Banks, among others which are available within one day to six months.

<u>OPERATIONAL RISK MANAGEMENT</u>

BSP issued on 18 January 2016 the Circular 900 or the Guidelines on Operational RM. The Parent continued to take steps to strengthen the Operational RM Framework to fully adhere to the regulatory requirements. BRMD conducted complementation session with the IAG to address common issues and concerns regarding the implementation of Operational RM tools with the BUs.

Among the major initiatives to strengthen the Operational RM Framework is the revision of the RCSA Guidelines. Salient features of the revised guideline cover:

- Definition of the scope and coverage of self-assessment for process risk
- Inclusion of Property Valuation & Credit Information Department (PVCID) Field Teams and Area Legal Units to prepare RCSA
- Identification of Risk Owners (i.e. Primary and Secondary Risk Owners)
- Adjustment of timeline in the preparation and submission of RCSA from January to October of each year
- Additional provisions on BRMD's validation process, reporting of RCSA results and IAG's independent on-site assessment; and
- Changes in the definition of some terms

Another improvement introduced to adhere to BSP Circular 900 dated 18 January 2016 is the PRMF. It was developed in coordination with the Human Resource Management Group (HRMG). The PRMF is aligned with Section 7 of BSP Circular 900, “Management of Human Resource-related Risk”. The framework aims to establish and implement RM strategies and best practices to effectively address and manage people risk that are embedded in the day-to-day operations.

Similarly, the BCM Framework of the Parent was also enhanced with the development of BCPs for each BUs of the Parent. On top of that, the bank-wide BCP is being reviewed, updated and tested annually. The BCP was reinforced with the establishment of back-up/alternate sites for critical operations of the Parent. A BCRA for each location of the Parent’s FUs was also instituted to identify, prioritize and control risks that could potentially disrupt the delivery of services to its clients.

The Parent has also supported the continuing education of officers and staff from the RMG through the certification program of the American Academy of Finance and Management (AAFM), where five employees were duly admitted and licensed the charter of a Certified Risk Analyst (CRA).

Embedding of Operational RM across the institution is manifestedwith the BUs becoming aware of the specific operational risks they are confronted with. Taking a proactive stance in managing these and escalating breaches as soon as they occur strengthens governance and enhances the oversight over these risks. BUs conduct self-assessment using various RM tools such as RCSA, BIA, BCQ, heat maps, and hazard maps to quantify potential operational losses which serve as their dashboard in monitoring operational risk. RMG regularly monitors and escalate to RISKCOM and Management Committee (MANCOM) the actual losses versus estimated losses.

Operational Risk Exposure

The Parent uses the Basic Indicator Approach for calculating the capital charge for operations risk under Pillar 1. The Parent uses the average Gross Revenues of the Bank for the last three years to calculate the Operational RWA. Gross Revenues of the Bank continue to grow relative to its expanding business operations and as a result of which, Operational RWA is expected to increase annually.

As at 31 December 2016, the Group’s Total Operational RWA using the Basic Indicator Approach was P54,458 million or 9.52 percent of the Group’s Aggregate RWA of P572,060 million.

Cognizant that Gross Revenues (BSP proxy data) is but a shadow indicator of operational risks in the Basic Indicator Approach calculation, Parent conducts a simulation of the computation of the estimated losses using actual historical losses of the Parent and estimated probability of occurrence to determine the variance from the Basic Indicator Approach model. Self-risk assessment of the five sub-risks of operational risk (people, process, systems, event and legal risks) shows that the total estimated loss is way below the Total Operational RWA under the Basic Indicator Approach. Among the five components of operations risk, event risk registered the highest estimated loss.

The following are controls and risk management tools to address event risk which are currently implemented by Management:

- BCQ and Validation Form
- Creation of CMC and Business Continuity Committee (BCC)
- Geo-Hazard Maps
- Emergency Evacuation Drill activities
- Personnel and Building Safety Plan for LANDBANK Plaza and FUs’ Emergency Preparedness and Proper Response Plan
- Emergency Preparedness Measures
- Security Measures
- Communication During Emergencies/Disasters
- Building Maintenance
- Transfer of risk through insurance
- Controls and measures against Card Skimming
- Conduct of regular internal and external audits

Also, the Parent started to embark on other initiatives to mitigate event risk such as:

- Use of Infoboard in disseminating information on weather bulletins including other activities at LANDBANK Plaza
- Procurement of emergency sling bag for each FU and Floor Emergency Response Team (FERT)
- Provision of hard hats for all FUs personnel

- Installation of solar panel to additional nine bank-owned buildings
- Conduct of electrical audit in additional 10 bank-owned buildings
- Procurement of Abloy lock for topcovers of lobby type Automated Teller Machine (ATM)
- Procurement of C-Plate as protection for deep-insert skimming
- Implementation of ATM Whitelisting solution that will allow valid ATM programs to run

Further, emergency drills are regularly executed and the Management ensures that sufficient amount and appropriate type of insurance are in place. The Parent is confident that substantial loss on operational risk can be mitigated because the existing controls and preparedness measures are in place.

