





P62.5B

Loan releases to small farmers and fishers



P84.8B

Outstanding loans to agri/aqua businesses



P89.8B

Outstanding loans to MSMEs



P104.9B

Outstanding loans to utilities

P38.9B

Loans to transport sector



LANDBANK

WE HELP YOU GROW.



Reaching Out.

LANDBANK is committed to extend our services to more people, especially in the countryside. We believe that by promoting accessible and inclusive banking through technology and innovative banking products and services, we are helping our country achieve sustainable development and our people, improve their quality of life.



Expanding Financial Inclusion in the Countryside

ANNUAL REPORT 2017

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About the Cover

Aligned with LANDBANK's mission of helping in the country's growth, our cover features a vibrant plant to symbolize the consistent efforts of the Bank to bring opportunities to its diverse clients and partners, most especially those in the countryside. The leaves represent hope and depict the Bank's healthy relationship with its stakeholders, a unique bond built on a strong foundation of trust and respect. The use of the plant as a focal point speaks of the Bank's commitment to nurture the potential of every Filipino by making available to him the vital tools needed for socio-economic empowerment and self-reliance.



It is with hope, trust, and responsive action that LANDBANK is held in an ideal position of Expanding Financial Inclusion in the Countryside for 2017 and beyond.

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.

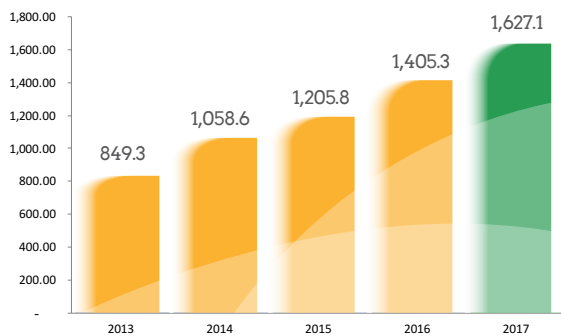
To Our Employees:

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

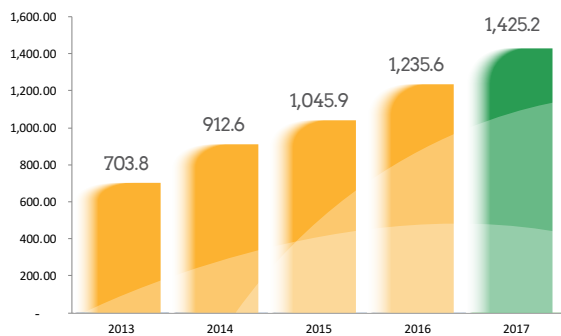
LAND BANK OF THE PHILIPPINES

Financial Highlights (GROUP)

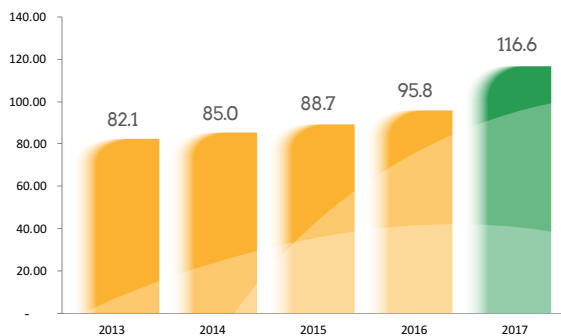
TOTAL ASSETS
(In P Billions)



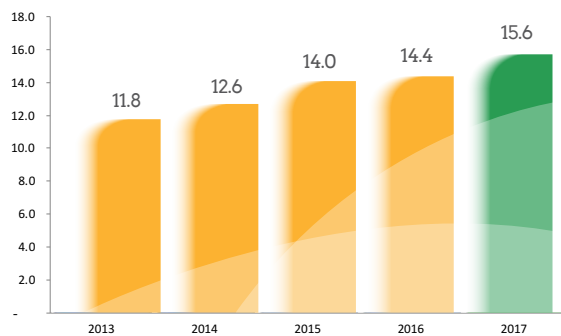
TOTAL DEPOSITS
(In P Billions)



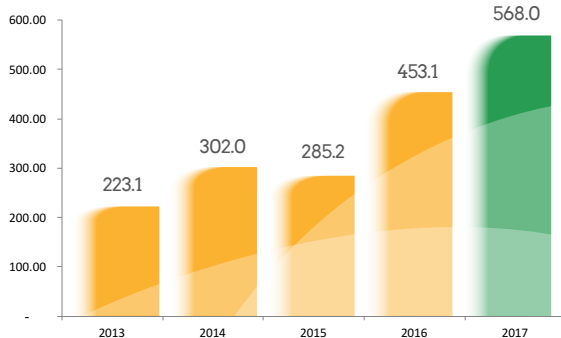
CAPITAL
(In P Billions)



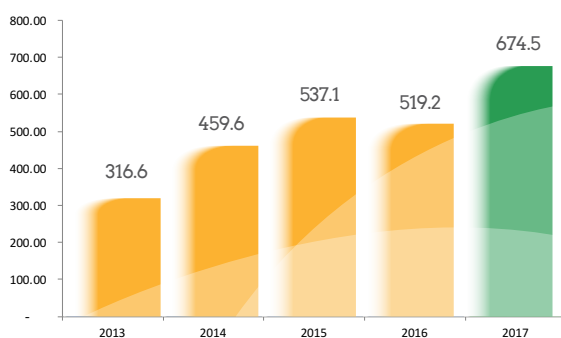
NET INCOME
(In P Billions)



TOTAL INVESTMENTS
(In P Billions)



GROSS LOANS
(In P Billions)



Financial Summary (In Php M)

Minimum Required Data	Group ¹		Parent Bank (Solo)	
	2017	2016 As restated	2017	2016 As restated
Profitability				
Total Net Interest Income	38,283.68	31,374.07	38,031.16	31,118.03
Total Non Interest Income	6,556.12	6,139.50	6,243.10	5,983.41
Total Non Interest Expenses	27,671.60	22,544.86	27,339.65	22,512.54
Pre-provision Profit	17,168.20	14,968.71	16,934.61	14,588.90
Provision for Credit/Impairment Losses	1,546.74	612.83	1,429.24	483.45
Net Income	15,621.46	14,355.88	15,505.37	14,105.45
Selected Balance Sheet Data				
Liquid Assets	920,685.20	859,124.20	919,489.51	858,122.89
Gross Loans	674,516.92	519,242.34	674,360.20	519,441.38
Total Assets	1,627,130.49	1,405,272.33	1,623,837.51	1,402,725.62
Deposits	1,425,219.51	1,235,625.21	1,425,473.36	1,235,977.34
Total Equity	116,613.69	95,792.16	114,023.93	93,185.35
Selected Ratios				
Return on Equity	14.71%	15.56%	15.90%	15.97%
Return on Assets	1.03%	1.10%	1.07%	1.08%
CET 1 capital ratio	10.93%	10.54%	10.90%	10.36%
Tier 1 capital ratio	10.93%	10.54%	10.90%	10.36%
Capital Adequacy Ratio	11.77%	11.40%	11.74%	11.23%
Per common share data				
Net Income per share:				
Basic				
Diluted				
Book value				
Others				
Cash dividends declared		-	1,960	-
Headcount ²			7,985	7,834
Officers			1,013	1,009
Staff			6,972	6,825

¹ Consolidated Amount of Parent and Subsidiaries

² Figures in absolute value

LANDBANK GROSS LOAN PORTFOLIO (In Php B)		
Sectors	2017	
	Amount (P B)	%
Priority Sectors		
I. Mandated Sector		
- Small farmers including agrarian reform beneficiaries and their associations	45.2	7.5
- Small fisherfolk and their associations	0.1	0.01
Sub-Total	45.3	7.5
II. Support for Agriculture and Fisheries		
- Agri-business	82.6	13.7
- Aqua-business	2.2	0.4
- Agri-aqua related projects of Local Government Units and Government-Owned and -Controlled Corporations	53.3	8.9
Sub-Total	138.1	23.0
III. Support for National Government Priority Programs (including PPP projects)		
- Micro, small and medium enterprises	89.8	14.9
- Communications	31.3	5.2
- Transportation	38.9	6.5
- Housing (Socialized, low-cost and medium-cost)	48.1	8.0
- Education	6.1	1.0
- Health Care	14.2	2.4
- Environment-related projects	17.3	2.9
- Tourism	8.8	1.5
- Utilities	104.9	17.5
- Others	21.3	3.5
Sub-Total	380.7	63.4
TOTAL PRIORITY SECTOR LOANS	564.1	93.9
Local Government Units - Others	10.6	1.7
Government Owned and Controlled Corporations - Others	-	-
Others	26.3	4.4
TOTAL OTHER SECTOR LOANS	36.9	6.1
LOANS TO ALL SECTORS *	601.0	100.0
Less: Unsecured Subordinated Debt Facility on Rural Banks	0.3	
Add: Domestic Bills Purchased Lines	0.5	
REGULAR LOAN PORTFOLIO	601.2	
Add: Treasury Loans	73.2	
GROSS LOAN PORTFOLIO	674.4	

* Excludes Interbank Term Loans Receivable (Foreign Regular & FCDU/EFCDU), Loans and Receivables Arising from Repurchase Agreements, Certificates of Assignment/Participation with Recourse/Securities Lending and Borrowing Transactions, 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)** as it publishes its **2017 Annual Report**.

Over the past year, LANDBANK's relentless efforts in coming up with new, innovative and responsive lending programs and interventions have facilitated the development of communities and improved service accessibility, especially for hard-to-reach sectors and those located in the countryside.

Its activities have not only allowed it to maintain its standing as one of the country's largest financial institutions but, more importantly, enabled it to fulfill its mandate to serve its priority sectors. May this report enlighten the clients, stakeholders and the rest of our people about the bank's operations, achievements and accomplishments in 2017.

It is my hope that the men and women of LANDBANK will continue pursuing its goal of becoming the top universal bank in the country that promotes inclusive growth and improves the quality of life of its clients and depositors. With your help, we can ensure the delivery of innovative financial and other services in all provinces, cities and municipalities in the Philippines.

Congratulations and I wish you the best in your endeavors.

A handwritten signature in black ink, which appears to read 'Rodrigo Roa Duterte'.

RODRIGO ROA DUTERTE

MANILA
September 2018

With our social mandate to foster the country's development, the Land Bank of the Philippines (LANDBANK) focuses on promoting inclusive growth and helping uplift the Filipinos' quality of life. We believe that by bringing a greater number of our countrymen to the fold of formal banking and financial services, we allow them to take part and benefit in the economic activities of the greater community. As a bank that is wholly owned by the government of the Philippines, we also align our programs priorities to the thrusts of the National Government.

The magnitude and breadth of the task of financial inclusion require our organization to work in unison towards enhancing our physical and digital infrastructure, crafting suitable programs and projects, and establishing partnerships that will widen and deepen our reach to the unbanked and underserved. The growth of these sectors, together with the rest of the nation, is what will make development more lasting and sustainable.

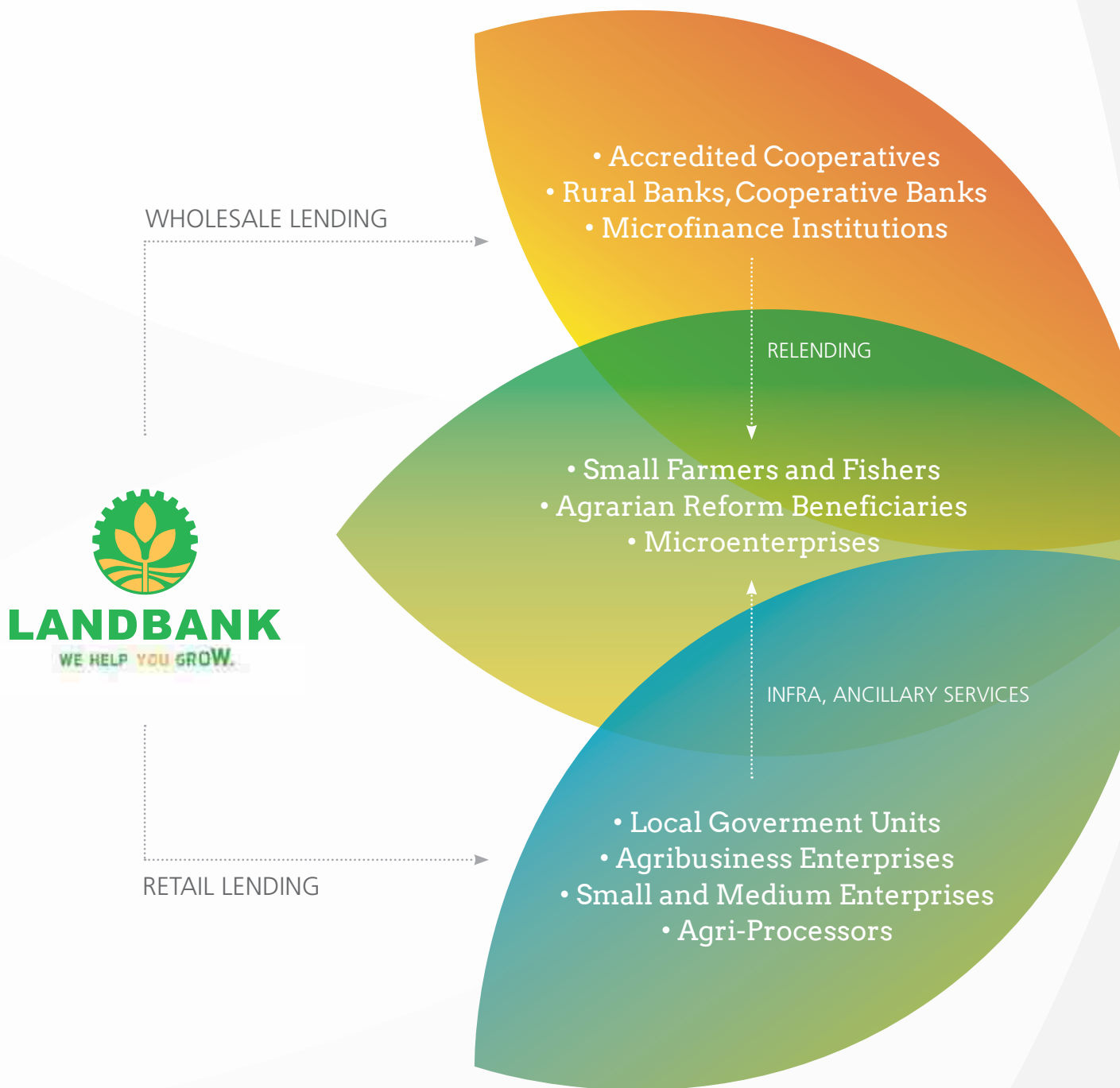
On the other hand, growth is likewise a continuing aspiration for LANDBANK employees, for we acknowledge their primary role in pushing us onward our institutional goals. Part of our mission is to help nurture Landbankers, who embody ethics and excellence.

Thus, more than a tagline, "We Help YOU Grow" is LANDBANK's commitment for our clients, employees and other stakeholders. This is our brand promise; for we can only achieve our aspiration of progress and prosperity by supporting, and helping each other grow.

The Bank provides financial services, especially to the countryside through wholesale and retail lending. For the wholesale lending approach, the Bank lends to conduits such as cooperatives and countryside financial institutions (CFIs) like rural banks, cooperative banks and thrift banks. In turn, these entities lend to small farmers and fishers (SFFs), agrarian reform beneficiaries (ARBs) and microenterprises. On the other hand, the Bank also implements retail lending to local government units (LGUs), agribusiness enterprises, small and medium enterprises (SMEs) and agriculture processors.

It may be noted that the Bank, through special programs in coordination with the Departments of Agriculture and Agrarian Reform, also provide direct lending to the SFFS and ARBs.

LANDBANK'S INTEGRATED COUNTRYSIDE LENDING FRAMEWORK:





P601B
Outstanding loans
to all sectors

Chairman's Message

As a policy bank, LANDBANK must achieve two things simultaneously: it must remain true to its mission, and it must strengthen its capacity as a financial institution. It cannot be one without the other.

LANDBANK's mission is clear. It serves the priority sectors of our society to help bring the greatest number to the mainstream of national progress. To achieve this, LANDBANK must be a strong bank, with the expertise and the governance to fulfill its mission.

I am happy to report that, on both counts, LANDBANK excelled in 2017.

With intensified efforts and better-crafted financial products, LANDBANK improved its lending by 23% over 2016. This translates into P601.0 billion in lending. Of this total, P564.10 billion or 93.9% of the lending went to the priority sectors.

To underscore this achievement, the LANDBANK devoted itself to extending basic banking services to the underserved households, especially in the 20 poorest provinces. The Bank likewise, expanded its network reach through the LANDBANK Easy Access Facility (LEAF). By the end of the 2017, LEAF facilities increased to 47, supplementing the bank branches and lending centers.

Without losing its focus on more inclusive banking services, LANDBANK improved its net income to P16.0 billion. The Bank likewise increased its assets to P1.6 trillion and its deposits to P1.4 trillion. LANDBANK is a weighty player in Philippine banking, ranking 4th in assets, loans and deposits among the 43 commercial and universal banks.

Still, LANDBANK needs to exert effort towards improving its efficiency and enhancing the customer experience. In the coming period, the Bank will have to exceed its "satisfactory" rating in the customer satisfaction surveys. We need to work on the competence of the Bank's frontline staff and adopt emerging financial technologies to improve responsiveness.

We need to more sharply target our lending innovation and seek out partnerships with key markets. Among these are: young entrepreneurs in agriculture, the rising franchise industry, enterprises in the Autonomous Region in Muslim Mindanao (ARMM), the sugar and poultry industries, and eco-friendly transport enterprises.

I am confident that, over the next few years, LANDBANK will be an even more determined, capable, and reliable institution. Our economy will be more inclusive only if the marginalized are brought into the mainstream of enterprise. Efficient financing support is vital to achieve this.

LANDBANK will deliver.



CARLOS G. DOMINGUEZ

Secretary of Finance

Chairman, Land Bank of the Philippines

President's Message

As with all our constant efforts toward bringing development opportunities to and for the countryside, we at LANDBANK have remained diligent in our pursuit of our economic thrusts and social mandate, ensuring that our measures remain in confluence with the challenges and changes in the financial industry as well as in other sectors that are all networked into creating sustainable progress.

LANDBANK was able to stay on track to fulfilling the goals it set for 2017. In addition to a considerable and strong showing in its financial performance, the Bank continued to pursue its commitment to engaging more people and communities toward its programs.

The past few years has seen the national government double its commitment toward creating a social and economic environment wherein all the country's demographics are given responsive means to thrive within the sphere of inclusive growth—to participate, contribute, and benefit from programs and initiatives crafted with their needs in mind.

This is what we purposely aimed for when we established several programs in inclusive and agricultural-related lending as well as for the rest of our priority sectors. This year saw the Bank lay the groundwork for bringing a more curated lending package that can further open doors for better prospects for their financial growth.

With the Farmers Corporative Inclusive Financing Program, small farmers can build a stronger economic presence as they come together to form their own organization. With LANDBANK's assistance, and by sealing agreements with agribusiness companies that have the expertise and resources to better manage and cultivate their farmlands, these farmers can enjoy better incomes. They can even be employed by the agribusiness companies.

Expanding our reach to more industries outside agriculture, the Bank created the Special Program for Environment-friendly and Efficiently-Driven (SPEED) Jeepneys. This program marries our drive to strike a balance between economy and ecology. This a lending program that will benefit drivers and operators of public utility vehicles in terms of a more structured organization and compensation for the thousands of drivers trying

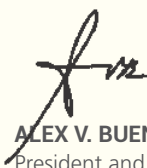
to make decent wages. As the government pushes forth with its reforms in the transport industry for better public service, LANDBANK also places premium on clean-air practices with the type of engine and technology of the vehicles coming out of this program.

We also strengthened our partnership with the Land Transportation Franchising and Regulatory Board with the launch on May 8, 2017 of the LANDBANK Inclusive Banking Center or LIBC. This was created to streamline the agency's processes in payment transactions. The LIBC provides the public with an ATM for cash withdrawals, bills payment and fund transfer; a Cash Deposit Machine for deposits to ATM card accounts; and Point-of-Sale terminals to accept payments.

Also in 2017, LANDBANK continued working on completing the necessary processes towards the acquisition of the Postal Savings Bank, which was turned into the Overseas Filipino Bank. A fulfilment of one of the promises of President Rodrigo Duterte to Filipinos overseas, the new Overseas Filipino Bank is intended to focus on our commitment to cater to the specific needs of our fellow Filipinos working abroad. And by putting up Overseas Filipino Centers in strategic international locations, the Overseas Filipino Bank will be closer to where they are and to addressing their banking needs.

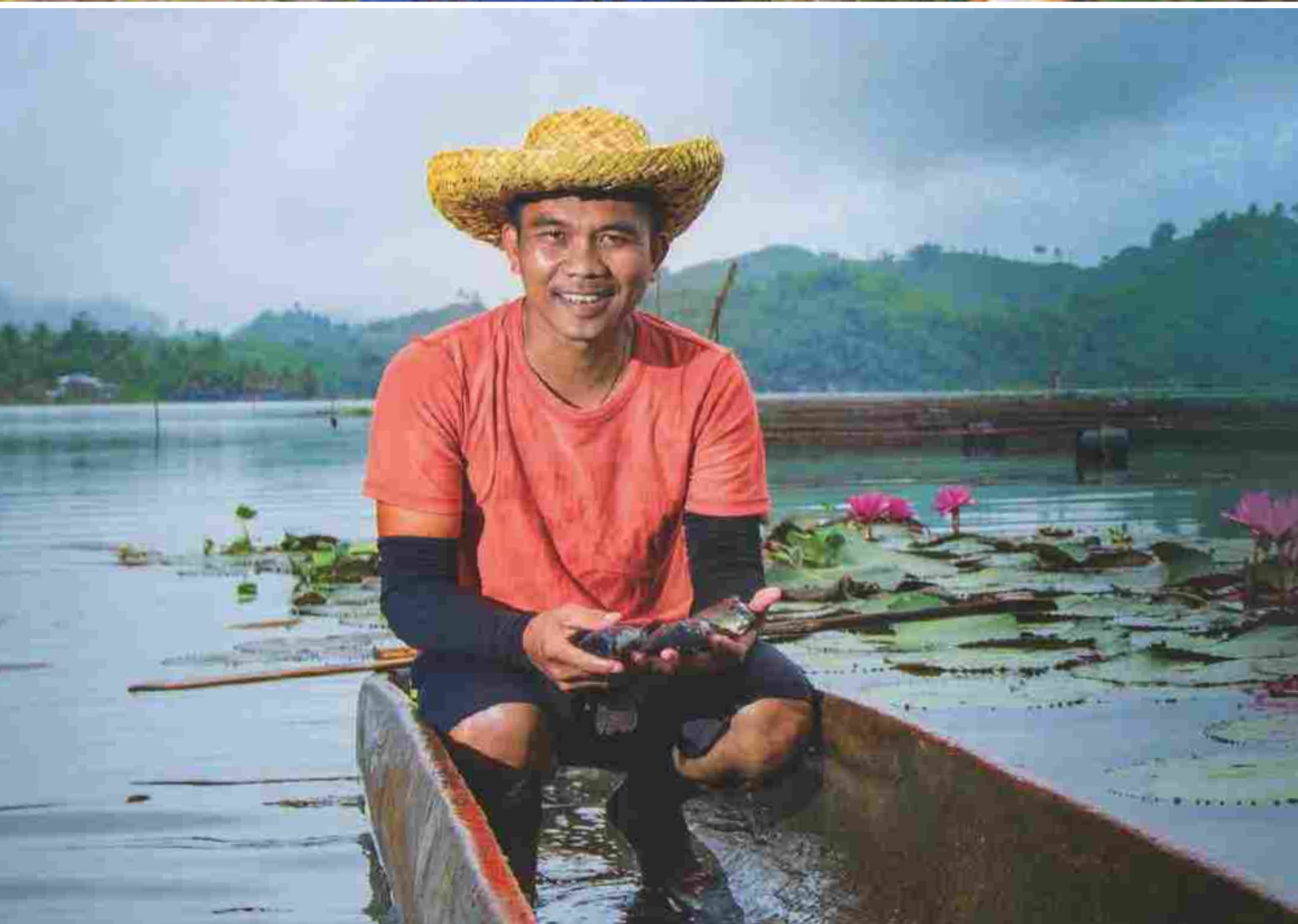
LANDBANK will remain determined in its pursuit of relevant opportunities for all our clients that will further strengthen our contribution in helping our National Government in its overall thrust for inclusive growth and development.

Hand in hand with our roles in promoting a society that invests in opportunities that are inclusive in nature, strengthened by learning, and in pursuit of excellence, we at LANDBANK are as humbled and proud to be able to make significant contributions to helping the country grow, changing the lives of others, and in the ways that matter.



ALEX V. BUENAVENTURA
President and CEO





SAPANG MULTI-PURPOSE COOPERATIVE:

Practicing Good Measures

Cesario Tabago, a civil engineer by profession, initially didn't want to become a farmer because according to him, the work entailed a higher level of difficulty. But upon marrying his wife who belonged to a family of farmers, he had no recourse but to join the industry, planting produce such as sweet potato, corn, palay, onion and turnip.

Soon enough, he found himself enjoying his new-found craft.

"At the beginning, I tilled only two hectares and surprisingly, discovered that it was earning much," he says. "We then widened our horizon by adding ten more hectares for harvest – and soon, realized that indeed this was a lucrative business."

To help with their harvest, Cesario and other farmers eventually formed a cooperative known as Sapang Multi-Purpose Cooperative in 1998. Through the help of LANDBANK, the cooperative was able to acquire loans, which were used for farming equipment, materials, and other expenses.

Because of the help that LANDBANK has extended to the co-op, Cesario says that the members' lives have become more comfortable. "When I was working as a civil engineer, our income was just right but then I realized that working as a farmer is more than a noble profession as I was not only earning for myself but for others, and putting food on others' tables, as well," he says. "We used to send our children to public schools, but now we can afford to send them to private ones. We were also able to establish a new home, buy vehicles and tractors that we can use for our business, and we were able to put up our own warehouse."

Adding icing to the cake, Cesario was also awarded Ulirang Magsasaka for 2017, an award given by LANDBANK for his passion for his craft, and contribution to his fellow farmers and the agri industry. The cooperative has also reaped its own rewards, gaining recognition from the Department of Agriculture and Department of Agrarian Reform.

"I could not believe my eyes and my ears when I was named the winner," he says. "During the awarding ceremony, I met the President of LANDBANK, and some senators who congratulated me for a job well done. I also became well-known not only in our province but elsewhere. Many were asking for advice on how to become a better farmer."

One of his advocacies as a farmer is the Good Agricultural Practice (GAP), specific methods that when applied to agriculture, create safe and quality food for the consumers. He applies these methods in farming his crops, particularly sweet potato, earning him the title of Camote King. "You can't sell your products or produce without the GAP certificate," he shares.

ICTUS MULTI-PURPOSE COOPERATIVE:

A Home Away from Home

When a massive fish kill in early 2017 in Lake Sebu, South Cotabato wiped out his entire tilapia stock, Romedel Duco was devastated.

"I did not know what to do," he says. "I also had a pending loan with Ictus Multi-Purpose Cooperative amounting to P50,000 and I had to pay them within five months."

Resilient as he is, Romedel decided to abandon his fishing livelihood and instead, focused on other means to earn a living. When a former co-teacher at that time introduced him to selling eggs which allowed him to go from one house to another to retail his produce, he decided to try out the business. It was also fortunate that at that time, he had won 2nd place as LANDBANK's Ulirang Mangingisda in 2015 and as the Ulirang Mangingisda in 2016. He used the money he had won as capital for his new venture.

Soon enough, he also discovered a small vacant lot beside the store where he was keeping the eggs and opened a one-unit car wash.

With his two businesses intact, customers started to come in droves and it was only a few months later when Romedel decided to test the waters again. "It has been six months already when I decided to go back to fishing," he says. "Again, I also used the money I had won to buy fish nets, among others, and a few months later, I discovered that we had bounced back. But this time, I had limited the load of fingerlings in a fish net to avoid a fish kill."

For him, winning these awards instituted by LANDBANK was a humbling experience, knowing that there were others who also deserved such recognition. "I was happy when I won these awards," he says. "I really did not expect it but thanks to LANDBANK, they really made life more comfortable for me and my family. So when I won, there were many who took notice of me, and some of them began to get interested in this livelihood as well."

The income from his businesses also went to the needs of his family. Romedel was also able to send his children to good schools.

"I encourage others to go into this type of business," he says. "It's actually easy to do fishing as long as you have somewhere you can grow the fish. You don't have to put in too much time."

For those who want to go into this type of business, Romedel advises to ask around and look for mentors who can help them, since that was what he did when he was just starting. "Ask them for techniques, how to grow the fish and sell them, inquire about the challenges they should expect, among others."

"LANDBANK is my second family, my home away from home," he says. "Whenever we encounter any problems, we just approach the Bank and they are ready to extend a helping hand."

Programs for the Priority Sectors

In pursuit of our vision, the Bank in 2017 vigorously continued the implementation and enhancement of existing financing programs while pursuing new, innovative and more responsive lending programs and other interventions that translated directly or indirectly to significant and beneficial socio-economic impacts in the lives and circumstances of people in various local communities served.

Extending and expanding our financial assistance to priority sectors have been LANDBANK's core strategy in fulfilling our countryside development mandate while sustaining our strong financial viability. LANDBANK's loans to priority sectors have three components: (1) **Loans to Mandated Sectors** which involves lending to small farmers, including agrarian reform beneficiaries and their associations, as well as to small fishers and their associations. The Bank adopts a wholesale lending approach using conduits such as cooperatives and countryside financial institutions (CFIs) like rural banks, cooperative banks and thrift banks; (2) **Loans in Support of Agriculture and Fisheries** aims to strengthen financing support for private businesses as well as local government units (LGUs) and government-owned and controlled corporations (GOCCs) engaged in agriculture and fisheries, which are buyers of the small farmers' and fishers' produce. These include agri and aqua business projects and other agri-related services that have value-adding activities, create backward and forward linkages and allow for industry diversification; and (3) **Loans Supporting Other National Government Priority Programs** manifests the Bank's alignment with the promotion of the National Government's (NG) thrusts and developmental goals for micro, small and medium enterprises, communications, transportation, health care, housing (socialized, low-cost and medium-cost), environment-related projects, utilities and tourism, among others.

In 2017, LANDBANK's loans to priority sectors reached P564.1 billion or 93.9% of the Bank's total loans to all sectors of P600.9 billion.

LOANS TO MANDATED SECTOR

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

LANDBANK continuously provided financial and technical support to mandated sectors—the small farmers, fishers, agrarian reform beneficiaries (ARBs) and their associations through qualified conduits such as cooperatives, CFIs, and irrigators' associations.

For the year 2017, loan releases to small farmers and fishers reached P62.5 billion or P3.1 billion higher than P59.4 billion released during the same period, January to December 2016. Loans were channeled through 1,057 farmers and fishers cooperatives, 160 CFIs and 201 irrigators' associations. A total of 837,653 small farmers and fishers benefited from these loans.

Loans outstanding to small farmers and fishers as of end-2017 stood at P45.3 billion, representing 7.5% of the Bank's loans to all sectors.

LOANS IN SUPPORT OF AGRICULTURE AND FISHERIES

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

The Bank also extends loans to agri and aqua-related businesses of private enterprises, LGUs and GOCCs such as agri/aqua processing, manufacturing, packaging, transport, and export of frozen agri/aqua products.

In 2017, outstanding loans to agri-businesses and aqua-businesses amounted to P84.8 billion, comprising 14% of the Bank's total loans to all sectors. Of the P84.8 billion, P82.6 billion were lent to agri-businesses and P2.2 billion to aqua-business-related projects.

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

LANDBANK also gives credit assistance to LGUs to finance agri-aqua-related infrastructure projects such as construction or repair of farm-to-market roads, piers, bridges, public markets and transport terminals, among others.

In 2017, the total outstanding LGU loans to agri-aqua-related projects reached P17.6 billion. This is 2.9% of LANDBANK's total loans to all sectors.



P45.3B
Loans outstanding to small
farmers & fishers



P564.1B
Loans to priority sectors

- *Loans for Agri-Aqua-Related Projects of Government-owned and controlled Corporations (GOCCs)*

LANDBANK is consistent in extending financial assistance in support of agri-aqua-related projects of GOCCs. Through these loans, the GOCCs were able to provide key support and other services such as marketing.

As of end-2017, loans outstanding to GOCCs amounted to P35.6 billion representing 5.9% of the Bank's total loans to all sectors.

LOANS SUPPORTING OTHER NATIONAL GOVERNMENT PRIORITY PROGRAMS

- *Loans for Microenterprises and Small and Medium Enterprises*

In 2017, LANDBANK's loans for microenterprises and small and medium enterprises (MSMEs) increased significantly, proving the Bank's strong commitment towards the growth and development of MSMEs. These loans were channeled through qualified conduits such as cooperatives, rural banks, non-government organizations and microfinance institutions.

As of end-2017, MSMEs loans reached P89.8 billion or 14.9% of the Bank's total loans to all sectors. Of this amount, P7.8 billion were lent to microenterprises and P82 billion to SMEs.

LANDBANK also extended financial assistance to livelihood projects and business endeavors of qualified fixed income earners. These loans support the NG's thrust to help improve lives of government and private employees.

In 2017, LANDBANK's outstanding livelihood loans stood at P21.3 billion, which is 3.5% of the Bank's total loans to all sectors.

Overseas Filipino Workers' (OFW) Reintegration Program

The Overseas Filipino Workers' (OFW) Reintegration Program is a partnership between LANDBANK and the Overseas Workers Welfare Administration (OWWA) that was launched in May 2011. Through this program, returning OFWs may avail of loans from P300,000 up to P2 million for their viable projects.

In 2017, loan releases under OFW-RP reached P1.18 billion benefiting 1,300 OFWs. LANDBANK financed both agri- and non-agri-

As of end-2017, MSMEs loans reached P89.8 billion or 14.9% of the Bank's total loans to all sectors.

related projects of OFWs. Agri-loans include grains trading, piggery, poultry, agri-supply, post-harvest facilities, processing, fruits, and vegetable trading and fishery. Non-agri loans, on the other hand, include off-farm activities such as retail trading, leasing or rentals, and services (e.g., trucking, internet café, water refilling) which also provide additional cash streams for OFWs and their families.

- *Loans for Utilities*

The Bank also financed projects to the utilities sector that are vital in the operations of various industries in the country. Loans to the utilities sector comprised of water generation and distribution, gas exploration and production, and power generation, distribution and transmission.

As of end-2017, LANDBANK's outstanding loans to utilities amounted to P104.9 billion representing 17.5% of the Bank's loans to all sectors.

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

The National Government aspires to provide affordable housing to a greater number of Filipino families, who have been renting or sharing shelters. In support of this thrust, LANDBANK provides to borrowers loans classified as socialized housing at P400,000 and below, low-cost housing that ranges from P400,000 to P3 million; and medium-cost housing from more than P3 million to P4 million.

In 2017, the Bank's total outstanding loans to the housing sector reached P48.1 billion or 8% of LANDBANK's total loans to all sectors.

- *Loans for Logistics – Transportation and Communication*

The development and improvement of different modes of transportation is crucial in easing the transport of goods and people. In line with the Bank's support to the National Government's initiatives, LANDBANK financed different projects that helped improve both land- and sea-based transport systems.

In 2017, a total of P38.9 billion in loans was lent to the transport sector, accounting for 6.5% of Bank's total loans to all sectors.

On the other hand, loans to communication sector reached P31.3 billion or 5.2% of the total loans to all sectors. These loans assisted projects that improved the telecommunication systems of the country.

- *Loans for Education*

Consistent with the National Government's thrust of improving the quality of education in the country, LANDBANK extended loans to support the construction and maintenance of educational institutions.

The Bank's outstanding loans to education stood at P6.1 billion as of December 2017.

- *Loans for Health Care*

Another priority program of the National Government is improving the delivery of health care services in the country. In support of this, LANDBANK financed the construction of hospitals, clinics and other health-related facilities.

In 2017, total outstanding loans to health care reached P14.2 billion or 2.4% of the Bank's loans to all sectors.

- *Loans for Environment-related projects*

In support of the government's efforts in combating the adverse effects and impacts of climate change, LANDBANK provides credit assistance by extending loans to projects that are aimed at protecting the environment, harnessing the potential of renewable and alternative energy resources and promoting the climate change adaptation. Among these projects that the Bank financed were for the construction of flood control systems, waste management and recovery facilities, sewerage treatment plants, hydro-electric power plants, and production of biofuel.

As of end-2017, outstanding loans to environment-related projects increased to P17.3 billion compared to P15.4 billion in 2016.

- *Loans for Tourism*

To support the National Government in developing and boosting the country's tourism sector, LANDBANK extended loans for the construction of hotels and other facilities.

In 2017, the tourism sector's outstanding loans amounted to P8.8 billion or 1.5% of the Bank's total loans to all sectors.

Support to the Comprehensive Agrarian Reform Program

The legal basis for the creation of the Comprehensive Agrarian Reform Program (CARP) is the Republic Act No. 6657, otherwise known as the Comprehensive Agrarian Reform Law (CARL). This agrarian reform program was mounted to promote equitable landownership in the country through redistribution of agricultural lands to identified agrarian reform beneficiaries (ARBs) of the CARP. The program aims to empower the landless farmers and workers, as well as to protect their rights. It is believed that the achievement of agrarian reform would lead to poverty alleviation and inclusive growth, especially in the countryside.

In 1988, the program extended the principle of the land reform, and covered all public and private agricultural lands and other public domain suitable for agriculture. The Presidential Agrarian Reform Council (PARC), as one of the implementing agencies of CARP, determines the retention limits and set priorities in the redistribution of agricultural lands to qualified agrarian reform beneficiaries (ARBs). Then, LANDBANK, through its Agrarian Services Group (ASG), handles the acquisition of agricultural lands of the landowners in the form of cash, tax credits and bonds. The Bank also assists the PARC Secretariat in the distribution and resale of agricultural estates for division, and collects payments from ARBs for the pieces of land awarded to them.

CARP LAND TRANSFER OPERATIONS

LANDBANK continues to be the principal agency of CARP handling valuation and approval of land transfer claims received from the PARC Secretariat, and processing of payment and release of land transfer claim proceeds to landowners.

In 2017, LANDBANK approved for payment a total of 1,628 claim folders covering 13,536 hectares with a total land value of P2.63 billion.

LANDOWNERS COMPENSATION AND ASSISTANCE

LANDBANK total disbursement for landowners compensation reached P3.3 billion representing cash payment of P0.8 billion and compensation of P2.5 billion in the form of CARP bonds (Bond Maturities – P2.2 billion and Bond Interest – P0.3 billion) for 2017.

The Bank also assisted the CARP-covered bondholders and landowners in the marketing, selling and encashment of their Agrarian Reform Bonds. There were 906 CARP Bonds sold in the amount of P501.6 million from which the Bank generated a revenue of P9.8 million.

LAND AMORTIZATION AND LOAN COLLECTIONS FROM CARP FARMER BENEFICIARIES

As a financial intermediary of CARP, LANDBANK is also tasked with the Land Amortization and Loan Collection from CARP beneficiaries. In 2017, the land amortization collections from CARP beneficiaries totaled P670.3 million while the total loan collections amounted to P5.0 million.

LANDBANK-ADMINISTERED AGRARIAN REFORM FUND FOR CARP

LANDBANK, as one of the principal agencies of CARP, is responsible for the administration of the ARF fund. The Bank submits the monthly ARF Fund Statement to the PARC Secretariat.

As of yearend 2017, the ARF fund balance for landowner's compensation amounted to P3.8 billion.

In 2017, the Bank received a total amount of P2.4 billion from the Bureau of the Treasury (BTr) representing payments for the servicing of the 10-year CARP bonds under the automatic appropriation for the period Dec.14, 2016 to Oct. 31, 2017 and Dec. 1 to 13, 2017.

For the same year, the Bank remitted to the BTr for the account of the ARF total land amortization and loan collections of P807.5 million representing collections of Dec. 2016 (P186.3 million) and Jan. to Nov. 2017 (P621.2 million).



P2.63B

Value of 13,536 hectares of land approved for payment in 2017

Agricultural Credit Expansion Programs

FOOD SUPPLY CHAIN PROGRAM (FSCP)

The Food Supply Chain Program (FSCP), a program of LANDBANK, in partnership with the DA and Department of Finance (DOF), 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 provides credit assistance to key players in the food system such as agricultural producers, service providers, consolidators, processors and various market players, and strengthens market linkages between agricultural producers and processors through the signing of Production, Technical, and Marketing Agreement (PTMA), which enables them to meet the product requirements of anchor firms.

In 2017, total loan releases reached P15.7 billion involving 159 conduits (farmer cooperatives, associations and NGOs). Since the launch of the FSCP on Oct. 4, 2010, the Bank has released a total of P79 billion.

SIKAT SAKA PROGRAM (SSP)

The Sikat Saka Program, a special credit program jointly established by LANDBANK and the DA, provides direct credit window to small rice and corn farmers with the primary objectives of supporting the Philippine Government's Food Staples Sufficiency Program, and increasing the farmers' productivity and income.

It also offers integrated support services to farmer beneficiaries in terms of market support, free irrigation services, crop insurance subsidy and training, which enhance the program's sustainability.

With the impressive performance of SSP from 2012 to 2016, the SSP National Program Management Committee (NPMC), composed of representatives from the implementing agencies, approved in March 2017 the expansion of the program coverage from 45 major rice-producing provinces to 81 provinces, subject to the amendments of the program's Implementing Rules and Regulations (IRR) and Memorandum of Agreement (MOA).

In 2017, total cumulative loans released under the SSP amounted to P6.2 billion, with an outstanding balance of P1.1 billion benefiting 15,702 farmers. Moving forward, LANDBANK will push for further

expansion of the SSP coverage in order to provide credit assistance and support services to more small farmers in the countryside.

AGRARIAN PRODUCTION CREDIT PROGRAM (APCP)

Launched in Oct. 2012, the Agrarian Production Credit Program (APCP) is a tie-up among the DA, DAR, Department of Environment and Natural Resources (DENR) and LANDBANK, which aims to provide financial assistance and other support services to ARBs and their households, through their respective organizations, in order to improve their productivity and income.

The program is designed as a flexible credit facility for ARBOs that are not yet qualified to borrow under the regular lending window of the Bank and other formal financial institutions after five years or after Oct. 2017.

Capacity-building interventions were provided by DAR to strengthen the ARBOs and eventually qualify them to the Bank's regular lending window.

As of end-2017, the APCP released P1.5 billion to 800 ARBOs benefiting 46,490 ARBs.

It was also in 2017 that the implementing agencies approved the extension of the program for another five years or until Oct. 2022. Other enhancements in the program's policies and guidelines will be undertaken in order to respond to the emerging needs of the existing and new ARBs and ARBOs.

KALIKASANG KABUHAYAN SA WASTONG PAMAYANAN (KAWAYAN)

The Bank offered the Kalikasang Kabuhayan sa Wastong Pamayanan (KAWAYAN) to provide credit assistance to qualified borrowers like small farmers, cooperatives, federations, SMEs, agribusiness enterprises (ABEs), CFIs and LGUs that are engaged in bamboo production, processing and marketing. The Program aims to improve and develop the local bamboo industry as well as to reduce the impact of climate change by greening the watershed areas, thereby minimizing damage to agriculture caused by typhoons and other natural calamities.

As of end-2017, total cumulative releases under KAWAYAN reached P6.0 million.



P6.2B
Total cumulative loans released under the Sikat Saka Program

INTEGRATED SUPPORT FOR DEVELOPMENT OF AQUACULTURE (ISDA)

The Integrated Support for Development Aquaculture (ISDA) is a growership program for the fisheries sector where institutional buyers or processors are linked with small fishers, individuals, and SME growers. This program is in partnership with the Bureau of Fisheries and Aquatic Resources (BFAR) and was introduced in Sept. 2013.

The ISDA Program promotes market focus and value-adding activities, adopts demand-driven financing, and increases growers' competitiveness.

In 2017, total loan releases under this program reached P2.80 billion with a total outstanding loan amount of P1.07 billion.

MASUSTANSYANG INUMIN PARA SA LIKAS NA KALUSUGAN (MILK)

LANDBANK, together with the National Dairy Authority, launched the Masustansyang Inumin para sa Likas na Kalusugan (MILK) Program to support the financing requirements of qualified dairy small farmers, cooperatives, and federations for 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 Dec. 31, 2017, dairy-related cumulative loan releases reached P37.92 million.

ASSISTANCE TO RESTORE AND INSTALL SUSTAINABLE ENTERPRISES FOR ARBS AND SMALL FARM HOLDERS (ARISE-ARBS) PROGRAM

This is a joint program of DAR and LANDBANK which provides financing as support to disaster-affected ARBs or small farm holders (SFHs) and their families, through their respective organizations, to restore their livelihood and farming activities.

ARISE-ARBS also provides capacity-building interventions to eligible borrowers or beneficiaries.

In 2017, this program was approved for implementation by the Presidential Agrarian Reform Council Executive Committee, DAR and LANDBANK.

CREDIT ASSISTANCE FOR CACAO AGRIBUSINESS ENTITIES AND OTHER ORGANIZATIONS 100 (CACAO 100)

The Credit Assistance for Cacao Agribusiness Entities and other Organizations (CACAO) 100 Financing Program was launched to finance cacao industry stakeholders and help them attain their mission of producing 100,000 metric tons of dried fermented beans by 2022.

On March 7, 2017, President Rodrigo R. Duterte signed the Philippine Cacao Industry Roadmap which will serve as guide for all industry stakeholders towards the realization of development targets set for 2017 to 2022.

LANDBANK enhanced the features of the program to align with the roadmap and respond to the emerging needs of cacao value chain players, as well as to improve the controls in fund releases.

As of end-2017, total cumulative loan releases reached P1.1 billion, assisting 46 borrowers. The outstanding balance as of Dec. 31, 2017 amounted to P373.45 million.

LANDBANK-SMC CORN AND CASSAVA ASSEMBLERS/CONSOLIDATORS FINANCING PROGRAM

The Program was launched to enhance the production of raw materials for the production of animal feeds. San Miguel Corporation, through San Miguel Foods, Inc. (SMFI), signed a MOA that allows the engagement of small farmers in the production of cassava and corn through the assemblers. The SMFI enters into a supply and purchase agreement with assemblers stipulating, among others, automatic loan payments to LANDBANK.

As of Dec. 31, 2017, the Program's total cumulative loan releases reached P99.4 million with a total outstanding balance of P25.0 million.

AGRICULTURAL AND FISHERIES FINANCING PROGRAM (AFFP)

The AFFP is a tie-up between LANDBANK and the ACPC-DA. This Program provides credit to small farmers and fishers registered in the Registry System for Basic Sectors in Agriculture (RSBSA). The AFFP is similar to Sikat Saka Program, which also caters to small farmers and fishers adopting direct lending approach.

As of Dec. 31, 2017, AFFP released P105.5 million to 3,139 beneficiaries.

Support Programs for Agricultural Credit

AGRICULTURAL GUARANTEE FUND POOL

The Agricultural Guarantee Fund Pool (AGFP) is a program jointly administered by the Agricultural Credit Policy Council (ACPC) of the Department of Agriculture (DA) and LANDBANK. The program consists of a pool of contributions from various participating GOCCs and government financial institutions (GFIs) where LANDBANK serves as the institutional manager. In support of the National Government's agricultural programs, AGFP was set to encourage financial institutions and other credit conduits to lend to small farmers.

In 2017, the AGFP total guarantee coverage reached P6.8 billion. Of the total amount, P1.9 billion were allocated to LANDBANK, through which 17,044 farmers benefited, and involving 42,725 hectares.

AGRICULTURAL CREDIT SUPPORT PROJECT

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

As of Dec. 31, 2017, total loan releases under this project reached P5.0 billion, which benefited 452 borrowers. Outstanding loans for the same period stood at P500.1 million.

CREDIT ASSISTANCE PROGRAM FOR PROGRAM BENEFICIARIES DEVELOPMENT (CAP-PBD)

The Credit Assistance Program for Program Beneficiaries Development (CAP-PBD) is jointly implemented with the Department of Agrarian Reform (DAR). This program aims to provide a transitory credit window to ARB organizations (ARBOs) in agrarian reform communities (ARCs) and non-ARC areas to capacitate them in their organizational, operational, and marketing skills so that they will be able to graduate to the regular lending window of LANDBANK within two years. In 2017, the CAP-PBD released P38.46 million to 97 ARBOs and assisted 6,698 beneficiaries.



P3.65B
released for reconstruction
projects under
LANDBANK CaRes



148
Borrowers under
LANDBANK CaRes

LANDBANK CaRes PROGRAM

The Bank's Calamity and Rehabilitation Support (CaRes) Program extends financial assistance to clients who are victims of natural calamities. This program helps the borrowers recover and get back to business after suffering from destructions brought about by calamities.

In 2017, LANDBANK released P3.65 billion for reconstruction projects of 148 borrowers.

Other Programs

WATER PROGRAM FOR EVERYONE (H₂OPE)

The H₂OPE (Water Program for Everyone) is a unified program of the Bank for the water and sanitation sector. The Program aims to position the Bank as one of the “champions” in the water and sanitation sector specifically through the financing of water development and expansion, distribution, and management. The water districts, and water utilities operated and/or managed by institutions or corporations, LGUs, cooperatives, and other private entities, and rural and barangay waterworks and sanitation associations are eligible borrowers under this program.

As of Dec. 31, 2017, the H₂OPE Program has total cumulative loan releases of P3.65 billion with P2.87 billion in outstanding loan balances.

LGU LENDING PROGRAM

LANDBANK also supports LGUs by financing the local infrastructure and other socio-economic development projects of LGU clients, which are in accordance with the approved local development plan and public investment program.

As of end-2017, the Bank was able to assist 811 LGUs of 1,556 LGUs with Good Financial Housekeeping (GFH). Total loan releases reached P74.23 billion with an outstanding balance of P45.30 billion.

KfW- YOLANDA RECONSTRUCTION PROGRAM (KfW-YRP)

KfW-YRP is a LANDBANK lending program aimed at helping in the rehabilitation of devastated infrastructures caused by super typhoon Yolanda in 2013 specifically, in 18 pre-selected LGUs in the Visayas. The assistance is in the form of grant that is equivalent to EUR13 million.

The Bank was able to assist 18 LGU grantees with economic class of fourth to sixth class based on Bureau of Local Government Finance (BLGF) classification. The total amount of grants reached EUR4.77 million or P269.65 million which were used in reconstruction projects.

HOUSING OPPORTUNITIES MADE EASY (HOME) PROGRAM

The Bank HOME Program made acquiring and constructing shelters easy by providing credit assistance to the following clients: (1) salaried employees, businessmen or self-employed and professionals through the **Easy Home Loan (EHL)**, which provides credit assistance to acquire townhouses, condominium units, lots, house and

lots, renovation or improvement; (2) individual end-buyers of housing units from the Bank's accredited developers through the **Developer's End-buyers Financing Program**; and (3) OFWs through the **Bahay Para sa Bagong Bayani (3B)**, which is intended to provide assistance to them in acquiring their own homes.

In 2017, LANDBANK released P6.43 billion to 3,415 qualified borrowers. As of end-2017, the program has an outstanding balance of P5.26 billion.

BRINGING URBANIZATION AND INNOVATIONS THRU LANDBANK'S DIVERSE ENGINEERING RESOURCE SUPPORT (BUILDERS) PROGRAM

This program is a flagship program for SMEs that provides credit assistance to contractors licensed by the DTI-Philippine Contractors Accreditation Board. It supports the NG's Public-Private Partnership Program. Eligible projects under the BUILDERS Program include housing, education, real estate development, mass housing for calamity stricken regions, transport infrastructure, construction or renovation of business offices and buildings, and purchase of construction equipment or machineries.

As of Dec. 31, 2017, the Bank released a total of P41.77 billion to 271 qualified contractors.

HEALTH PROGRESSIVE LENDING FOR UPGRADED SERVICES (HEALTH PLUS) PROGRAM

The Bank launched the Health PLUS Program to support the health sector in improving access of the populace to quality and updated medical health goods and services.

In 2017, LANDBANK's loan releases stood at P3.77 billion with 81 borrowers under this program.

SUC CREDIT FACILITY

In 2004, LANDBANK launched the SUC Credit Facility Program in support of Republic Act 8292, otherwise known as the “Higher Education Modernization Act of 1997,” which allows State Universities and Colleges (SUCs) to engage in business activities and to avail of financing facilities. The program made credit available to qualified SUCs to enable them to support infrastructure expansion and other income-generating development and agri-related programs and projects.

As of Dec. 31, 2017, the Bank released a total of P26.04 million to 11 qualified borrowers.

ACCESS OF SMALL ENTERPRISE TO SOUND LENDING OPPORTUNITIES (SME ASENSO)

The SME ASENSO Program was created to support the objectives of the new Micro, Small and Enterprise (MSME) Development Plan.

The program has 54,000 borrowers with total loan releases of P53.42 billion as of Dec. 31, 2017.

RENEWABLE ENERGY (RE) LENDING PROGRAM

The RE Lending Program is among the Bank's programs that support the National Government's thrust of promoting renewable energy development, utilization and commercialization, and accelerating investment in the energy sector. The program provides credit assistance to renewable energy projects such as biomass, geothermal, hydropower, ocean, solar, wind, biofuel and other renewable energy projects. As of end-2017, the Bank's total loan releases under the RE Lending Program reached P9.33 billion.

BRINGING INCLUSIVE GROWTH IN EVERY HOUSEHOLD THROUGH NATIONAL ELECTRIFICATION SUPPORT SERVICES (BRIGHTNESS) PROGRAM

LANDBANK, in partnership with the National Electrification Administration (NEA), implements the Bringing Inclusive Growth in every Household through National Electrification Support Services (BRIGHTNESS) program that aims to improve and expand energy access of barangays, which is expected to redound to the creation of more employment and socio-economic growth in the countryside. The program provides credit assistance to qualified Electric Cooperatives (ECs), joint venture or consortium of ECs and wholesale aggregators. This assistance is in the form of loan financing for working or permanent working capital, capital expenditures, fulfillment of prudential requirements (i.e., guarantee security) under the terms of power sales contracts, and project preparation requirements.

As of Dec. 31, 2017, LANDBANK financed 34 ECs with total cumulative loan releases of P4.05 billion and outstanding balance of P3.09 billion.

K-12 BRIDGE FINANCING PROGRAM

LANDBANK's K-12 Bridge Financing Program is created to support the schools participating in the Department of Education's (DepEd's) Senior High School Voucher Program (SHS-VP). The program aims to provide timely bridge financing to participating schools in support of the implementation of the K to 12 Program, as well as the general objective of the DepEd's SHS-VP.

In 2017, the program benefited 48 borrowers with total loan amounting to P248 million.


METRO MANILA WASTEWATER MANAGEMENT PROJECT (MWMP)

MWMP is a World Bank-funded project intended to support the increase in the collection and treatment of wastewater in Metro Manila. This project also aims to improve the environment, reduce health risks, and better serve its population, including the poor, by contributing to the improvement of water quality in Metro Manila.

As of Dec. 2017, fund disbursements which reached USD153.89 million were allocated to Manila Water (USD62.46 million) and Maynilad (USD91.43 million).



P53.42B
Total loan releases of SME Asenso
with 54,000 borrowers



P9.33B
Total loan releases under the
Renewable Energy Lending Program

New Lending Programs in 2017

YOUNG ENTREPRENEURS FROM SCHOOL TO AGRICULTURE (YESAP)

YESAP promotes agri-entrepreneurship among the youth through the provision of credit and other support services. It aims to encourage enterprising individuals to prioritize farming as their profession after finishing secondary or college education.

INNOVATION AND TECHNOLOGY (I-TECH) LENDING PROGRAM

LANDBANK, in partnership with the Technology Application and Promotion Institute (TAPI), supports the innovation and technology sector by providing credit and guarantee credit extensions to patented Filipino inventions. The program is jointly funded by the Bank and by the TAPI Invention and Guarantee Fund (IGF). Borrowers may apply for loanable amount of up to 85% with maximum amount of P12.50 million or up to the repayment capacity of the borrower, whichever is lower. The borrower's equity is at 15% minimum, in cash or in kind.

FRANCHISING LENDING PROGRAM

The Franchising Lending Program was implemented in order to provide credit assistance to qualified players in the franchising industry, particularly the franchisees and franchisors. The loanable amount is up to 80% of the project cost or the repayment capacity of the borrower, whichever is lower while the minimum loanable amount is P100,000.

SUPPORT PACKAGE FOR ENVIRONMENT-FRIENDLY AND EFFICIENTLY-DRIVEN PUVS (SPEED PUV) PROGRAM

In support of the Public Utility Vehicles Modernization program of the government, LANDBANK introduced the SPEED PUV Program, an inclusive financing program that aims to finance public transport cooperatives or corporations in acquiring buses, mini-buses, jeepneys, transport service network vehicles (TNVS) and UV express that are in accordance with the requirements of the Omnibus Franchising Guidelines of the Land Transportation and Franchising Regulatory Board (LTFRB) and compliant with the specifications of the Philippine National Standard (PNS 2126:2017) on Public Utility Vehicles Class 2 and Class 3 Dimensions recently issued by the Bureau of Philippine Standards under DTI.

The loanable amount is up to 95% of the acquisition cost of the unit or up to the repayment capacity of the borrower, whichever is higher. The borrower's equity is at minimum of 5% of the acquisition cost of the unit, payable based on cash flow but not to exceed seven years.

FERRY BOAT LENDING PROGRAM

To support the modernization program of the country's marine public transport vessels, LANDBANK launched the Ferry Boat Lending Program for individual small boat owners' (on a one boat, one owner policy) acquisition of modern, safe and efficient ferry boats. The maximum loanable amount is 95% of the acquisition cost of the unit or up to the repayment capacity of the borrower, whichever is lower, while the borrower's equity is at minimum of 20%, payable based on computed payback period from the projected cash flow but up to a maximum term of 10 years.

TERRAIN AND NAVAL SPECIAL PROGRAM ON RELIABLE MEANS OF TRANSPORT (TRANSPORT) PROGRAM

The TRANSPORT Program was crafted to provide funds to both land-based and marine public transportation cooperatives and corporations for their needed working capital; acquisition of lot for the cooperative's garage; construction of garage-related structures; construction of office buildings; spare parts inventory build-up; franchise of small gasoline station; and other operations-related and support projects for their transport members.

GO GREEN PROGRAM

LANDBANK created the Go Green Program to support the National Government's initiative, through the National Energy Efficiency and Conservation Program, of reducing electricity consumption by promoting the use of energy-efficient solutions like high energy-efficient appliances, equipment, motors, lighting units and systems, building retrofitting for efficient thermal insulations and/or maximum use of natural lighting, and use of solar rooftop systems, among others. The program finances energy efficiency packages for businesses, and for government offices.

LANDBANK CaRes FOR MARAWI AND OTHER LANA DEL SUR LGUS

In 2017, the Bank introduced the LANDBANK CaRes for Marawi lending program in order to support the recovery of the war-torn City of Marawi in Mindanao including the conflict-affected municipalities in Lanao del Sur.

***LANDBANK
launched new
lending programs
that promote agri-
entrepreneurship
among the youth,
innovation and
technology,
and franchise
industry.***

Client Recognition Programs

Annually, LANDBANK confers awards to its outstanding development partners to recognize not only their excellent operational performance but also their significant contributions in improving the lives of members and local communities especially in the countryside. These awards include the following: (1) The Gawad sa Pinakatanging Kooperatiba (Gawad PITAK) for outstanding agri-based and non-agri-based borrowing cooperatives; (2) Gawad Small and Medium Enterprise (Gawad SME) for successful small and medium enterprises whose projects improved the socio-economic

conditions of their respective localities; (3) Gawad Kaagapay for top performing corporate and large enterprise clients that significantly contributed to the Bank's development thrusts; (4) Gawad Microfinance Institutions (Gawad MFI) for non-government organizations who are partners of the Bank in the delivery of essential financial services in the rural and/or urban communities, particularly in their specialized or niche markets; and (5) Gawad CFI for outstanding countryside financial institutions that show notable performance in delivering financial services to rural areas.

2017 GAWAD SA PINAKATANGING KOOPERATIBA (GAWAD PITAK) WINNERS

GININTUANG GAWAD PITAK AGRI-BASED CATEGORY

**Nagkakaisang Magsasaka Agricultural
Primary Multi-Purpose Cooperative**
Talavera, Nueva Ecija



HALL OF FAME AGRI-BASED CATEGORY

Buenavista Development Cooperative
Buenavista, Guimaras



NON-AGRI-BASED CATEGORY

Sacred Heart Savings Cooperative
Galimuyod, Ilocos Sur



OUTSTANDING AGRI-BASED COOPERATIVES

PINAKATANGING KOOPERATIBA

Bontoc Multi-Purpose Cooperative
Bontoc, Southern Leyte



FIRST RUNNER-UP

Libacao Development Cooperative
Libacao, Aklan

SECOND RUNNER-UP

**Batangas Sugar Planters Cooperative
Marketing Association, Inc.**
Balayan, Batangas

THIRD RUNNER-UP

Bantug Agricultural Multi-Purpose Cooperative
Talavera, Nueva Ecija

FOURTH RUNNER-UP

Kooperatiba Naton Multi-Purpose Cooperative
Tigbauan, Iloilo

OUTSTANDING NON-AGRI-BASED COOPERATIVES

PINAKATANGING KOOPERATIBA

**Abra Diocesan Teachers and Employees
Multi-Purpose Cooperative**
Bangued, Abra



FIRST RUNNER-UP

Pinoy Lingap Damayan Multi-Purpose Cooperative
Virac, Catanduanes

SECOND RUNNER-UP

Watchlife Workers Multi-Purpose Cooperative
Mariveles, Bataan

THIRD RUNNER-UP

Providers Multi-Purpose Cooperative
Naguilian, Isabela

FOURTH RUNNER-UP

**Golden Group Gabay Puhunan Brotherhood
Multi-Purpose Cooperative**
Tigbauan, Iloilo

SPECIAL AWARD: ULIRANG MAGSASAKA

Cesario L. Tabago
General Manager, Sapang Multi-Purpose Cooperative
Moncada, Tarlac



2017 GAWAD SME WINNERS

AGRI-BASED CATEGORY

FIRST PLACE

Sps. Marlene and Rosendo Bernabe
ROM ROEM Marketing
Tanay, Rizal



SECOND PLACE

Sps. Grace and Manuel Tan
Helman Ricemill
Gloria, Oriental Mindoro

THIRD PLACE

Universal Niño International Corporation
Navotas City, Metro Manila

NON-AGRI-BASED CATEGORY

FIRST PLACE

Construction and Drilling Specialists, Inc.
Pasig City, Metro Manila



SECOND PLACE

Child Jesus of Prague School, Inc.
Binangonan, Rizal

THIRD PLACE

Blokje Builders and Trading Corporation
Quezon City, Metro Manila

2017 GAWAD KAAGAPAY WINNERS

OUTSTANDING LARGE CORPORATION I

NON-AGRI-BASED CATEGORY

Megawide Construction Corporation
Quezon City, Metro Manila



OUTSTANDING LARGE CORPORATION II

AGRI-BASED CATEGORY

RDF Feed, Livestock and Foods, Inc.
San Fernando City, Pampanga



NON-AGRI-BASED CATEGORY

FIRST PLACE

Radiowealth Finance Company, Inc.
Mandaluyong City, Metro Manila

SECOND PLACE

Phoenix Petroleum Philippines, Inc.
Taguig City, Metro Manila

THIRD PLACE

Esquire Financing, Inc.
Taguig City, Metro Manila

OUTSTANDING MEDIUM-SIZED CORPORATIONS

AGRI-BASED CATEGORY

FIRST PLACE

JB De Guzman Farm and Poultry Supply
San Carlos City, Pangasinan

SECOND PLACE

Kennemer Foods International, Inc.
Calinan, Davao City

THIRD PLACE

**Sps. Laureana and Dominador Castellanes
DL Commercial**
Esperanza, Sultan Kudarat

NON-AGRI-BASED CATEGORY

FIRST PLACE

Hausland Construction
Dasmariñas City, Cavite

SECOND PLACE

Romeo R. Aniciete ARR Construction
Quezon City, Metro Manila

2017 GAWAD CFI WINNERS

RURAL BANK CATEGORY

FIRST PLACE

New Rural Bank of San Leonardo (NE), Inc.
Cabanatuan City, Nueva Ecija



SECOND PLACE

Rural Bank of Ramon (Isabela), Inc.
Ramon, Isabela

THIRD PLACE

Rural Bank of Digos, Inc.
Digos City, Davao del Sur

THRIFT BANK CATEGORY

Bangko Kabayan, Inc. (A Private Development Bank)
Ibaan, Batangas



SPECIAL AWARDS CATEGORY

BEST CFI INTERMEDIARY

New Rural Bank of San Leonardo (NE), Inc.
Cabanatuan City, Nueva Ecija

BEST CFI AVAILER – AGRI-AGRA LOANS

Rural Bank of Digos, Inc.
Digos City, Davao del Sur

2017 GAWAD MFI WINNERS

FIRST PLACE

Center for Agriculture and Rural Development, Inc.
San Pablo City, Laguna



SECOND PLACE

Kasapi Microfinance and Rural Development, Inc.
Talavera, Nueva Ecija

THIRD PLACE

Taytay sa Kauswagan, Inc.
Pavia, Iloilo

SPECIAL AWARDS CATEGORY

BEST MFI INTERMEDIARY

Center for Agriculture and Rural Development, Inc.
San Pablo City, Laguna

BEST MFI AVAILER – AGRI-AGRA LOANS

Kasapi Microfinance and Rural Development, Inc.
Talavera, Nueva Ecija

Corporate Social Responsibility Programs

VOLUNTEERIFIC PROGRAM

The LANDBANK Volunteerific Program is an opportunity for the employees to extend their time and capabilities to help marginalized sectors of society. This program was initiated to promote and nurture the culture of volunteerism among the workforce, and in support of Republic Act No. 9418 or the Volunteer Act of 2007, as well as the Civil Service Commission Memorandum Circular No. 23 s.2012 or Volunteer Program in the Public Sector. The program is also aligned with the Bank's core value of social responsibility.

The implementation of the annual program is in coordination with the Philippine National Volunteer Service Coordinating Agency (PNVSCA). Under this program, participants are encouraged to spend their time off-work in various activities related to the corporate social responsibility (CSR) thrust of LANDBANK, and anchored on specific causes including livelihood, education, environment and disaster mitigation. Landbankers may also participate in the activities of the Bank's CSR programs, namely Gawad Kabuhayan, Gawad Patnubay Scholarship, Manila Bay SUNSET Partnership, Gawad Sibol, and Gawad KATUBIGAN, among others.

To further inspire LANDBANK employees to volunteer for worthwhile initiatives, the Bank conferred awards to commendable teams. In 2017, four special awards were given:

- Most Volunteerific Group – Central Luzon Branches Group (CLBG), for having an average of 35 volunteer hours for each of its 332 total employees.
- Sector with Highest Number of Personnel Engaged – Branch Banking Sector (BBS), which had a total of 2,774 volunteers out of 4,382 sector employees.
- Sector with Highest Total Number of Volunteer Hours per Employee – Agricultural and Development Lending Sector (ADLS) for generating an average of 12.42 hours for each of its 1,079 volunteer employees. ADLS also recorded a total of 13,405 volunteer hours.
- Sector with the Highest Percentage of Employee Participation – ADLS with 92% participation rate among its employees (1,079 out of 1,168 employees) for volunteer initiatives nationwide.
- Three lending centers were also commended for their volunteerism spirit: (1) South Cotabato Lending Center which engaged 100% of its employees and rendered 60.50 volunteer hours per employee; (2) Davao Lending Center; and (3) Cagayan de Oro Lending Center which both engaged 100% of its employees and rendered 25 volunteer hours per employee.

67,724
Total number of
volunteerific hours rendered
by Landbankers

9,119
Landbankers who participated in the
Volunteerific Program in 2017



One of the CLBG's notable projects is its motor boat donation to two barangays in Bulacan. The motorized boat that was donated to Barangay Tibaguin, Hagonoy serves as a service boat of the students of San Pedro National High School in Tibaguin. The donation of the service boat to the barangay addresses the increasing drop-out rate of students due to transportation woes and high fares. The other motorized boat is being used as the Emergency Patrol Boat of Barangay Masukol, Paombong, enabling the barangay to respond to disaster or emergency situations in the community. The boats, along with a complete set of life vests and basic medicines, were primarily funded by regular employees of the Bulacan Cluster composed of nine branches/field units, and the Bulacan Lending Center.



Sector	Total no. of employees	Total no. of volunteers	Total no. of volunteerific hours rendered	% of sectoral employee participation	Average volunteer hours per employee
Agricultural and Development Lending Sector	1,168	1,079	13,405.80	92%	12.42
Branch Banking Sector	4,382	2,774	29,089.50	63%	10.49
Corporate Services Sector	465	357	3,527	77%	9.88
Treasury and Investment Banking Sector	106	90	788	85%	8.76
Units under the Office of the President and the Board of Directors	916	527	4,054.80	58%	7.69
Operations Sector	2,082	1,549	16,859	74%	10.88
Total	9,119	6,376	67,724.10	70%	10.62

MANILA BAY SUNSET PARTNERSHIP PROGRAM, INC.

The Manila Bay SUNSET Partnership Program, Inc. or MBSPPI is the flagship Corporate Social Responsibility Program of LANDBANK for the environment. It is a public-private collaboration of 29 member institutions (Please see sidebar for the complete list of MBSPPI Partner Institutions) to implement a sustainable approach to help clean and protect the marine and coastal resources of the Manila Bay and promote proper waste management.

Part of the program activities are: (1) monthly clean-up of Manila Bay areas; (2) information, education, and communication (IEC) campaigns in different public schools in the cities of Manila and Las Piñas; (3) fund-raising through the Manila Bay Clean-up Run; (4) recovery program by collecting waste polystyrene from partner institutions; and 5) adoption of a Manila Bay tributary or “estero” and water quality improvement interventions.

- *Manila Bay Clean-up*

The number of volunteers for the clean-up activities increased by 64.3% from 3,129 volunteers in 2016 to 7,998 volunteers in 2017. The total number of truckloads of trash

collected also increased to 53 truckloads in 2017 from 37 truckloads in 2016.

MBSPPI was able to retrieve 273 kilograms of waste polystyrene products which will be recycled to produce rulers.

- *Adopt-an-Estero and Mabuhay Balls Programs*

During the Manila Bay clean-up activity held on August 12, 2017, the MBSPPI launched the Mabuhay Balls Program. The Mabuhay Balls Program uses Effective Microorganism (EM) technology and local materials formulated by the Asian Social Institute (ASI). The Mabuhay Balls inhibit the growth of algae and break down sludge and silt in the water to help improve clarity and flow.

The Mabuhay Balls Program and Adopt-an-Estero Program seek 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. The Programs also aim to increase community awareness and commitment, including those of stakeholders living near tributaries or creek environs.

Volunteers from LANDBANK and partner institutions of MBSPP, who participated in the clean-up in August 2017, helped clear trash from the shores of Manila Bay and worked together to make 7,500 pieces of Mabuhay Balls for Estero de Kabulusan in Tondo, Manila, the beneficiary site.

After the August activity, 1,500 pieces of Mabuhay Balls were produced by the ASI which brought the total to 9,000 pieces generated for the program. The first half, or 4,500 pieces, was dropped last December 19, 2017, and was complemented by the application of EM solution to Estero de Kabulusan. The remaining pieces will be dropped after six months. The Environmental Management Bureau of NCR (EMB-NCR) conducted water quality sampling to assess the effectiveness of the intervention.



• *Binion School Tours*

In 2016, MBSPP created a Facebook Page titled "Solusyon Ni Binion." As of end-2017, it has generated a total of 8,400 "Likes".

Binion School Tours rolled out a total of 10 activities: Eight events in the public high schools in Manila and two in Las Piñas City were participated in by about 2,000 high school students. These students received up-cycled rulers made from waste polystyrene products from program partner Polystyrene Packaging Council of the Philippines (PPCP). The MBSPP-produced video, "That Thing Called Basura," was also shown to the students to help promote proper waste management. The expanded module of the 2017 Binion School Tour highlights the entry of "Friends of Binion," the environmental partners of Binion. This includes the discussion of liquid waste management through Maynilad's Water Warriors. Among the active MBSPP supporters of the Binion School Tours are the Division of City Schools Manila, LANDBANK Countryside Foundation, Inc., Manila Broadcasting Company, Maynilad, Miss Earth Foundation, PPCP, and Villar Sipag at Tiya Foundation.



**The Manila Bay SUNSET Partnership Program Partners
As of end-2017**

Land Bank of the Philippines

Asian Social Institute

City Government of Manila

Cooperative Development Authority

Department of Environment and Natural Resources –
Manila Manila Bay Coordinating Office

Department of Environment and Natural Resources –
National Capital Region

De La Salle University Manila

Department of Finance

Department of Public Works and Highways – NCR

Division of City Schools – Manila

Environmental Management Bureau – NCR

Landbankers Multi-Purpose Cooperative

LANDBANK Countryside Development Foundation, Inc.

LBP Insurance Brokerage, Inc.

LBP Leasing and Finance Corporation

LBP Resources and Development Corporation

Manila Broadcasting Company

Manila Ocean Park

Manila Yacht Club

Masaganang Sakahan, Inc.

Maynilad Water Services, Inc.

Metropolitan Manila Development Authority

Miss Earth Foundation, Inc.

Pamantasan ng Lungsod ng Maynila

Philippine Information Agency – NCR

Polystyrene Packaging Council of the Philippines

Polytechnic University of the Philippines

University of the Philippines, Manila

Villar Sipag at Tiya Foundation, Inc.



Landbankers and representatives from partner institutions volunteer to take part in planting trees in denuded sites.


114 has.
Total land area
for coverage under
Gawad Sibol

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

GAWAD SIBOL (ADOPT-A-WATERSHED PROGRAM PHASE III)

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

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

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

- A total of 133,300 hardwood, mangroves and fruit-bearing trees were planted during the entire course of the program;
- A total of 114 hectares of land were covered in various watersheds located in all 18 regions in the Philippines;
- Around 5,000 volunteers from LANDBANK nationwide have participated in the program, where each employee-volunteer planted 20 to 25 trees; and
- Achieved 91.48% survival rate among trees planted in six sites nationwide during the Phase II of Adopt-A-Watershed.

GAWAD KATUBIGAN PROGRAM

The Gawad KATUBIGAN (**Ka**akibat 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.

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

Since the program started in 2015, a total of 1,016 filters were distributed to 49 municipalities across the country benefiting over 100,000 individuals.

Meanwhile, the disaster preparedness component of the program has helped three pre-identified disaster-prone communities. These communities were selected based on the assessment of the partner organization, W4W, 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, benefitting around 36,000 individuals.

1,016
Water filters
distributed since 2015

Over 100,000
Beneficiaries of Gawad KATUBIGAN



Beneficiaries of Gawad KATUBIGAN are taught how to use and maintain the water filtration systems.



GAWAD PATNUBAY SCHOLARSHIP PROGRAM

The LANDBANK Gawad Patnubay (Gawad Pag-aaral Tungo sa Maunlad na Bayan) Scholarship Program is an education-to-employment initiative designed to benefit underprivileged, but deserving students who shall specialize in the fields of agriculture and fisheries. It is a two-pronged program that offers both formal and informal education in the fields of agriculture and fisheries to scholars, who are children of agrarian reform beneficiaries.

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

Under the formal education track, scholars are entitled to the following privileges:

- 100% subsidy for tuition fees;
- Monthly stipend;
- Yearly book allowance;
- Research grant or thesis funding;
- Licensure review and examination subsidy;
- Financial award for honour students from P30,000 to P50,000 cash incentive;
- 10-week Education-to-Employment (E2E) Internship Program (Inclusive of airfare, accommodation, food, and stipend) comprised of
 - Three weeks capacity building and personal development at the LANDBANK Head Office
 - Seven weeks field internship.

The financial assistance provided by the program is funded by more than 8,000 LANDBANK employees through voluntary salary contributions, with a minimum of one hour's worth of their salary earned during the last working day of the year.

In 2017, LANDBANK gave a counterpart fund amounting to 50% of the total funding for the formal education program which enabled the expansion to 17 universities across the country and supported 110 scholars starting school year 2017-2018.

For calendar year 2017, a total of 235 scholarships were extended through the Gawad Patnubay. The table below shows the breakdown of the number of scholars:

Formal	
ANCOP (4th Yr)	48
ANCOP – Caritas	2
IRRI	110
IRRI Graduates	39
Non-formal	
PARFED (Non-formal)	36
Total	235

Meanwhile, below is a summary of scholar profiles under the formal track of the program:

Particulars	2015	2016	2017	Total
Graduates	12	10	17	39
With Honors	8	3	8	19
Licensure Exam Taker	11	4	16	31
Licensure Exam Passer	11	4	16	31
E2E Participants	12	9	16	37
E2E Completed	12	9	16	37
E2E Interns Placed	12	9	16	37

Notes:

- **39** scholars graduated from year 2013-2017.
- Among 39 graduates, **19** with honors (17 *cum laude* and two *magna cum laude*)
- 100% of graduate scholars who are required to take the **Licensure Exam for Agriculturists** are now professionally licensed, including one scholar who placed **6th** in the national ranking in 2015, and two scholars who placed **3rd** and **9th** in 2017.



110

LANDBANK-supported scholars
for S.Y. 2017-2018



The Gawad PATNUBAY Scholarship Program is composed of formal and informal tracks. The scholars are provided financial support, as well as opportunities to participate in various educational and/or knowledge sharing activities.

EDUCATION TO EMPLOYMENT (E2E) INTERNSHIP PROGRAM UNDER THE GAWAD PATNUBAY SCHOLARSHIP PROGRAM

To ensure that the support to the Gawad Patnubay scholars does not end upon graduation, the Bank 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 weeks are spent for field internship with partner institutions; and
- Assistance in securing employment in LANDBANK or partner institutions.

In 2017, 16 scholars graduated which automatically qualified them to participate in the E2E Internship Program. In the same year, one graduated magna cum caude, seven cum laude, and 15 passed the LEA.



Through the E2E component of Gawad PATNUBAY, scholars undergo internship at LANDBANK and other agri-related enterprises. This also helps them land employment after they graduate.



16

Scholars qualified for the E2E Internship Program

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 initiative is the production of 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 via the Internet. The videos are also shown in all Knowledge Channel-connected public schools nationwide as supplement for the students' Agriculture subject.

In 2017, the video series, which stars actor Enchong Dee, was able to reach millions of learners from thousands of public schools nationwide.

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.



Through video and online modules on various agri-related lessons, the Gawad e-Dukasyon further promotes agriculture as a viable and profitable source of livelihood.

Link.BizPortal: More convenient payment via the Internet

Paying for your taxes, application fees and other dues and charges in government and non-government institutions now gets easier. With LANDBANK's Link.BizPortal, an e-Payment facility that allows clients to pay via the Internet for products and services from both the government and private institutions and sectors, you can be sure that paying for your fees is now a breeze and without hassle.

"Through this new service, the client avoids the hassle of lining up and waiting for hours just to pay for their transactions," says LANDBANK President and CEO Alex V. Buenaventura. "This is part of our continuing efforts to provide efficient and secure electronic channels for payments."

The product has several objectives. Among them include providing convenience and efficiency to all involved institutions as well as safer and faster delivery of funds; decreasing the direct and indirect costs associated with physical cash or distribution of in-kind goods; establishing accountability and tracking of financial flows, resulting in less corruption and theft; and de-clogging lobby traffic and saving on operation costs.

FEATURES OF THE PORTAL

The LANDBANK Link.BizPortal has several features. LANDBANK and BancNet ATM account holders, and GCash users can use the facility. It can handle small and large value payments, whether you are transacting with big or small amounts. Link.BizPortal can also generate and issue online payment confirmation which may be printed or sent through e-mail, as applicable – for security purposes, and is available seven days a week, including holidays, except during system maintenance.

Link.BizPortal also has several features and functions for the merchants. Real-time debit instruction from client's account and credit to merchant's account is available. The system can also accommodate Check Digit Algorithm requirement of merchants.

Real-time online viewing facility of payment transactions for partner merchants or agencies is present, as well as the generation of reports in a standard format to be used by the Bank and the merchant for balancing and reconciliation.