INFORMATION SECURITY AND TECHNOLOGY RISK MANAGEMENT

A significant achievement of the Parent in 2016 was the strengthening of Information Security and Technology Risk. The Information Security and Technology Risk Management Unit (ISTRMU) was spun-off from BRMD into an office through the creation of the Information Security and Technology Risk Management Office (ISTRMO).

While the banking industry perceives system risk as high risks among the operational risks, the Parent has conducted a forward-looking risk assessment and put the following controls in place to avoid/mitigate the estimated losses from system risk.

- Implementation of Information Technology (IT) governance
- Enhancement and implementation of the Bank's IT RM System
- Enhancement of IT standards
- Full compliance to information security policies
- Enhancement of BCP and Disaster Recovery Plan (DRP) for IT
- Creation of the IT-Quality Management Office (QMO)
- Strengthen the function of the ISTRMO under the RMG
- Upgrading of ATMs
- Compliance with EuropayMastercard VISA (EMV)
- Continued upgrading of IT infrastructure
- Conduct of full cycle testing
- Observance of strict procurement process and monitoring of the performance of service providers
- Conduct of internal audit, vulnerability assessment, penetration testing, and compromise assessment
- Insurance coverage for fixed assets and electronic crimes
- Monitoring and oversight by the Senior Management, ITCOM and RISKCOM

With the prevalent cyber security risks, the Parent intensified the upgrading of its IT infrastructure and network security to mitigate system risk. Initiatives include acquisition of Data Loss Prevention (DLP) system, implementation of additional end-point anti-malware protection system, and anti-Distributed Denial of Service (DDoS) solution.

ENTERPRISE RISK MANAGEMENT

Risk Categories

As the Parent continues to embark on Enterprise RM (ERM), the RSA process participated by Senior Management was utilized to define critical risks of the Parent. Pre-selected Mission Critical Risks were defined as fundamental risks that a bank must address as it continues to function as financial institution, as follows:

1. Credit Risk: Inability to review and analyze the credit quality of potential/existing borrowers to serve as a basis for loan approval (at application) and to determine the probability of default (on an ongoing basis) could lead to economic losses.

2. Market Risk: Failure to anticipate and manage fluctuations in the values of the Bank's investments could lead to economic losses.

3. Liquidity Risk: Failure to properly manage the Bank's cash flows and have sufficient available alternative fund sources at reasonable cost to enable the Bank to meet its obligations as they fall due.

4. Interest Rate Risk: Inability to appropriately plan for and react to fluctuations in interest rates leads to market losses on investment securities or cash flow shortfalls resulting from re-pricing of loans or obligations.

5. Banking Regulations Risk: Failure to comply with the circulars, memoranda, advisories and other issuances of regulatory bodies as applicable to the banking industry, may result in loss of business, administrative/criminal penalties/ sanctions and loss of reputation. Failure to set the stage for the higher capital requirement in order to strategically align economic capital with regulatory requirements like Basel III, Anti-Money Laundering Act (AMLA) amendments, etc.

Emerging risks were also identified which considered business issues that have surfaced as important areas of concern over the course of doing executive interviews with Senior Management. A major factor in identifying the Parent's emerging risks considered the merger of Land Bank of the Philippines and Development Bank of the Philippines. These risks are as follows:

1. Capital Reserve: Failure to maintain capital surplus (on top of the increased minimum regulatory requirements) to serve as a reserve from unforeseen losses arising from the merger may lead to regulatory sanctions and bank insolvency.

2. People Risk: Failure to retain and motivate key personnel due to the changes brought about by the merger will lead to organizational dysfunction and low morale.

3. Tone at the Top: Inability of the Board and Senior Management to establish a culture of accountability, integrity, professionalism and competency may result in an unfavorable working environment and lack of integrity in the way the merged Bank will conduct business. Failure to establish, align and communicate a vision and direction for the merged Bank and its major initiatives, including services, products and programs, may hamper the achievement of its objectives and strategies.

4. Client Relationship Management: Inability to effectively identify and address the customers' needs may negatively affect the Bank's reputation and relationship with its customers.

5. Technology Identification & Implementation: Failure to identify and implement the appropriate system and technology to support business processes or major initiatives of the merged bank may lead to costly investments and work inefficiencies, and may compromise product or service delivery.