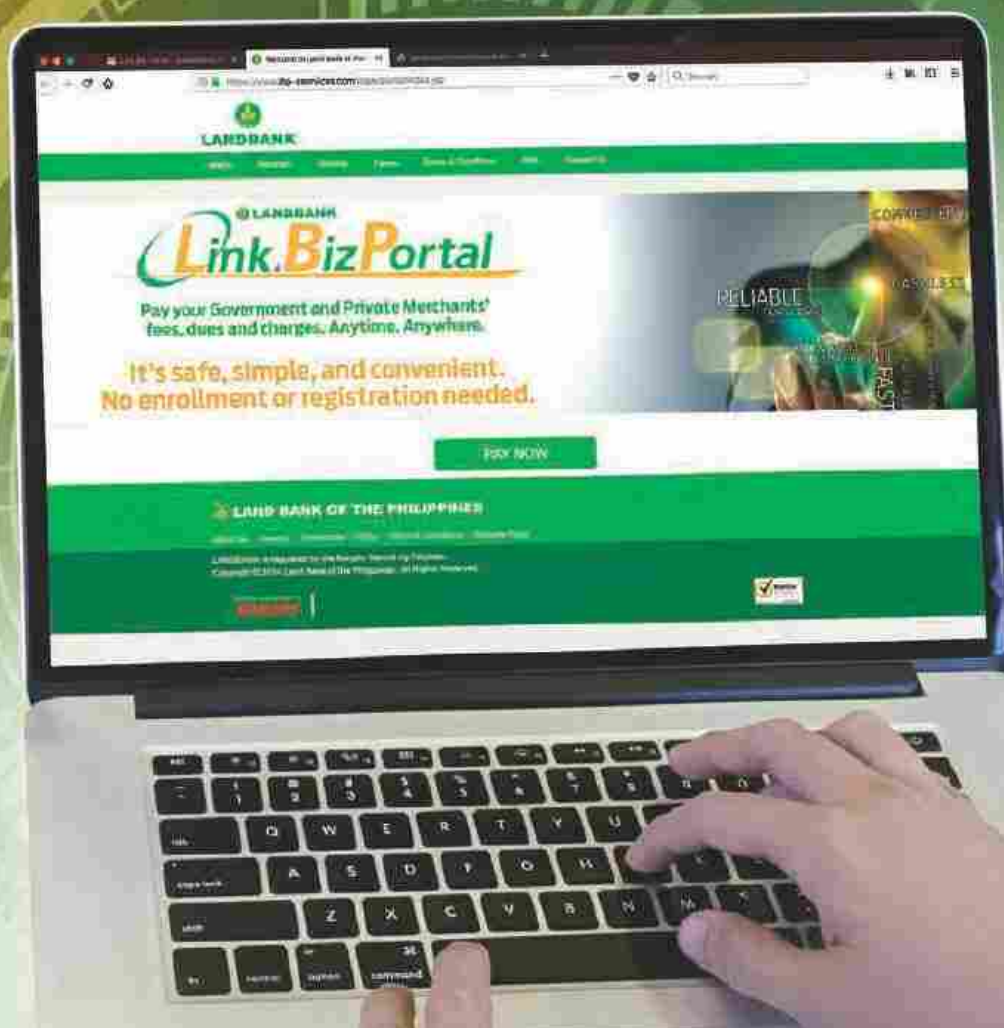
Merchants who can avail of this program are the following: government institutions, National Government Agencies (NGAs), Government-Owned and Controlled Corporations (GOCCs), Local Government Units (LGUs), State Universities and Colleges (SUCs), private institutions, schools, colleges and universities, utilities and services, cooperatives and corporations and enterprises.

SAFETY AND SECURITY

One of the features of the Link Portal is its safety and security. Not only is it protected with a 128-bit Safe Security Layer (SSL) encryption technology to ensure privacy and confidentiality of account information and transactions, it is also authenticated by Entrust, one of the leading certification companies that thoroughly checks the authenticity of a particular website. The program is also provided with Completely Automated Public Turing test to tell Computers and Humans Apart (CAPTCHA). As an added security for users who are LANDBANK ATM cardholders, an OTP or one-time PIN is sent to the clients' mobile number or e-mail address.

You have to be registered via LANDBANK's iAccess if you are going to use your LANDBANK ATM account for debiting. To use the Link.BizPortal, just go to LANDBANK's website, www.landbank.com, and click on the link. To pay, just follow these simple steps: Select the merchant's name on the search field, then select your transaction type. Fill-out the transaction details and review the information that you provided. Select your payment option, and then view or print your payment confirmation.

Starting with the Bureau of Internal Revenue in Nov. 2017, the number of institutions and merchants accepting payments via the Link.BizPortal continues to grow, offering clients more convenient and secure options for electronic payment.



Link.BizPortal

Pay your Government and Private Merchants' fees, dues and charges. Anytime. Anywhere.

It's safe, simple, and convenient.
No enrollment or registration needed.

Pay Now

LAND BANK OF THE PHILIPPINES

1201 Legaspi Street, Legaspi, Cebu City, Cebu 6000

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Bank's Delivery Channels

BRANCHES AND EXTENSION OFFICES

In pursuit of its goal to extend financial services in all provinces, cities and municipalities, LANDBANK opened new field offices and installed additional banking channels in various areas across the country.

Two new branches and seven extension offices were opened in 2017, bringing the total number of LANDBANK Branches to 379 by year end. With the additional branches and extension offices, the Bank maintains its leading position as having the most extensive physical network in the Philippines with presence in all of the country's 81 provinces. Of the total branches and extension offices, 241 are in Luzon (87 are in the National Capital Region or NCR), 64 branches in the Visayas, and 74 branches in Mindanao. Apart from its branch network, the Bank also operates six tellering booths and six foreign exchange booths to provide additional banking services.

NEW AUTOMATED TELLERING MACHINES

In 2017, the penetration rate of LANDBANK Automated Telling Machines (ATMs) reached 95% or 138 out of 145 cities, and 28% or 416 out of 1,489 municipalities.

A total of 143 new ATMs were installed by LANDBANK in 2017 to provide additional channels for the convenience of its growing cardholder base which has reached 13 million. This made LANDBANK the 3rd largest bank in terms of ATM network in the Philippines. As of yearend 2017, a total of 1,777 ATMs (786 onsite and 991 offsite) are strategically located across the country with 371 (21%) in the NCR, 426 (24%) in Northern and Central Luzon, 324 (18%) in Southern Luzon, 276 (16%) in the Visayas, and 380 (21%) in Mindanao.




LANDBANK Tabaco Branch opened its new and bigger site last April 24, 2017.



Cabiao Mayor Ramil Rivera leads the activation and ceremonial withdrawal from the newly opened off-site ATM by LANDBANK San Isidro, Nueva Ecija at the Cabiao, Nueva Ecija Local Government Unit Compound.



LANDBANK ATM booth at the Department of Social Welfare and Development Region XI Compound formally opened last Jan. 19, 2017.

143 
New ATMs installed
(total of 1,777 nationwide)

93 
Cash Deposit Machines
installed

CASH DEPOSIT MACHINES

LANDBANK became the first government bank to provide an automated channel for real-time cash deposit transaction through the Cash Deposit Machine (CDM), a self-service machine with cash deposit facility. It expedites deposit transactions and provides convenience as customers will no longer need to queue for Over-the-Counter (OTC) transactions at the branches.

LANDBANK CDMs are available in all LANDBANK Easy Access Facility (LEAF) and select branches nationwide.

In 2017, the Bank has installed a total of 93 CDMs which are distributed strategically across the country: nine in the NCR; 25 in Northern and Central Luzon; 21 in Southern Luzon; 18 in the Visayas; and 20 in Mindanao.

LANDBANK EXPRESS ACCESS MACHINES

The LANDBANK Express Access Machine (LEAM) is a touch-screen financial kiosk machine designed to accept payments or collections for national government agencies' transactions. This facility was recently enhanced to serve as an alternative channel for LANDBANK's online banking products, ePayment Portal (ePP) and iAccess.

LANDBANK, as an Authorized Agent Bank (AAB) for the Bureau of Internal Revenue (BIR), provided a channel for faster and more convenient payment transactions through the LEAM, which automated the traditional Over-the-Counter mode of tax payment.

The LEAM is available in 50 LANDBANK Branches: 16 in the NCR, 10 in Northern and Central Luzon, eight in Southern Luzon, four in the Visayas, and 12 in Mindanao.

MOBILE ATMS

LANDBANK deployed mobile ATMs to provide access to customers in remote areas of the country. These machines serve as alternative channels for withdrawal transactions of depositors from local government units, government agencies, and private corporations. The Bank maintains one mobile ATM for each Branches Group.

These mobile ATMs were also deployed in various areas to facilitate faster cash distribution to Conditional Cash Transfer (CCT) beneficiaries.

LANDBANK EASY ACCESS FACILITY (LEAF)

Other Banking Offices (OBOs) called the LANDBANK Easy Access Facility (LEAF) were also established in 2017. The LEAF is equipped with an ATM and CDM, and caters to unbanked areas, where there is no LANDBANK Branch or EO, nor any conduit that offers banking services. The LEAF extends non-transactional banking-related services such as deposit, withdrawal and bills payment of clients which are all transacted through the machine.

As of end-2017, a total of 47 LEAFs were established in various sites nationwide: 28 in Luzon, eight in the Visayas, and 11 in Mindanao.



The second LANDBANK Easy Access Facility (LEAF) in the province of Pangasinan is located in Agno. Executive VP for Branch Banking Liduvino Geron and Agno Vice Mayor Wilson Rosete led the blessing and inauguration.



The inauguration of the LANDBANK Easy Access Facility (LEAF) in the municipality of San Antonio, Quezon was held in 2017.



LANDBANK Easy Access Facility (LEAF) opened last Sept. 4, 2017 in Kibawe, Bukidnon. Among the attendees were Kibawe Mayor Minerva Casinabe, and Vice Mayor Luciano Ligan.

e-Banking Services and other Facilities

E-PAYMENT AND COLLECTION SERVICES

LANDBANK LINK.BIZPORTAL

LANDBANK Link.BizPortal is a web-based payment channel designed to accept payments of fees, dues, and charges from clients for products and services of both the government and private institutions/sectors.

The number of institutions and merchants accepting payments via the Link.BizPortal continues to grow, offering clients more convenient and secure options for electronic payment. Merchant enrollment grew by 144.3%, from 158 merchants in 2016 to 386 merchants in 2017. There are at least 199 government institutions such as BIR, POEA, SEC, PCSO, OWWA and PNP enrolled as merchants in the Link.BizPortal which comprise 52% of the total merchants.

ELECTRONIC TAX PAYMENT SYSTEM (eTPS)

The e-Tax Payment System (eTPS) is LANDBANK's participation to the Electronic Filing and Payment System (eFPS) of the Bureau of Internal Revenue (BIR). With eFPS, transmission of tax returns including attachments, if any, and payment of taxes due to the government are made over the internet through the BIR website. The taxpayer is provided a paperless tax filing experience including the convenience of paying taxes online through an Internet banking service via debit of an enrolled bank account.

BOC PAS5 ELECTRONIC PAYMENT SYSTEM (PAS5 – EPS)

The PAS5 – EPS is LANDBANK's participation to the Project Abstract Secure 5 of the Bureau of Customs. PAS5-EPS is an Internet-based system which allows importers to pay their custom fees and duties without the hassle of queuing over-the-counter.

This payment channel is available seven days a week, including holidays, except during system maintenance.



BIR Commissioner Atty. Caesar Dulay (3rd from right, 1st row) and LANDBANK President and CEO Alex Buenaventura (4th from right, 1st row) led the launch of the BIR-LANDBANK ePayment Service in Quezon City. They were joined by senior officers from the BIR and LANDBANK.

PRIVATE COLLECTION SERVICES

LANDBANK also serves as the collection support arm of various private institutions. In 2017, a total of P9.43 billion were collected for BancNet Point-of-Sale, MERALCO, Manila Water, PLDT, Maynilad Water, Globe Telecom Inc., Innove, LANDBANK Mastercard, LANDBANKOOP, Smart, GLOBAL POS, Sky Cable, Dragonpay, Bayantel, Ruralnet Inc., Signal TV, First Metro Securities Brokerage Corporation and LANDBANK Visa Credit Card.

GOVERNMENT COLLECTION SERVICES

LANDBANK serves as the collection arm of various government institutions. In 2017, a total of P8.27 billion were collected for Philippine Health Insurance Corporation (PHIC), Social Security System (SSS), Home Development Mutual Fund (HDMF), POEA –Agency Hires, Philippine Charity Sweepstakes Office, Social Housing Finance Corporation, National Home Mortgage and Finance Corporation, POEA - EPS TOPIK, Philippine National Police, National Single Window (NSW), University of Southern Mindanao, Davao City Water District, Southern Luzon State University, and Polytechnic University of the Philippines.

INTERNET BANKING

LANDBANK weACCESS

Online access to your Corporate Banking needs.

The LANDBANK weAccess is an institutional Internet banking system which allows corporate clients to perform banking transactions online. Corporate users can enrol their Regular Savings and Current Accounts and even view their High Yield Savings Account.

For added protection, weAccess employs secured encryption, VeriSign digital verification, and Virtual Token application.

Non-financial services such as viewing of account balance, historical transactions, and loan availments are some features of weAccess. Clients can also avail of current account services, grouping of accounts, and download Statement of Account and remittance application form.

Financial services include the processing of fund transfer, auto debiting or crediting, fund sweeping, ATM payroll, bills payment, and check book requisition services.

LANDBANK iACCESS

The convenience of online banking.

LANDBANK iAccess is a retail Internet banking system which allows clients to manage their LANDBANK accounts through their preferred web browsers, with guaranteed secured encryption technology for added protection.

By logging on to www.lbpiaaccess.com, an enrolled depositor can conveniently perform financial and non-financial transactions, anytime and anywhere.

Retail Internet banking clients may avail of non-financial services such as viewing of account balance and historical transactions, reporting of lost or stolen card, inquiring the status and details of issued or returned checks, and adding or updating of account reference numbers of frequently paid billers. Moreover, clients may also use the Housing Loan Calculator which features the housing loan affordability assessment.

Also, iAccess offers financial services that include fund transfer to own account and nominated third-party LANDBANK accounts, bills payment to over 100 billers, and check book requisition for enrolled current account/s.

ELECTRONIC MODIFIED DISBURSEMENT SYSTEM (eMDS)

The LANDBANK eMDS is a secured Internet facility for National Government Agencies which offers banking convenience to perform Modified Disbursement System (MDS) transactions online. eMDS implementation addresses the tedious and costly processing of MDS transactions and aims to eliminate physical transmission of required MDS documents and reports.

The eMDS transactions cover transmission of Advice of Checks Issued and Cancelled (ACIC), payment of accounts payable to creditors, and fund allocation transfer initiated and approved by the government agency, and are processed in a real-time manner. Checkbook requests are automatically forwarded to the concerned branch for processing.

Issuance of DOF-DBM JDAO No. 2015-1 enjoining agencies to enrol and utilize LANDBANK's eMDS facility also contributed to the 79.3% growth in the number of transactions totaling 378,210. Likewise, the equivalent amount of transactions grew by 74.5% or P201 billion, higher than the valued transaction from the previous year.

MOBILE BANKING

LANDBANK MOBILE BANKING APPLICATION (MBA)

Personal banking at your fingertips.

The LANDBANK Mobile Banking Application (MBA) provides clients with convenient access to the Bank's wide array of services through their smartphones, anytime, anywhere.

By downloading the MBA through the Google Play or App Store, clients can enjoy the full range of services such as access to balance and transaction history of deposits, credit card accounts, checkbook requisition, fund transfer, bills payment, locking or unlocking of ATM card transactions through Mobilock, Foreign Exchange (ForEx) and Unit Investment Trust Fund (UITF) rates inquiry, and LANDBANK ATM and Branch locator.

The Mobilock feature was added to the MBA to protect Bank clients against unauthorized international and/or local access. Through Mobilock, clients have the option to automatically lock or unlock their enrolled ATM Cards through the MBA.

Since its launch in Jan. 2015 and as of Dec. 2017, there were 1.5 million active users of MBA.

OPERATIONAL HIGHLIGHTS ON E-BANKING PRODUCTS AND SERVICES

At the end of 2017, the number of e-Banking corporate and retail users increased significantly by 11.5% and 13.2%, respectively. These translate to a transaction volume of 6.7 million valued at P174.9 billion for corporate users and 37.38 million valued at P5.43 billion for retail users.

As the digital technology started changing how consumers conduct their banking behavior, the usage of the LANDBANK Mobile Banking significantly increased by 99.5% in end-2017. There were 21.9 million transactions made through this facility amounting to P4.5 billion. Both the transaction volume and value grew by a whopping 157.2% and 215.9%, respectively. In support of the ease of doing business program of the Government and to streamline payment of fees and charges for both the government and the private sectors, the Link.BizPortal was able to facilitate a total of 590,000 transactions amounting to P1.04 billion. Moreover, the number of new enrollees under this facility exhibited a surge of 144.3% during the year. For the BIR and BOC through the ETPS and PAS-5, the total number of transactions stood at 434,990 and 37,997 valued at P76.8 billion and P7.20 billion, respectively. Also, a total of 20,000 transactions were generated for GSIS, PhilHealth and Pag-IBIG with a total transaction value of P1.46 billion.

OTHER FACILITIES

PHONEBANKING

The LANDBANK Phone Access (LPA) is an alternative delivery channel that allows ATM and current account holders to do banking transactions such as fund transfer, bills payment, bank statement request, check book reorder, check status, and balance inquiry via landline or mobile phone. This banking service facility also allows the account holders to report lost or stolen card and talk to LANDBANK Phonebankers for other inquiries and concerns.

As of yearend 2017, a total of 3.27 million accounts were enrolled representing 99.9% of the 3.28 million eligible accounts. During the year, a total of 1.2 million financial and non-financial transactions were processed. The total financial transactions during the year amounted to P158 million involving fund transfer and bills payment.



1.5M
Active users of
Mobile Banking Application

21.9M
Mobile Banking Application transaction volume

215.9%
Mobile Banking Application transaction value



LANDBANK POINT-OF-SALE (POS) DEBIT AND POS DEBIT/CREDIT

POS Debit/Sale is a payment system that allows cardholders to pay for goods sold and/or services rendered by the merchant.

In 2017, the volume of POS transactions increased to 1.04 million from 876,079 in 2016, while the total amount of transactions reached P6.54 billion. The revenues generated from the POS transactions stood at P3.19 million.

LANDBANK, in partnership with Global Payments Asia Pacific (GPAP), offered POS Debit/Credit facility in Nov. 2017. At the end of the year, the facility registered a total of 2,600 transactions, valued at P11.21 million.

LANDBANK POS CASH-OUT

In May 2015, LANDBANK, in partnership with BancNet, became the first bank in the Philippines to launch the POS Cash-Out. The POS Cash-Out is an extended POS service that allows peso withdrawal transactions from certified POS terminals installed in the premises of partner institutions. The process is similar to withdrawing cash from an ATM except that cash is disbursed by the personnel of partner institutions.

At the end of 2017, the number of partner institutions increased to 143 from 90 in 2016, while the number of installed POS terminals also rose to 209 from 121 in 2016. This brought the POS Cash-Out transactions to a total of 470,563 valued P2.17 billion, and generated income amounting to P3.73 million.

Bank Products and Services

DEPOSIT PRODUCTS

LANDBANK has a wide array of deposit products that include savings, current and time deposit products, denominated in peso and foreign currencies, such as US Dollar, and Euro.

LANDBANK also provides innovative products including Auto-Save and High-Yield US Dollar Time Deposit (HYUSD TD) accounts. Auto-save facilitates hassle-free savings with a minimum of P100 auto-debited from an existing LANDBANK payroll account and auto-credited to the Auto-save deposit account every payday. On the other hand, the LANDBANK High-Yield US Dollar Time Deposit (HYUSD TD) is for individual and institutional depositors. For a minimum placement of USD2,000, customers can earn higher interest rates of 2% and 2.5%, compounded annually, for two- and three-year placements, respectively.

REMITTANCE PRODUCTS

The Bank's remittance business generated USD1.809 billion in remittance in 2017, surpassing the previous year's USD1.609 billion. These remittances were sourced from its foreign correspondents and depository banks and remittance partners in the Asia Pacific, Middle East, USA, Canada and Europe.

In the same year, the credit-to-account service via Western Union was launched, which enabled the Bank to capitalize on Western Union's network of agents in 200 countries, as well as its online platforms. The volume of cash pick-up transactions also surged from 504 transactions in 2016 to 1,996 transactions in 2017. As of end 2017, the Bank had 31 partner agents composed of commercial banks, rural banks and pawnshops. Including LANDBANK Branches, the pay-out network is composed of 4,540 outlets nationwide.

LANDBANK sustained its strong correspondent relationships with 612 foreign banks and maintains deposit accounts with 24 top-tier banks in 11 countries. Likewise, the Bank nurtures healthy partnerships with 241 foreign and local companies specializing in the remittance and overseas manpower deployment businesses.

The Bank also extends regular financial literacy seminars and campaigns in coordination with the BSP, Department of Foreign Affairs, Department of Labor and Employment, Overseas Workers Welfare Administration, Philippine Overseas Employment Administration, and client shipping and manning agencies. These efforts support

LANDBANK's remittance business and enhance awareness among overseas Filipinos of the Bank's banking products. The Bank facilitated the opening of 24,182 new OFW ATM accounts.

In response to its growing remittance business, the LANDBANK Remittance System (LBRS) was implemented in 2012 to address the much needed improvements in the capability of the Bank to process incoming and outgoing wholesale and retail remittances much more safely and efficiently. The LBRS is a web-based remittance system with front-office for the Bank's Remittance Agency Partners (RAPs) and Partner Paying Agents (PPAs), and back-office modules for FDRD and the Branches capable of real-time remittance processing 24/7 while ensuring compliance to BSP policies and guidelines, AMLA reporting and other regulatory requirements. It offers multiple remittance delivery modes such as credit to LANDBANK accounts (both PHP and USD), credit to other local banks and cash pickup at any LANDBANK Branch or partner agent. The LBRS virtually made the Bank present in all parts of the world.

LBRS was able to process over a million remittance transactions from 200 overseas and domestic remittance partners in 2017. As of end 2017, the Bank had 31 partner paying agents composed of commercial banks, rural banks and pawnshops. Including its branches, the Bank's cash pay-out network totalled 4,540 outlets nationwide.

Through its remittance business, the Bank generated an Average Daily Balance (ADB) of P3.0 billion in low-cost deposits from remittance partners, OFWs and OFW beneficiaries.

The Bank generates revenue from remittance transactions in the form of service fees and foreign exchange margin.

CARD PRODUCTS

• LANDBANK Visa Debit Card (LVDC)

As of Dec. 2017, LVDC cardholders were able to transact in around 2.3 million ATMs in more than 200 countries worldwide and make cashless purchases in over 40 million Visa merchants and retail stores worldwide.

From its launch in 2014, LVDC card issuances reached 2.11 million by end-2017. The number of cards issued to new cardholders in 2017 also reached 565,154, exceeding the Bank's target of 300,000 by 88%. The volume of

transactions went up by 40% or 33.89 million from 24.28 million in 2016, with an equivalent value of P115.96 billion and P168.15 billion in 2016 and 2017, respectively. Consequently, a gross income of P69 million was generated in 2017.

In Oct. 2017, LANDBANK received two awards from Visa, namely the “Highest Debit Payment Volume Growth in the Philippines” as of June 2017, with 3.8 billion spend volume, and the “Top Visa Consumer Debit Issuer of Visa Cards.”

- **Issuance of EMV Cards**

LANDBANK Branches started issuing EMV chip-enabled debit cards to its new cardholders in the third quarter of 2017, while distribution to existing cardholders of converted magstripe cards to EMV cards started in the last quarter of the year. The EMV chip serves as an added protection for LANDBANK cardholders’ card-present transactions. LANDBANK’s shift from magnetic stripe technology to EMV is also in compliance with the mandate of the BSP under Circular No. 808, Series of 2013, which aims to address deficiencies inherent in the magstripe card by reducing incidents of fraud arising from counterfeiting, and lost and stolen card information.

- **Credit Card**

- Conversion to EMV-chip Technology

With the change in the Bank’s Credit Card platform to Mastercard, our new issued and re-carded Mastercard-branded Credit Cards are already EMV chip-enabled to comply with the BSP requirement.

- Government Purchase Card Program

In support of the National Government’s thrust to reduce the number and value of cash advances in government, LANDBANK partnered with the Bureau of the Treasury (BTr) and the Department of Budget and Management (DBM) for the Government Purchase Card or GPC Program.

The program is in the pilot implementation phase as approved by the BSP in Nov. 2017.

- Credit Card Billing and Revenue

Credit card operations focused mainly on the full migration of the LANDBANK Credit Card to the Mastercard platform, conversion to EMV chip technology, and the Government Purchase Card Program in 2017. As of end 2017, the Bank accomplished 96.62% or P1.43 billion of its P1.48 billion credit card utilization target. Total credit card gross revenue, however, stood at P130.49 million.

SALARY LOAN PRODUCTS

- **LANDBANK Mobile LoanSaver (LMLS)**

LMLS is a mobile-based, electronic salary loan product of the Bank in partnership with Voyager Innovation, Incorporated. It is offered to eligible employees of private companies and government offices.

LMLS uses short messaging service or SMS for loan application and notification on loan approval. It also uses electronic signature (e-signature) for loan availment confirmation. LMLS does not require a co-maker to proceed with loan application.

LMLS has shown a steady upward stream in terms of transactions. Loan releases went up by 23%, from P9.6 billion in 2016 to P11.8 billion in 2017, while outstanding loan balances stood at P12 billion. At the end of Dec. 2017, there were 96,069 employee-borrowers with active loan accounts in LMLS.

- **LANDBANK Livelihood Loan Program**

Since 1996, the Bank has been providing financial window to augment the financial needs of the government and private sector employees through its Livelihood Loan Facility. In 2013, the Bank developed a special financing window for DepEd to cater to the financial requirements of teachers, especially those with existing loans with private lending institutions for possible loan take-out. The DepEd Livelihood Loan Facility is being offered to both teaching and non-teaching DepEd personnel.

LANDBANK’s Livelihood Loans in 2017 grew by 7.3% to P20.12 billion, from P18.74 billion in 2016. There were 173,000 employees who benefited from the program. In 2017, total loan releases stood at P18.31 billion involving 106,106 borrowers. These loans were channelled to 6,350 borrowers from DepEd with loans amounting to P1.15 billion.

Treasurer Rosalia De Leon (Center), DBM Undersecretary Lilia Guillermo (left), and LANDBANK President and CEO Alex Buenaventura (right) during the agreement signing ceremony for the Government Purchase Card Program last Nov. 28, 2017 at the Ayuntamiento de Manila, Intramuros, Manila.



Debit Cards and ATM Management Department Head Marissa B. Pineda (second from left) and DCAMD-Card Management Unit Head Joanne A. Ocampo (second from right) accepted the citation from Visa Philippines and Guam Head of Sales Dan Wolbert (left), and Visa Philippines and Guam Country Manager Stuart Tomlinson (right).

Collection and Disbursement Services for the National Government

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. In support of the CCT Program, which is widely known as "Pantawid Pamilyang Pilipino Program", identified beneficiaries of the DSWD were given cash cards and prepaid cards by the Bank where cash grants are credited. The Bank also partnered with accredited rural banks, cooperatives and NGOs to serve as conduits in cash disbursements. Mobile ATMs were also deployed in various areas to facilitate the cash distribution of grants.

In 2017, LANDBANK disbursed total cash grants to 4.39 million household beneficiaries all over the country amounting to P75.47 billion.

REVENUE COLLECTION SERVICES AND OTHER SERVICES

With its network of branches spread all over the country, LANDBANK is a strategic conduit where individuals, corporations and government agencies can pay their duties and taxes. In 2017, a total of P298.72 billion in taxes were collected

by the Bank for the National Government from a total of 7.87 million transactions. Of the total collections of P298.72 billion, P175.78 billion were from the 6.39 million transactions for the Bureau of Internal Revenue while P115.76 billion serviced 1.45 million transactions for the BTr, and P7.19 billion from the 37,997 tariffs and duties collected for the Bureau of Customs.

MODIFIED DISBURSEMENT SYSTEM (MDS)

LANDBANK services the disbursement system of government funds through the Modified Disbursement System (MDS), in coordination with the DBM and the BTr.

As of end- 2017, LANDBANK processed a total of 3.07 million checks or ADA transactions of 36 different government agencies. This represents 87% of the government's total disbursements with valued transaction of P2.09 trillion. Other services covered by the MDS are payments and fund releases of the government intended for development projects, operating expenses and salaries or benefits of government personnel.



P75.47B

Total cash grants disbursed
for CCT Program



P298.72B

Total taxes collected for the National Government

2018 Plans and Programs

For 2018, LANDBANK intends to provide value-added services to its roster of products through the expansion of its biller/merchant base. This includes on-boarding big ticket agencies such as the Social Security System (SSS), Pag-IBIG Fund and PhilHealth.

By the second quarter of 2018, a single landing page and new brand name for ePP and ePS shall be launched under the name Link.BizPortal. The Link.BizPortal shall host e-payment transactions such as payment of bills and merchant services which will be available for both LANDBANK and BancNet cardholders. Further, to provide clients with more e-payment options, particularly for the Link.BizPortal, the EPD will forge partnership with various providers such as China UnionPay, JCB, Paymaya. Cash payments shall be managed through prospective partnerships with LBC, Bayad Centers and iPay.

Improved online security, regulatory compliance and new technologies are critical to the operation of EPD's e-banking products. This is why enhancements are being introduced to guarantee safe and convenient electronic banking experience for LANDBANK clients. The Link.BizPortal will implement Two-Factor Authentication (2FA) for improved security and a Link.BizPortal icon will be deployed in the LANDBANK MBA for easier access.

Moreover, a study will be done to assess the feasibility of telecommunications providers (Telcos) sponsoring Internet access for the Bank's e-banking products such as iAccess, MBA and Link.BizPortal.

On the streamlining of delivery systems, the Bank intends to enable access to all merchants/billers via LANDBANK's internet and mobile banking applications to make payments more convenient and accessible to clients regardless of what electronic banking platform they prefer to use.

These targets and objectives are geared towards the Bank's commitment to deliver world-class electronic banking solutions to help the Bank fulfill its mandate and provide premium experience to its valued customers.



96%

LANDBANK's overall
customer satisfaction rating

Customer Satisfaction Survey

For three years, from 2015 to 2017, LANDBANK units commissioned the services of a third party research firm – The Nielsen Company (Philippines), Inc., for the conduct of a Nationwide Customer Satisfaction Survey (NCSS) annually. The NCSS aims to establish the baseline satisfaction level of LANDBANK customers with regard to the delivery of Bank products and services. Through various survey methods, i.e., conducted through face-to-face interviews with customers, and online survey for institutional and loan customers, the NCSS also intends to capture the voice of customers from different segments as basis for service delivery improvement, product development, and business growth.

In 2017, NCSS covered 366 Branches and 48 Lending Units with a total of 6,424 randomly selected respondents (6,286 Branch customers and 138 Lending Unit customers). The result of the survey showed an overall customer satisfaction rating of 96%. The annual survey reports are submitted to the LANDBANK Management Committee and the Governance Commission on GOCCs, as part of the Bank's commitment to listen to the voice of the customer, continuous improvement, and in compliance with the performance agreement of anticipating the needs and providing enhanced products and services to the customers.

Developing World Class Operations

LANDBANK IMS: SYNERGIZING BUSINESS SYSTEMS TOWARD EXCELLENCE

LANDBANK embarked on a journey to implement an Integrated Management System approach for ISO standards on Quality and Environment. This aims to standardize implementation of systems and processes across bank units, consistently deliver quality products and services, enhance LANDBANK's image and credibility, fulfill legal and statutory obligations and protection of the environment, focus on achievement of business goals, and is vital in attaining world-class operations and customer satisfaction.

Through a commitment to environmental sustainability through EMS certification, LANDBANK will be able to access the Green Climate Fund for environment-related financing requirements of our clients. The National Government also enjoins GFIs and GOCCs to be certified to Quality Management System as one of the requirements for the grant of the Performance Based Bonus.

The LANDBANK Integrated Management System is an approach to unify various management systems such as ISO 9001:2015 QMS and ISO 14001:2015 EMS into a single management system, enabling the Bank to work as a single unit with unified objectives to ensure sustainability.

Quality Management System requires that organization shall deliver quality operations to provide quality service, with compliance to statutory and regulatory requirements, ensure that risks are managed and business continuity, resulting to customer satisfaction that will eventually rebound to the organization's improved business performance. On the other hand, Environmental Management System highlights the organization's environmental responsibility, compliance with various statutory and regulatory requirements,

a system to manage risks, procedures on safety and emergency preparedness to ensure environmental sustainability.

To help us continuously improve our management systems, LANDBANK shall undergo a three-year certification audit with the following scope: (1) Certification of all core and support processes in 70 geographical sites including the LANDBANK Plaza to the ISO 9001:2015 – Quality Management System; and (2) Certification of LANDBANK Plaza and 39 sites to ISO 14001:2015 – Environmental Management System.

The groundwork for the establishment of the IMS was completed in 2017. Preparations for the certification audit in 2018 are underway.

HARNESSING INNOVATION THROUGH QUALITY CIRCLES

In 2017, 24 Quality Circle (QC) Teams from various frontline and support units of the Bank successfully implemented their business process improvement projects. QC Teams are a small group of employees who participate in mutual development and problem-solving activities that would help improve quality and productivity in the workplace. The Quality Circle Program aims to promote a quality culture in the Bank through initiatives that can be replicated in other Bank operations or across the Bank. It encourages healthy competition, discover and recognize the creative power of the employees, and develop QC Teams ready to compete outside the Bank.

Each team undergoes basic courses and coaching sessions. They are introduced to quality circle tools and various skills needed to analyze work problems, formulate and assess possible solutions, and devise action and implementation plans towards work improvement.

The first batch of Quality Circles program participants presented their QC projects to the LANDBANK sector heads in July 2017.



Information Technology Support and Bank Process Automation

Consistent with the Bank's charge to use the optimum technology solutions to deliver responsive financial and support services to our clients, the Bank has completed and is continually embarking on several IT projects.

IT PROJECTS AND INITIATIVES IMPLEMENTED IN 2017

1. Check Truncation System (CTS)

CTS is a project in support of the Bank's compliance to the requirement of the Philippine Clearing House Corporation (PCHC) MC No. 2807 of 2015 regarding the Implementation of the Check Image Clearing System. CTS was implemented in Jan. 2017 and provides faster movement of funds even in the farthest and remotest regions of the country via modern day telecommunication by eliminating the movement of physical checks in the whole clearing cycle.

2. New ATM Switch System (IST – International Switch Technology) Phase 2

The New ATM Switch System Phase 2 complies with the business and regulatory requirements of the BSP Circular No. 808 series of 2013, which requires the migration from magnetic stripe technology to Europay, MasterCard, and VISA (EMV) chip-enabled cards, ATMs, and POS terminals.

3. Transaction Gateway (TG) Upgrade

The enhancement of TG enables communication with the new ATM Switch System (IST). This is in compliance with BSP Circular No. 808 series of 2013 requiring migration from magnetic stripe technology to EMV chip-enabled cards.

The gateway also handles monetary transactions of the e-banking channels.

4. LANDBANK Phone Access (LPA) Upgrade Phase 2

LPA is a facility that provides a fast and reliable way of making financial transactions through the use of telephone.

In its second phase, the LPA interfaces with the new ATM Switch System to continuously provide LPA services to the clients.

5. Primary Back-up Site for TIBS and TBG

The establishment of a back-up site for the Treasury and Investment Banking Sector (TIBS) and Trust Banking Group (TBG) serves as an integral part of the disaster recovery plan of the Bank.

ONGOING IT PROJECTS AND INITIATIVES

1. ATM Monitoring Solution

The solution aims to provide real-time monitoring of the Bank's ATM environment as well as monitor the normal operations and detect ATM-related problems.

2. Electronic Salary Loan (ESL)

ESL incorporates new functions and features to the existing Livelihood Loan System (LLS). This includes loan transactions for LANDBANK clients through mobile banking application, iAccess, or LANDBANK Website, Loan Origination and e-document management modules.

3. Internet Banking Upgrade

The upgrade changes the system platform of the retail and institutional Internet Banking Systems from Visual Basic6 to Java, as the end-of-life support for Visual Basic6 is reached.

4. Insourcing of IT Systems

OFBank, formerly known as the Philippine Postal Savings Bank or PostBank is a subsidiary of LANDBANK.

With LANDBANK's acquisition of the OFBank, the latter outsources its IT Systems to LANDBANK for the following transactions:

- Loans
- Deposits
- Remittances
- Financials and Accounting

5. Payment Card Industry Data Security Standard (PCI DSS)

The Payment Card Industry Data Security Standard (PCI DSS) is an information security standard for organizations that handle branded credit cards from the major card schemes –

American Express, Discover Financial Services, JCB International, MasterCard Worldwide and Visa Inc. Any business of any size must comply with the PCI DSS in order to accept payment cards.

LANDBANK tapped the consultancy services of Deloitte - Navarro Amper & Company to achieve the PCI DSS certification and maintain compliance with its standard.

6. Customer Relationship Management (CRM) System

A CRM System intends to formulate customer relationship strategies and use technology to organize, automate and synchronize sales, marketing, customer service and technical support of the Bank. Likewise, its purpose is to mitigate the identified critical risk drivers. Following the CRMS roadmap, the Bank's CRMS shall be composed of front (service and contract management) and back office modules. The Bank's Customer Care Center shall use CRMS in managing and analyzing customer interactions and data to provide quality customer service and products to its clientele.

7. New LANDBANK Website

The new LANDBANK website includes new interactive features for a more engaging user experience. It will also introduce enhancement to the content management system, including access to various back-office controls for easier management.

8. Job Tracking and Mobile Appraisal System

The system automates the tracking of job orders or requests as well as the appraisal process of the Property Valuation and Credit Information Department through a web-based solution.

9. Asset-Liability and Risk Management System

The system addresses liquidity management requirements of the institution while protecting the earnings and maximizing economic value of the Bank.

10. Enterprise Fraud Management System (EFMS)

EFMS functions as a monitoring system that will detect patterns or trends through analytics (by batch transactions). This would

serve as reference to investigate and prevent recurrence of fraudulent transactions in compliance with BSP 808, series of 2013, otherwise known as the "Guidelines on Information Technology Risk Management for all Banks and other BSP Supervised Institutions."

11. Integrated Treasury System Upgrade

The upgrade provides a centralized front-to-back solution with straight-through processing for cash, liquidity, and multiple asset classes that are most commonly used by the Bank's treasury desk.

12. New Anti-Money Laundering (AML) System

The system is an enhanced AML detection and risk management system which includes prevention, identification, reporting, monitoring and investigation of all covered and suspicious transactions as they may be related to money laundering and terrorist financing activities.

13. Trust Banking System (TBS)

TBS is an integrated suite of investment and fund management solution with leveraging capabilities.

14. ATM System Replacement Phase 3

Phase 3 is the last segment of the ATM System Replacement. It includes the full cash card management in IST (International Switch Technology); real time fraud detection via fraud navigator; and cardless balance inquiry and withdrawal.

15. LANDBANK Phone Access Phase 3

The enhancement is in compliance with PCI DSS through interfacing with the Hardware Security Module.

16. LOS-CMS-Symbols Interface

The interface improves the end-to-end data processing of lending operations from origination to financial booking. It also synchronizes the Loan Origination System (LOS), Collateral Management System (CMS), and Symbols information for uniformity and integrity of data, and enhances the internal control of collateral processing and monitoring.

IT PROJECTS / INITIATIVES FOR 2018

1. Acceptance of Proprietary Bills Payment at ATMs

This enhancement will enable the Bills Payment feature for all ATMs.

2. LANDBANK VISA Debit Card (LVDC) PayWave

LVDC PayWave will enable clients to pay their purchases faster and more convenient by simply tapping the card rather than swiping or inserting it.

3. Portable Agrarian Collection System (PARCS) Enhancement – Microloan System (MLS)

This incorporates the MLS facility in the PARCS to be used in loan processing and collections.

4. Knowledge Management (KM) System

KM system improves storage and retrieval of knowledge, including knowledge sources and hidden knowledge, thus enhancing the collaboration and coordination within the organization.

The Bank has a consultancy engagement to assess and identify its priority KM needs. Once the gaps are identified, a bank-wide KM strategy and roadmap shall be formulated, which shall be the basis for the Bank's KM System.

5. ALRMS Enhancement – Cash and Intraday Liquidity Management System

The enhancement will enable the system to have more comprehensive cash and liquidity management capabilities for optimal use of available cash and informed funding decisions.