6. Organizational Structure: Lack of responsive organizational structure may prevent the achievement of the Bank's strategic goals and objectives in an efficient manner.

7. Business Continuity Planning: Failure to undertake the appropriate advanced planning related to critical business functions/processes may result in the Bank's inability to recover and maintain business operations in the event of a disruption due to natural events or terror and malicious acts.

8. Socio-Political Risk: Failure to understand, address and anticipate political mandates will affect the Bank's plan in its execution of the merger.

9. Strategic Planning: Failure to develop, implement and monitor institutional strategies and direction will threaten the Bank's overall viability and growth prospects.

10. Vision & Direction, Communication Management: Failure to establish, align and communicate a vision and direction for the Bank and its major initiatives, including services, products and programs, may hamper the achievement of the Bank's objectives and strategies.

11. Asset Quality & Valuation Risk: Failure to conduct comprehensive due diligence on assets and liabilities that will be absorbed by the Bank, including commitments and contingencies on unrecorded assets and liabilities, might cause financial losses.

Through the RSA process under the ERM, Senior Management prioritized critical risks in terms of inherent impact and opportunities for risk management improvement.

The risk profile of the Parent is subjected to regular review and the RSA yielded the risks that needed to be addressed in light of the impending merger and consolidation of Parent and DBP.

Formulation of RM strategies to mitigate the risk and its root causes were performed by risk teams from various risk-taking units using Bow-Tie Analysis. The Bow-Tie Analysis map clearly displays the links between the potential causes, preventive and mitigating controls and consequences of the risks related to merger.

Risk Management Framework Assessment

Part of the Bank's ERM, RM Framework Assessment (RMFA) was conducted in sessions with Senior Management as participants, to re-assess the maturity of Parent's RM Framework and to provide recommendation regarding enhancements on the Parent's RM capabilities. The result provided an assessment on the design of the Parent's RM Framework and the consistency of its application across the Bank.

RM Framework elements are composed of five items with corresponding sub-items:

1. Governance & Organization

   - Executive Sponsorship
   - RM Organization
   - Ownership & Accountability
   - Supervision & Oversight

2. RM Strategy

   - Alignment to Business Objectives
   - Risk Tolerance & Appetite
   - Policies & Procedures
   - Risk Language, Categorization, Identification or Assessment

3. Reporting & Communication

   - Reporting (external or internal)
   - Escalation procedures

4. Tools & Technology

   - Data Repositories or Workflow Support Tools
   - Early Warning Systems or Issues Tracking & Remediation
   - Analytical & Modeling Tools

5. Culture & Capability

   - Skills & Identification
   - Training
   - Measurement & Reward
   - Behavior (Integrity or Ethics)

After completing the evaluation of each sub-element, Senior Management assessed the maturity level based on their knowledge and using the criteria given, as described:

MATURITY LEVEL		MANAGEMENT'S SELF-ASSESSMENT AGAINST THE MATURITY MODEL
5	Leading	RM activities are representative of leading practices in design, consistently applied, integrated and well-coordinated across the organization. The activities are viewed as leading practice both internally and externally by other organizations.
4	Advanced	RM activities are advanced in design, relatively consistent in application and for the most part, well-understood by management and relevant employees across the organization. Limited opportunities for enhancement remain.
3	Established	RM activities are established in design, yet not consistently applied or fully understood by management and relevant employees in key functions or business areas. Moderate opportunities for enhancement remain.
2	Evolving	RM activities are evolving in design, but are inconsistently applied or fully understood by management and relevant employees in key functions or business areas. Moderate opportunities for enhancement remain.
1	Basic	RM activities are evolving in design, but are inconsistently applied and well-understood only by management and the relevant employees in limited business areas. Significant opportunities for enhancement remain.

The RMFA resulted to a broader recognition and understanding of the leading risk management practices as well as key recommendations and opportunities for improvement of each element of the Parent's RM framework.

INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS

For 2016, the Bank conducted a thorough and comprehensive Internal Capital Adequacy Assessment Process (ICAAP) process to determine the quality and adequacy of the Group's capital, given the existing risks exposure as well as future risks arising from growth, new markets and expansion of the product portfolio. The BoD and the Senior Management performed collaborative governance and provided directions to enhance the RM process and strengthen the capital position of the Parent.

ICAAP's primary purpose is to inform the BoD and Senior Management of the ongoing self-assessment of the Group's risk profile, how the Parent intends to mitigate significant risks and how much additional future capital is necessary having considered other mitigating factors.