6. Credit Risk Engine System (CRES) Upgrade

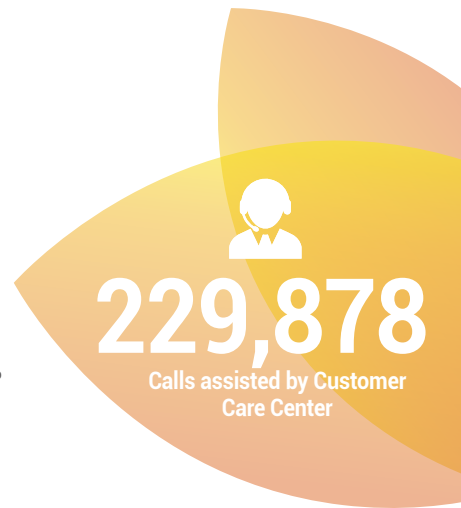
The upgrade will cover both technical (higher version of the system and objects re-mapping) and hardware requirements of the Bank.

Customer Care Center

The Customer Care Center (CCC) played a critical role in some of the major initiatives of the Bank in 2017. One of CCC's initiatives was providing support to the migration of the LANDBANK Visa credit card base to Mastercard platform. CCC introduced new ways in handling card activation for the convenience of the cardholders. At the end of 2017, CCC was able to successfully assist a total of 17,408 credit card holders in migrating their accounts to Mastercard.

CCC also provided full support to the Bank's implementation of IST upgrade to comply with the EMV mandate of the BSP. As a result of the update, the number of calls assisted and emails responded by CCC grew. Calls assisted grew 63% and reached 229,878; while emails responded expanded 95% to 147,938.

Lastly, the LPA Upgrade Phase 2 was successfully implemented on June 25, 2017 simultaneous with the IST Switch Project implementation. This enabled the phonebanking system to interface with the EMV-enabled core banking system of the Bank and handled account enrollment through web-based system.



**LANDBANK
Phone Access
Upgrade Phase 2
interfaced with
the new ATM
Switch System
to continuously
provide LPA
services to the
clients.**

Take the Lead Program

The program aims to define "We Help You Grow" as our service brand promise and empower employees to deliver excellent customer experience consistent with the Bank's corporate values.

In line with its commitment to promote excellent customer service, the Bank launched the "Take the LEAD" program training series. In 2017, there were 26 batches of trainings conducted in which there were 791 participants (106 employees from the support Bank units, 67 Management and Leadership Development Programs or MLDP participants, and 618 branch officers and staff).

JUNIDA FISHPORT:

All in the Family

Husband and wife Narciso Jr. and Leonida Jusay inherited the family business from Narciso's parents. "It was not that difficult to manage the business in the first place - this is more about continuing our parent's legacy," Leonida recounts. "But I believe that through hard work and perseverance and by God's mercy, my husband was able to prosper our fishing business and currently expanding to other related businesses like shipyard, ice plant and fishport.

Through the loan assistance of LANDBANK, the couple was able to build five fleets of steel-hulled fishing boats, fish carriers, skiff and light boats.

The couple also took P6-million loan to buy several fish sonars, or more popularly known as sound navigation and ranging devices. Such instruments are used to locate fish underwater by detecting reflected pulses of sound energy. They also bought steel plates for their fishing boats. They are very proud to say their fishing method is environmental-friendly, since they cannot destroy the 3 Ks—Kagasangan (corals), Kalusayan (seagrass) and Kabakhawan (mangrove). They are catching pelagic and migratory species of fish.

Because of these new technologies and the improvements they had made to the fishing business, the couple, together with the fishworkers, was able to provide fish locally and the neighboring islands, and services, such as shipbuilding and other marine services to their clients. This naturally gave Narciso and Leonida a more comfortable life. "A lot has change since we took over the family business," shares Leonida. "Originally we live in a nipa house but now, we are enjoying modern living through the renovations that we did to our home. We were also able to send our children to good schools, and all of them are now professionals in their chosen fields.



Their community in Bogo City, Cebu also benefited from these improvements. Leonida shares that because of the loan assistance by LANDBANK, the fish workers and the laborers can now bring home fish to their families – at no extra cost.

“Plus, when the consumers buy their fish here, it is less expensive as compared to when they buy their fish elsewhere,” she shares.

Narciso says that their relationship with LANDBANK is nothing less than heartwarming. “Whenever we need money to finance more of our products and services, LANDBANK is always there to help since we already have a credit line with them,” he says. “Whenever we have extra money, we pay them back immediately so that the next time we secure a loan, our interest would be just minimal.”

The loan from LANDBANK also allowed the couple to expand their portfolio, adding a shipyard and an ice plant. “We expanded the business by having an ice plant since after the devastation left by typhoon Yolanda on our place, we were greatly affected with the scarcity of supplies for ice due to long power outage. So we decided to have our own ice plant in order to preserve and maintain the best quality for our newly caught fish, which we are also known for,” says their youngest child, Atty. Maria Christina Jusay, who also serves as their in-house counsel.

Leonida adds, “The fishing business has become our way of life. We are very fortunate that we are able to partake with the bounty of nature while other people don’t have this luxury of being close to areas where they can fish. We also maintain a harmonious and good working relationship with our fish workers and the fisherfolks in the community with the same advocacy of sustainability for the sake of the next generation.”

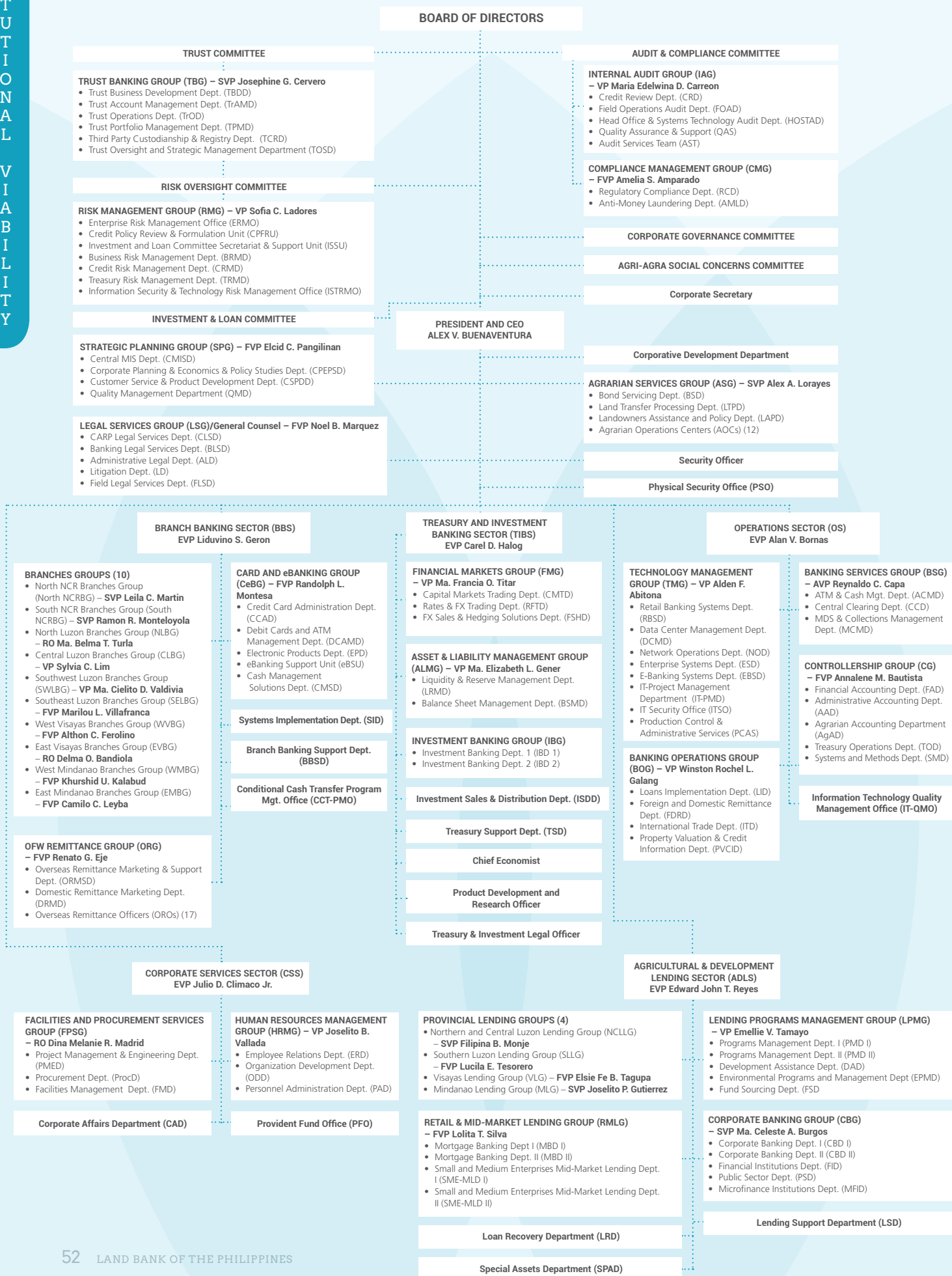




LAND BANK OF THE PHILIPPINES

ORGANIZATIONAL STRUCTURE

As of December 31, 2017



Corporate Governance

OVERALL CORPORATE GOVERNANCE STRUCTURE AND PRACTICES

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 the 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 the following Bank units: the Internal Audit Group, Risk Management Group, Trust Banking Group and the Compliance Management Group - which perform specific functions for the said Committees. These four Groups 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.

INSTITUTIONAL VIABILITY

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. In addition, 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.

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 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.

BOARD'S OVERALL RESPONSIBILITY

The LANDBANK Board of Directors assumes 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. Remain fit and proper for the position for the duration of his term.
- b. Conduct fair business transactions with the Bank and to ensure that personal interest does not bias board decisions.
- c. Act honestly and in good faith, with loyalty and in the best interest of the institution, its stockholders, regardless of the amount of their stockholdings, and other stakeholders such as its depositors, investors, borrowers, other clients and general public.
- d. Devote time and attention necessary to properly discharge his duties and responsibilities.
- e. 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.

- f. To contribute significantly to the decision-making process of the Board. Directors should actively participate and exercise objective independent judgment on corporate affairs requiring the decision or approval of such board.
- g. Exercise independent judgment.
A Director shall view each problem or 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.
- h. To have a working knowledge of the statutory and regulatory requirements affecting the institution, including the content of the LANDBANK Charter and by-laws, the requirements of the BSP, and the pertinent government agencies.
- i. 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.
- j. Ensure the continuing soundness, effectiveness and adequacy of the Bank's control environment.
- k. 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.

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

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 (Non-executive)

The Chairman of the LANDBANK Board of Directors is responsible for the efficient functioning of the Board. He exercises control over quality, quantity and timeliness of the flow of information between Management and 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. He promotes critical discussion and ensures that dissenting views can be expressed and discussed within the decision-making process.

2. Vice Chairman (Executive Director)

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.

3. Non-Executive Directors

The non-executive directors shall perform the duties and responsibilities of a director as prescribed by the LANDBANK Charter, BSP MORB, GCG rules and regulations, and other laws and issuances, as may be applicable. In addition, the Board, consisting of the non-executive directors has disciplinary powers over the President, an executive director, and may remove him for cause.

4. Independent Directors

The Board of Directors appoints/nominates the independent directors from among the appointive directors, seeking thereafter the confirmation of such nomination by the Monetary Board. For 2017, the independent directors were Directors Victor Gerardo J. Bulatao and Virgilio De Vera Robes.

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

Pursuant to BSP Circular No. 969, s. 2017, the independent directors are members of the following Board-level Committees: (a) Audit and Compliance Committee; (b) Corporate Governance Committee and (c) Risk Oversight Committee. All of these three Board-level Committees have at least three members whose majority is independent, including the chairperson.

Board Composition	
Secretary of Finance	Chairman (Ex-Officio)
LANDBANK President and CEO	Vice-Chairman
Secretary of Agrarian Reform	Ex-Officio Member
Secretary of Labor and Employment	Ex-Officio Member
Secretary of Agriculture	Ex-Officio Member
Two members appointed by the President of the Philippines representing Agrarian Reform Beneficiaries	
Two members appointed by the President of the Philippines representing the Private Sector	

Composition of the LANDBANK BOD as of Dec. 31, 2017

Carlos G. Dominguez	Ex-Officio Chairman	Secretary, Department of Finance	(Non-executive director; Assumed on June 30, 2016)
Alex V. Buenaventura	Vice Chairman	President/Chief Executive Officer	(Executive director; Assumed on Nov. 11, 2016)
Emmanuel F. Piñol	Ex-Officio Member	Secretary, Department of Agriculture	(Non-executive director; Assumed on June 30, 2016)
John R. Castriciones	Ex-Officio Member	Secretary, Department of Agrarian Reform	(Non-executive director; Assumed on Dec. 6, 2017)
Silvestre H. Bello III	Ex-Officio Member	Secretary, Department of Labor and Employment	(Non-executive director; Assumed on June 30, 2016)
Jesus V. Hinlo, Jr.		Member, Private Sector Representative	(Non-executive director; Assumed on Nov. 7, 2017)
Rodolfo V. Puno		Member, Private Sector Representative	(Non-executive director; Assumed on April 25, 2017)
Crispino T. Aguelo		Member, Agrarian Reform Beneficiaries Representative	(Non-executive director; Assumed on Sept. 23, 2010)
Virgilio DV. Robes		Member, Agrarian Reform Beneficiaries Representative	(Non-executive director; Assumed on December 13, 2016)

BOARD QUALIFICATIONS

Pursuant to R.A. No. 8791, R.A. No. 10149, BSP Manual of Regulations for Banks, 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. For an appointive director, he must have a college degree with at least five years of 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. An appointive director must have attended or will attend within three months from the date of appointment, a special seminar on public corporate governance for Directors conducted by the GCG or any individual or entity accredited by the GCG.

5. 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
 - physical/mental fitness
 - competence
 - relevant education/financial literacy/training
 - diligence
 - knowledge/experience

LIST OF BOARD-LEVEL COMMITTEES INCLUDING MEMBERSHIP AND FUNCTION (AS OF DEC. 31, 2017)

AUDIT AND COMPLIANCE COMMITTEE

The Audit and Compliance Committee's (AC Com) primary purpose is to provide assistance to the LANDBANK Board of Directors in fulfilling its oversight responsibilities specifically:

Composition of Audit and Compliance Committee

Chairperson	Director Jesus V. Hinlo, Jr.
Vice Chairperson	Director Rodolfo V. Puno
Members	DA Secretary Emmanuel F. Piñol (Alternate Member: Undersecretary Francisco M. Villano, Jr.)
	Director Crispino T. Aguelo
	Director Virgilio DV. Robes

1. For Internal Audit and Internal Control:
 - a. To oversee Senior Management in establishing and maintaining an adequate, effective and efficient internal control framework. It shall ensure that systems and processes are designed to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of assets; and
 - b. To oversee the internal audit function.
2. For Compliance:

To oversee the implementation of the Bank's Compliance Program.

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee (CG Com) has the following duties and functions:

1. To review and recommend the organizational structure of the Bank and its units;
2. To review and evaluate the qualification standards for all positions in the Bank;
3. To review and recommend the selection/promotion of the officers as endorsed by the Selection Board II;
4. To ensure the Board's effectiveness and due observance of corporate governance principles and guidelines;
5. To oversee the periodic performance evaluation of the Board and its committees and executive management;
6. To conduct an annual self-evaluation of its performance;
7. To decide whether or not a director is able to and has been adequately carrying out his/her duties as director bearing in mind the director's contribution and performance;
8. To adopt, propose and recommend to the Board such internal guidelines to address the competing time commitments that are faced when directors and other Bank officers serve on multiple boards;
9. To study and recommend to the Board such policies regarding the continuing education of the Directors, assignment to Board Committees, succession plan for the senior officers and their remuneration commensurate with corporate and individual performance;
10. To decide the manner by which the Board's performance may be evaluated and propose an objective performance criteria to be approved by the Board;
11. To study and recommend policies to ensure appropriate and effective management through organizational and procedural controls and independent audit mechanisms; and
12. To promote transparency and operational responsibility and accountability in a manner consistent with the Bank's vision, mission, strategic intent and operating values.

Composition of Corporate Governance Committee

Chairperson	Director Rodolfo V. Puno
Vice Chairperson	Director Virgilio DV. Robes
Members	DOF Secretary Carlos G. Dominguez (Alternate Member: Treasurer Rosalia V. de Leon; Secondary Alternate: Deputy Treasurer Christine L. Sanchez)
	DOLE Secretary Silvestre H. Bello III (Alternate Member: Assistant Secretary Joji V. Aragon)
	Director Crispino T. Aguelo
	Director Jesus V. Hinlo, Jr.

TRUST COMMITTEE

The Trust Committee (Trust Com), duly constituted and authorized by the Board of Directors, performs its responsibility for overseeing the fiduciary activities of the Bank in accordance with its authority. The Trust Com has the following functions:

1. Ensures that policies and procedures are in place from account opening to account administration and management up to account termination, in conformity with applicable laws, rules and regulations and prudent practices;
2. Ensures 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;
3. Monitors the implementation of stringent controls for the prudent management of fiduciary assets and its appropriate administration; maintaining adequate books, records and files for each account;
4. Oversees the proper implementation of the risk management framework, compliance program and internal controls to ensure that accounts are managed accordingly in different cycle of the market;
5. Adopts an appropriate organizational structure and staffing complement that will enable the Trust business unit to efficiently carry out its function with utmost diligence and skill; and ensures proper and continuous training for its Trust officers and personnel considering growing sophistication and complexity in trust business and changes in the financial market environment;
6. Oversees and evaluates the performance of the Trust Officer and of the Trust operations with regard to business objectives and strategies, compliance and risk monitoring and management, requiring periodic reports on the different areas of responsibility;
7. Requires the review of trust and other fiduciary accounts at least once every three years or as needed depending on the nature of the account, to determine the advisability of retaining or disposing of the trust or fiduciary assets; and whether the account is being managed in accordance with the instrument creating the trust or other fiduciary relationship. For this purpose, the Trust Committee shall meet whenever necessary and keep minutes of its actions and make periodic reports thereon to the Board;
8. Reviews reports submitted by internal and external auditors and regulatory agencies, and deliberates on major exceptions or non-compliance with existing laws, rules and regulations, policies and procedures and acts on appropriate recommendations;
9. Ensures that the Trust Banking Group (TBG) is taking appropriate measures to address all regulatory requirements under applicable laws, rules and regulations and that plans and actions are taken to correct reported conditions and accomplishes satisfactory disposition of findings;
10. Reviews and approves the plans and program of activities of the TBG; and
11. Regularly reports to BOD on matters arising from fiduciary activities.

The Trust Committee oversees the performance of the Trust Officer who is vested with the function and responsibility of managing the day-to-day fiduciary activities. The Trust Officer shall perform the following functions, among others:

- a) Ensure adherence to the basic standards in the administration of trust, other fiduciary and investment management accounts in accordance with applicable laws, rules and regulations and policies and procedures;
- b) Develop and implement relevant policies and procedures on fiduciary activities;
- c) Observe sound risk management practices and maintain necessary controls to protect assets under custody and held in trust or other fiduciary capacity;
- d) Carry out investment and other fiduciary activities in accordance with agreements with clients and parameters set by the Trust Committee as approved by the Board of Directors;
- e) Report regularly to the Trust Committee on business performance and other matters requiring its attention;
- f) Maintain adequate books, records and files for each trust or other fiduciary account and provide timely and regular disclosures to clients on the status of their account; and,
- g) Submit periodic reports to regulatory agencies on the conduct of trust operations.

RISK OVERSIGHT COMMITTEE

The Risk Oversight Committee (RISCOM) is primarily responsible for:

1. Fulfilling statutory, fiduciary and regulatory responsibilities;
2. Assisting the Board in defining the risk appetite of the Bank;
3. Ensuring alignment of risk management objectives with overall business strategies and performance goals;

4. Developing and overseeing the risk management programs of the Bank which include the following:

- a. Oversight of management functions and approval of proposals regarding the Bank's policies, procedures and best practices relative to asset and liability management, credit, market and business operational risks ensuring that:
 - i. Risk Management systems are in place;
 - ii. Limits/tolerance levels are observed;
 - iii. System of limits remain effective; and
 - iv. Immediate corrective actions are taken whenever limits are breached or whenever necessary.

b. Ensuring compliance to written policies and procedures relating to the management of risks throughout the Bank. This shall include:

- i. Comprehensive risk management approach;
- ii. Detailed structure of limits, guidelines and other parameters used to govern risk-taking units;
- iii. Clear delineation of lines of responsibilities for managing risk;
- iv. Adequate system for measuring risk; and
- v. Effective internal controls and a comprehensive risk reporting process.

5. Developing a continuing education program to enhance its members' understanding of relevant regulatory and banking industry issues.

Composition of Trust Committee

Chairperson	DAR Secretary John R. Castriciones (Alternate Member: Undersecretary Luis Meinrado C. Pañgulayan)
Vice Chairperson	DOF Secretary Carlos G. Dominguez (Alternate Member: Treasurer Rosalia V. de Leon)
Members	DOLE Secretary Silvestre H. Bello III (Alternate Member: Assistant Secretary Joji V. Aragon)
	President and CEO Alex V. Buenaventura
	SVP Josephine G. Cervero

Composition of Risk Oversight Committee

Chairperson	Director Crispino T. Aguelo
Vice Chairperson	DOF Secretary Carlos G. Dominguez (Alternate Member: Treasurer Rosalia V. de Leon)
Members	DA Secretary Emmanuel F. Piñol (Alternate Member: Undersecretary Francisco M. Villano, Jr.)
	DAR Sec. John R. Castriciones (Alternate Member: Undersecretary Luis Meinrado C. Pañgulayan)
	Director Virgilio DV. Robes
	Director Rodolfo V. Puno
	Director Jesus V. Hinlo, Jr.

Risk Oversight Committee's Major Accomplishments

The major LANDBANK initiatives and new or enhanced guidelines were approved by the RISKCOM, are as follows:

Credit RM

- Calibrated Credit Risk Engine System (CRES) Implementing Guidelines on CRES Local Government Unit (LGU) Scoring Facility, Cooperative Scoring Facility and Easy Home Loan (EHL) Scoring Facility
- Calibration of the Corporate Scoring Facility
- Calibrated CRES Credit Rating Model and Implementing Guidelines on CRES Corporate Scoring Facility and CRES Micro, Small and Medium Enterprise (MSME) Scoring Facility
- Proposed CRES Risk Rating Modeling Framework

Market RM

- General Guidelines on the Use of Voice Logger System (VLS) – version 3
- Guidelines on the Preparation of Available for Sale Holding Period Monitoring Report
- Retention of 2016 Treasury Risk Limits
- Updated Pre-Settlement Risk (PSR) Weights for 2017
- Revised Maximum Cumulative Outflow (MCO) Limit for 2017
- Guidelines for the Calculation of the Conditional Value-at-Risk
- Liquidity Contingency Plan – version 5
- Guidelines for the Diversification of Value-at-Risk – version 2
- Guidelines on Procedure for Monitoring Country Risk in Treasury Related Transactions – version 2
- Guidelines for conducting Behavioral Analysis

a. Non-Maturity Deposits – Current Account and Savings Account (CASA)

b. Early Termination of Term Deposits

Operational RM

- Proposed Operational Risk Management (ORM) Threshold of Estimated Loss per Business Unit
- List of Bank Units and Proposed Back-Up Site
- Revised IT Systems Prioritization List
- Revised Guidelines on Reporting and Monitoring of Operational Risk Events (Amendment to E.O. No. 058, Series of 2015)
- Additional Provisions on the Revised Guidelines on Reporting and Monitoring of Operational Risk Events (Amendment to E. O. No. 058, Series of 2015)
- Medium-Term Plans of Business Risk Management Department (BRMD) aligned with BSP Circular 900 and 951
- Proposed Business Continuity Management (BCM) Framework and General Policy
- Updated People Risk Management Framework

Information Security and Technology RM

- Information Security Program
- Revisions of the ORM Chapter
- InfoSec Bulletin on Ransom ware
- Information Processing Facility Inspection Template/Checklist
- Guidelines on the Identification, Prevention and Handling of Phishing/ Pharming Attacks
- Amendment to Guidelines on Securing Information Technology (IT) Infrastructure
- Revised Guidelines on Monitoring and Reporting of Activity Logs IT Administrators
- Information Processing Facility (IPF) Prioritization List

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 relative to risk policies, procedures, guidelines, strategies and various operational aspects of LANDBANK. The Performance Rating Scorecards of with parameters on Composition, Processes and Tasks obtained an overall rating of 98.42% or Superior.

AGRI-AGRA SOCIAL CONCERNS COMMITTEE

The Agri-Agra Social Concerns Committee (AASC) has the following duties and functions:

1. Formulate non-credit policies to improve the delivery of services on CARP and other agri-agra matter;
2. Serve as clearing house for CARP-related non-credit programs of LANDBANK and endorse to the LANDBANK Board for final approval;
3. Monitor the status of implementation of the various non-credit agri-agra programs of the Bank;
4. Monitor the status of implementation of social concerns programs of LBP; and
5. Attend to other functions as may be assigned by the Board of Directors.

Composition of Agri-Agra Social Concerns Committee

Chairperson	President and CEO Alex V. Buenaventura
Members	DAR Secretary John R. Castriciones (Alternate Member: Undersecretary Luis Meinrado C. Pañgulayan)
	DA Secretary Emmanuel F. Piñol (Alternate Member: Undersecretary Francisco M. Villano, Jr.)
	Director Crispino T. Aguelo
	Director Virgilio DV. Robes

INVESTMENT AND LOAN COMMITTEE (ILC)

The ILC has the following duties and responsibilities:

1. Evaluate and approve (within its delegated authority), or recommend to the LANDBANK Board of Directors for consideration and approval investment and loan proposals in accordance with the provisions of the Codified Approving/ Signing Authorities (CA/SA);
2. Evaluate and approve credit policies and guidelines, including but not limited to the following:
 - a) Limits on total loan exposures to different industry/business sectors
 - b) Acceptable collaterals
 - Loan values and collateral cover
 - Appraisal policies
 - Estimated Construction Cost Ranges (ECCR)
 - c) Terms and conditions for each type of credit accommodation
 - d) Interest rate, penalty and other charges
 - e) Standards of account profitability yields on loan accounts
 - f) Credit Risk Rating Models and guidelines on implementation of such models
 - g) Credit Card policies
 - h) Remedial measures such as restructuring, refinancing and other form of work-out strategies
 - i) Foreclosure, *dacion en pago*, and other forms of settlement for loan accounts
 - j) Write-off of loans, real estate assets and personal property assets
3. Evaluate and recommend to the LANDBANK Board of Directors for consideration and approval investment policies and guidelines that define the structure, eligible investments and management of investment portfolios;
4. Review and monitor the following through reports submitted by the ILC Secretariat/ Bank Units:
 - a) Loans Approved Below ILC
 - b) Non-Performing and Past Due Loans
 - c) Approved New Borrowers
 - d) Changes in previously Approved Interest Rates
 - e) Amendment in terms and conditions of loans originally approved by the LANDBANK Board of Directors and ILC
 - f) Major Financial Indicators of Selected Local Commercial Banks.
5. Present the Committee's Minutes of Meetings and Resolutions for confirmation of the Board. The Committee may refer to the Board any matter that the Committee believes should be addressed by the Board.

Composition of Investment and Loan Committee (ILC)

Chairperson	President and CEO Alex V. Buenaventura
Vice Chairperson	Director Rodolfo V. Puno
Members	Director Crispino T. Aguero
	Director Virgilio DV. Robes
	Director Jesus V. Hinlo, Jr.

The Committee meets weekly and held a total of 44 meetings in 2017 with an average attendance of 93.56%.

The ILC approved 556 loan accounts and endorsed 387 loan accounts and six investment accounts to the Board for approval or confirmation. A total of 98 credit-related policies and programs were deliberated and approved for implementation.

The Performance Rating Scorecards of ILC with parameters on Composition, Processes and Tasks obtained an overall rating of 98.56% or Superior.



556

Approved loan accounts
by the ILC



98

Credit-related policies and
programs approved for
implementation

DIRECTORS' ATTENDANCE TO BOARD AND BOARD-LEVEL COMMITTEE MEETINGS (CY 2017)

Name of Directors	Board Meeting		Corporate Governance Committee		Audit and Compliance Committee		Risk Oversight Committee		Trust Committee		Investment and Loan Committee		Agri-Agra Social Concerns Committee	
	(24 Meetings)		(6 Meetings)		(14 Meetings)		(18 Meetings)		(8 Meetings)		(44 Meetings)		(7 Meetings)	
	Attended	%	Attended	%	Attended	%	Attended	%	Attended	%	Attended	%	Attended	%
1. Carlos G. Dominguez	21	87.50	4	66.67	n/a	-	9	50.00	4	50.00	n/a	-	n/a	-
2. Alex V. Buenaventura ¹	23	95.83	4 out of 4	100.00	n/a	-	n/a	-	8	100.00	44	100.00	4	57.14
3. Emmanuel F. Piñol	11	45.83	n/a	-	6	42.86	7	38.89	n/a	-	n/a	-	2	28.57
4. John R. Castriciones ²	2 out of 2	100.00	n/a	-	n/a	-	0 out of 1	0	0 out of 1	0	n/a	-	1 out of 1	100.00
5. Silvestre H. Bello III	14	58.33	1	16.67	n/a	-	n/a	-	4	50.00	n/a	-	n/a	-
6. Jesus V. Hinlo, Jr. ³	4 out of 4	100.00	1 out of 1	100.00	2 out of 2	100.00	2 out of 2	100.00	n/a	-	5 out of 5	100.00	n/a	-
7. Rodolfo V. Puno ⁴	16 out of 17	94.12	4 out of 4	100.00	8 out of 9	88.89	10 out of 11	90.91	n/a	-	29 out of 30	96.67	n/a	-
8. Crispino T. Aguelo	23	95.83	6	100.00	14	100.00	17	94.44	n/a	-	42	95.45	6	85.71
9. Virgilio DV. Robes	24	100.00	6	100.00	n/a	-	17	94.44	n/a	-	43	97.73	n/a	-
10. Rafael V. Mariano ⁵	11 out of 16	68.75	n/a	-	n/a	-	6 out of 13	46.15	5 out of 5	100.00	n/a	-	5 out of 5	100.00
11. Victor Gerardo J. Bulatao ⁶	20 out of 20	100.00	5 out of 5	100.00	12 out of 12	100.00	n/a	-	n/a	-	39 out of 39	100.00	6 out of 6	100.00
12. Rosalina L. Bistoyong ⁷	6 out of 6	100.00	n/a	-	n/a	-	1 out of 4	25.00	2 out of 2	100.00	n/a	-	1 out of 1	100.00

Total Number of Meetings Held During the Year : 121

¹ Member of the Corporate Governance Committee from 01/10/2017 up to 09/25/2017.

² Term as member of the LBP Board started on 12/06/2017.

³ Term as member of the LBP Board started on 11/07/2017.

⁴ Term as member of the LBP Board started on 04/25/2017.

⁵ Term as member of the LBP Board ended on 09/07/2017.

⁶ Term as member of the LBP Board ended on 11/06/2017.

⁷ Term as member of the LBP Board started on 09/08/2017 and ended on 12/05/2017.

Changes in the Board of Directors

Director Rodolfo V. Puno assumed office on April 25, 2017 as member of the LANDBANK Board of Directors representing the Private Sector.

DAR Secretary Rafael V. Mariano's term as *ex-officio* member of the LANDBANK Board ended on Sept. 7, 2017. He was replaced by DAR Officer-in-Charge Rosalina L. Bistoyong. DAR OIC Bistoyong's term started on Sept. 8, 2017 and ended on Dec. 5, 2017. She was replaced by DAR Secretary John R. Castriciones whose term started on Dec. 6, 2017.

Director Jesus V. Hinlo, Jr. assumed office on Nov. 7, 2017 as member of the LANDBANK Board of Directors representing the Private Sector, *vice* Director Virgilio De Vera Robes. Director Robes in turn, still as a member of the LANDBANK Board, represented the Agrarian Reform Beneficiaries effective Nov. 7, 2017. He replaced Director Victor Gerardo J. Bulatao whose term ended on Nov. 6, 2017.

Performance Assessment Program

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.

Another 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.

UNITS UNDER THE BOARD OF DIRECTORS

INTERNAL AUDIT GROUP

To ensure its independence, the Internal Audit Group (IAG) reports functionally to the Audit and Compliance Committee (AC Com) and administratively to the President and CEO. IAG is composed of five Bank Units namely Lending Operations Audit Department, Field Operations Audit Department, Head Office and Systems Technology Audit Department, Audit Services Team, and Quality Assurance and Support Team.

IAG plays a key role in assisting the BOD in the discharge of its corporate governance responsibilities by performing an independent and objective evaluation and assessment of management controls and operations performance, including technology risk management process and IT controls; and determining the degree of compliance with laws, regulations, managerial policies, accountability measures, ethical standards and contractual obligations. It involves the appraisal of the plan of organization and all the coordinated methods and measures, in order to recommend courses of action on matters relating to operations and management controls. In compliance with International Standards, internal auditors also add value to the LANDBANK's operation by evaluating the risk management and governance processes of the Bank.

As provided for in its Board-approved Charter, the IAG, with strict accountability for confidentiality and safeguarding records and information, is authorized to have unrestricted access to any and all Bank documents, records, properties, personnel, and information technology assets pertinent to carrying out any engagement and is relatedly authorized to require any personnel of the audited units to supply information and/or explanation as needed and have discussions with any personnel of the auditable units during reasonable office time.

IAG reports to Senior Management and the AC Com. The results of its assurance services, consulting services, special/fraud audits and other services aim to draw attention to any failure or significant issues so as remedial action may be undertaken; improvements in procedures and systems to prevent waste, extravagance and fraud are recommended; and appropriate system of controls and other

accounting and operational matters are advised. IAG also provides periodic reports on the internal audit activity's purpose, authority, and responsibility, as well as performance relative to its plan including significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested.

IAG is also responsible for reporting to Senior Management and the AC Com on the internal audit activity's Quality Assurance and Improvement Program, including results of ongoing internal assessments and external assessments conducted at least every year and every five years, respectively, including the status of compliance on the agreed upon corrective actions/plans on unresolved audit issues.

IAG reports to the AC Com the results of its assurance services, consulting services, special/fraud audits and other services to ensure that Senior Management is taking necessary corrective actions in a timely manner to address the weaknesses, non-compliance with policies, laws and regulations and other issues identified by auditors.

The AC Com holds its meeting at least once a month to ensure the effectiveness and adequacy of the internal control system and that risk are properly managed. On top of the discussion of the regular reports of the IAG and the Compliance Management Group for its notation or approval, the Committee also deliberates on various issues and concerns related to the Bank's existing internal control, potential breaches and vulnerabilities and recommends ways and measures to strengthen internal controls and manage risks. Business Units (BUs) concerned are also required to present to the Committee the status and/or action taken on audit's recommendations to address internal control breaches which contributed to the perpetration of various crimes or incidents in the Bank to strengthen and enhance internal controls on information systems, lending operations, incoming remittances, case management, human resource management, etc. Likewise, BUs which failed the audit are required by the Committee to present their action plans to ensure that control weaknesses are immediately addressed and prevented from recurring.

The minutes of the meeting of the AC Com are confirmed by the Board of Directors. In 2017, the AC Com held 14 meetings with an average attendance of 86% percent.

Functional Supervision of the Audit and Compliance Committee

a. Compliance Function

- Approved the CMG's Plans and Programs for CY 2017, Compliance Testing Plan for CY 2017, Updated Compliance Manual, On-site AML Compliance Testing, Revised Compliance Testing Program, Trust Compliance Manual, noted its participation in the Accounts Review Committee and various management and compliance reports such as (1) accomplishment reports, (2) results of independent and periodic compliance testing (Bank proper and trust operations), (3) reports on crimes and losses, (4) reports on fines and penalties, (5) regulations issued, and (6) regulatory ratios;
- Noted the CMG's updates on the Bank's action taken on open findings/recommendations in the BSP ROE 2012, 2013 and 2014;
- Noted the Bank's Management Representation Letter for CY 2016 to Commission on Audit; and
- Noted the minutes of meetings of the Anti-Money Laundering (AML) Committee.

b. Internal Audit

- Approved the IAG Plans and Programs for CY 2017 including amendments thereof, confirmed its budget for CY 2017, and noted its declaration of organizational independence and various periodic reports, such as: (1) annual accomplishment report, (2) annual results of client satisfaction survey, (3) semi-annual report on long outstanding findings, (4) quarterly report on outstanding major findings, (5) results of end-to end process audit of remedial management process, (6) results of annual confirmation of balances for private deposit accounts, and (7) results and updates on various special audit/fact finding reports;
- Approved various internal audit policies/action plans/audit tools such as the (1) revisions in the IAG Charter and (2) in the Risk-based Internal Audit Manual, (3) Audit Rating Systems for the review of Business Units, Business Continuity Management, Information Security Program Review, and Technology Service Provider Audit, (4) Audit Risk Scoring, (5) conduct of limited audit scope for Branches, (6) change in the criteria for

the selection of newly-opened private deposit accounts for confirmation, and (7) Auditing the BSP-supervised LANDBANK subsidiaries;

- Noted the designation/reassignments of IAG Head and other IAG Department/ Unit Heads;
- Noted the project timeline and the results of the Transformation of Internal Audit Function Project;
- Noted the IAG auditors as new recipients of International Certifications;
- Noted the results of the External Quality Assurance Review conducted by third party and the IAG's action plans/taken thereof;
- Noted IAG's action plan/taken on 2017 BSP Advance Findings;
- Noted the minutes of meetings and accomplishment reports of the Accountability Assessment Committee;

c. Approved the Service Level Agreement between CMG and IAG.

RISK MANAGEMENT GROUP

Risk management 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 of the Bank: credit; market; liquidity; operational; IT risk; information security; and consumer protection, among others. RMG reports functionally to the RISKCOM and administratively to the President and Chief Executive Officer (CEO) of LANDBANK.

RMG is composed of seven Bank Units namely, Business Risk Management Department, Credit Risk Management Department, Enterprise Risk Management Office, Information Security and Technology Risk Management Office, Treasury Risk Management Department, Credit Policy Formulation and Review Unit, and Investment and Loans Committee Secretariat and Support Unit.

RMG also performs risk management assessment for the Bank's subsidiaries and supports the Bank's Internal Capital Adequacy and Assessment Process (ICAAP) Steering Committee in the preparation of the ICAAP document submitted annually to the

BSP. It provides guidance on the development and enhancement of the ICAAP framework using scenario analyses and stress testing measures.

TRUST BANKING GROUP (TBG)

Consistent with the provisions in the BSP Manual of Operations for Banks, the Trust Banking Group (TBG) is under the direct supervision of the Trust Committee. In 2017, the TBG expanded and is now comprised of six Bank Units namely, (1) Trust Business Development Department, (2) Trust Account Management Department, (3) Trust Portfolio Management Department, (4) Trust Operations Department, (5) Third-Party Custodianship and Registry Department, and (5) Trust Oversight and Strategic Management Department.

In 2017, the LANDBANK Trust Banking Group (TBG) reached its highest Asset Under Management (AUM) level amounting to P230 billion, a 126.36% growth from the previous year. With this, TBG climbed to the fifth spot in the Trust Banking Industry Ranking from seventh in 2016. It also exceeded its 2017 target net income by 5%.

In line with its mantra of being "Stewards for Growth and Good Governance", and in support of its efforts to further improve its compliance to regulations, TBG created the Trust Oversight and Strategic Management Department (TOSD) with the primary responsibility of providing proactive risk management activities to the Group. Units under TOSD include (1) Legal, Regulatory and Compliance Unit, (2) Economic and Investment Research Unit, (3) Product Development Team, and (4) Application Administration Unit. Aside from its oversight function, TOSD is also responsible for the implementation and alignment of TBG's overall strategic direction in line with that of the Bank.

Moreover, in its effort to continuously improve its customer service, TBG realigned its teams to an end-to-end Segmentized Servicing wherein each team shall focus on a specific client segment in order to provide them the best customer experience possible. The client segments are Retail, Personal Wealth Management, Private Corporations and Government Institutions.

By setting the bar high in 2017, TBG is expected to take on a challenge for the coming year with double digit growth targets for its

Asset Under Management (15%), Gross Income (10%), and Net Income Before Tax (10%). TBG is optimistic that it will achieve these targets through the following initiatives:

a) Launching of the UITF Auto-Invest and i-Invest Programs

- The Auto-Invest program will allow clients to regularly add to their existing UITF investment by setting a regular contribution amount for the automatic purchase of fund units on a periodic basis.
- The i-Invest will allow UITF clients to make additional subscriptions to their existing UITF account online.

b) Implementation of the New Trust Banking System (TBS)

- TBG will be migrating to its new Trust Banking System to improve efficiency in its internal processes, ensuring compliance to regulations and providing better customer service. The new system is scheduled for implementation in the second half of 2018.

c) Launching of a New TBG Stewardship Awards

- The TBG Stewardship Awards aims to recognize the efforts made by the Bank's employees, branches, departments and groups who have actively referred trust products and services.

COMPLIANCE MANAGEMENT

The Compliance Management Group (CMG) oversees the implementation of the Bank's compliance system. This 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 Chief Compliance Officer, who leads the CMG, functionally reports to the Board of Directors through the Audit and Compliance Committee.

CMG is composed of two Bank Units namely, the Anti-Money Laundering Department and the Regulatory Compliance Department.

UNITS UNDER THE OFFICE OF THE PRESIDENT AND CEO

The LANDBANK President and CEO performs direct supervision over four bank units, namely: (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 Edward John T. Reyes in 2017, manages the Bank's lending activities. The Sector is directly in charge of providing timely and responsive financial assistance and other interventions to the Bank's mandated and priority sectors including farmers and fishers, agrarian beneficiaries and their associations, agri and aqua-related businesses, and other programs aligned with the priorities of the National Government with the end goal of helping improve the quality of life especially in the countryside and promote inclusive growth.

To deliver the Bank's loan products and services across the country, there were 41 Lending Centers located in the key provinces and nine Lending Units based at the Head Office that cater to retail, mortgage and corporate lending as of end-2017. For efficient management and control, the provincial Lending Units are clustered by major island groupings: the North and Central Luzon, Southern Luzon, Visayas and Mindanao Lending Groups. At the Head Office, the lending units are grouped into Corporate Banking and Retail and Mid-Market Lending.

The Corporate Banking Group handles the loan accounts of top and large corporations, public sector agencies and entities such as government-owned and-controlled corporations and local government units, as well as foreign and local financial institutions based in the NCR.

The Retail and Mid-Market Lending Group, on the other hand, oversees the administration, monitoring, supervision and management of housing mortgage and mortgage loans, Sales Contract Receivables, and accounts of Small and Medium Enterprises (SMEs), including livelihood (salary) and OFW loans in the NCR.

To support the Bank's lending activities, the Lending Programs Management Group is responsible for program development, monitoring and sourcing of foreign and domestic funds. The Lending Support Department provides administrative and backroom support to the Sector. The Loan Recovery Department and the Special Assets Department handle matters related to loan recovery and past due loans for Head Office Lending Units, and management and disposal of ROPAs acquired by all Lending Units, respectively.

BRANCH BANKING SECTOR

EVP Liduvino S. Geron spearheads the Branch Banking Sector (BBS), which administers the deposit-taking and branch banking requirements of the various clients of the Bank.

As of Dec. 31, 2017, the Bank has established an extensive network of 317 branches, 61 extension offices, 47 LANDBANK Easy Access Facilities, 50 LANDBANK Express Access Machines and 93 Cash Deposit Machines. To facilitate effective delivery of banking services for its clients, the BBS is clustered according to 10 geographical locations called Branches Groups: (1) North NCR; (2) South NCR; (3) North Luzon; (4) Central Luzon; (5) Southeast Luzon; (6) Southwest Luzon; (7) East Visayas; (8) West Visayas; (9) East Mindanao; and (10) West Mindanao.

The sector through the OFW Remittance Group also provides support to OFWs in terms of remittances both domestic and overseas. It also markets and implements the electronic card-based products and services and other e-banking solutions of the Bank through the Card and Electronic Banking Group. The Branch Banking Support Department handles the administrative support to the various units of the Sector while the Systems Implementation Department provides technical 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 on the Cash Transfer Program (CCT/UCT/TRCT). 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 2017, BBS launched the LANDBANK Inclusive Banking Center (LIBC) at LTRFB and Government Purchase Card with BTr. Similarly, the LANDBANK Link.BizPortal with BIR as initial merchant was also launched in support to the Government's "Ease of Doing Business" Program. It also expanded its remittance network by forging tie-ups with two remittance companies with global coverage.

In its pursuit of "Inclusive Banking" through effective access to a wide range of bank products and services for all clients, the BBS aims to: (1) Establish more channels and touchpoints in the communities through expansion of branch networks, launching of new products and services and installation of ATMs/POS and CDMs in rural communities; (2) Shift over-the-counter (OTC) transactions to electronic platforms especially on government collections; (3) Enhance operations on e-banking to promote secure and convenience banking through the implementation of 3D secure authentication; and (4) Transform current branch set-up into IT centric by launching self-service/digital corner in the branches and implementation of customer digital on-boarding solutions; (5) Enhance and market Electronic Payment Solutions that will promote more convenience in banking transactions, such as launching of agent banking facility including POS-cash out facility, Electronic Salary Loan and enrollment of additional new merchants in internet banking channels; and (6) Expand remittance services for OFWs through tie-ups with remittance partners with global coverage/networks.

TREASURY AND INVESTMENT BANKING SECTOR

The overall supervision of the Bank's treasury operations, financial resource management and investment banking is taken on by the Treasury and Investment Banking Sector (TIBS). EVP Caryl S. Halog heads the TIBS which is comprised of three groups: (1) Asset and Liability Management Group (AMLG), (2) Financial Market Group (FMG) and (3) Investment Banking Group (IBG).

ALMG manages LANDBANK's balance sheet and liquidity and reserve positions.

FMG, on the other hand, undertakes the management of the Bank's trading units for both Peso and Foreign Currency-denominated instruments, and the

In 2017, the Bank was actively engaged in the preparation for the adoption of Philippine Financial Reporting Standards (PFRS) 9 on the classification, measurement and impairment of Financial Instruments.

formulation of trading strategies using fundamental and technical analysis as well as the monitoring of financial markets.

IBG extends underwriting services and financial advisory for debt and equity capital market transactions, specialized and structured transactions, fund arrangement and advisory services for corporate finance transactions. It also provides investment banking services for project finance transactions as well as monitoring the performance of all of the Bank's investments in equity and other financial instruments.

OPERATIONS SECTOR

The Operations Sector (OS) is headed by EVP Alan V. Bornas. This sector undertakes the provision of Bank-wide operational support including the accounting services and development and implementation of information technology system-related infrastructure. The OS is comprised of four groups with the following corresponding functions: (1) Banking Services Group (BSG) is in charge of the central cash vault servicing such as cash withdrawals from the 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); (2) Banking Operations Group (BOG) oversees the international trade, non-trade and foreign currency transactions, maintains the loans subsidiary ledgers, billing and collection functions related to lending operations, and processes inward and outward remittances both for foreign and domestic transactions; (3) Controllanship Group supervises 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; and (4) Technology Management Group oversees information technology (IT) management functions, particularly the coordination on the Bank's IT plans, designing of IT architecture, oversight on the implementation of IT programs in coordination with the designated project teams, management and enhancement of IT infrastructure and applications. It also

provides technical evaluation or advice for end-user selection of application software and hardware.

In 2017, the Bank was also actively engaged in the preparation for the adoption of Philippine Financial Reporting Standards (PFRS) 9 on the classification, measurement and impairment of Financial Instruments. The activities involved the finalization of Business Models for classification and measurement of financial instruments and the development of models for the Expected Credit Loss (ECL) calculation. PFRS 9 will be implemented starting 2018.

OS shall continue to provide proactive support to the Business Units and other Sectors of the Bank especially on compliance with regulatory requirements and efficient delivery of products and services.

OS shall likewise provide Information Technology solution to support the setting up of LANDBANK Inclusive Banking Center (LIBC) in government agencies and public places nationwide, where the clients/publics can have an easy access to banking services such as ATM deposits and withdrawals, and payment of government fees via POS terminals. Non-ATM cardholders will also be provided with the pre-generated ATM to be able to transact/avail of the services.

While providing operational support to business units and other Sectors of the Bank, OS shall continue to improve and streamline its internal processes and maximize its resources. Also in line with this initiative, OS, together with BBS, shall initiate the digitization of branch documents and use of digital image for review and booking purposes ensuring proper safeguarding, availability and accessibility of original documents for regulatory compliance. Further, to strive for service excellence and in order to have one-source of truth of borrower's information/loan details, integration of the Bank's loan-related systems from frontline (Loan Origination System) to back-end (SYMBOLS and Collateral Management System) will be implemented.

CORPORATE SERVICES SECTOR

The Corporate Services Sector is headed by EVP Julio D. Climaco, Jr. The sector is comprised of four bank units with corresponding functions: (1) Human Resource and Management Group (HRMG) handles the overall supervision of the delivery

of human resource support services; (2) Facilities and Procurement Services Group (FPSG) administers the Bank's facilities, properties and supplies; (3) Provident Fund Office (PFO) manages the Bank's Provident Fund; and (4) Corporate Affairs Department (CAD) covers the management and administration of LANDBANK's media and external relations programs.

RISK MANAGEMENT

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 (RISCOM) 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 RISCOM and Senior Management, are actively involved in an enterprise-wide RM oversight which involves development and approval of RM

policies, framework or 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 BUSs to address risk occurrences that cannot be solved at their level.

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 Heads.

Risk Governance Framework (RGF)

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 RISCOM and administratively to the President and Chief Executive Officer (CEO) of LANDBANK.

In 2017, the Bank embarked on strengthening its risk governance framework applied across the institution and its subsidiaries. Major elements of the Bank's RGF are risk appetite, RM policies, RM infrastructure with the following objectives:

- Escalation of accurate measurement of risks
- Timeliness of generating updated and bank wide risk exposures
- Open, understandable and clear communication of risk exposures between Board and Management (vertical and horizontal communication)
- Proactive mitigation and control of risks.

In 2017, the Bank embarked on strengthening its risk governance framework applied across the institution and its subsidiaries.

CREDIT RISK MANAGEMENT

Credit risk arises from the failure of 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.

CREDIT RISK COMPONENTS								
On-Balance Sheet (BS) Items	2017 (In P Millions)							
	CEA	0%	20%	50%	75%	100%	150%	CRWA
Cash on Hand	31,203	31,203	-	-	-	-	-	-
Checks & Other Cash Items (COCI)	104	-	104	-	-	-	-	21
Due from Bangko Sentral ng Pilipinas (BSP)	305,350	305,350	-	-	-	-	-	-
Due from Other Banks	5,119	-	48	5,031	-	40	-	2,565
Available-for-Sale (AFS) Financial Assets	215,270	179,393	-	30,785	-	5,092	-	20,484
Held-to-Maturity (HTM) Financial Assets	319,974	310,331	-	4,372	-	5,271	-	7,457
Unquoted Debt Securities Classified as Loans	10,554	-	-	-	-	10,554	-	10,554
Loans & Receivables	538,951	-	4,131	22,139	75,683	434,946	2,052	506,682
1. Interbank Loans Receivables	43,897	-	3,796	17,185	-	22,893	23	32,279
2. Loans & Receivables - Others								
a. LGUs & Public Sector Entities	30,683	-	-	-	-	30,683	-	30,683
b. Government Corporation	1,943	-	-	-	-	1,943	-	1,943
c. Corporates	349,998	-	-	-	-	349,998	-	349,998
d. Microfinance/Small & Medium Enterprise	76,018	-	335	-	75,683	-	-	56,829
e. Loans to individuals	34,160	-	-	4,954	-	29,206	-	31,683
3. Defaulted Exposures	2,252	-	-	-	-	223	2,029	3,267
Other Loans and Receivables ^{1/}	52,233	50,400	-	-	-	1,833	-	1,833
Sales Contract Receivable (SCR)	1,156	-	-	-	-	594	562	1,437
Real & Other Properties Acquired (ROPA)	4,211	-	-	-	-	-	4,211	6,317
Total Exposures Excluding Other Assets	1,484,125	876,677	4,283	62,327	75,683	458,330	6,825	557,350
Add: Other Assets	16,819	-	-	-	-	16,819	-	16,819
Total On-BS RWA not covered by CRM	-	-	-	-	-	-	-	60
Total On-BS Exposures	1,500,944	876,677	4,283	62,327	75,683	475,149	6,825	574,229

^{1/} Arising from Repurchase Agreements, Certificates of Assignment/Participation with Recourse, and Securities Lending and Borrowing Transactions

Off-BS Items	2017 (In P Millions)							
	CEA	0%	20%	50%	75%	100%	150%	CRWA
A. Direct credit substitutes	5,818	-	-	134	-	5,684	-	5,751
B. Transaction-related contingencies	46,141	-	-	-	-	46,141	-	46,141
C. Trade-related contingencies	2,363	-	-	1,600	-	763	-	1,563
D. Other commitments	-	-	-	-	-	-	-	-
Total Off-BS Exposures	54,322	-	-	1,734	-	52,588	-	53,455
Counterparty RWA In The Trading Book	CEA	0%	20%	50%	75%	100%	150%	CRWA
Derivative Exposures	726	-	-	99	-	627	-	677
TOTAL	1,555,992	876,677	4,283	64,160	75,683	528,364	6,825	628,361

CEA: Credit Equivalent Amount

CRM: Credit Risk Mitigant

RWA: Risk Weighted Assets

CRWA: Credit Risk Weighted Assets

CREDIT EXPOSURES AND CREDIT-RELATED COMMITMENTS

As of Dec. 31, 2017, LANDBANK's Gross Loans and Receivables amounted to **P538,951 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 P349,998 million (64.94%), followed by Micro, Small and Medium Enterprises (MSMEs) at P76,018 million (14.10%), Loans to Individuals at P34,160 million (6.34%), and Government Entities at P32,626 million (6.05%). The Bank also holds substantial receivables arising from Repurchase Agreements aggregating P52,233 million. The P53,455 million credit risk weight of net Off-balance Sheet exposures of P54,322 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 Asset (RWA) of **P506,682 million** following the Standardized Approach. This represents 80.64% of the Total Credit RWA of **P628,361 million**. The Total Credit RWA increased by P114,823 million or **22.36%**, from **P513,538 million** in 2016 to **P628,361 million** in 2017. The Total Credit RWA represents **90.25%** of the Bank's Aggregate RWA of **P696,236 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 Investment and Loan Committee (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 Dec. 31, 2017, the Bank's net Non-Performing Loans (NPL) stood at **P2,190 million** or **0.325%** of the total loan portfolio of P674,353.26 million.

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 generated credit ratings form part of the risk components required to calculate the Expected Credit Loss (ECL) under the ECL Estimation Approach Methodology

in accordance with the provisions of BSP Circular No. 855, series of 2014 (Guidelines on Sound Credit Risk Management) as well as the Philippine Financial Reporting Standards 9 (PFRS 9) which is slated for implementation in 2018. The said credit ratings are also needed for the eventual adoption of the advance approaches in credit risk management under the Basel Committee on Banking Supervision (BCBS) principles on sound credit risk management.

Toward this end, the Bank approved in 2017 the enhancement 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 Cooperatives
- Application Scoring Model for Credit Card*
- Application Scoring Model for Livelihood Mobile Loan Saver

**Credit Scoring Models Only*

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

CREDIT RISK MONITORING

The Bank 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, Stockholders 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

The Bank adopts a cash flow lending principle and collateral is not the 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 Real Estate Stress Test (REST). 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 government securities 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, conducts 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, Management Action Triggers (MATs) and Stop Loss. 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, VaR and Stop Loss 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 Dec. 31, 2017, the LANDBANK's Total Market RWA stood at P6,722 million, broken down as follows:

In P Million	
Particulars	Amount
Interest Rate Exposure	2,860
Equity Exposure	0
FX Exposure	239
Options	3,623
Total Market RWA	6,722

The Total Market RWA represents 0.97% of the Bank's Aggregate RWA of P696,236 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. Government Securities (GS) and Foreign Securities (FS) are subject to daily mark-to-market and controlled through risk limits such as position, VaR, MATs and Stop Loss.

Particular	Daily Limit		MAT	Stop Loss
	Position	VAR		
Government Securities	P20,000.00 M	P150.00 M	YTD Gain Erosion	P200.00 M
Foreign Securities	\$20.00 M	\$0.20 M	Group Target	\$0.64 M

YTD: Year-to-Date

The Foreign Exchange Risks in FS are accounted under Foreign Exchange Risk Management.

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, MATs and Stop Loss.

In P Million

Particular	Daily Limit		MAT	Stop Loss
	Position	VAR		
Equity	1,000.00	15.00	YTD Gain Erosion	90.00
			Group Target	

3. FX 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 monitors daily the currency positions to ensure that these are within established limits.

The following limits are set for foreign-currency related transactions:

In \$ Million

Particular	Daily Limit		MAT	Stop Loss
	Position	VAR		
FX Trading	50.00	0.36	YTD Gain Erosion	1.15
Foreign Securities	20.00	0.20	Group Target	0.64

LANDBANK had the following significant exposures denominated in foreign currencies as of Dec. 31, 2017:

In \$ Million

Particular	USD	JPY	EUR	AUD	Others	Total
ASSETS						
Fx Currency Notes & Coins on Hand (FCNCH)/ Cash and Other Cash Items (COCI)	23,149	72	50	6	34	23,311
Due from banks	84,952	687	15,155	263	689	101,746
Held for Trading	1,864	0	0	0	0	1,864
Available For Sale Investment	787,732	0	1	0	0	787,733
Investments in Bonds and Other Debt Instruments (IBODI)	505,729	0	0	0	0	505,729
Interbank Loans Receivable	420,000	0	0	0	0	420,000
Loans & Receivables	377,092	56,350	0	0	0	433,442
Other Assets	15,929	887	1,862	246	525	19,449
Gross FX Assets	2,216,447	57,996	17,068	515	1,248	2,293,274
LIABILITIES						
Deposit Liabilities	1,488,178	514	7,996	0	7	1,496,695
Bills Payable	168,155	287,654	30,969	0	0	486,778
Other Liabilities	180,146	1,229	7,110	246	525	189,256
Gross FX Liabilities	1,836,479	289,397	46,075	246	532	2,172,279

MARKET RISK MEASUREMENT AND
VALIDATION TOOLS

1. VaR 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, FS, GS and FX trading portfolios as well as FX 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 P193 million throughout 2017. 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

RM models have 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 an RM tool used to determine the impact on earnings and capital 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, in 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-Test

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 (MTM) 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 Bank 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 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 rate sensitive 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, Bond Duration Report and Balance Sheet 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 Earnings-at-Risk (EaR) Model to estimate changes in net interest income under a variety of rate scenarios over a 12-month horizon. EaR is a simulation method that analyzes the interest rate risk in the Banking Book in terms of earnings (accrual basis).

To determine the actual behavior of Non-Maturing Deposits (NMDs) and capture the Bank's actual interest rate risk exposure, the Bank 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 in the analysis of actual maturity or re-pricing are behavioral models for the determination of Re-pricing Gap for 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 Dec. 31, 2017 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	1,000.00	15.00	YTD Gain Erosion	90.00
Liquid Assets	43,000	0	0	0
Total Investments	0	16	349	3,159
Total Loans	152,382	187,480	82,037	30,938
Other Assets	64	5	7	5
Total Financial Assets	195,446	187,501	82,393	34,102
Financial Liabilities				
Deposits	319,754	156,260	30,557	15,138
Bills Payable	0	527	11,251	0
Others	0	0	0	0
Total Financial Liabilities	319,754	156,787	41,808	15,138
Off-Balance Sheet				
Commitments	0	0	0	(44,730)
Total Off-Balance Sheet	0	0	0	(44,730)
Re-pricing Gap	(124,308)	30,714	40,585	(25,766)

Change in Interest Rates – in basis points (bps)

In P Million								
EaR	-300	-200	-100	-50	+50	+100	+200	+300
	2,238	1,492	746	373	(373)	(746)	(1,492)	(2,238)

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
Peso	Dollar	EVE-at-Risk	
+300	+300	68,695	
+267	+200	61,538	
+255	+71	57,761	
+180	+50	42,480	
+100	+125	25,896	
+50	+75	13,498	
-50	-75	(14,385)	
-100	-125	(29,337)	
-180	-50	(52,897)	
-255	-71	(78,876)	
-267	-200	(85,313)	
-300	-300	(99,574)	

Both viewpoints are assessed to determine the full scope of the Bank's interest rate risk exposure (especially if the Bank has significant long-term or complex interest rate risk positions). Moreover, interest risk in the Bank is not managed in isolation. Interest risk measurement systems are integrated into the Bank's general risk measurement system and results from models are interpreted in coordination 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.

The Bank performs a comprehensive liquidity risk measurement and control using as tool the Consolidated LGR covering the bank-wide balance sheet.

LIQUIDITY RISK MANAGEMENT

LIQUIDITY RISK MANAGEMENT FRAMEWORK

The Bank's liquidity RM process is consistent with its general RM framework covering risk identification, measurement and analysis, monitoring and control. The policies and procedures that govern liquidity RM are reviewed and endorsed on a regular basis by ALCO and RISKCOM for approval of the LANDBANK Board of Directors (BoD). 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 the inability to unwind positions created from market, exchanges and counterparties due to temporary or permanent factors. It is the risk that the Bank cannot easily offset or eliminate a position at the market price because of inadequate market depth or through market disruption.

Market liquidity risk is also associated with the probability that large transactions may have a significant effect on market prices in markets that lack sufficient depth. This liquidity risk perspective is captured through stress testing or scenario analysis.

Funding liquidity risk is the risk that the Bank will not be able to meet efficiently both expected and unexpected current and future cash flow and collateral needs without affecting either daily operations or the financial condition of the Bank. 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 has delegated the responsibility of managing the overall

liquidity of the Bank to the ALCO. The ALCO and the Treasury Investment Banking Sector (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, 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 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 and by a Third party.

LIQUIDITY RISK MEASUREMENT MODELS

LANDBANK manages the liquidity risk using the following tools:

1. Liquidity Gap Report (LGR)

The Bank performs liquidity gap analysis using the LGR which is a risk measurement tool used in identifying the current liquidity position and the Bank's ability to meet future funding needs. It categorizes balance sheet items according to estimated maturities of assets and liabilities in order to determine any future mismatch such as long-term assets growing faster than long term liabilities. The RMG, through TRMD, assists ALCO in its function by preparing the LGR based on the Peso, FX Regular, Foreign Currency Deposit Unit (FCDU), Regular Banking Unit (RBU) and Consolidated Books.

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

In P Thousand

Particulars	LANDBANK					
	2017			2016 As Restated		
	Due within 1 year	Due >1 year	Total	Due within 1 year	Due > 1 year	Total
ASSETS						
Cash & Other Cash Items	31,384,485	0	31,384,485	28,250,784	0	28,250,784
Due from BSP	305,343,193	0	305,343,193	355,405,020	0	355,405,020
Due from Other Banks	5,104,789	1,698	5,106,487	11,620,068	1,692	11,621,760
Interbank Loan Receivable	20,970,600	0	20,970,600	15,562,360	0	15,562,360
Security Purchased Under Agreement to Resell	52,222,764	0	52,222,764	14,803,584	0	14,803,584
Loans & Receivables	266,386,189	346,329,221	612,715,410	175,805,122	324,151,602	499,956,724
Investments	31,881,973	535,440,215	567,322,188	41,770,353	410,897,766	452,668,119
Other Assets	4,537,445	24,234,943	28,772,388	1,747,689	22,709,586	24,457,275
Total Assets	717,831,438	906,006,077	1,623,837,515	644,964,980	757,760,646	1,402,725,626
LIABILITIES						
Deposits						
Demand	709,508,966	0	709,508,966	558,645,451	0	558,645,451
Savings	645,770,968	0	645,770,968	621,493,284	0	621,493,284
Time	57,114,142	2,079,279	59,193,421	43,741,305	1,097,295	44,838,600
LTNCD		11,000,000	11,000,000		11,000,000	11,000,000
Bills Payable	1,998,296	22,581,812	24,580,108	8,678,194	21,357,140	30,035,334
Unsecure Subordinated Debt	0	0	0	0	0	0
Due to BTr, BSP, & MCs/PCIC	1,650,798	299,984	1,950,782	1,626,972	165,894	1,792,866
Due to Local Banks	0	0	0	1,723	0	1,723
Other Liabilities & Payable	258,523	57,550,820	57,809,343	300,931	41,432,087	41,733,018
Total Liabilities	1,416,301,693	93,511,895	1,509,813,588	1,234,487,860	75,052,416	1,309,540,276

The Bank also prepares on a quarterly basis the Consolidated LGR (Parent and Subsidiaries).

- 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 Non-Maturing Deposits (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 Dec. 31, 2017 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	276,249	0	65,583	0	2	341,834
Total Loans	196,247	99,366	43,967	151,349	194,981	685,910
Total Investments	12,759	349	18,774	196,904	338,536	567,322
Other Assets	3,304	0	1,233	44	24,191	28,772
Total Assets	488,559	99,715	129,557	348,297	557,710	1,623,838
Financial Liabilities						
Deposits	32,240	1,271	2,125	631	1,389,207	1,425,474
Borrowings	2,073	556	1,020	7,137	15,745	26,531
Other Liabilities & Unsecured Subordinated Debt	0	0	258	0	57,551	57,809
Total Capital					114,024	114,024
Total Liabilities & Capital	34,313	1,827	3,403	7,768	1,576,527	1,623,838
Gap Position	454,246	97,888	126,154	340,529	(1,018,817)	0

As of Dec. 31, 2017, 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.

As of Dec. 31, 2017, 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 five 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 "one day to one 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 the LANDBANK's liquidity ratios as of the dates indicated:

In Million except when expressed in percentage

Particulars	31 December			
	2017 (Audited)	2016 (Audited)	2016 (Audited)	2016 (Audited)
Liquid Assets (*)	P967,553	P867,250	P722,850	P625,897
Financial Ratios: Financial Ratios:				
Liquid Assets to Total Assets	59.58%	61.83%	60.08%	50.23%
Liquid Assets to Total Deposits	67.88%	70.17%	69.09%	68.55%

*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 Bank conducts regular stress testing and scenario analysis to further assess the Bank's vulnerability to liquidity risk. This activity supplements the risk models used by the Bank which simulates various probable to worst-case scenarios happening in the industry that would affect LANDBANK. The following are the stress testing conducted by the Bank:

- Liquidity Stress Test/Scenario Analysis
- Fund Source Stress Test
- FX Regular Stress Test
- FCDU Stress Test

4. Liquidity Coverage Ratio (LCR)

The 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:

HQLA – 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 Dec. 31, 2017, 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 (LCP)

The Bank formulated the LCP using extreme scenarios of adverse conditions under different time horizons to evaluate the Bank's ability to withstand and address these scenarios. The contingency plan focuses on the Bank's strategy for coordinating managerial action and communication plan during a crisis and includes triggering events that will activate the plan, contingency funding measures and procedures for closing the gap on cash flow shortfalls.

The plan details the amount of funds the Bank can access and the scenarios under which it could use them. It also provides guidance for managing liquidity risks in the following market scenarios:

- Ordinary Course of Business – The Bank manages its liquidity risk by: a) requesting depositors to roll-over their deposit by offering competitive deposit rates, b) drawing from its interbank credit lines, and/or c) the early termination of Government Securities Purchased under Reverse Repurchase Agreements (GSPURRA).
- Seasonal/Intermediation Duration – The Bank manages its liquidity risk in the longer-term through: a) the liquidation of marketable AFS category securities, b) the solicitation of government deposits, and c) the use of derivative instruments in the swap market.
- Acute/Institution Specific – In acute or institution specific circumstances, the Bank will seek to manage its liquidity risk by: a) the proportional liquidation of AFS and Held-to-Maturity (HTM) government securities, b) the non-renewal of maturing short-term loans, and c) borrowings from the BSP and the Philippine Deposit Insurance Corporation (PDIC) using eligible securities as collateral and generating cash infusions through large deposits.

The Bank conducts regular stress testing and scenario analysis to further assess the Bank's vulnerability to liquidity risk

The LCP likewise contains guidelines on Business Resumption Plan towards a transition to normal liquidity condition. This plan defines expectations from various sectors during the transition period from crisis to normal condition.

OPERATIONAL RISK MANAGEMENT

The Bank continued to take steps to strengthen its Operational Risk Management (ORM) system to fully adhere with BSP Circular No. 900 (Guidelines on Operational Risk Management).

Among the major initiatives to strengthen the ORM is the revision of the Guidelines on reporting and monitoring of operational risk events to reinforce compliance and implementation of an effective reporting and monitoring of all operational risk events particularly the internal loss data. Historical loss data is an important tool to measure the Bank's operational risk exposure which requires internal controls.

Another improvement introduced to adhere with BSP Circular No. 900 is the continued enhancement of the following ORM frameworks:

- Business Process Risk Management Framework (BPRMF)
- People Risk Management Framework (PRMF)
- Business Continuity Management Framework (BCMF)
- Legal Risk Management Framework (LRMF)

The frameworks aim to establish and implement RM strategies and best practices to effectively address and manage operational risk that are embedded in the day-to-day operations.

On March 20, 2017, BSP issued Circular No. 951 or Guidelines on Business Continuity Management (BCM). The Bank conducted gap assessment to determine the Bank's level of compliance with the requirements and formulate action plans necessary to close the gaps that were identified. Results of the gap assessment showed that the Bank is generally compliant with the requirements of BSP.

To further strengthen the Bank's compliance with BSP Circular No. 951, the Bank's BCM Framework and General Policy was enhanced and approved by the Management Committee (ManCom) and RISKCOM in 2017.

The BCM Framework and General Policy is composed of the BCM governance structure and the BCM process as follows:

- Board and Senior Management Oversight
- Business Impact Analysis and Risk Assessment
- Business Resumption and Recovery Strategy Formulation
- Plan Development
- Plan Testing and Exercising
- Personnel Training and Plan Maintenance

As part of the Bank's BCM process, the Business Continuity Plan (BCP) components are 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. The new back-up site for Trust and Treasury Operations was established and tested with successful results in October 2017. The IT Systems Prioritization List was likewise reviewed and revised based on results of Business Impact Analysis conducted among Bank units.

The Bank has also supported the continuing education of officers and staff of the RMG through the certification programs of the following: American Academy of Financial and Management (AAFM), where five employees were duly admitted and each licensed as Certified Risk Analyst (CRA); and the Asian Institute of Chartered Banks (AICB), where the BRMD Head passed the Bank Risk Management – Module 1 certification exam. Also, the Bank's Business Continuity Officer (BCO) was certified by ICOR, which is 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), BCRA 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 2017 actual losses versus estimated losses.

OPERATIONAL RISK EXPOSURE

LANDBANK uses the Basic Indicator Approach for calculating the capital charge for operational 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 Dec. 31, 2017, the Bank's Total Operational RWA using the Basic Indicator Approach was P61,152 million or **8.78%** of the Bank's Aggregate RWA of **P696,236 million**.

Cognizant that Gross Revenues (BSP proxy data) are 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/IT, 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 operational risk, systems/IT risk registered the highest estimated loss. However, numerous controls are being implemented to mitigate systems/IT risk. The Bank has an established IT Governance Structure, frameworks and policies on the development of IT systems aligned with best practices on IT standards.

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

Information Security and Technology Risks are priority risks identified under the Bank's Enterprise Risk Management Program. As such, the Bank continues its efforts to ensure compliance with regulatory requirements and industry standards [e.g., Data Privacy Act (DPA), People's Freedom of Information (PFOI), BSP Circular Nos. 808 and 982, Payment Card Industry Data Security Standards (PCI DSS)] and thereby protecting its information assets, clients, and other stakeholders.

The LANDBANK Board and Senior Management take the lead in the governance of Information and IT risk management and ensure that the Bank complies with the standards; regularly reviews policies and procedural controls; and strictly observes risk tolerance, alerts and limits. Below are the 2017 milestones on infosec and IT risk management:

- 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 and Conduct of regular IT Disaster Recovery Drill
- Upgrading of ATMs
- Compliance with Europay, Mastercard, and Visa (EMV) migration requirements
- Continued upgrading of IT infrastructure
- Implementation of DDoS and DLP solution
- Observance of strict procurement process and monitoring of the performance of service providers
- Conduct of internal audit of IT operations and vulnerability assessment
- Additional insurance coverage for fixed assets and electronic crimes
- Monitoring and oversight of the Senior Management, ITCOM and RISKCOM

With the issuance of the Implementing Rules and Regulations of Republic Act No. 10173, known as the "Data Privacy Act of 2012", the Bank took initiatives to comply with the requirements of the law and related issuances of the National Privacy Commission. The Head of RMG was

designated as the Bank's Data Protection Office (DPO) and corresponding contact information were posted in its website. Consequently, documentary requirements like policy on data privacy, privacy impact assessment template, consent forms, data sharing agreement template were crafted. Awareness campaigns on data privacy and information security were cascaded to LANDBANK officers and employees through issuance of reminders and conduct of briefings.

LANDBANK complied with Malacañang Executive Order No.02 – PFOI by posting the Bank's PFOI Manual in its website. Reports on PFOI requests were submitted by the Corporate Affairs Department to the Presidential Communications Operations Office quarterly.

In light of the risks and potential consequences of cyber threats, strengthening the resilience of cyberspace has become an important security mission of the Bank. With the implementation of EMV technology, fraudsters are shifting their attacks from ATM skimming to online fraud. Cyber resilience initiatives include purchase of fraud navigator, Managed Detection and Response, Security Operations Center (SOC) strengthening, File Integrity Monitoring, among others.

Investments are not limited to securing IT infrastructure but are also geared towards providing personnel with the required skills and competence necessary to perform their jobs. Personnel from Network Operations Department and Information Security and Technology Risk Management Office passed the cyber security certification – Resilia™ for IT professionals given by AXELOS.

ENTERPRISE RISK MANAGEMENT

THE ERM PROCESS

The Bank's current ERM framework, policies, process, RM strategies is a product of ERM Phases I, II and III, fully participated in by the LANDBANK Board of Directors and Senior Management. Initially, the Bank's Top 5 priority risks were identified as: 1) Market Risk; 2) Credit Risk; 3) IT Management Risk; 4) People Risk; and 5) Client Relationship Management Risk. These Top 5 priority risks were further expanded through the identification of the next Top 7 risks, such as the 1) Strategic Planning Risk; 2) Liquidity

Risk; 3) Lending Capacity Risk; 4) Measurement and Monitoring Risk; 5) Technology Identification Risk; 6) Banking Regulation Risk; and 7) Socio-Political Risk. Emerging risks identified are cybercrime and AMLA compliance.

Compliance with regulatory policies applicable to the banking industry is within the 360 degree radar of the LANDBANK Board of Directors and Senior Management, particularly compliance with regulatory required economic capital.

The important tasks and outputs of the ERM Phases are as follows:

ERM Phase I:

- Established RM goals and objectives and RM oversight structure
- Filtered risk issues to identify LBP Risk Universe
- Developed the LBP Risk Dictionary
- Formulated the Bank's Risk Appetite Statement
- Assessed business risks through Risk Inter-Relationship Modeling, Risk Driver Analysis, Risk Measurement, RM Strategy Development and RM Action Planning

ERM Phase II:

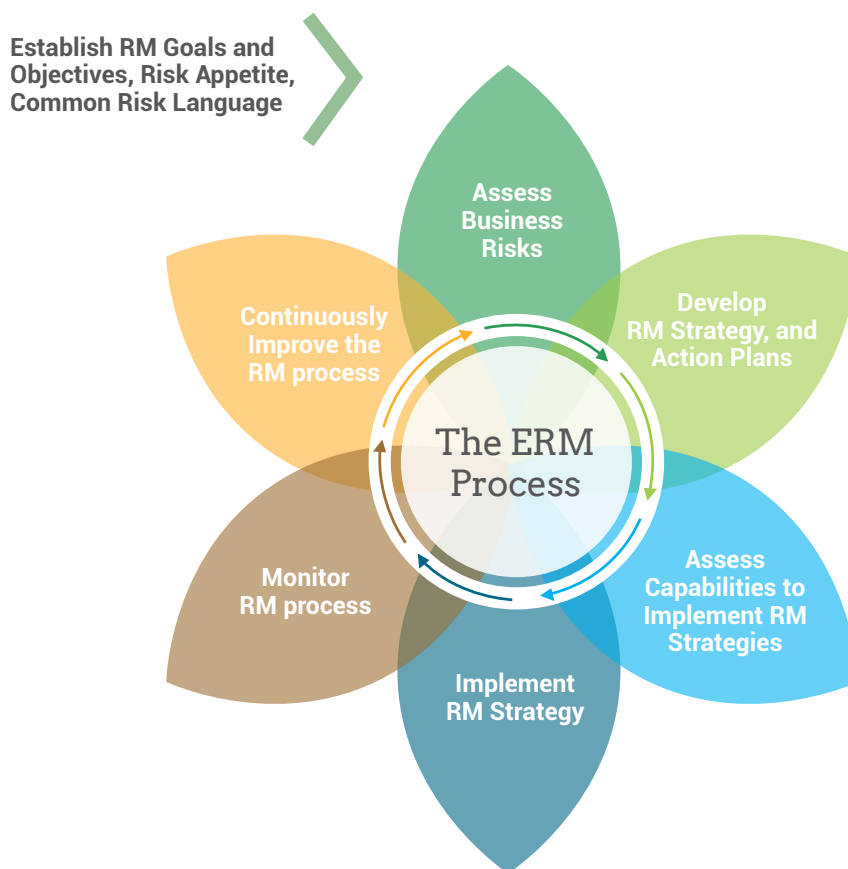
- Revisited the Bank's Risk Appetite Statement
- Created the Business Risk Radar
- Assessed business risks through high level Risk Inter-Relationship Modelling, Risk Driver Analysis, Cross Validation of Risks, RM Strategy Development and RM Action Planning
- Updated the Risk Dictionary

ERM Phase III:

- Determined and updated the Bank's risk priorities
- Assessed business risks through high level Risk Inter-Relationship Modelling, Bow-Tie Analysis, Cross Validation of Risks, RM Action Planning
- Performed RM Framework Assessment

As the Bank implements the ERM process, it continuously identifies using the ERM tools and methodologies the emerging risks, business issues and important areas of concern that have surfaced. Risk measurement, controls and RM strategies are also being updated on a regular basis.

Below is the Bank's ERM Framework:



RISK MANAGEMENT FRAMEWORK ASSESSMENT (RMFA)

As part of the ERM process, the RMFA was conducted through several assessment sessions with the Senior Management and members of the BOD to re-assess the maturity of the Bank's RM framework and to provide recommendations to close the gaps. The result provided an overall assessment of the Bank's ERM profile and the consistency of its implementation across the Bank.

After a thorough evaluation, the maturity level of the Bank's RM framework in 2017 was assessed as "near to advanced approach" but considerably behind the "leading approach" and its RM policies are generally compliant with the standard elements of ERM. Additional initiatives, which will be pursued for completion as follows:

1. Governance and Organization – Creation of a risk dashboard to be reported to Senior Management on a regular basis by the Chief Risk Officer

2. RM Strategy – Integration of the ERM processes with the Bankwide Strategic Planning
3. Reporting and Communication – Establishment of RMG Shared Notes Database to ensure communication of key and urgent risk issues to all BUs concerned
4. Tools and Technology – Automating RM reports

To achieve the "Leading" RM Maturity Level, the Risk Management Group endeavors to establish RM programs and policies generally described as "having leading practices in design, consistently applied, integrated and well-coordinated across the organization." These activities under the "Leading" RM Maturity Level are viewed as best industry practices locally and/or internationally.

INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS

For 2017, LANDBANK as one of the major players in the banking industry conducted a thorough and comprehensive Internal Capital Adequacy Assessment Process (ICAAP) to determine the quality and adequacy of its capital, given the existing risk exposures as well as future risks arising from growth, new markets and expansion of the product portfolio.

The LANDBANK 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 strengthened and enhanced its ICAAP development process with the following major milestones:

- Enhanced and articulated the Risk Appetite Statement (RAS) and Materiality Threshold for Pillar 2 risks and buffer for internal limits
- Included qualitative and quantitative Early Warning Indicators (EWIs) /triggers required by the BSP
- Designated a Capital Oversight Officer (COO) who is primarily responsible for ensuring continuous compliance with the BSP guidelines
- Presented contingency plans to continue the Bank's services

ICAAP CULTURE

The ICAAP is embedded in the Bank's operating philosophy and has been cascaded down to the BU 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, all 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 are aware of the corresponding capital charge for the losses that could arise from any transaction or business they undertake. In monitoring the efficient performance of the BUs across the organization in the area of RM and capital utilization, 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 2017, LANDBANK's capital was strong and sufficient to deliver its mandated services and to cover the risks inherent in its operations. Under the most probable scenario, the Bank estimated the 2017 year-end CAR at **11.61%** vs. 10% minimum regulatory requirement for CAR.