Enhancement of Risk Assessment

To align with the local and global best practices, the Parent has strengthened and enhanced its ICAAP development process with the following major revisions:

- Review and enhancement of the Risk Appetite Statement (RAS) and Materiality Threshold for Pillar 2 risks on an annual basis
- Inclusion of Event and Legal Risk under the Operational Risk in addition to People, Process, System in compliance with BSP Circular 900
- Linking the Bank's ERM Framework with ICAAP Model by relating the forward-looking risk assessment with the Risk Driver Maps containingthe corresponding strategies
- Adopting the enterprise-wide view of risk, cross risk analysis & identification and management of emerging risk across the institution.
- Linking the RCSA process in determining risk drivers and potential losses
- Institutionalizing the ICAAP Communication Process
- Implementation of the "ICAAP Quarterly Monitoring Report"
- Defining the primary and secondary risk owners

ICAAP Culture

The ICAAP is embedded in the Parent's operating philosophy and has been cascaded down to the BUs level, forming an integral part of Parent's RM process. This process enables its BoD and Senior Management Team to assess, on a continuing basis, the risks that are inherent in the daily activities of the BUs.

All BUs of the Bank use ICAAP in the day-to-day operations and they are aware of the corresponding capital charge for every single transaction or business they will generate and implement. In monitoring the efficient performance of the BUs across the organization in the area of RM and utilization of capital, the Parent adopts a rigorous escalation and thorough monitoring process via regular reports.

Strengthening Capital Planning

For 2016, the Parent has sufficient and strong capital to deliver its mandated services and to cover the risk inherent in its operations. Under the most probable scenario, the Parent estimated the 2016 year-end CAR at 12.4 percent vs. 10 percent minimum regulatory requirement for CAR. The actual CAR recorded as at 31 December 2016 was 11.4 percent implying a very objective risk assessment and capital planning. Similarly the actual CET 1 ratio of 10.54 percent as at 31 December 2016 was not too far from the 11.54 percent projected CET 1 ratio. The actual CAR and CET 1 ratios of the Bank were more than the BSP minimum requirements of 10 percent CAR and 9 percent CET 1 ratio and were compliant with Basel III requirements.

The projected ICAAP ratios of CAR and CET 1 being near the actual values of these ratios at the end of December 2016 indicate that the ICAAP process has been conducted diligently and appropriately.

As a policy, the Parent maintains a strong capital base at all times to boost customer confidence, enhance competitiveness, ensure stability, and sustain long-term growth and viability. As such, the Parent continues to adhere to BSP's policies, rules and more specifically, comply with regulatory requirements on capital structure, as well as capital adequacy and leverage ratios.

The Parent shall likewise continue to vigorously preserve real capital to sustain developmental pursuit and service its mandated clients while maintaining acceptable Return on Equity (RoE) of at least equal to the average RoE of the commercial banking industry.

The Parent's General Policy on Capital Planning was enhanced to establish capital levels that will adequately support the Group's business plans; and ensure continued compliance with the evolving capital and capital ratio requirements of the BSP. Given the fact that internal capital generation through earnings remains the principal source of Parent's capital accumulation, the primary thrust of the Parent's capital planning activities was maximizing its profitability (and consequently, high retained earnings) in the foreseeable future.

To address capital concerns on a more permanent basis, the Parent requested the National Government for P20 billion additional equity infusion for the Bank in the 2016 General Appropriations Act (GAA). This will give the Parent enough capital buffer to support the national development programs and expand loans to the mandated and priority sectors.

LANDBANK as Domestic Systemically Important Bank

Under the Basel III framework implemented beginning January 2014 in the Philippines, a higher quality of capital and capital ratio level was required by the BSP.

BSP Circular 856 issued on 29 October 2014 contained the Implementing Guidelines on the Framework for Dealing with Domestic Systemically Important Banks (DSIBs) under Basel III. Banks identified as DSIB are required to have Higher Loss Absorbency (HLA). HLA shall be met with CET 1 capital ranging from 1.5 percent to 3.5 percent depending on which bucket they are classified.

On 30 June 2015, the BSP informed the Parent that it has been classified as DSIB under Bucket 1. Accordingly, the Parent is required to have an additional 1.5 percent CET 1 capital. Compliance therewith shall be phased-in beginning 1 January 2017, with full compliance on 1 January 2019. This is on top of the existing CET 1 minimum of 6 percent and the capital conservation buffer of 2.5 percent.

DSIBs whose capital ratio falls below their corresponding regulatory minimum will be subject to constraints in the distribution of their income.