The actual CAR recorded as of 31 December 2017 was **11.77%** implying an objective risk assessment and capital planning for the year. The actual CAR of 11.77% and CET 1 ratio of 10.93% of the Bank were above the BSP minimum requirements of **10%** CAR and **9.33%** CET 1 ratio and were compliant with Basel III requirements.

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 with BSP's policies, rules and more specifically, comply with regulatory requirements on capital structure and capital adequacy. The Bank shall likewise vigorously continue to preserve its capital to sustain developmental pursuit and quality 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 is to maximize its profitability (and consequently, attain higher retained earnings).

To maximize the Bank's profitability the Bank strictly manages its income-generating assets by managing the Risk Weighted Assets (RWA) via diversification of loan portfolio, review of loans/provision of reserves in a timely manner, compliance with regulatory ratios, internal limits and risk appetite, strict monitoring of clean large exposures and DOSRI loans and calibration of credit and market risk measurement tools.

CONSUMER PROTECTION RISK MANAGEMENT SYSTEM (CPRMS)

The LANDBANK's Consumer Protection Risk Management System (CPRMS) is part of the Bank's enterprise-wide Risk Management System. It identifies, measures, monitors, and controls consumer protection risks inherent in LANDBANK's operations. Thus, the Bank ensures that its consumer protection practices address and prevent or mitigate harm identified or associated risk of financial harm to the Bank and its clientele (depositors, borrowers and other clients).

As part of oversight function on CPRMS, RMG ensures that board-approved CPRMS policies and procedures are in place, complaints management are strictly implemented, escalation of CPRMS-related issues are within the set timeline and training of Bank personnel are undertaken.

The CPRMS Oversight Framework is aligned with and adheres to the following Financial Consumer Protection Standards of Conduct prescribed under BSP Circular No. 857:

- Disclosure and Transparency
- Protection of Client Information
- Fair Treatment
- Effective Recourse
- Financial Education and Awareness

COMPLIANCE MANAGEMENT

The Compliance Management Group (CMG) oversees the implementation of the Bank's Compliance Risk Management System which is designed to identify and mitigate risks which may erode the franchise value of the Bank and ensures that business operations are conducted in accordance with laws, rules and regulations, code of conduct and sound policies and standards of good practice. CMG has two departments, namely: Regulatory Compliance Department and Anti-Money Laundering Department, responsible for the implementation of LANDBANK Compliance Program and Money-Laundering and Terrorist Prevention Program Manual, respectively. CMG is headed by the Chief Compliance Officer (CCO) who functionally reports to the Board of Directors through the Audit and Compliance Committee (AC Com).

All the CMG personnel attended various training programs to progressively build the competencies and have a broad blend of skills and experiences necessary to effectively carry out the compliance functions.

COMPLIANCE MANUAL

The Compliance Manual which documents the Bank's risk-based Compliance Program was updated and approved by the Board of Directors in April 2017 to incorporate new or updates to laws, rules and regulations and standards applicable and relevant to the Bank's operations and the changing responses to evolving internal and external conditions. The Compliance Program sets out the compliance function's planned activities such as the review of new regulations and identification of the requirements; regulatory risk assessment; communication and training of Bank personnel on regulations and compliance matters; compliance monitoring and testing; and reporting to Senior Management and Board of Directors.

MONEY LAUNDERING AND TERRORIST PREVENTION PROGRAM (MLPP) MANUAL

On September 27, 2017, the updated Money Laundering and Terrorist Prevention Program (MLPP) Manual was approved by the Audit and Compliance Committee and for further approval by the Board. The MLPP Manual embodied the new and revised AML-related law, rules and regulations including, but not limited to the provisions of 2016 Revised Implementing Rules and Regulations of AMLA, as amended, and BSP Circular No. 950 s. 2017 – AML Regulations. This also incorporated the Bank's updated policies/guidelines on (1) Customer Acceptance; (2) Additional Control Measures to Combat Money Laundering; (3) Risk Management Practices When Dealing Remittance Partners (4) Reporting Chain/Approval of Suspicious Transaction Report; and (5) Revised/enhanced AML Compliance Testing Program, among others.

IDENTIFICATION AND ASSESSMENT OF REGULATORY RISKS, MONITORING COMPLIANCE AND REPORTING

CMG identified and conducted risk assessment of laws, rules and regulations and other areas with exposure to risks. To help update Bank personnel on new regulatory issuances, these were reviewed, requirements identified and disseminated to the concerned Units/personnel through the issuance of Compliance Bulletin. The Bank Units were required to submit the Compliance Action Plan which were monitored and validated by CMG. In 2017, there were 300 regulatory issuances.

To further check compliance, different compliance testing approaches suited to the identified and assessed regulatory risks were adopted. Pre-testing involves the checking of initial actions taken or plan of action to implement the requirements of new regulatory issuances. Periodic testing refers to the regular checking of compliance to existing laws, rules and regulations while independent testing involves a more detailed or thorough review of areas or activities identified to be exposed or vulnerable to high regulatory risks. AML Compliance Testing (ACT) was also conducted which involved checking of the Bank's compliance with AML laws, rules, regulations and internal policies. The conduct of on-site ACT and the enhanced ACT Program were presented to AML Committee and approved by the AC Com on April 4, 2017 and May 9, 2017, respectively.

In 2017, 264 regulations were subjected to pre-testing and periodic compliance testing. Independent testing was also conducted on various regulatory reports, accounts and high risk regulations/compliance issues. On-site ACT was conducted on 13 Units while 440 Units were subjected to off-site ACT. The noted breaches or deviations were immediately referred to the concerned Units for corrective action.

On a regular basis, the CCO reports to the AML Committee, Management Committee and to the Board through the AC Com. Reports include emerging regulatory risk, areas with compliance vulnerabilities, new regulations, compliance testing results and the corrective measures taken and the general status of the Bank's regulatory compliance.

TRAINING AND COMMUNICATION

Embedding compliance culture and fostering increased level of awareness among Bank personnel, appropriate training strategies to enhance knowledge on regulations were adopted. Lectures on AML and Compliance were conducted through the LANDBANK in Perspective Program for new hires, BBS Trainors' Training for Branch personnel and agency tie-ups and various Management and Development Training Programs. The bank-wide AML Refresher Course through LANDBANK e-Learning Access Portal (LEAP) Program or classroom training attained 94.2% participation of the Bank employees or 7,569 out of 8,031 participants.

The AML training was likewise provided to the employees of LANDBANK subsidiaries namely, LBP Leasing and Finance Corporation and LBP Insurance Brokerage, Inc.

Compliance advisories, bulletins, and reminders which include "Compliance Nuggets" – easy-to-read tidbits of information on Compliance and AML – were regularly issued through the Lotus Notes and publication in the Newsgram.

The Compliance Function Database, the repository or central record of regulations easily accessible to Bank employees, was kept updated.

To continuously build and strengthen working relationship with Bank Units, periodic meetings with the Compliance Coordinators were held. Advisory service and guidance in managing compliance issues was also provided through CMG's participation in various committees and Technical Working Groups and in the preparation of the implementing guidelines.

CONSTRUCTIVE WORKING RELATIONSHIP WITH REGULATORS

The Bank maintains a cooperative and constructive working relationship with various regulatory agencies. Open and transparent communications and frequent dialogues and consultations to clarify specific concerns on regulations have strengthened and broadened the existing relationship with the regulators.

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.

On January 22, 2018, the LANDBANK was recognized as one of the Top 3 Frontline Service Champions and one of the Top 3 Hall of Famers during the Civil Service

Commission's thanksgiving celebration at the Seda Hotel, Vertis North, Quezon City as part of the 10th Anniversary of the Anti-Red Tape Act (ARTA) of 2007.

The event, dubbed as "ARTAnized: The ARTA Dekada Celebration," recognized the support and efforts of government agencies, development institutions, the academe, and civil society partners in the research and development, communication, and promotion of excellence and transparency in government frontline service delivery.

The Frontline Service Champion recognition was conferred to a government agency that had consistently exhibited performance in the ARTA Report Card Survey (RCS), obtained the highest rating among surveyed national government agencies, and garnered 85% to 100% resolution rate in the Contact Center ng Bayan (CCB) for at least three years, between the years 2010 to 2017. The Hall of Famer was awarded to an agency for having received the most number of Citizen's Satisfaction Center Seal of Excellence Awards (CSC-SEA).

It is worth noting that the ARTA CCB services as the government's primary helpdesk for citizens' inquiries and assistance for frontline service procedures. On the other hand, a government agency's Excellent rating in the RCS will be subject to a "mystery client validation," which if passed, would be conferred the CSC-SEA.

The event also lauded its ARTA Caravan partners, including LANDBANK, and local government units, which garnered the highest numerical ratings in the ARTA RCS in 2010, 2011, and 2016.

ANNUAL MEDICAL EXAMINATION

LANDBANK puts premium in its human resources and provides its employees with opportunities to maintain their health and well-being. Thus, the Bank continued to implement the mandatory annual medical examination consistent with Executive Order No. 001, Guidelines on the Mandatory Annual Medical Examinations (AME) for LANDBANK Employees. This is consistent with the Bank's thrusts of safeguarding employee health, safety and well-being, promoting productivity and complying with the Occupational Safety and Health Standards and the Policy on Working Conditions at the Workplace set by regulatory bodies including the Civil Service Commission.

To make the Annual Physical Examination (APE) accessible to LANDBANK employees, on-site APE at the LANDBANK Plaza was organized in addition to HMO-accredited facilities, which were utilized for the conduct of the APE nationwide. This facility was availed of by 1,740 employees in 2017.

The Executive Check-Up (ECU) at different partner clinics or hospitals nationwide was availed by 1,007 officers with LANDBANK shouldering the cost. The availment of the ECU by an officer on a workday was considered an official business.

VACCINATION PROGRAM

LANDBANK procures vaccines and implements a nationwide annual Influenza Vaccination Program on a voluntary basis to protect the health of employees and prevent communicable diseases. In 2017, there were 5,140 vaccine recipients.

This was also made available to employees and their family members through arrangements for access to discounted prices of vaccines, (i.e., pneumonia, influenza). There were 624 availers.

HEALTHCARE SERVICES

To provide its 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, if necessary. In 2017, medical consultation in the LBP Medical Clinic was availed 5,863 times.

As an additional health promotion initiative for its employees, LANDBANK implements "My Access to Health Program" to assist Head Office 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 2017, 95 personnel enjoyed a total of P18,000 worth of discounts.

Phlebotomists are available twice a week at the LANDBANK Medical Clinic to extract blood from those with medical conditions requiring regular monitoring.

A registered dietician offers nutritional counseling twice a month for those in need of guidance on proper nutrition. In 2017, 63 individuals sought dietary advice.

HEALTH EDUCATION

Part of the efforts to promote health involve provision of employees with accurate and updated information on health with the objective of creating awareness, gaining new insights, and motivating practical application of learning to their daily life.

In 2017, a total of four quarterly Wellness Forums were conducted with 216 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, reducing cancer risk, preventing stroke, breast health, earthquake preparedness and response measures, HIV-AIDS, rabies, autism awareness, sexually transmitted infections, privileges of person's with disability, blood donation, bird flu, avian flu, influenza, dengue, ADHD, etc.) were disseminated through various means of communication (e.g., internal email network, social media). There were 33 health advisories released in 2017.

OCCUPATIONAL SAFETY AND HEALTH PROMOTION

A resource speaker from the Department of Labor and Employment conducted a One-Day Appreciation Course on Occupational Safety and Health with 23 attendees.

To ensure proper placement of newly-hired personnel, 922 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 13 primary cases of PTB, with 81 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 (81 requests for special leave privileges under the Magna Carta of Women), sustained injuries due to work-related accidents (15 cases endorsed for special leaves/Rehabilitation Privilege), or were diagnosed with dreaded diseases or critical/debilitating medical conditions (199 claims for financial assistance and 26 requests for sick leave extension due to dreaded illnesses, 382 cases evaluated for separation due to medical conditions) to facilitate recovery and rehabilitation, or to properly manage health for those leaving the service.

LANDBANK GYM AND FITNESS CENTER

Employees are provided with opportunities to pursue physical fitness through the LANDBANK Gym and Fitness Center (LANDBANK-GFC), a worksite gym that operates before and after office hours. A fitness instructor is available to design



Landbankers from different departments keenly listened to a wellness forum on how to make workplace healthy, safe, and drug-free.

individualized programs and ensure participants' safety while using gym equipment. In 2017, the LANDBANK-GFC was availed 8,132 times. Group exercises offering a wide range of activities (e.g., yoga, zumba, dance aero, yogalates) were held daily with a total of 1,962 participants in 2017.

In addition to these, nine fitness-related special activities (e.g., beach body work out, duo fitness challenge, battling rope workout, body composition analysis, yoga block workout, stroops challenge, boot camp series challenge, speed agility) were held at the LANDBANK-GFC.

Employees in the Head Office also participated in the FitFil National Weight Loss Challenge, wherein challengers were asked to pledge weight loss of at least three lbs. within a six-month period. For 2017, participants pledged a total of 576 pounds.

RANDOM DRUG TESTING PROGRAM

LANDBANK is committed to safeguard the health, safety and well-being of its employees by maintaining a work environment free from the use of dangerous drugs. Starting 2017, LANDBANK started

to implement a drug-free workplace program which aims to comply with various laws and policies namely Republic Act 9165 - Comprehensive Dangerous Drugs Act of 2002, Malacañang Memorandum Circular No. 89 series of 2015, Dangerous Drugs Board Regulation No. 2 series of 2004, and Civil Service Commission (CSC) Memorandum Circular (MC) No. 13, series of 2010, and CSC MC No. 13, series of 2017.

To orient key Bank personnel on their roles in the implementation of LANDBANK's Drug-Free Workplace Program, an accredited physician from the Dangerous Drugs Board conducted a Drug-Free Workplace Testing Training/Orientation last November 27, 2017. The latter also conducted a Drug Abuse Awareness and Prevention orientation among 85 employees in the Head Office on November 22, 2017.

LANDBANK also implemented its first random drug test program among 100 randomly selected Head Office-based employees last December 15, 2017.



8,132

Number of times
Landbankers used the Gym
and Fitness Center



1,962

Landbankers who participated
in various group exercises the
GFC provided



LANDBANK puts premium not only in its employees' talents and skills but also in their physical well-being.



LANDBANK Day Care Center conducts various programs and activities that promote the physical, mental, emotional, and psychological well being of the students. Since its inception in 2005, LBDCC has helped employee-parents in looking after the welfare and safety of their young children while sustaining their efficiency and productivity at work.



LANDBANK established a workite lactation station as part of its vision in making the Bank a Mother-Baby Friendly Workplace. The lactation station is provided with lavatory for hand washing, refrigeration and appropriate cooling facilities for breast milk expression and storage, electrical outlets for breast pumps, table, comfortable seats and other necessary equipment.

LANDBANK DAY CARE CENTER

Since 2005, a workite day care center for employees' children with ages three to 12 years has been operating to assist employees in maintaining work-life balance and help resolve gender and development (GAD) issues related to childcare and parenting. The LANDBANK Day Care Center (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 2017, there were 48 children who attended the regular program (benefiting 94 employee-parents). In addition to this, a total of 79 walk-in attendees availed of the LBDCC service benefiting 324 employee-parents.

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." Notable is the continuing operation of a workite Lactation Station where nursing employees can express and store their breast milk in a clean and sanitary environment. Twenty-three personnel accessed this facility in 2017.

To further motivate employees, one learning session on breastfeeding was held in 2017. The importance of breastfeeding was the subject matter in two issues of the internal communication tool, "Health Notes".

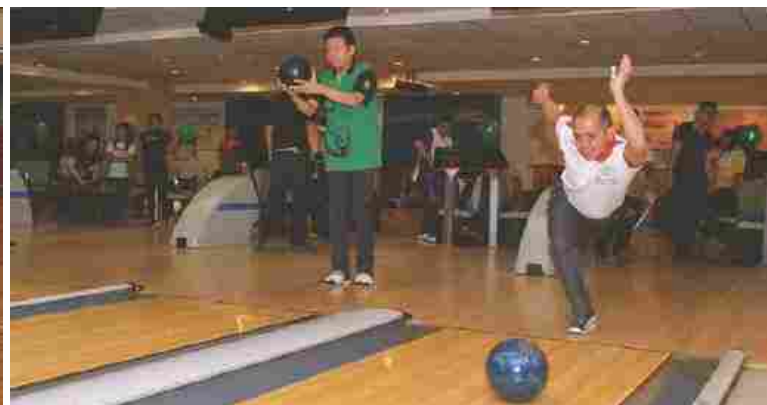
EMPLOYEE WELLNESS PROGRAM

The Bank implements and promotes holistic wellness programs (i.e., addressing physical, mental, social, spiritual dimensions of health) for employees via the iLiveWellness Program of the Bank across all levels of the organization.

Psychological Support Program

Stress management workshops were held in 2017 to help participants from various branches and their support units handle psychological stress, prevent illness and maintain productivity. A referral system is in place to provide employees access to the services of mental health professionals. Five employees were assisted under this program in 2017.

To protect and promote the psychosocial well being of LANDBANK employees after a traumatic event, Mental Health Psychosocial Support sessions were conducted in the Head Office and field units. Among these



As an institution that actively encourages work-life balance, LANDBANK organizes competitive sports events and supports Landbankers in various sports programs and competitions organized by government institutions.

were sessions conducted for Marawi and Iligan Branches, Iligan Accounting Center and Iligan Lending Center Satellite Office personnel, including service company employees affected by the Marawi siege.

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 LANDBANK Recreation Center or in nearby venues were conducted year round with 990 participants. 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 195 employees.

Employee clubs were likewise provided support to enable them to pursue a hobby or interest. In 2017, LANDBANK supported six employee clubs for six recreational/sports events with 864 participants.

Also under the ILiveWellness program are fellowship and family-oriented activities with 15 events held in 2017 (i.e., Officers' Night,

ballroom dancing sessions, musical theatre workshop for employees' dependents and Christmas Party for children of employees).

Financial Wellness Program

Learning sessions primarily aimed at equipping employees with knowledge and skills on potential entrepreneurial ventures were conducted in 2017 with 14 sessions. A total of 420 participants joined the learning sessions (i.e., ice cream-making, pies and tarts, sizzling dishes, special bakery products, hydroponics/aquaponics, Korean cuisine, Japanese cuisine, basic flower arrangement, native *kakanin*, mushroom culture, no-bake cake, urban gardening, peanut butter marmalades and mayonnaise-making, hair cutting for men and women).

Spiritual Wellness in the Workplace Program

Regular worship services and spiritual counseling are conducted at the LANDBANK Chapel in coordination with the Catholic employee community. Spiritual learning sessions participated in by other employee spiritual groups are also being held.

In 2017, the Philippine Bible Week was observed with the conduct of two learning session entitled "When Mercy Meets

Misery" with a total of 37 attendees while "Code of Conduct for Public Officials and Employees in Relation to Scriptures" with a total of 38 participants. Employees also donated a portion of the Corporate Social Responsibility (CSR) Fund to support the "May They Be One" ecumenical bible distribution advocacy program of the Philippine Bible Society.

LANDBANK also hosted the Christian Fellowship Program attended by LANDBANK employees and those of other government agencies.

EMPLOYEE VOLUNTEERISM ACTIVITIES

Worksite bloodletting activities were conducted thrice in 2017 in partnership with the Philippine Red Cross (PRC). The campaign yielded 350.65 liters of blood from 780 donors. For these initiatives, the PRC recognized LANDBANK as one of its Outstanding Blood Services Partner for 2017.

The employee group of breastfeeding advocates dubbed as Lactation Breastfeeding Partners likewise donated 9,360 milliliters of breast milk to the Philippine General Hospital Milk Bank.

LANDBANK employees gave a positive response to the call for monetary contributions to the Bank's CSR Fund yielding 17,098 work hours donated by 5,578 employees. The equivalent salary of these work hours are then channeled mostly to the Bank's Gawad PATNUBAY scholarship program for deserving but financially-disadvantaged students pursuing agriculture-related courses.



Through their blood donations, Landbankers were able to save lives, while keeping themselves healthy and away from sickness.



LANDBANK conducts educational, pampering, and awareness building activities for women.

GENDER AND DEVELOPMENT (GAD) PROGRAM

The LANDBANK GAD Focal Point System Technical Working Group was reconstituted in 2017 to enable the organization to participate more 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.

Several GAD promotion activities were also held in 2017, namely: Women's Month Celebration and an 18-day Campaign to End Violence Against Women through a learning session and awareness building through orange lighting activity, film showings of "Sunday Beauty Queen" and "Boses" with 232 participants, and a Pampering week, "All About Eve and Her Steve," for women and men personnel was also held with about 500 participants.

RELIEF AND DISASTER ASSISTANCE (RDA) PROGRAM

In accordance with LANDBANK Executive Order No. 028, s. 2015, as amended by LANDBANK EO No. 61, s. 2017, Guidelines on the Implementation of the Relief and Disaster Assistance (RDA) Program, a total of P2.92 million financial assistance, ranging from P5,000 to P40,000 (due to additional grants in certain instances), was granted by the Bank through its Relief and Disaster Assistance Fund (RDAF) in 2017 for 311 personnel whose residential houses were damaged by various calamities, disasters, and acts of terrorism, namely "Typhoon Nina," "Cagayan de Oro Flash Flood," "Marawi Siege," and different fire and earthquake incidents during the said year.

EMPLOYEE DISCIPLINE AND ACCOUNTABILITY

Cognizant of its responsibility as civil servants, LANDBANK through its Employee Relations Department (ERD) formulated and implemented policies in 2017 to strengthen discipline and integrity in the workplace. Executive Order No. 068 series of 2017 or the Amendment to the LBP No Gift Policy was issued to ensure uniform disposition of gifts in kind turned over to the ERD, regardless of value or price, by way of donation to charitable institutions or organizations, indigent communities or families, public schools, libraries, museums in coordination with the Corporate Affairs Department.

COLLECTIVE NEGOTIATION AGREEMENT

The Sixth Collective Negotiation Agreement (CNA) between the Management panel and the Land Bank of the Philippines Employees' Association (LBPEA) panel for 2017-2020 was successfully concluded in December 2017. Incorporated to the new CNA are the new core values of LANDBANK, CSC Memorandum Circular No. 24 dated August 24, 2017 and Resolution No. 1701009, dated June 16, 2017, 2017 Omnibus Rules on Appointments and Other Human Resources Actions, Revised Policy of the Bank on Inclusion and Diversity approved by the Management Committee in November 2016, and 2017 Rules on Administrative Cases in the Civil Service. It was also emphasized in the 6th CNA the joint and continuing efforts of the Bank and its employees in accomplishing performance targets and attaining efficiency through cost-cutting measures and systems improvement, as well as their commitment to adopt measures that promote productivity, efficiency and economy in the Bank's operations and achievement of performance targets, as one of the requirements for the grant of the CNA Incentive.

A CNA is a contract between the Bank and the LBPEA on the terms and conditions of employment and its improvement that are not fixed by law. The negotiation is viewed as an excellent opportunity for both the Bank Management and LBPEA to listen, understand and gain insights from each other on issues that are vital and beneficial to the Bank and all its employees.

LEARNING AND DEVELOPMENT INITIATIVES

Consistent with its mission to develop and nurture talents to exemplify the highest standards of ethics and excellence consistent with the best in the world, LANDBANK puts premium on the welfare and development of its greatest assets, its employees. From their entry to their exit, employees are provided with various learning and development initiatives such as orientation program and other programs geared towards their personal and professional growth and development. A learning and development (L&D) culture is evident and nurtured within the organization.

In 2017, a total of 7,952 or 98.53% of employees were afforded with at least one L&D initiative by the Organization

Development Department (ODD), the Bank's training arm. In providing interventions, ODD has adopted the 70-20-10 model, which describes that learning can be sourced through various modes – on-the-job (70%), informal (20%) and formal, both classroom and on-line (10%).

Seven hundred forty eight newly hired employees joined the LANDBANK family. As part of their onboarding, they attended the orientation program entitled LANDBANK in Perspective, handled by selected Bank officers and supervisors. They were introduced to the Bank's strategic goals, vision, mission, history, culture, organizational structure, among others.

To strengthen people skills of officers and supervisors, ODD conducted relevant HR programs such as Applied HR for Line Managers, with 73 participants and Coaching and Mentoring Workshop, with 46 participants. In addition, to enhance public speaking skills, three in-house Toastmasters Clubs, with 68 Landbankers as members, were created.

To enhance employees' performance and capability potential to assume higher and more critical responsibilities in the Bank, Management and Leadership Development programs such as Management Training Program (with 40 participants), Branch Officers Development Program (with 27 participants), and Leadership Development Program (with 28 participants), were conducted this year and are expected to end in the 1st quarter of 2018. Screening of participants for the Lending Officers Development Program, newly designed MLD program, started this year while the implementation is set in 2018.

The success of MLDP is evident in the numerous accolades given to LANDBANK since its institutionalization in 2015. In May 2017, the Bank was cited as the Outstanding Development Project under Human Capital Development Category for both its "MLD Framework" and "Cooperative Immersion" by the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) in Macau.

For employees who are interested to pursue higher studies, the Bank implements the Graduate Education Program (GEP). Ninety-three of the Bank's 239 GEP scholars were approved this year. The Management also approved the professional certifications in relevant fields wherein 157 personnel

passed and were certified while 33 more are undergoing review or awaiting exam results. On the other hand, the in-house Masters of Business Administration, in partnership with the College of the Holy Spirit, gained Management approval to expand its coverage in select provinces. Three provincial batches were able to start this year – Pangasinan (with 25 students), Iloilo (with 31 students) and in Naga (with 31 students). While for Head Office, two simultaneous batches, with 59 participants are also ongoing.

COMPETENCY FRAMEWORK DEVELOPMENT INITIATIVE

Following the competency framework development and approval of the core, leadership and functional competencies (Phase 1) in 2015, on-line competency assessment (Phase 2) in 2016, the bank-wide baseline competency per function was obtained (Phase 3) in 2017. In this competency-building phase, which will run until 2019, it was committed to the Governance Commission for GOCCs that the identified competency gaps of the concerned employees will be 100% addressed.

As approved by ManCom, priorities for L&D interventions are given to those employees who were assessed to be "limited" and "developing" (L&D) for knowledge and skills, respectively. Of the total 1,475 target employees, 98% or 1,452 employees have attended at least one L&D intervention to address the skills gap. For knowledge gaps, ODD conceptualized the Job Knowledge Enhancement (JKE) program, wherein the units or immediate supervisors were requested to conduct a JKE session to their respective employees to address their limited knowledge on specific department's functions, processes and systems.



The Management and Leadership Development Program aims to strengthen the Bank's Succession Program by ensuring the availability of a highly trained and qualified management pool. Integrated in the curriculum is an immersion program to Bank-assisted cooperatives, instilling among the participants the Bank's mandate of countryside development.

On programs to promote the six core competencies namely: Innovation, Accountability, Customer Focus, Excellence, Collaboration, and Social Responsibility, ODD continued to implement programs that represented these competencies such as Excellence, Customer Focus, and Innovation initially.

For Excellence competency, 20 batches of the Professional Image Enhancement (PrImE) programs, with 873 participants from all sectors were conducted. To help sustain the gains of the program, one batch of Assessor's Training for PrImE, with 25 participants, was also implemented. These assessors will spot-audit their respective branches group in the later part of the year. Also, posters containing the Standardization of Uniforms as visual reinforcement of the program.

On Customer Focus competency, 26 batches of the Take the LEAD program were cascaded. An assessment tool was used and pilot tested to three branches to help assess the effectiveness of the program.

For Innovation competency, the Bank was able to create 24 Quality Circles after attendance to training, capability building and coaching as facilitated by the Ateneo Center for Continuing Education.

In 2018, these core competencies will be cascaded as the Bank's six Core Values. For the functional and leadership competencies, ODD will encourage the partnership between the concerned employee and the immediate supervisor to prepare the Competency-based Individual Development Plan (CIDP) by identifying the appropriate L&D interventions that can address the identified skills gaps.

ORIENTATION AND EDUCATION PROGRAM FOR DIRECTORS AND SENIOR MANAGEMENT

As part of their continuing education and to strengthen their oversight function, the Board of Directors and Senior Management attend conferences and seminars on Board governance and related industry matters. They are also given opportunities to travel abroad to participate in events that will allow them to gain exposure on best practices and current issues impacting the financial services sector.

In 2017, three members of the LANDBANK Board participated in the following training program/s:

Name	Program	Functional Group	Date	Venue	Training Hours
President Alex V. Buenaventura	Study Visit on Smallholder Estates	Credit Management	July 16-20, 2017	Malaysia	40
	Corporate Governance Orientation Program for GOCCs	Management and Leadership	May 24, 2017	Discovery Primea, Makati City	9
	Site Visitation in CPF Philippines Corporation	Credit Management	May 2-7, 2017	Thailand	48
Director Virgilio DV. Robes	Corporate Governance Orientation Program for GOCCs	Management and Leadership	Feb. 8, 2017	Discovery Primea, Makati City	8
	Corporate Governance Orientation Program	Management and Leadership	Aug. 23, 2017	Discovery Primea, Makati City	8
	Finance for Directors Program	Financial Management	Aug. 24, 2017	Discovery Primea, Makati City	8
Director Rodolfo V. Puno	Corporate Governance Orientation Program	Management and Leadership	Aug. 23, 2017	Discovery Primea, Makati City	8

On the other hand, 48 Senior Officers of the Bank had 270 programs attended in total. Attendance to these seminars further reinforced their knowledge of the business of banking and its major functional areas; updated them on the current banking regulations, practices and standards; and provided them with networking opportunities to build strategic partnerships with other financial institutions and stakeholders including multilateral organizations, government bodies, among others.

They also play a major role in the implementation of the Management and Leadership Development Programs which contribute in strengthening the Bank's Succession Program. As a result, the MLDP received the numerous recognitions as an affirmation of its success. In 2015, the People Management Association of the Philippines adjudged the MLD framework as a finalist for the People Program of the Year. It was also awarded Graduate Employment Programme of the Year-Philippines by the

Asian Banking and Finance Magazine in July 2016. The following year, in May 2017, the Bank received the Outstanding Development Project under Human Capital Development Category for both its "MLD Framework" and "Cooperative Immersion" from the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP).

PERFORMANCE ASSESSMENT PROGRAM

In accordance with LANDBANK Executive Order No. 036 series of 2017, Revised Implementing Guidelines on the LANDBANK Strategic Performance Management System (SPMS), LANDBANK has established and implemented its own SPMS pursuant to CSC MC No. 6, s. 2012 and CSC Resolution No. 1200481. The basic elements present in the SPMS include alignment of performance goals to the organization's performance scorecard and objectives, clear delineation of rater and ratee's roles, and presence of information system to support performance monitoring.

These guidelines cover all full-time regular officers and staff, whether permanent, temporary or co-terminus, in all Bank Units such as Office of the President and Board of Directors, Groups, Departments and Field Units, for the full performance management cycle.

RETIREMENT POLICY

LANDBANK's Retirement Program is in compliance with the appropriate rules and regulations issued by various regulatory bodies. These regulations support lengthy tenures resulting in capable and experienced senior personnel who have dedicated their lives and career to LANDBANK's mandate.

To improve overall work productivity, provide flexibility and retain key personnel, the Bank implements an early separation program for employees with medical condition as well as those who meets a certain age and tenure. This approach has allowed the institution to attract fresh talents to join our workforce. It has also allowed for movement across LANDBANK which encourages development and growth for the next set of leaders.

SUCCESSION POLICY

LANDBANK ensures the readiness of successors for critical positions in the Bank for the continuity of its business operations through succession planning.

In partnership with incumbents and the would-be successor's manager, the Human Resources Management Group (HRMG) conducts the Succession Planning (SP) process which involves the following activities: (a) identification of key positions in the organization; (b) determination of appropriate qualification and competency standards for these positions; (c) assessment of possible successors against the standards; (d) mapping of candidates in the succession pool; and (e) design and implementation of development programs to ensure and continuously monitor the readiness of potential successors to assume the functions and responsibilities of the position.

To ensure the availability of a highly trained and qualified management pool, the Management and Leadership Development Programs (MLDP), the Bank's premier training program for its high potentials and high performers is continuously being conducted annually.

To date, LANDBANK has four MLDP tracks: (a) Management Training Program (MTP) for first line Supervisors; (b) Branch Officers Development Program (BODP) for future Branch Managers; (c) Lending Officers Development Program (LODP) to harness our Account Officers in the lending operations; and (d) Leadership Development Program (LDP) for current Heads of Units to strengthen and reinforce management skills in building high performing teams.

REMUNERATION POLICY

LANDBANK maintains a remuneration policy that enables the Bank to attract and retain its pool of quality and competent senior officers. The Bank pays salaries, allowances, benefits and incentives commensurate to the senior officer's qualifications and experience, nature of the job, position, and level of responsibility with reference to an approved salary scale and in accordance with the issuances from the National Government agencies {Malacañang Administrative/Executive Orders, Memorandum Circulars issued by the Department of Budget and Management (DBM), Civil Service Commission (CSC), and Governance Commission for GOCCs (GCG)}.

The compensation package of Bank's senior officers consists of monetary and non-monetary benefits, fringe benefits, incentive, recognition and rewards for those who meet their performance targets or goals. The monetary benefits consist of monthly basic salaries, guaranteed Mid-Year and Year-End Bonus and Cash Gift, Uniform/Clothing Allowance, Representation and Transportation Allowance, Anniversary Cash Gift, Loyalty Award, etc. Non-monetary benefits consist of Car Plan/Lease, Rice Subsidy, Annual Executive Check-up, etc. The Bank provides awards and incentives to its senior officers through the grant of Performance Based Bonus (PBB), Productivity Enhancement Incentive, CNA Incentive, PRAISE which are linked to the Bank and employees performance.

LANDBANK Remuneration Policy also provides indirect compensations, which are regulated under existing laws like Bank's share to GSIS, PhilHealth, Pag-IBIG, Provident Fund and various leave benefits.

COMPENSATION OF THE LANDBANK BOARD OF DIRECTORS

The compensation of the LANDBANK Board of Directors is guided by the Bank's Total Compensation Framework (TCF) for Directors, Senior Management and Senior Officers anchored on the principles of meritocracy and equal opportunity. Further, the current Allowances, Benefits and Incentives (ABI) are governed by the guidelines released by regulatory agencies and adopted by the Bank's Board.

The ABIs of the LANDBANK Board are guided by E.O. 24, series of 2011 *"Prescribing Rules to Govern the Compensation of Members of the Board of Directors/Trustees in GOCCs including GFLs"*, issued by then President Benigno Aquino III, and by GOCC Circulars (1) MC2016-01-Compensation Framework for GOCC Governing Boards and (2) Reissued MC 2012-02-Revised Interim Rules on Per Diem and other entitlements of Members of the Governing Boards of GOCCs covered by R.A. No.10149.

The Bank's Corporate Secretary oversees the implementation of the ABIs of LANDBANK's appointive Directors. The Director's attendance and actual performance in their chosen committees are reported on a regular basis to the Bank's Board.

LANDBANK's OVERARCHING POLICY FOR MANAGING RELATED PARTY TRANSACTIONS (RPTS)

Related Party Transactions (RPTs) are transactions or dealings with Related Party (RPs) of the Bank, including its trust department, regardless of whether or not a price is charged. It covers all types of transactions (on-and off-balance sheet transactions) with DOSRI and their Closed Family Members (CFMs) or juridical entity.

At LANDBANK, RPTs are allowed provided these are done on an arm's length basis to avoid abuses disadvantageous to the Bank and ensure that RPTs are handled in a prudent manner with integrity. The LANDBANK Board exercises rigorous and appropriate overall governance and controls on RPTs by issuing Board-approved policies.

LANDBANK'S CONSUMER PROTECTION PRACTICES

CONSUMER PROTECTION OVERSIGHT FUNCTION - ROLE AND RESPONSIBILITY OF THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

LANDBANK Board of Directors

The LANDBANK Board is primarily responsible in ensuring that consumer protection rules and regulations are incorporated in the Bank's business operations and strategies. The responsibilities of LANDBANK Board in relation to FCP include the following:

- a. approve LANDBANK FCP Framework and FCP policies and mechanisms which outline consumer protection best practice standards;
- b. ensure availability of resources devoted to consumer protection to maintain compliance with the provisions of the Bank's FCP Framework; and
- c. oversee the implementation of the consumer protection programs, processes, systems and other related activities.

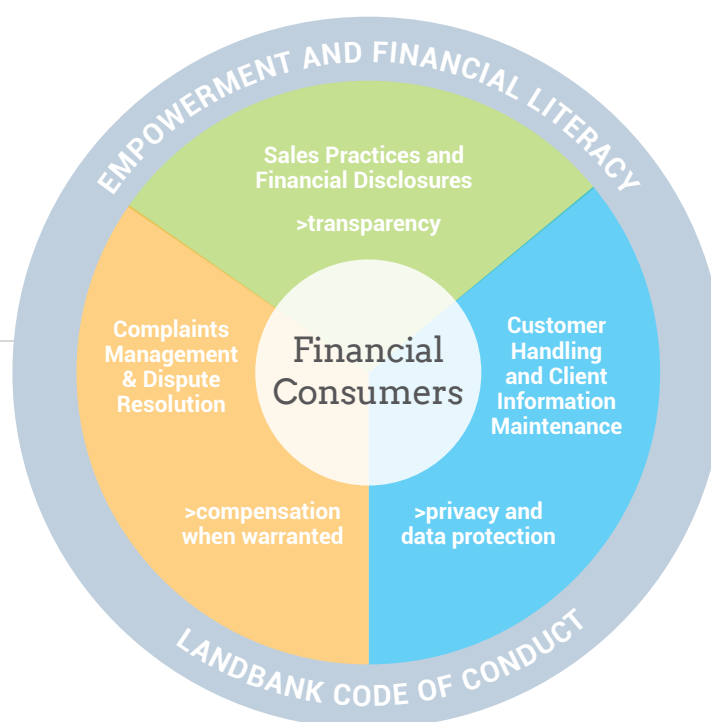
LANDBANK Senior Management

The LANDBANK Senior Management shall be responsible for the proper implementation and effective management of consumer activities and policies approved by the Board through the establishment of LANDBANK FCP Working Team (WT), ensure that consumer protection issues and areas for improvement are resolved effectively and taken at the right time, and perform other duties and responsibilities as may be assigned by the Board.

The LANDBANK FCP WT is responsible for the formulation, updating and reporting or monitoring of pertinent policies, systems and other prerequisites that may be required under the BSP Circular 857 and other BSP issuances related to Financial Consumer Protection that embrace the FCP standards of conduct namely: (1) Disclosure and Transparency; (2) Protection of Client Information; (3) Fair Treatment; (4) Effective Recourse; and (5) Financial Education and Awareness consistent with the Components of the LANDBANK FCP particularly the FCP Framework, Governance and Oversight, Consumer Protection Risk Management System, and Consumer Assistance Management System (CAMS).

LANDBANK'S FINANCIAL CONSUMER PROTECTION (FCP) FRAMEWORK

An FCP Framework that is appropriate to LANDBANK's corporate structure, operations and risk profile shall be adopted. It shall set the mechanism that will guide the Bank in preventing and/or addressing risks that have occurred in relation to financial losses to consumers.



Consumer Protection Risk Management System

LANDBANK's Consumer Protection Risk Management System (CPRMS) is part of the Bank's enterprise-wide Risk Management System. It identifies, measures, monitors, and controls consumer protection risks inherent in LANDBANK's operations including its financial consumers. Thus, the Bank ensures that its consumer protection practices address and prevent or mitigate identified or associated risk of financial harm to the Bank and its consumers.

The CPRMS Oversight Framework is aligned with and adheres to the following Financial Consumer Protection Standards of Conduct prescribed under BSP Circular No. 857:

- Disclosure and Transparency
- Protection of Client Information
- Fair Treatment
- Effective Recourse
- Financial Education and Awareness

Consumer Assistance Management System

Part of LANDBANK's compliance with regulatory policies and issuances is our adherence to the Financial Consumer Protection issued by the BSP under Memorandum Circular No. 857, series of 2014. The establishment of a consumer assistance management system (CAMS) is one of the Circular's major requirements. In line with this, LANDBANK issued its implementing guidelines on CAMS under Executive Order No. 092, series of 2016 on July 21, 2016.

The Customer Care Center (CCC), under the Corporate Affairs Department, has been designated as the central focal unit in handling complaints. For 2017, a total of 505 complaints, which were received through various channels – CCC hotline and e-mail, official social media accounts, the BSP, Contact Center ng Bayan, 8888 Hotline, Malacañang Presidential Complaint Center and other government agencies – were handled, processed and monitored by CCC, until their resolution.

Branches and other field units were also mandated to create a Customer Care Desk in their respective offices, manifesting further LANDBANK's commitment to providing a wide range of customer touch points where they can file their concerns or complaints.

CORPORATE INFORMATION

BANK WEBSITE

LANDBANK's corporate website is www.landbank.com. It is the virtual window through which our current and prospective clients, program partners, regulators, and other stakeholders can access various information about us, including the Bank's history, products and services, network directory, financial and operational highlights, and current business thrusts.

Links to the following electronic banking channels are also in the website:

- **iAccess** – LANDBANK's retail Internet banking facility
- **weAccess** – the Internet banking channel for LANDBANK's client institutions, corporations, government agencies, and other organizations
- **i-Easy Padala** – where our remittance partners can process their remittances in real-time
- **eTPS or e-Tax Payment System** – tax payment through the Internet, in support of the Bureau of Internal Revenue's Electronic Filing and Payment System Facility (EFPS)
- **ePP or e-Payment Portal** – an alternative payment channel that allows clients to pay via the Internet for products and services offered by government and private institutions
- **eMDS or Electronic Modified Disbursement System** – developed for clients of the Bank that are national government agencies (NGAs), which allows them to do selected MDS transactions online
- **Link.BizPortal** – an internet payment platform for fees, dues and charges of government and other merchants

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FINANCIAL HIGHLIGHTS (GROUP)

RESULTS OF OPERATION

2017 was another banner year for LANDBANK in terms of financial performance and position. LANDBANK remains the fourth most profitable bank in the country, having recorded P15.62 billion net income as a Group in 2017 for a 9% increase against the previous year. The Bank's return on equity (ROE) is a healthy 14.71%, which compares favorably with the 9.96% average ROE of the commercial banking industry for end-2017.

Revenues from interest income amounted to P48.11 billion, 15.41% higher from the same period the previous year, represented by a P45.66 billion interest income from loans and investments, accounting for 95% of total interest income.

The Bank's net interest income amounted to P38.28 billion in 2017, P6.91 billion or 22% higher than the P31.37 billion in 2016, attributed to a significant increase in interest income from loans and investments. Interest income from loans and investments increased to P29.75 billion and P15.91 billion or by 15% and 22%, respectively.

While the Bank's deposit levels increased to P1.43 trillion in 2017 or 15.34% higher than the P1.24 trillion in the previous year, interest expense decreased by 5% due to low interest rates.

Other operating income increased by P0.42 billion or 7% to P6.56 billion in 2017, brought about by an increase in fees and commission, gains on financial assets held for trading and sale of non-trading FA and liabilities.

FINANCIAL CONDITION

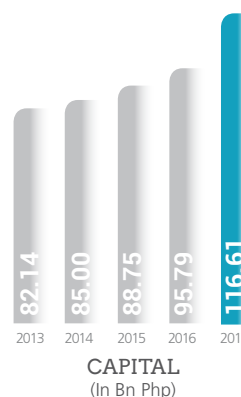
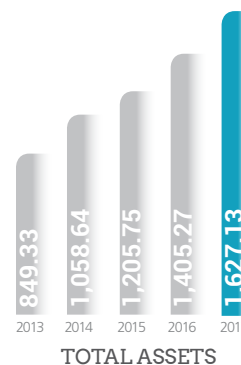
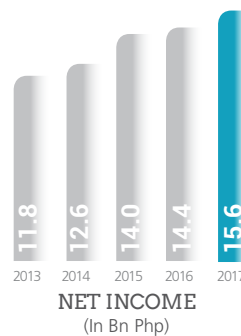
LANDBANK remains to be the fourth largest bank in the Philippines in terms of total resources, total deposits and total loan portfolio.

Total resources reached an all-time high of P1.63 trillion in 2017, 15.79% higher or P221.86 billion from P1.41 trillion in the previous year. Total loans amounted to P601.15 billion in 2017 accounting for 37% of total resources, is 23.2% or P112.34 billion higher than in 2016. Investment portfolio grew 25.4% or P114.88 billion to a total of P568 billion, mainly attributed to held to maturities and available-for-sale investments. The Bank's loan and investment portfolios were fully covered by the P1.43 trillion deposit liabilities.

CAPITAL AND CAPITAL RATIOS

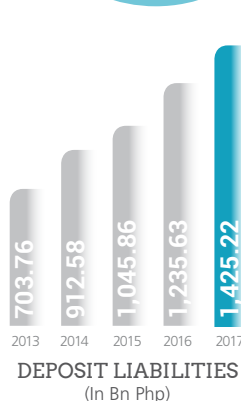
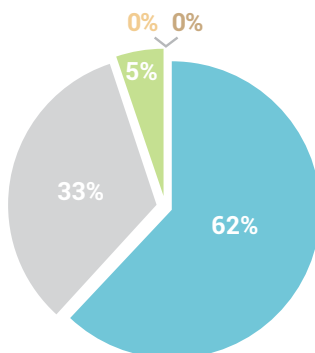
As of Dec. 31, 2017, LANDBANK has a total of P200.0 billion authorized capital stock consisting of two billion common shares at P100.0 par value per share. Paid-up capital increased to P20.98 billion from P17.80 billion in 2016 due to the capital infusion of P3.18 billion by the National Government (NG) in 2017. The common stocks are fully subscribed by the NG.

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 2017 and 2016 (except for the ratios, all amounts in P Millions).



INTEREST INCOME

- Loans
- Investments
- Due from BSP
- Deposit in banks
- Others



CAPITAL STRUCTURE AND CAPITAL ADEQUACY

(Amount in Php M)

	Consolidated ¹		Parent (Solo)	
	2017	2016	2017	2016
Tier 1 Capital				
Common Equity Tier 1 (CET 1) Capital				
Paid-up Common Stock	20,981.00	17,800.00	20,981.00	17,800.00
Retained Earnings	64,144.95	50,463.66	64,144.95	50,463.66
Undivided Profits	13,859.33	13,686.25	14,058.26	13,686.25
Net unrealized gains or losses on AFS securities	5,411.94	3,536.03	5,411.94	3,536.03
Total	104,397.22	85,485.94	104,596.15	85,485.94
Regulatory Deductions from CET 1 Capital				
a. Unsecured DOSRI Loans	1,146.69	1,751.78	1,274.44	2,215.76
b. Deferred Income Tax	516.58	632.69	441.26	562.61
c. Other intangible assets	1,270.34	991.00	1,269.75	990.65
d. Investments in equity of unconsolidated subsidiary banks and quasi-banks, and other financial allied undertakings (excluding subsidiary securities dealers/brokers and insurance companies), after deducting related goodwill, if any (for solo basis only and as applicable)	-	-	1,418.83	1,438.59
e. Investments in equity of unconsolidated subsidiary securities dealers/brokers and insurance companies after deducting related goodwill, if any (for both solo and consolidated bases and as applicable)	989.18	947.40	950.12	947.40
f. Significant minority investments (10%-50% of voting stock) in banks and quasi-banks, and other financial allied undertakings after deducting related goodwill, if any (for both solo and consolidated bases)	450.29	445.33	360.00	360.00
g. Minority investments (below 10% of voting stock) in subsidiary banks and quasi-banks, and other financial allied undertakings (excluding subsidiary securities dealers/brokers and insurance companies), after deducting related goodwill, if any (for both solo and consolidated bases)	281.74	96.28	96.44	30.55
h. Other equity investments in non-financial allied undertakings and non-allied undertakings	23,629.95	20,354.69	23,187.93	19,977.97
Total	28,284.77	25,219.17	28,998.77	26,523.53
Net CET 1 Capital	76,112.45	60,266.77	75,597.38	58,962.41
Net CET 1 Capital	-	-	-	-
Net CET 1 Capital	76,112.45	60,266.77	75,597.38	58,962.41
Net CET 1 Capital				
General Loan Loss Provision	5,806.69	4,970.58	5,790.00	4,950.00
Total Tier 2 Capital	5,806.69	4,970.58	5,790.00	4,950.00
Total Qualifying Capital	81,919.14	65,237.35	81,387.38	63,912.41

¹ Consolidated with Subsidiaries.

The Bank's CET 1 capital increased in 2017 due to the P3.18 billion equity infusion of the National Government and higher net income despite the P3.01 billion increase in regulatory adjustments to P28.28 billion in 2017 from P25.22 billion the previous year. Total qualifying capital also increased by 25.6% or P16.68 billion to P81.92 billion in 2017 from P65.24 billion in 2016 due to the improved CET 1 capital and 16.82% increase in Tier 2 capital.

The full reconciliation of all regulatory capital elements back to the balance sheet in the audited financial statements are as follows (amount in Million Pesos):

Full reconciliation of all regulatory capital elements back to the balance sheet in the audited financial statements

(Amount in Php M)

Account Description	CONSOLIDATED ¹					
	2017			2016 (As Restated)		
	Regulatory Capital	Reconciling Items	Audited Financial Statements	Regulatory Capital	Reconciling Items	Audited Financial Statements
Paid-up common stock	20,981.00		20,981.00	17,800.00		17,800.00
Paid-in Surplus		101.10	101.10		101.10	101.10
Retained earnings	64,144.95	10,292.46	74,437.41	50,463.66	9,474.39	59,938.05
Revaluation Increment		61.20	61.20		61.20	61.20
Undivided profits	13,859.33	1,762.13	15,621.46	13,686.25	669.64	14,355.89
Other Comprehensive Income						
Net unrealized gains or losses on AFS securities	5,411.94		5,411.94	3,536.03		3,536.03
Remeasurement of retirement benefit obligation		(0.42)	(0.42)		(0.11)	(0.11)
Deductions	(28,284.77)	28,284.77	-	(25,219.17)	25,219.17	-
Tier I (CET 1) capital/Total equity	76,112.45	40,501.24	116,613.69	60,266.77	35,525.39	95,792.16
Tier 2 Capital	5,806.69	(5,806.69)	-	4,970.58	(4,970.58)	-
Total Qualifying Capital/Total equity	81,919.14	34,694.55	116,613.69	65,237.35	30,554.81	95,792.16

¹ Consolidated Amount of Parent and Subsidiaries

Account Description	PARENT (Solo)					
	2017			2016 (As Restated)		
	Regulatory Capital	Reconciling Items	Audited Financial Statements	Regulatory Capital	Reconciling Items	Audited Financial Statements
Paid-up common stock	20,981.00		20,981.00	17,800.00		17,800.00
Paid-in Surplus		101.10	101.10		101.10	101.10
Retained earnings	64,144.95	7,879.57	72,024.52	50,463.66	7,179.11	57,642.77
Undivided profits	14,058.26	1,447.11	15,505.37	13,686.25	419.20	14,105.45
Net unrealized gains or losses on AFS securities	5,411.94		5,411.94	3,536.03		3,536.03
Deductions	(28,998.77)	28,998.77	-	(26,523.53)	26,523.53	-
Tier I (CET 1) capital/Total equity	75,597.38	38,426.55	114,023.93	58,962.41	34,222.94	93,185.35
Tier 2 Capital	5,790.00	(5,790.00)	-	4,950.00	(4,950.00)	-
Total Qualifying Capital/Total equity	81,387.38	32,636.55	114,023.93	63,912.41	29,272.94	93,185.35

There is a significant increase in total risk-weighted assets (RWA), particularly on credit and operational RWAs due to the continued expansion of loans, balance sheet and gross revenues.

Risk-Weighted Assets	Consolidated		Parent	
	2017	2016	2017	2016
Credit Risk-Weighted Assets				
Total Risk -Weighted On-Balance Sheet Assets	574,229.49	471,314.45	572,037.74	469,011.20
Total Risk-Weighted Off-Balance Sheet Assets	53,455.13	41,960.83	53,455.13	41,960.83
Total Counterparty Risk-Weighted Assets in the Trading Books	676.86	262.98	676.86	262.98
Total Credit Risk-Weighted Assets	628,361.48	513,538.26	626,169.73	511,235.01
Market Risk-Weighted Assets				
Interest Rate Exposures	2,860.51	860.10	2,860.51	860.10
Equity Exposures	-	5.43	-	5.43
Foreign Exchange Exposures	238.53	283.89	238.53	283.89
Options	3,623.02	2,914.50	3,623.02	2,914.50
Total Market Risk-Weighted Assets	6,722.06	4,063.92	6,722.06	4,063.92
Total Operational Risk-Weighted Assets	61,152.10	54,457.66	60,605.09	53,920.49
Total Risk-Weighted Assets	696,235.64	572,059.84	693,496.88	569,219.42

Increase in CET 1 ratio to 10.93% in 2017 from 10.54% the previous year is due to an improvement of CET 1 capital. With no outstanding AT1 capital, Tier 1 capital ratio likewise stood at 10.93% which is well above the BSP requirement.

CET 1 Capital Ratio	10.93%	10.54%	10.90%	10.36%
Tier 1 Capital Ratio	10.93%	10.54%	10.90%	10.36%
Capital Conservation Buffer	4.93%	4.54%	4.90%	4.36%
Risk-Based Capital Adequacy Ratio (CAR)	11.77%	11.40%	11.74%	11.23%

LANDBANK's Dec. 2017 Capital Adequacy Ratio (CAR) improved to 11.77% from 11.40% in 2016, which is comfortably above the BSP requirement of 10.0%.

As a Government Financial Institution, LANDBANK is subject to and complies with the provisions of the dividend law – R.A. No. 7656 issued in 1993. The Bank regularly declares and remits at least 50% of its annual net earnings as cash dividends and until 2016, has remitted an aggregate amount of P44.2 Billion to the National Government. To ensure that it can sustain its support to various government initiatives, the Bank has to strengthen or at least preserve its capital and occasionally requests the government for a dividend relief or a lower dividend rate.

LANDBANK requested the Department of Finance for a dividend relief for its 2017 earnings to support continued loan expansion to its priority sectors and various government initiatives and directives.

FINANCIAL RESULTS OF BUSINESS SEGMENTS

Operating segments are reported according to the nature and type of services provided with a segment representing a strategic business unit.

LANDBANK's business segments are as follows:

- Retail Banking
- Corporate Banking
- Treasury and Investment Banking
- Others

Segment revenues and expenses that are directly attributable to the business segment and the relevant portion of the Bank's revenues and expenses that can be allocated to that business segment are accordingly reflected as revenues and expenses of that business segment.

SUMMARY OF FINANCIAL PERFORMANCE OF THE BUSINESS SEGMENT

All four business segments recorded higher interest income in 2017 compared with the 2016 levels, with Treasury and Investment Banking higher by P4.0 billion reaching P22.2 billion, and Corporate Banking higher by P2.0 billion to P24.0 billion. Among the business segments, Treasury and Investment Banking contributed the most significant net income given its minimal manpower, while Others which is composed of support and other cost centers registered a negative income contribution.

CONTRIBUTION OF EACH MAJOR BUSINESS SEGMENT TO THE TOTAL REVENUE OF THE BANK

Corporate Banking contributed almost half of the total revenues of the Bank in 2017 at 48%. Combined with Treasury and Investment Banking, these two segments accounted for 90% of LANDBANK's total revenues. Retail Banking contributed majority of the remaining segments at 7%, and this segment is expected to contribute more in the future considering the evolving strategic initiatives of the Bank focusing more on financial inclusion including retail lending.

SIGNIFICANT DEVELOPMENTS AND FUTURE PLANS AND TARGETS

CORPORATE BANKING GROUP

The Corporate Banking Group remained steadfast in expanding loans and other credit facilities to the Bank's Priority Sectors. In 2017, the Bank focused on its thrust toward sustainable inclusive growth by "greening" its loan portfolio for projects involving agriculture and fisheries (e.g., cacao, coconut, sugarcane, livestock, fisheries) while extending credit assistance to economic activities in support of the National Government's priority programs specifically the micro, small and medium enterprises, housing (socialized, low- and medium cost), utilities, transportation, and communications, among others. For its mandated sectors, the Bank continued the implementation of special credit programs by opening direct credit windows to benefit small farmers and fishers such as the Sikat Saka Program and the Agrarian Production Credit Program especially for agrarian reform beneficiaries and their organizations, in partnership with the Department of Agriculture, and the Department of Agrarian Reform and Department of Environment and Natural Resources, respectively.

LANDBANK will continue to intensify its lending to the Priority Sectors via extensive marketing of its various credit assistance programs and other support interventions and forging of strategic alliances and collaborations with different government agencies and private institutions. Through its newly-created lending programs during the year such as the SPEED PUV Program, Ferry Boat Lending, and the TRANSPORT Program, the Bank was able to boost the government's modernization initiative the country's land and marine transport industries and help in the promotion of environment-friendly, safe, and efficient modes of public transportation. By 2018, the Bank will embark on new program developments that will involve the women sector, ship building, marine tourism, education, PEZA locators as well as enhancements of existing programs on K-12 Junior High School Program, and the BUILDERS Program.

RETAIL AND MID-MARKET LENDING GROUP

The Retail and Mid-market Lending Group (RMLG) handles the overall administration, monitoring, supervision and management of micro, small, medium and mid-market enterprises in the National Capital Region (NCR) with asset size of up to P1.0 billion and OFW loan accounts and individual housing and mortgage loan borrowers, accredited Real Estate Developers with office based in the NCR and Sales Contract Receivables clients.

Despite the highly competitive environment in the retail market, RMLG's loan portfolio grew significantly by 66% from 2016 or 156% accomplishment vis-à-vis its target which can be attributed to increased responsiveness to the needs of its target markets especially the Bank's Priority Sectors.

In 2017, RMLG participated actively in the conduct of K-12 Bridge Financing Roadshow for NCR based non-DepEd participating schools under the DepEd Senior High School –Voucher Program (SHS-VP) at the LANDBANK Plaza in Manila. The program aims to provide timely bridge or short term financing to the participating Non-DepED schools and to support the government in its implementation of the K to 12 Program and to position LANDBANK as the Champion in creating a timely and immediate available credit facility to complement the SHS-VP of the DepEd. As of end-December 2017, RMLG has five schools/clients under K-12 Bridge Financing Program of the Bank.

RMLG also participated in the Philippines-China SME Cross Border Trade and Investment Conference last March 18, 2017 at the Manila Hotel, together with Bank of China (as lead Technical Working Group), Philippine Chamber of Commerce and Industry (PCCI), International Chamber of Commerce Philippines (ICCP), BDO Unibank, Inc. and East West Banking Corporation. The conference aimed to promote interconnection between SMEs of the Philippines and China and helped them share in the global value chain and stimulate the vitality and globalization of SMEs. Of the 148 LANDBANK qualified clients, 23 attendees had matches during the customer pairing. These LANDBANK clients had a face-to-face communication with Chinese SMEs wherein 17 have successful matches with their Chinese counterparts.

In the coming years, RMLG shall unceasingly respond to the needs of the priority sectors. It shall handle new and innovative programs such as the LANDBANK Support Package for Environment-friendly and Efficiently-Driven (SPEED) PUVs which is in accordance with the Philippine government thrust of modernizing public transportation in the country, and the LANDBANK Go Green Inclusive Financing Program which is in support of the government's thrust of reducing electricity consumption by promoting the use of energy efficient solutions (i.e., high energy efficient appliances, equipment, motors, lighting units and systems, building retrofitting for efficient thermal insulations and/or maximum use of natural lightings, use of solar rooftop systems, among others). RMLG will also continue the roadshow of the K to 12 financing program to school owners and replicate the same to other sectors such as contractors for the BUILDERS program, hospital owners for the HealthPlus, among others.

TREASURY GROUP AND INVESTMENT BANKING GROUP

Markets in 2017 were generally upbeat, with local equities ending the year at an all-time high, on the back of increasing domestic corporate earnings and optimism on the spending plans and tax reform bills of the Philippines and the United States. However, despite upbeat domestic economic activity and healthy remittances from overseas Filipinos, the peso continued to depreciate, as investors preferred the safer greenback in the face of rising US interest rates and geopolitical disturbances such as the Marawi siege, the North Korean missile program, the American health care reform bill, and the early stages of US trade protectionism. Financial market swings, likewise, remained elevated due to rate hike concerns domestically and abroad.

Despite the market volatility in 2017, TIBS registered a total income of P25.07 billion, coming from investment income, treasury loans, Due from BSP deposit facilities, as well as fee-based income.

LANDBANK remained a dominant player in the industry and was chosen as one of the ten Market Makers among GS Eligible Dealers (GSEDs) under the Bureau of the Treasury's (BTr) Interdealer Government Securities (GS) Repurchase Agreement Program. The Bank was also recognized as part of the Top 5 Fixed-Income Dealing

Participants in the secondary market for seven consecutive years during the Philippine Dealing System Annual Awards for 2017.

In the area of investment banking, LANDBANK remained a valuable partner in nation building. The Bank acted as one of the Lead Issue Managers for Tranches 19 and 20 of the Retail Treasury Bonds (RTB) of the BTr in 2017. The RTB Tranche 19 issued in April 2017 was awarded the Best Bond Deal for Retail Investors in Southeast Asia at the Alpha Southeast Asia 11th Annual Best Deal and Solution Awards held in Malaysia in February 2018. Also, the RTB Tranche 20, issued in December 2017 was an overwhelming success, as the BTr issued P255.4 billion worth of government securities, the biggest domestic fund-raising, to date.

The Investment Banking Group (IBG) also served as the transaction advisor in the acquisition of the Philippine Postal Bank and its subsequent conversion to the Overseas Filipino Bank. This strategic deal was part of the National Government's (NG) promise to create a bank dedicated to the needs of Overseas Filipino Workers. In July 2017, LANDBANK also served as a co-manager in the first tranche of Aboitiz Power's fixed-rate bonds offering.

LANDBANK further expanded its distribution capability through Investment Sales and Distribution Department's (ISDD) six National Capital Region (NCR) Treasury Desks and ten Regional Treasury Hubs, servicing 379 LANDBANK Branches and Extension Offices in 16 regions and 81 provinces nationwide. This strong network enabled LANDBANK to continue catering to the investment needs of retail clients, as well as 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.

LANDBANK also acted as one of the selling agents for the BTr's P181.00 billion RTB Tranche 19 and P255.40 billion RTB Tranche 20. LANDBANK has the highest sales for the two RTB offerings with sales of P31.45 billion for RTB 19, and P91.27 billion for RTB 20 or 36% of the total market. As such, LANDBANK was recognized as one of the Top 5 Fixed Income Brokering Participants, besting 30 others, during the Philippine Dealing System Annual Awards for 2017.

Meanwhile, LANDBANK's FX Sales and Hedging Solutions Department (FSHSD) facilitated USD1.98 billion worth of FX transactions. With aggressive, yet collaborative, marketing initiatives and the provision of real-time competitive rates, FSHSD cornered big ticket transactions from rate-sensitive FX clients whose requirements were previously addressed by other banks and FX corporations.

LANDBANK Foundation and Subsidiaries



LANDBANK COUNTRYSIDE DEVELOPMENT FOUNDATION, INC. (LCDFI)

The LANDBANK Countryside Development Foundation, Inc. (LCDFI) strongly supports LANDBANK's mandate in spurring countryside development. Established in March 1983 as a non-stock, non-profit corporate foundation, LCDFI developed and implemented programs and activities like capacity building, enterprise development and CSR-related projects that created key impacts in the pursuit of improving the quality of life of Small Farmers and Fishers (SFFs), Agrarian Reform Beneficiaries (ARBs), Small and Medium Enterprises (SMEs), Overseas Filipino Workers (OFWs) and Countryside Financial Institutions (CFIs) which are among the Bank's priority sectors.

The foundation was classified by the Governance Commission for GOCCs (GCG) as one among the government-owned and controlled corporations (GOCCs) in 2013 and has since complied consistently with all the pertinent rules and regulations governing all the GOCCs and government entities.

FINANCIAL HIGHLIGHTS

In 2017, the total revenue of LCDFI rose by P6.06 million or 31.11% to P25.54 million from P19.48 million in 2016. The marked growth was due to the increase in the number of trainings requested by LANDBANK to 105 from 77 training batches in 2016 which resulted in a proportional increase in the donation or source of LCDFI's revenue from LANDBANK. On the other hand, total expenses significantly grew by 49.59% (P8.62 million) from P17.39 million in 2016 to P26.02 million in 2017 as LCDFI conducted more trainings for LANDBANK Borrowing Cooperatives (BCs) this

year coupled with the hiring of five additional personnel for 2017. Net income after tax (NIAT) was posted at a negative P0.48 million from P2.09 million or a whopping 122.74% negative growth.

LCDFI's total resources slightly decreased by P2.20 million or 2.1% to P105.04 million in 2017 from the P107.24 million in 2016. Total liabilities stood at P1.98 million in 2017, lower by P1.60 million from the P3.58 million in 2016. By end-2017, total equity recorded a decrease of P0.61 million from P103.67 million in 2016 to P103.06 million.

Financial Highlights (In P Million)

	2017	2016	Growth Rate (%)
Gross Revenues	25.54	19.48	31.11
Total Expenses	26.02	17.39	49.59
Net Income After Tax	(0.48)	2.09	(122.74)
Total Resources	105.04	107.24	(2.06)
Total Liabilities	1.98	3.58	(44.78)
Total Equity	103.06	103.67	(0.58)

CAPACITY BUILDING PROGRAM

LANDBANK also provides capability-building services to Bank-assisted cooperatives through the LANDBANK Countryside Development Foundation, Inc. (LCDFI).

The capability-building program of the Bank for the borrowing cooperatives officers and personnel has six components: training implementation; module development; monitoring and evaluation; coaching and mentoring; monitoring of training action plan; and customized training.

In 2017, LCDFI conducted 105 batches of training implementation as requested by the Bank's Lending Program Management Group (LPMG), resulting to a 100% accomplishment of the target training batches involving 2,625 participants from 739 LANDBANK BCs. Also, the foundation assisted LANDBANK in module development, where 12 priority training modules were conducted as

requested by LANDBANK's Lending Centers during the year. It was also able to conduct 13 trainings out of the 12 targets on monitoring and evaluation, resulting to a 108% accomplishment for 2017. The coaching and mentoring program held for a three-month period which started on 16 August and ended on Nov. 16, 2017, was participated in by eight LANDBANK BCs. Moreover, this activity is a highly recommended follow-through to the capacity building program for LANDBANK BCs. In addition, LCDFI conducted 12 batches of monitoring and evaluation of training action plans committed by trained LANDBANK BCs covering three cooperatives per LCDFI area— Northern and Central Luzon, Southern Luzon and Bicol Region, Visayas and Mindanao. This program was intended to assist and help the participating cooperatives improve their operations and complete its tasks according to the action plans. Lastly, in 2017, LCDFI conducted two batches of customized trainings for the Risk and Control Self-Assessment (RCSA) as recommended by the Cooperative Development Authority (CDA). In both training batches, with a total of 43 participants from the Mines Central Employees and Southern Global Services Multi-Purpose Cooperative (MPC), LCDFI covered all the expenses in the absence of any directive in 2017 for the rate that LCDFI should charge for customers outside LANDBANK.

In the same year, LANDBANK President and CEO Alex V. Buenaventura has assigned LCDFI to establish a “business process outsourcing service” for LANDBANK BCs to improve their systems and operations.

LCDFI, then, came up with a program that would address improving the borrowing cooperatives' systems and operations. The “Shared Services for Cooperatives Program” aims to provide intensive, customized and one-on-one service assistance to cooperatives such as Accounting Systems; Operations Manual Formulation; Policy and Rules Formulation; Audit and Internal Control; Shared Services Installation and Training; and Criteria for Selecting Pilot Cooperatives.

Upon implementation of this new program, LCDFI will discontinue its Coaching and Mentoring Program and the Monitoring of Action Plans Program as the Shared Services for Cooperatives Program is an integrated and holistic approach to both said activities.

LCDFI shall continue the conduct of capacity building programs for Bank's Borrowing Cooperatives based on LANDBANK requested trainings. Further, the Foundation shall continue to provide assistance to small household farmers through technology transfer of natural and organic farming systems and techniques.

ENTERPRISE DEVELOPMENT PROGRAM

Likas Saka Project

This program aims to provide members of LANDBANK BCs, ARBs, and SFFs with technical knowledge on natural farming practices and systems, and to organize them into clusters.

It was piloted in Hacienda Luisita (Tarlac) and Bondoc Peninsula (Quezon Province) in October 2014. The program held various training seminars on sustainable agriculture which were conducted and facilitated by the Foundation which invited local development resource persons to reduce costs.

The Likas Saka Project continued to expand its areas of operation or coverage sites through support received from the Bank and its subsidiary, the LANDBANK Insurance and Brokerage, Inc. (LIBI). In 2016, there were nine existing project location sites: (1) Santa Ignacia, Tarlac; (2) San Narciso, Quezon Province (Bondoc Peninsula); (3) Cavinti, Laguna; (4) Balasan, Iloilo; (5) Hinigaran, Negros Occidental; (6) Calape, Bohol; (7) Imelda, Zamboanga Sibugay; (8) Claveria, Misamis Oriental; and (9) Sibagat, Agusan Del Sur. In 2017, the project was able to establish 10 new additional project sites – five in Luzon: (1) Dolores, Quezon; (2) San Luis, Batangas; (3) San Jose, Occidental Mindoro; (4) San Narciso, Zambales; and (5) Tigaon, Camarines Sur; three in Visayas: (1) Daram, Samar; (2) Borbon, Cebu; and (3) Murcia, Negros Occidental; and two in Mindanao: (1) Alicia, Zamboanga Sibugay and (2) Cagdianao, Dinagat Islands.

LCDFI also conducted 14 training seminars that benefited 834 farmer-members, performed 35 site-monitoring visits, organized ten new farmer-clusters and engaged nine new Local Farm Technicians (LFTs) who served as farmer-leaders in each project site which formed part of the Foundation's programs and KRAs.

For 2018, the Foundation shall continue to provide assistance to small household farmers through this program. The Foundation will establish a pilot livelihood program under the Bank's Gawad Sibol Program (previously known as the Adopt-A-Watershed Program) in the three upland communities—one site each for Luzon, Visayas and Mindanao.

LCDFI shall also conduct trainings on natural/ organic vegetable and native pig farming for the three selected peoples' organizations who are partners of LANDBANK Corporate Affairs Department (CAD). Impoverished families who help protect and nurture the watersheds adopted by LANDBANK will be provided extra incomes through these training programs. The program will be

LCDFI came up with “Shared Services for Cooperatives Program” that aims to provide intensive, customized and one-on-one service assistance to cooperatives.

LCDFI was able to assist 202 farmers in the Bangon Mini-Farms Program.

replicated in the other Gawad Sibol Program sites nationwide if the pilot testing of the program will be successful.

Project Coco BiNHi

Pursuant to its commitment to spur development in the countryside, the Foundation partnered with the Philippine Coconut Authority-Zamboanga Research Center (PCA-ZRC) to establish the “Project Coco BiNHi (Bigay and Hiram)” in 2017.

The project aims to pilot test an approach that will help small coco farmers increase the productivity of their coconut farms and the income they earn from it by going beyond being mere recipients of dole-outs to becoming creditworthy borrowers for production purposes.

In the course of the Coco BiNHi implementation, LCDFI is able to identify the following three objectives of the project: (1) provide capacity building intervention for selected small-holding coconut farmers, which includes organizing participants into farmer-clusters, and technology transfer training seminars on planting/replanting using improved coconut populations and planting systems, and rehabilitation of coconut farms through fertilization and intercropping; (2) grant an initial supply of fertilizers/nutrients (e.g., Coco Gro) and other farm inputs as may be identified; and (3) assist in linking the farmers to LANDBANK for possible loans to finance additional fertilization or for the processing of coconut products.

Launched in Aug. 2017 through a Memorandum of Agreement (MOA) with PCA-ZRC, the project was able to conduct four training batches with 93 participants. Each of the three-day training seminar consisted of about 30% classroom-type lectures by officials and scientists of PCA-ZRC and 70% field and hands-on training demonstrations that introduced coconut farmers to new farming technologies and manufacturing of high-value products from coconuts (e.g., coco sugar, VCO, handicrafts and furniture).

Bangon Mini-Farms Program

LCDFI continued to assist the Bangon Mini-Farms Alpha Sector Association, Inc. (BMFASAI) in the implementation of the Bangon Mini-Farms Program in 2017, with financial support from the LANDBANK 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 was to introduce farmers to the natural mini-farms technology as a means to end hunger and poverty for one farmer family at a time.

Through appropriate trainings and seminars, LCDFI was able to assist 202 farmers out of the target of 200 or a 101% accomplishment. Likewise, LCDFI assisted in conducting 12 batches of farm and cluster audits out of the 13 targeted for the year, or a 92% accomplishment.

For most of the year, the BMFASAI concentrated their operations in the processing of dried and powdered goods such as chili, moringa (malunggay), garlic, ginger/turmeric, lemongrass, purple yam, basil, among others, initially for local consumption with the intention of exporting the processed products in the future.

Meanwhile, upon submission of all documentary requirements (i.e., liquidation reports, accomplishment reports) by the BMFASAI, LCDFI was able to complete all the disbursement of funding support donated by LLFC in 2017.

As a result, the LCDFI Board of Trustees decided to relinquish all of its operational and financial obligations to the BMFASAI in the hope that the SEC-registered private organization being managed and ran by the farmers of Leyte Province will now be able stand on its own.

LCDFI, however, shall disengage from assisting the BMFASAI in the implementation of the program by 2018. But the Foundation shall continue with the monitoring of the liquidation of the final tranche of funds released to BMFASAI in 2017, which will then be reported to LLFC as program fund donor.

CSR PROGRAM

The Foundation continued to be an active member of the Corporate Social Responsibility Technical Working Group (CSR-TWG) of LANDBANK where it played significant roles in various CSR Programs being managed by the LANDBANK Corporate Affairs Department (CAD).

LANDBANK Gawad Patnubay Scholarship Program

In 2017, LCDFI entered into a tri-partite Trust Agreement with LANDBANK (through LANDBANK-CAD) and the LANDBANK Trust Banking Group (TBG) which called for the establishment of a Scholarship Fund to be invested and held in trust by the TBG.

The Agreement allowed the consolidation of the scholarships funds being held by LCDFI and LANDBANK from the annual voluntary donations of the Bank employees being administered by the LANDBANK Employee Relations Department (ERD). The pooled fund was then invested by TBG.

As a “Program Partner” of the fund, LCDFI was tasked to monitor the progress of the scholarship program funded by the Scholarship Fund based on the reports submitted by CAD, review the completeness and accuracy of the reports, and process the request for the release of funds from TBG upon request of CAD for disbursement to the scholars and partner-universities involved in the scholarship program.

Likewise, LCDFI continued to sit in the Screening Committee of the Scholarship Program, together with representatives from the Land Bank of the Philippines Employees’ Association (LBPEA), Middle Management and Officers Association (MMOA) and Senior Management to interview and screen the applicants for scholarship all over the country.

In 2017, the Foundation was able to hire three graduates of the Gawad Patnubay Scholarship Program for regular employment as part of LANDBANK’s commitment to provide employment to its scholars, either in the Bank, its Subsidiaries or partner-institutions. The newly employed scholars hired by LCDFI were: Mary Rosebe Tuyan and Anna Mae Claudia Acompañad, both graduates of BS Agri-Business from the Visayas State University; and John Karlo Junio, a graduate of BS Agriculture from the Central Luzon State University.

Manila Bay SUNSET Partnership Program, Inc. (MBSPP)

The Foundation also played an important role in the Manila Bay SUNSET Partnership Program, Inc. (MBSPP), the flagship CSR program of LANDBANK. In addition to the conduct of clean-up programs for Manila Bay and nearby coastal areas, it also actively promoted environmental awareness, protection and conservation.

LCDFI employees joined the annual “Manila Bay Clean-up Activity” spearheaded by the Bank on Aug. 12, 2017 as part of its anniversary celebration. The event was participated in by 1,949 volunteers who were able to collect 17 truckloads of trash from the Manila Bay coastal area.

Our employees also assisted in the production of “effective microorganism” or EM mud balls that were used to help clean-up esteros, as well as in the making of trash boats made up of empty PET bottles which were later donated to the Metropolitan Manila Development Authority (MMDA) to support its drive to clean-up esteros in the Metro.

LCDFI employees also assisted and participated in the conduct of the “Binion School Tour” held last 11 December 2017 at the Torres High School and Laurel High School both located in the City of

Manila. Apart from its annual membership dues to MBSPP of P50,000, the Foundation donated an additional P50,000 for the 2017 school tours.

The school tours seek to educate the youth, particularly high school students, in the proper disposal of wastes in their schools, homes and communities through video-showing and interactive games, together with the “Binion Mascot” and Miss Earth Beauties through partnership with the Miss Earth Foundation.

Moreover, LCDFI with its capacity building training programs conducted nationwide, the short film “That Thing Called Basura”, was shown in between breaks. The short film is a program campaign or known as the Information and Education Campaign (IEC) program of MBSPP advocating for proper waste disposal and management.

LCDFI Executive Director, Mr. Gaudioso Carlos A. Garcia, IV, is the corporate treasurer of MBSPP.

ORGANIZATIONAL DEVELOPMENT

ISO Certification

In 2017, LCDFI, in coordination with three of the Bank’s Subsidiaries such as the LANDBANK Resources and Development Corp. (LBRDC), LANDBANK Insurance and Brokerage, Inc. (LIBI), and Masaganang Sakahan, Inc. (MSI) engaged the services of BCJA Training, Consultancy and Events through public bidding for its Quality Management Systems (QMS), en route to ISO Certification.

LCDFI and the three other LANDBANK Subsidiaries were able to secure its “Certificate of Readiness for ISO 9001:2015” after completing various training seminars and putting in place documents, policies and procedures required in the certification process by the end of year 2017.

The Foundation is looking forward to its ISO Certification as its benchmark of professional excellence and a testament to its commitment to provide quality service to its beneficiaries and the Bank.

Competency Framework

As an entity governed by the Governance Commission on CG, the Foundation is expected to comply with all pertinent for all governing GOCCs and government entities. In Dec. 2017, LCDFI completed its Competency Framework Model – a set of behaviors or skills that are essential for effective performance of LCDFI personnel in 2017. The Framework outlines four competencies that are essential to the effective

In 2017, the Foundation was able to hire three graduates of the Gawad Patnubay Scholarship Program for regular employment.

performance of the organization by helping improve its performance and build a better and more effective organization: Core Competencies – Social Responsibility, Excellence in Service Delivery, and Professionalism; Organizational Competencies – Collaboration and Teamwork; Personal and Career Development, and Communication; Leadership Competencies – Developing and Inspiring Others, Planning Work and Managing Teams, Problem Solving and Decision Making; and Technical Competencies – Identified in the Job Descriptions.

In the same year, all employees of LCDFI underwent a one-day training seminar to understand the Competency Framework. After which, all regular positions in LCDFI were plotted in a Competency Matrix to show the level of proficiency needed by each position in the four competencies to effectively perform the duties and responsibilities of the said position: level 1 (Basic); level 2 (Intermediate); level 3 (Advance); and level 4 (Expert).

For 2018, LCDFI will continue to assess the individual Job Descriptions and existing competencies of employees currently holding the position. It will then be matched against the Framework in order to identify competency gaps for purposes of human resource planning and development activities of LCDFI personnel.



LBP INSURANCE BROKERAGE, INC.

The LANDBANK Insurance Brokerage, Inc. (LIBI) is one of the wholly-owned subsidiaries of LANDBANK established on Oct. 22, 1981. The business engages primarily in providing insurance requirements for the Bank and its clients while its secondary business engagement involves the buying and selling of foreign currencies.

FINANCIAL HIGHLIGHTS

In 2017, LIBI's gross income recorded an increase of P17.41 million from the P132.46 in 2016 to P149.87 million. Likewise, total expenses increased by P12.48 million to P54.02 million from last year's P41.54 million. This resulted in net income after tax (NIAT) of P77.02 million which is higher by P5.21 million or 7.25% compared to the 2016 NIAT of P71.81 million. Thus, LIBI surpassed its 2017 NIAT target of P74.34 million by 3.61% or P2.68 million.