Recovery Plan

On June 2016, the Parent submitted the supplemental document to the Bank's ICAAP in compliance with BSP Circular 904 dated 10 March 2016 or the Guidelines on Recovery Plan (RP) of a DSIB which requires all DSIBs to come up with a concrete, reasonable and implementable RP that sets out the actions it would take to restore its viability in cases of significant deterioration of its financial condition in different stress scenarios. Thus, the RP as a supervisory measure is established not just to minimize the impact of a DSIB on the entire financial system but primarily to reduce the probability of a DSIB's failure.

The BoD and the Senior Management performed collaborative governance and provided directions to establish Early Warning Indicators (EWIs) or internal limits that may trigger activation of the RP and set recovery options or courses of actions that the Bank could implement to address destabilizing events and/or scenarios, and restore it to its financial strength and viability.

The Parent's RP is focused on the stress scenarios specific to the bank as well as its economic and external condition. It sets out various recovery options considering capital, liquidity and interest rate risks to address future events or crises that would bring down the Parent to the Point of Non-Viability (PNV). For 2017, the RP will be an integral part of the Parent's ICAAP document.

RISK OVERSIGHT COMMITTEE

The RISKCOM is primarily responsible for the Parent's RM framework, policies and guidelines and ensures the alignment of RM objectives with the Bank's overall business strategies and performance goals.

The RISKCOM oversees the RM program of the Parent ensuring that RM systems are in place, limits and tolerances are observed, system of limits remain effective and immediate corrective actions are taken whenever there are breaches.

The Committee is chaired by Director Tomas T. de Leon, Jr. with the Finance Secretary represented by the alternate, Deputy Treasurer of the Philippines Christine L. Sanchez as Vice-Chair. Director Crispino T. Aguelo, Agriculture Secretary represented by USec Francisco M. Villano, Jr. and the Agrarian Reform Secretary represented by USec Luis Meinrado C. Pañgulayan complete the RISKCOM members for

2016.The Committee held 22 meetings with an average attendance of 82 percent wherein 254 regular and 28 special reports (i.e., credit, treasury, operational, information security & technology and enterprise-wide risk reports) were discussed including stress testing reports on the Bank's loan and investment exposures.

Major Parent initiatives and new or enhanced guidelines were approved by the RISKCOM, as follows:

1. Credit RM

   - Credit Risk Rating Models and Implementing Guidelines under BSP Circular 855 dated 29 October 2014 (re: Guidelines on Sound Credit RM Practices) and in compliance with GCG for 2016.

2. Market RM

   - Guidelines on monitoring of match trade transactions, off-market rates, deposit concentration and pre-settlement risk, among others
   - Setting and review of market risk limits, retention of treasury risk limits
   - Guidelines on the use of voice logger

3. Operational RM

   - Guidelines on outsourcing

4. Information Security & Technology RM

   - Guidelines for assessment of process risk and information technology & security risk

5. Enterprise RM

   - SGV's turnover of final report on ERM Phase III: RMFA

Also, as part of the continuing education of the RISKCOM an annual Directors' Retreat is being conducted by RMG to re-orient and provide updates on regulatory issuances to RISKCOM members on risk policies, guidelines and risk strategies relative to various operational aspects of the Bank.

In the Performance Evaluation conducted by the RISKCOM members, the Committee was rated "Superior"/"Exemplary."

INVESTMENT & LOAN COMMITTEE (ILC)

The ILC provides support to the Parent's Board in the evaluation and approval of loan and investment proposals, in accordance with the Bank's Codified Approving/Signing Authority (CASA).

The ILC also evaluates and approves credit policies and guidelines including, but not limited to (1) limits on the Bank's total lending exposures to different industries/sectors, (2) terms and conditions for each type of credit accommodation, (3) remedial measures such as restructuring and (4) foreclosures, dacion en pago and other settlement options. In addition, the ILC reviews and recommends to the Parent's Board the approval of investment policies and guidelines that define the structure, eligible investments and management of investment portfolios.

Hence, the ILC is composed of Director Tomas T. De Leon, Jr. as Chair with Director Gerardo J. Bulatao as the Vice Chair and Director Crispino T. Aguelo, Director Domingo I. Diaz and LANDBANK President & CEO Gilda E. Pico as members. The Committee meets weekly and held a total of 46 meetings in 2016 with an average attendance of 88.19 per cent.

The ILC approved 409 loan accounts and endorsed 165 accounts to the Parent's Board for approval or confirmation. A total of 84 credit-related policies and programs were deliberated and approved for implementation. It likewise evaluated 14 investment accounts which were endorsed for approval of the Parent's Board.

All Board-level Committees, including the ILC, submitted Performance Rating Scorecards with parameters on Composition, Processes and Tasks. The overall rating of the ILC was Exemplary.