In 2017, LIBI's total resources amounted to P1,257.71 million which is higher than the P1,244.32 million in 2016 or a decrease of P13.39 million or 1.08%. Total liabilities were down by P26.90 million from the last year's P294.21 million to P267.31 million in 2017. On the other hand, total equity showed an increase of P40.28 million from the P950.12 million in 2016 to P990.40 million this year.

Return on Equity (ROE) and Return on Asset (ROA) for 2017 improved to 7.94% and 6.16%, respectively. Both were slightly higher compared to last year's ROE of 7.56% and ROA of 5.77%. Per capita income reached P1.71 Million, higher by 4.87% or P0.80 Million than the previous year of P1.63 Million.

Net premium volume produced during the year reached P611.50 Million representing an increase of P34.21 Million or 5.59% compared with last year's P577.29. This was primarily due the increase of premium in loan releases generated by LANDBANK's Agricultural and Development Lending Sector (ADLS).

Net service fees during the year amounted to P112.57 million which is P17.61 million or 18.54% higher compared to last year's P94.96 million.

LIBI's total investment portfolio amounted to P964.88 million as of Dec. 31, 2017. This represents an increase of P167.04 million or 20.94% compared with the previous year's P797.84 million. Total interest income derived from investment stood at P32.83 million which is P6.21 million or 23.33% higher compared with the P26.62 million in 2016.

In 2017, LIBI's collection efficiency on Accounts Receivable-Trade improved to 91% compared with 90% of the previous year.

Financial Highlights (In P Million)

	2017	2016	Growth Rate (%)
Gross Revenues	149.87	132.46	13.14
Total Expenses	54.02	41.54	30.04
Net Income After Tax	77.02	71.81	7.25
Total Resources	1,257.71	1,244.32	1.08
Total Liabilities	267.31	294.21	(9.14)
Total Equity	990.40	950.12	4.24

New Insurance Products

LIBI will introduce new insurance products to support the socio-economic program of the Duterte administration. For 2018, LIBI will push through in materializing the following new insurance products: (1) Micro-insurance for farmers (including coconut farmers) and fishers; (2) Directors' and Officers' Liability Insurance (DOLI) for Government-Owned and Controlled Corporation (GOCCs); (3) Fire Insurance for LGUs of identified municipalities belonging in the second class to sixth class; (4) Cyber Insurance; and (5) Loss of farmer's income insurance due to damaged crops. With these insurance products, LIBI believed that it will be able to support the National Government (NG) in helping the marginalized sector, particularly the farmers and fishers.

Given the serious exposure of the Philippines to geotechnical and meteorological risks, LIBI is working hand in hand with LANDBANK's accredited insurance companies to provide the best insurance coverage for farmers and fishers. Directors' and Officers' Liability Insurance (DOLI) is an insurance cover designed to protect the GOCC's and their respective directors/trustees and officer against the cost of litigation and liability that may arise while in the performance of their official duties as the governing Board and Management. Meanwhile, LIBI will partner with Willis Tower Watson (WTW) for the Cyber Insurance to protect the networks, computer programs, and data from all possible attack, damage or unauthorized access.

Pre-Bidding Insurance Products

As an insurance broker, LIBI is required to provide its clients within 72 hours the insurance quotations upon receipt of their applications. Initially, LIBI would ask from different accredited insurance agencies for insurance product quotations. This became a challenge as it has no ready rates per line of insurance yet at that time. This year, LIBI arranged bidding of insurance products with various accredited insurers to get the lowest price. Moreover, this will enable LIBI to ensure the timely processing and issuance of insurance policy quotations to its clients.

Further, LIBI will also require all their accredited insurers, external adjusters and other service providers to strictly adhere to the turn-around time particularly on the submission of quotations, insurance policy issuance, and claims settlement.

Deployment of Marketing Staff in Lending Centers

LIBI will expand its services to its clients by deploying LIBI marketing staff in the Bank's Lending Centers to assist LANDBANK account officers. The business aims to gain total customer satisfaction, and consequently, attracts more

clients and increased number of business transactions. In the implementation of this program, LIBI has initially identified four strategic locations to expand its business transactions to include Davao, Cebu, General Santos, and La Union.

Outsourcing of Back Office Support/Systems from LANDBANK

LIBI will avail of LANDBANK's expertise and competence in terms of support and system services. This will achieve cost-effective operating processes, while maximizing the operating processes of its parent company.

Improve System of Monitoring and Renewal of Insurance Coverage and Claim Payments of LANDBANK Borrowers

LIBI will fully implement the Integrated Insurance Brokerage System (IIBS) Version 4.0 (Web-based) in October 2018. This web-based system has features that will ease generation of insurance-related reports like renewal of insurance coverage and outstanding claims. It will also lessen the number of cases for non-renewal of insurance and will avoid denial of claims of clients.



MASAGANANG SAKAHAN, INC.

The Masaganang Sakahan Inc. (MSI) started its operations in July 1975 as a wholly-owned and controlled subsidiary of LANDBANK that provides the needed marketing support and other agri-related opportunities and services for small farmers and fishers' cooperatives.

The year 2017 was a tough and challenging year for MSI due to changes with the national policies affecting its business operations. Despite of the adversities and challenges faced by the subsidiary, MSI was able to continuously improve its operational and financial performance.

FINANCIAL HIGHLIGHTS

In 2017, MSI realized total revenue of P333.29 million, generated gross profit of P68.26 million which is 11.41% higher than last year's gross profit of P61.27 million. Correspondingly, total expenses increased by 16.16% or P40.26 Million to P289.46 million from P249.20 million in 2016. As a result, net operating income increased by 13.35% from P27.12 million in 2016 to P30.74

For 2017, MSI was able to serve 44 out of the 47 primary markets (or 93.60%) with a total traded volume of 15,515.94 out of the targeted 17,000 bags of milled rice (or 91.28%).

million in 2017. This resulted in an improved net income after tax (NIAT) of P30.74 million in 2017 from P27.12 million in 2016, higher by P3.62 million or 13.35%. Moreover, MSI attained 91.51% equivalent to P30.52 million of its 2017 target for net income after tax (NIAT) of P33.35 million.

Financial Highlights (In P Million)			
	2017	2016	Growth Rate (%)
Gross Revenues	333.29	287.81	15.80
Total Expenses	289.46	249.20	16.16
Net Income After Tax	30.74	27.12	13.35
Total Resources	221.57	216.33	2.42
Total Liabilities	62.08	70.74	(12.24)
Total Equity	159.49	145.59	9.55

With timely forecasting and faster inventory turn-over, MSI was able to fully maximize its warehouse utilization capacity at 55,000 bags. In 2017, MSI's utilization ratio stood at 2.41, below its target ratio of 2.45 which is equivalent to 134,750 bags of palay.

FOCUS ON SOCIAL IMPACT

On Market Access

Through its marketing efforts and policy amendments to adopt the changes in national policies, MSI was able to sustain its business for corporate accounts on milled rice. MSI expanded its business by tapping its "primary market" of milled rice. "Primary market" refers to business whose core activity involves the purchase of milled rice either for consumption or sale.

For 2017, MSI was able to serve 44 out of the 47 primary markets (or 93.60%) with a total traded volume of 15,515.94 out of the targeted 17,000 bags of milled rice (or 91.28%).

On Assistance to Mandated Sectors

The Payment-in-Kind (PIK) Scheme aimed to assist farmers with their loan payment through their produce such as palay and other agricultural commodities. MSI, through PIK Scheme, was able to improve farmer's ability to pay credit and loan collection of the Bank.

In 2017, MSI assisted 34 out of the targeted 30 cooperatives in its PIK for loan payment to LANDBANK amounting to P144.10 million, indicating a 113.33% accomplishment.

MSI cooperative-partners were also given due recognition for their support and contribution to the success of the MSI PIK Program during the awarding ceremony held at Sta. Rosa, Nueva Ecija on Dec. 22, 2017. The top three Cooperatives were given a trophy plus a fixed asset of the cooperatives' choice that will be used in their operation worth P100,000 (1st Prize), P75,000 (2nd Prize) and P50,000 (3rd Prize), while the rest of the cooperatives were given Certificates of Recognition.

The business continued to expand its support to its mandated sector by providing marketing assistance and free solar drying facilities. Back in 2015, MSI management with its Board approval acquired the two-hectare property located in Sta. Rosa, Nueva Ecija, which will be developed and used as a Learning Farm for small landholdings for the farmers-cooperatives and organization. This later on created the MSI-Agri-Development Center (MSI-ADC) which was initially intended to offer the following integrated services: (1) buying station for palay; (2) solar drying facilities; (3) warehousing of palay/rice inventories; (4) mechanical truck scale; and (5) learning farm for agri-related activities.

In 2016, MSI started the first phase for the development of the property to include among others the following initiatives/undertakings: (1) improvement of office facilities and construction of guard house; (2) development of goat raising project and in the process of creating guidelines of 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.

Moreover, MSI has continually worked in developing the 2-hectare facility as a learning farm and technology promotions center in 2017. In the same year, the construction of the 80-ton truck scale was completed and is now operational. The 80-ton truck scale is also free of charge for the farmer-cooperatives who have availed of the MSI PIK Program.

CENTERED ON CUSTOMERS/STAKEHOLDERS SATISFACTION

MSI conducted for the third year a survey to assess the level of customer satisfaction with its services. The survey showed a result of 4.42 average score higher than the 4.06 (or 8.87%) which can affirm satisfaction of the MSI customers in its goods and services.

ENHANCING INTERNAL PROCESSES

MSI's toll milling process improved its milling recovery efficiency which was recorded at 64%. This represents the higher end of the average range milling recovery of the industry which is from 62% to 64%.

By strengthening logistics operation, MSI was able to deliver 56% within four days out of the 18 delivery orders. This is 62% of the set 2017 target of 90% delivery of orders on time.

Back in 2016, MSI focused on reviewing and enhancing operational structure and policies to improve their business efficiency and established the following: (1) Re-alignment of positions with other LANDBANK subsidiaries; (2) Internal Audit Manual; (3) Waiver of Penalty and Receivables-Trade/Business Policies; and (4) Whistleblowing Policy.

In 2017, MSI also drafted the following policies: (1) training and personnel development; (2) classification, handling, access and disclosure of Information Assets; and (3) freedom of information manual.

EFFORTS ON LEARNING AND GROWTH

MSI has been consistent in promoting personnel development among its employees. It was noted that in 2016, MSI provided essential (basic and/or intermediate) trainings for all its employees to enhance their professional capabilities. In 2017, MSI was able to assess the competency gaps for each position given the established personnel competency baseline. To continuously work on addressing the competency gaps for each holding position title, MSI will provide the needed trainings for its employees in 2018.

MSI also worked on integrating the quality management system to its business operations in order to ensure the consistency in delivering quality service to its clients. As part of the process, MSI in 2017, started the preliminary works for ISO Certification. It was able to secure its Certificate of Readiness for ISO 9001:2015 Certification after it completed the necessary documentation, policies and procedures, and various training seminars required in the certification process.



LBP LEASING AND FINANCE CORPORATION

LBP Leasing and Finance Corporation (LLFC) was created to provide support to LANDBANK and its clients in financing and operating leases. Its core businesses identified in its mandate include leasing facilities of all kinds of equipment; extending credit to industrial, commercial, agricultural and other enterprise; and financing of merchandise in all their various forms. LLFC also makes available various leasing and financing facilities that would support its priority sectors in the acquisition of equipment and other capital assets, as well as, in providing working capital to expand, upgrade or modernize its beneficiaries' operations. Among the priority sectors serviced by LLFC are small and medium enterprises (SMEs), rural banks, government agencies, government corporations and agri-business companies.

LLFC was registered with the Securities and Exchange Commission (SEC) on March 17, 1983 as a wholly-owned subsidiary of LANDBANK and granted its authority to operate as a Finance Company on 18 March 1983.

FINANCIAL HIGHLIGHTS

For the year-ending Dec. 31, 2017, LLFC realized gross revenue of P471.32 million, with an increase of 1.26% from last year's P465.45 million. The total expenses recorded minimal increase of P0.29 million. This resulted in a net income after tax (NIAT) of P114.00 million which is higher by 25.95% or 23.49 million compared to last year's P90.51 million.

The total resources of the Corporation as of year-end 2017 stood at P4,299.14 million, higher by 8.15% against the P3,975.23 million of the previous year. Total Portfolio as of yearend-2017 amounted to P3,741.61 million, higher by 4.75% or P169.64 million compared with last year's P3,571.97. Of the total portfolio, P664.57 million were lease/loans facilities for SMEs, P1,310.97 million for government agencies including GOCCs, P1,601.07 million for large corporations and P165.00 million for other sectors as of Dec. 31, 2017.

LLFC realized gross revenue of P471.32 million, with an increase of 1.26% from last year's P465.45 million.

LLFC's total liabilities increased by 10.13% from the P2,556.40 million in 2016 to P2,815.37 million in 2017. Total equity by the end of 2017 was registered at P1,483.77 million from P1,418.83 million in 2016, higher by 4.58% or an increase of P64.94 million.

Financial Highlights (In P Million)			
	2017	2016	Growth Rate (%)
Gross Revenues	471.32	465.45	1.26
Total Expenses	320.56	320.27	0
Net Income After Tax	114.00	90.51	25.95
Total Resources	4,299.14	3,975.23	8.15
Total Liabilities	2,815.37	2,556.40	10.13
Total Equity	1,483.77	1,418.83	4.58

FOCUS ON EMPLOYEES

The Corporation continues to encourage career and personal development of its officers and employees. It provides them with various trainings and development programs covering negotiations with clients, management development, compliance, leadership and governance.

The Corporation provides healthcare benefits to its employees. There is also regular conduct of fellowship activities to continuously nurture positive relationship among its Directors, officers and employees.

CORPORATE SOCIAL RESPONSIBILITY FOR COMMUNITY AND ENVIRONMENT

LLFC is an active partner of Manila Bay SUNSET Partnership Program Inc. that promotes and implements sustainable and supplementary efforts to improve the environmental quality of Manila Bay. This activity develops environmental awareness, as well as, reinforces commitment to corporate social responsibility. It also committed to help in the facilitation and implementation of projects and programs by the Manila Bay SUNSET Partnership Program Inc. by making annual contribution and encouraging its employees to actively participate in the projects and programs.

Various groups and units of the LLFC also conducted outreach programs for the 2017 teambuilding activities. These groups and units visited elderly people in coordination with various organizations and provided some of their needs. The said activities brought smiles to the beneficiaries and made them realize that there are people who care for them.

Moreover, the Corporation will continue to support its clients and identified sector by providing products and services that will address its customer's needs especially in leasing and financing facilities. For 2018, the Corporation also intends to focus on providing specific leasing products such as Operating Leases for LANDBANK Private and Government Borrowers, Financial Leases for Government Office Buildings and Financial and Operating Leases on Energy Solutions. This will further increase LLFC's leasing portfolio to enable it to sustain its revenue source and strengthen its core business as a leasing company.



LBP RESOURCES AND DEVELOPMENT CORPORATION

In May 1975, LBP Resources and Development Corporation (LBRDC) was created by LANDBANK as an investment diversification vehicle for landowners whose properties have been covered by the agrarian reform.

It is mandated to be a LANDBANK partner towards the attainment of infrastructure development and other related projects for countryside development. As a wholly-owned subsidiary of the LANDBANK, it handles the Bank's construction requirements particularly branch construction, renovation and relocation. LBRDC also assists the Bank in the disposal of non-performing or foreclosed assets in property management, maintenance services and brokering and provides sanitation, housekeeping, janitorial and messenger services, among others.

FINANCIAL HIGHLIGHTS

In 2017, LBRDC's total gross revenue slightly decreased to P394.81 million from the P397.74 in 2016.

LBRDC completed construction of four LANDBANK buildings and renovation of 30 LANDBANK branches. Total construction revenue for 2017 amounted to P171.74 million which is 11.55% lower compared to the P194.17 million reported last year. On the other hand, manpower services income increased to P168.76 million due to the additional service requirements for housekeeping and janitorial of the Bank's new branches and extension offices. Also, with the proportional increase in the sales of the Bank's ROPA for the year, its Commission Income increased to P4.29 million from the P0.91 million in 2016. The Property Management Income improved by P2.36 million which was attributed to the increased number of acquired assets endorsed by LANDBANK for maintenance and security. Further, LBRDC gained total revenue of P23.54 million from its other business activities such as air-conditioning unit (ACU) maintenance, rentals of building, and sale of one townhouse unit at Grand Garden Villas.

The total expenses of LBRDC decreased to P324.94 million from the P336.74 in 2016, which is lower by 3.50%.

This posted a net income after tax (NIAT) of LBRDC of P69.87 million which is 110% of its year-end target of P63.43 million.

LBRDC's total resources amounted to P648.70 million for 2017, marked an increase of P25.93 million from P622.77 million in 2016. This was primarily due to the increase in long-term investments of P59 million, receivables of P14 million, and inventories of P4 million. Total liabilities decreased by 14.65% or P13.44 million due to the decreased number in trade payables and government fees. Stockholder's equity of LBRDC increased by 7.41% or P39.37 million due to the higher net income generated for the 12-month period ending Dec. 31, 2017. However, this was reduced by P31.0 million with the remittance of cash dividend to the National Treasury.

Financial Highlights (In P Million)			
	2017	2016	Growth Rate (%)
Gross Revenues	394.81	397.74	(0.74)
Total Expenses	324.94	336.74	(3.50)
Net Income After Tax	69.87	61.00	14.54
Total Resources	648.70	622.77	4.16
Total Liabilities	78.29	91.73	(14.65)
Total Equity	570.41	531.04	7.41

For 2018, LBRDC will complete construction of four buildings and 35 renovation projects with estimated revenue of P210 million. It will also continue its business in property management and maintenance services which will cost the Corporation to hire an additional 750 manpower to be deployed to LANDBANK Head Offices, Branches and Field Units including other government agencies and private clients. Other facilities such as lease of properties and maintenance of ACUs will also continue as part of its other offered services.

LBRDC will increase its revenue by 18% in 2018 compared with the previous year, thus, the Corporation will realize a net income after tax of P70.72 million with return on equity of 11.76%.

LBRDC will continue to provide appropriate trainings for skill enhancement, efficiency and capability improvement that would lead to personal development and career growth. Also, the Corporation will enhance its management information system and make use of new technology to enhance its existing processes in order to be at par with the industry.

Lastly, LBRDC will remain supportive of the LANDBANK 2018 Flagship Programs and the Zero to 10-Point Socioeconomic Agenda of the Duterte administration by implementing new plans and programs for 2018.

LBRDC continues to provide appropriate trainings for skill enhancement, efficiency and capability improvement that would lead to personal development and career growth.

LANDBANK Products and Services

1. DEPOSIT PRODUCTS

- **Regular Passbook Savings Account**

An interest-bearing peso account, with a minimum initial deposit and required monthly Average Daily Balance (ADB) of P10, 000, which requires presentation of a passbook for deposit and withdrawal transactions.

- **US Dollar Savings Account**

An interest-bearing dollar savings account, with a minimum initial deposit and required monthly Average Daily Balance (ADB) of \$100 which requires presentation of a passbook for deposit and withdrawal transactions.

- **US Dollar Time Deposit**

A specific amount of funds in dollar which earns interest at a pre-determined competitive rate for a fixed period of time (minimum of 30 days) with "Certificate of Time Deposit" (CTD) as proof of deposit.

- **Easy US Dollar Pension**

A deposit account whereby the monthly pension/benefit of pensioners/beneficiaries of various US Federal agencies residing in the Philippines are directly credited to their account maintained with LANDBANK.

- **Euro Savings Account**

A Euro non-interest bearing deposit account evidenced by a passbook. Funds can be deposited or withdrawn by presenting the passbook together with duly accomplished deposit or withdrawal slips.

- **Euro Time Deposit Account**

A deposit of a definite sum in Euro currency, evidenced by a certificate payable at a specified maturity date.

- **High Yield US Dollar Time Deposit (HYUSD TD)**

A special time deposit account, with a minimum initial deposit of \$2,000, which earns higher interest than a regular savings account and with lower requires minimum placement than the regular US dollar denominated time deposit.

- **Auto-Save Deposit Account**

The Auto-Save deposit account is created primarily to generate low-cost private deposits for the Bank and to encourage LANDBANK payroll account holders to save.

- **Overseas Filipino (OF) Deposit Account**

Account opened and processed in the Philippines or abroad by LBP Overseas Remittance Officers (OROs), or opened and processed in the Philippines by officially designated/authorized personnel of Overseas Remittance Marketing and Support Department (ORMSD), Domestic Remittance Marketing Department (DRMD), and by LBP Branches and Extension offices (EOs).

- **ATM Savings Account**

An interest-bearing peso savings account wherein deposit, withdrawals and cashless purchase can be done through various channels. Cashless purchases may also be done through any Point-of-Sale (POS) terminal of partner merchants from department stores, supermarkets and accredited establishments.

- **Regular Current Account**

A non-interest bearing peso account, also known as Checking or Demand Deposit Account, wherein deposits are made over-the-counter and withdrawals are made through the issuance of a check.

- **Current Account With ATM Access**

A non-interest-bearing peso savings account wherein deposit, withdrawals and cashless purchase can be done through various channels.

- **Peso Earning Access and Sure Yield (EASY) Check**

An interest-bearing peso checking account (IBCA), with a minimum initial deposit of P10,000 for individual clients and P20,000 for institutional clients, where deposits are made over-the-counter while withdrawals are made through issuance of a check.

- **Peso Earning Access and Sure Yield (EASY) Check with ATM Access**

An interest-bearing peso savings account wherein deposit, withdrawals and cashless purchase can be done through various channels. Cashless purchases may also be done through any Point-of-Sale (POS) terminal of partner merchants from department stores, supermarkets and accredited establishments.

- **Regular Peso Time Deposit**

A fixed amount of peso investment/ deposit which earns interest a pre-determined rate over a fixed period of time (minimum of 30 days) with "Certificate of Time Deposit" (CTD) as proof of deposit.

- **Easy Savings Plus (ESP)**

A premium savings account, with a minimum initial deposit of P20,000, which offers higher interest rates than a regular savings account.

- **High Yield Savings Account (HYSA)**

High Yield Savings Account (HYSA) is a peso funds of a specific amount are given pre-determined competitive rates for a fixed term. Passbook also serves as a proof of deposit. HYSA account is offered to institutional clients only.

2. E-BANKING

- **iAccess (Retail Internet Banking Facility)**

LANDBANK iAccess is an alternative and internet banking channel designed for individual customers, which provides a convenient, reliable and secure delivery of banking transactions.

- **E-Tax Payment System**

The Electronic Filing and Payment System or eFPS provides transmission of tax return information including attachments if any, and taxes due to the government made over the internet through the BIR website.

- **LANDBANK Credit Card**

The LANDBANK Credit Card provides the means for the cardholder to conveniently and safely make cashless purchases from MasterCard accredited merchants and/or facilitate cash advances.

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

Electronic Modified Disbursement System (eMDS) is a secured Internet facility system for National Government Agencies (NGAs) including the Bureau of Treasury (BTr) and the Department of Budget and Management (DBM) that gives banking convenience to perform MDS transactions online.

- **BOC PAS-5 EPS**

This is a web-based system that allows importers to pay their custom fees and duties without the hassle of queuing over-the-counter.

- **LANDBANK Mobile Banking Application (MBA)**

The LANDBANK Mobile Banking Application (MBA) is a free application that provides clients convenient access to the Bank's wide array of services through their smartphones. All clients with iAccess accounts are eligible for access in MBA.

- **Link.BizPortal**

LinkBiz.Portal is a web-based payment channel designed to accept payments of fees, dues and charges from clients of enrolled Merchants from both the government and private institutions/sectors.

- **Cash Deposit Machine (CDM)**

The Cash Deposit Machine (CDM) is a self-service machine with cash deposit functionality, which expedites deposit transactions for customers no longer need to queue for Over-the-Counter transactions. CDM also credits account in real time.

- **weAccess (Institutional Internet Banking Facility)**

The LANDBANK weAccess is an internet banking facility developed for the Bank's institutional clients, both private corporations and government entities. It allows clients to make selected banking transactions online.

- **LANDBANK E-Card**

LANDBANK E-Card is an ATM deposit account that doubles as company identification (ID) card for private and government institutions. The E-Card can be customized to fit the clients' design and functional requirements.

- **LANDBANK Cash Card**

An electronic debit card that utilizes the stored value system and like the ATM Card, operates on magnetic stripe technology with PIN-based protocol. With a maximum P50, 000 withdrawal a day and P10,000 debit through Point-of-Sale (POS) of other Banks to accredited merchants

- **wePayAccess**

A web-based facility that enables LANDBANK institutional depositors such as, but not limited to, microbusiness

enterprises and government institutions maintaining at least P20,000 Average Deposit Balance (ADB) to benefit from the bills payment tie-ups of LANDBANK.

- **Easy Padala**

The Easy Padala is an e-banking innovation from LANDBANK. It is a web-based remittance system (LANDBANK Remittance System) that is able to process incoming and outgoing remittances 24 hours a day/7 days a week (24/7), ensuring fast and secure way of sending OFW's hard-earned money to reach their beneficiaries on real time basis.

- **LANDBANK Phone Access**

The LANDBANK Phone Access (LPA) aims to enhance our delivery of services to our valued clients, by allowing them to make selected off-site bank transactions, financial and non-financial, through the use of a telephone.

- **Globe G-Cash**

Accepts payments to government agencies (Bureau of Internal Revenues and Department of Trade and Industry) through Globe G-Cash.

- **Radio Frequency Identification Card (RFI) Card**

A chip – embedded identification card with stored personal information incorporated in any of the Bank's card products such as ATM card, LBP Cash Card and LBP e-Card.

- **LANDBANK Visa Debit Card**

This is an ATM card that enables international access to over two million ATMs worldwide where the Visa logo is displayed. It allows online shopping, bills payment, and mobile and over-the-counter purchases based on funds available in the client's bank account.

- **LANDBANK Regular ATM Card**

This is an interest-bearing peso savings account for which deposit transactions are done over-the-counter or through LANDBANK's Cash Deposit Machine (CDM), while withdrawal transactions are done via Automated Teller Machines (ATM).

- **Automated Teller Machine (ATM)**

This is an electronic banking outlet that allows clients to perform basic financial transactions without the need of a bank teller or representatives.

- **Mobile ATM**

This is an off-site ATM mounted to a customized transport vehicle that can be relocated from one place to another.

- **LANDBANK Express Access Machine**

LEAM is a touch-screen financial kiosk machine designed to accept BIR tax payments through the use of a drop-box or envelope chute.

- **ATM Direct Connect through BancNet**

Partner institutions who wish to provide ATM services in their areas may avail of the ATM Direct Connect through BancNet. Under this set-up, LANDBANK provides the ATM unit while BancNet provides the switch.

3. AGRARIAN SERVICES

- **Land Transfer Claims**

LANDBANK, undertakes CARP-related activities such as processing, valuation, payment/release of Land Transfer Claim Proceeds to Landowners, and approval of land transfer claims involving lands covered by various Agrarian Reform Laws

- **Bond Transactions**

- **Land Transfer Payment**

Processing, approval and releasing of Land Transfer (LT) Payment both in Cash and Agrarian Reform (AR) Bond in favor of landowners or their heirs, whose lands were covered under the Comprehensive Agrarian Reform Program (CARP).

- **Bond Interest and Maturities Payment**

Processing, approval and releasing of bond interest and maturities payment to landowner/ bondholder.

- **Bond Transfer, Conversion, Exchange and Replacement**

Processing, approval and releasing of new replacement bonds upon request of the Landowner/Bondholder for the following: assignment, conversion, exchange, and replacement of bonds.

- **Certification of Issuance of AR Bond**

Certification issued by the Bond Servicing Department (BSD) that the AR Bond is still outstanding and is not among those included in the List of Bonds with adverse Claims.

- **Assistance to Landowners and Agrarian Reform Beneficiaries (ARBs)**

- **Bond Sale and Marketing**

LANDBANK provides assistance to original bondholders (BHs) in the trading of their Agrarian Reform (AR) Bonds. LANDBANK offers to investors/buyers the 10-year Agrarian Reform (AR) Bond as a risk-free investment instrument.

- **Special Lending Window for Landowners and Bondholders (Multi-Purpose Loan)**

A special lending program for various business activities and financial requirements using as collateral the AR Bond or the sale proceeds of the AR Bond.

- **Assistance to ARBs**

- **Issuance of Certificate of Full Payment/Release of Real Estate Mortgage**

Issuance of CFP/ROREM shall be automatically generated by the system one 1 to 3 working days from the time the official request is made by the holder of Emancipation Patent of Certificate of Land Ownership Award (EP/CLOA).

- **Restructuring/Moratorium of ARR Accounts**

Arrangement with ARBs affected by natural and man-made calamities/incidents in restructuring, deferment and/or suspension of payment of their annual dues.

- **Estate Development Planning**

Provision of technical assistance on property valuation to augment credit programs of non-loan programs involving ARBs as well as professional advice and/or recommendation on the acquisition of post-harvest facility, enhancement of agricultural practices, preservation/utilization/improvement of agricultural lands, and the conception, planning, management and development of agricultural/farming real estates.

- **Automation of Land Amortization Collection from Farmers**

The shift from manual collection of land amortization to digitized/automated mode through the use of the Portable Agrarian Collection System (PARCS) promotes and helps expand financial inclusivity for farmers.

- **SMS Payment Notification to ARBs**

SMS payment notification is a support service to ARBs on acknowledging receipt of the amortization payment of ARBs.

4. LOAN PRODUCTS

A. HOUSING AND OPPORTUNITIES MADE EASY (HOME) LOAN PROGRAM

The LANDBANK Housing Opportunities Made Easy (HOME) Program is a lending program that caters to both homebuyers and home developers.

- **Easy Home Loan (EHL) Program**

Easy Home Loan allows existing homeowners to refinance their current and existing home loan from other banks or financing firms or developers' in-house financing

- **Developer's End Buyers Financing Tie-up**

The End-Buyers Tie-Up Agreement allows clients to buy or construct their home through an accredited developer. It also allows developers grow their business by supporting their housing projects or financing their client's home acquisition or construction, after an accreditation process.

- **Bahay sa Bagong Bayani (3-B) Program**

A special lending program designed for Overseas Filipino Workers (OFWs). LANDBANK's Bahay para sa Bagong Bayani program allows OFWs to acquire, build or renovate their own homes at relaxed and flexible terms.

- **Mortgage Loan**

Mortgage loan is a multi-purpose loan offered to individuals and corporations and is fully secured by Real Estate Mortgage (REM) for lawful purpose.

B. EQUITY INVESTMENT PROGRAM

- **Consolidation Program for Rural Banks (CPRB)**

The Program seeks to encourage consolidations and mergers among RBs to bring about a less fragmented banking system and to further strengthen and enhance the viability of rural banks (RBs), given their importance in providing financial services and promoting financial inclusion.

C. MOBILE LOANSAVER

- **Livelihood Loan Program**

This is a credit window to augment the financial needs of government and private sector employees.

- **LANDBANK Mobile LoanSaver (LMLS)**

LMLS is a mobile-based savings-linked salary loan product of the Bank in partnership with Smart e-Money, Inc. (SMI). LMLS provides convenience to LANDBANK clients through an electronic channel on salary loan with auto-savings component offered to employees of private companies and government offices.

D. DEVELOPMENT LENDING PROGRAMS

Commodity Based Program

- **Cacao 100 Program**

The program offers a short-term loan or long term loan for production, working capital and relending/rediscouting for the stakeholders along the value chain of the cacao industry.

- **Kalikasang Kabuhayan para sa Wastong Pamayanan (KAWAYAN) Financing Program**

The program offers a short-term loan or term loan for production, working capital and fixed assets acquisition to eligible borrowers who will engage in the production, processing and marketing of bamboo and other bamboo products.

- **Coffee 100 Financing Program**

The program caters to financial need of the coffee industry stakeholders especially coffee growers and community-based coffee enterprises. Eligible projects include establishment and development of new plantation, production of coffee, and post-harvest/processing facilities.

- **Coconut Production and Processing Financing Program**

The program aims to provide credit assistance to coconut industry stakeholders particularly coconut farmers for their planting/replanting, rehabilitation and fertilization needs.

- **Banana Financing Program**

The program supports through financing the industry's thrust of making the Philippines as a leading banana (product) exporter contributing towards food security and improvement of the socio-economic status of all the stakeholders.

- **LBP- SMC Corn/Cassava Assemblers and Consolidators Financing Program**

The program aims to provide financing facility to the production, trading and post-harvest facility requirements of farmers who will engage in corn and cassava projects.

- **Rubber Financing Program**

The program aims to enhance credit support for the development and promotions of the rubber industry by providing the appropriate financing requirements of direct borrowers and lending conduits.

- **Integrated Support for the Development of Aquaculture (ISDA) Program**

The program offers a short-term loan or term loan for working capital, relending, production loan, rediscounting, permanent working capital, and acquisition of fixed assets to eligible borrowers engaged in fishery sector.

- **Masustansyang Inumin para sa Likas na Kalusugan (MILK) Program**

The program offers a short-term loan or long term loan for production, working capital and relending/rediscounting for the stakeholders in the dairy industry.

- **Poultry Lending Programs**

Lending Program for clients involve in poultry production industry using climate controlled and conventional technologies.

- **Seaweeds Financing Program**

The program provides the needed credit support to the stakeholders in the industry particularly in the seaweed production/farming, marketing and processing.

- **Oil Palm Financing Program**

The program provides credit assistance to oil palm industry stakeholders particularly farmers for their replanting, rehabilitation and fertilization needs.

- **Sugarcane Financing Program**

The program provides credit support to the industry stakeholders' along the value chain of the sugar industry.

- **Climate Resilient Agriculture Financing Program**

The program provides credit assistance to eligible borrowers in order to promote climate change

adaptation initiatives towards climate resilient agriculture, and address climate change risks and helps nurture innovation development at the community level.

- **Onion Financing Program**

The program aims to provide credit assistance to onion industry stakeholders and to encourage local farmers to plant onion as alternate and/or additional crops to palay in order to increase farmers' income.

E. PROGRAMS FOR INDIVIDUAL SMALL FARMERS AND FISHERS AND AGRARIAN REFORM BENEFICIARIES

- **Empowering Barangays in Remote Areas through Credit and Enterprises (EMBRACE)**

A direct lending program which provides credit to Small Farmers and Fishers (SFF), micro and small enterprises in unserved areas in support of the government's thrust on financial inclusion. It also aims to, eventually, mainstream enterprising target borrowers to the regular lending window of the Bank.

- **Agricultural and Fisheries Financing Program (AFFP)**

The Agricultural Credit and Policy Council (ACPC), in partnership with LANDBANK established a flexible credit facility for small farmers and fishers (SFF) registered in the Registry System for Basic Sectors in Agriculture (RSBSA) with a funding of P550 Million.

- **Agrarian Production Credit Program (APCP)**

A program that aims to provided socialized credit and development assistance to agrarian reform beneficiaries (ARBs) through their respective organizations. The Program intends to mainstream the ARB Organizations to the regular lending window of the Bank and other financial institutions after five (5) years.

- **Sikat Saka I and II Program (SSP I & II)**

A program tie-up with Department of Agriculture (DA) which was launched in 2012 in support of the food staples sufficiency program through the provision of credit and integrated support to small palay and corn farmers such as irrigation, market, extension services, training, crop insurance and loan guarantee.

- **Credit Assistance Program – Program Beneficiaries Development (CAP-PBD)**

The CAP-PBD aims to provide financial assistance and development interventions to the ARBs through their organizations.

- **Agri-Mechanization Financing Program**

This program is designed to provide credit assistance to promote mechanization of production and post-production processes from planting-harvesting-processing to increase efficiency, reduce postharvest losses and lower cost of production.

F. MICROFINANCE PROGRAM

- **Microfinance Program for Microfinance Institution (MFI) Retailers**

Provides credit assistance to Barangay Micro Business Enterprises (BMBEs) and the poor sector through eligible microfinance institutions (MFIs).

G. CALAMITY ASSISTANCE PROGRAM

- **LBP Calamity Rehabilitation Support (CARES) Program**

LANDBANK CARES Program is a rehabilitation assistance program to clients affected by calamities. Client can avail this program within two (2) years from the date the area is declared under the state of calamity by the Office of the President or Local Government Unit (LGU).

- **Yolanda Rehabilitation Program (YRP)**

Financial assistance/grant given to LGUs affected by Typhoon Yolanda with the overall goal of contributing through improved LGU services and economic infrastructure to the socio-economic reconstruction of the affected areas and the living conditions of the local population.

H. STEP-UP LOAN PROGRAM

Step-up loan program offers a working capital loan to LBP's long-time Partner Financial Institutions (PFIs) such as cooperatives, rural and thrift banks and Non-governmental Organization (NGOs) to augment their funds for on-lending to small farmers and fishers, micro, small and medium entrepreneurs and other agri-business enterprises.

I. AGRICULTURAL CREDIT SUPPORT

A JICA funded loan aimed to increase investments, to create new job opportunities and to improve agricultural productivity in the rural areas by providing loan funds directly from LBP or through its conduits to the following clientele: small farmers and fisherfolk, small & medium enterprises and agribusiness enterprises

J. INFRASTRUCTURE DEVELOPMENT PROGRAM

- **Metro Manila Wastewater Management Project (MWMP)**
Re-lending program to support Maynilad Water Services, Inc. (MWSI) and Manila Water Co., Inc. (MWCI) to increase their coverage of wastewater collection and treatment and septage management which will contribute towards improving the environment in Metro Manila (which will contribute to improving the water quality in Manila Bay).
- **Builders Program**
A loan program that aims to provide the needed working fund to ensure completion of awarded projects and/or pursue expansion of existing medium-sized projects of the Government outside Metro Manila.
- **Local Government Unit (LGUs) Lending Program**
A loan program that aims to provide any Local Government Unit (LGU) an indebtedness and avail of credit facilities to finance local infrastructure and other socio-economic development projects in accordance with the approved local development plan and public investment program.

K. POWER/WATER SECTOR DEVELOPMENT AND ENVIRONMENT PROTECTION PROGRAMS

- **Bringing Inclusive Growth in Every Household through National Electrification Support Services (BRIGHTNESS)**
A lending facility exclusive for financing assistance to qualified Electric Cooperatives and wholesale power aggregators that promotes rural electrification and ensures quality, reliability, security and affordability of supply of electric power nationwide.
- **Renewable Energy Lending Program**
The Renewable Energy Lending Program of LANDBANK aims to provide enhanced access to credit/financing programs in

support to national government's policy on promoting renewable energy development, utilization and commercialization.

- **H2OPE (Water Program for Everyone)**
Water Program for Everyone or H2OPE is a loan program that enables the Bank to capture sizeable number of qualified players in the water and sanitation industry in bringing in sustainable 24/7 piped, clean and safe water to the Filipino People.
- **Climate Safe Program (Special Adaptation Facility for the Ecosystem)**
The LANDBANK Climate SAFE (Special Adaptation Facility for the Ecosystem) Program aims to finance climate change adaptation projects of LGU development investment plan or Local Change Action Plan, as well as projects in the Business Continuity Plan of private sector entities.
- **Carbon Finance Support Facility (LANDBANK's Flagship Program for Climate Change Mitigation)**
The Carbon Finance Support Facility (CFSF) is a first-of-its-kind program in the country to date, that offers financing and assistance to piggery, sanitary landfill and mini-hydro projects in order to generate carbon credits.
- **Climate SMART Financing Program (Positive Action Towards Sustainable Development)**
The Climate SMART (Synergistic, Mitigation, Adaptation, Resiliency, and Transformation) Financing Program is LANDBANK's banner program for supporting climate change projects and activities. The program addresses the many aspects of climate change through financial assistance that classify projects into any of these action categories – mitigation, adaptation, and resiliency.
- **Project Preparation Fund**
The Project Preparation Fund (PPF) is a partial loan fund intended to assist RE project developers in paying for the cost of eligible project preparation activities. LANDBANK serves as the Program and Fund Manager for the PPF.

L. BUSINESS DEVELOPMENT AND ENTREPRENEURIAL CREDIT PROGRAMS

- **Access of Small Entrepreneurs to Sound Lending Opportunities (ASENSO)**
A uniform lending program between Government Financial Institutions (GFIs) that aims to meet the funding needs of SMEs. LANDBANK offers both short term (payable in 1 year) and long term loans (payable up to 5 years) for SMEs.
- **Business Development Loan Facility**
A lending facility designed to contribute to the nation's economic growth and development by providing financial assistance to the business sector for the purpose of increasing productivity and enhancing potential earnings through expansion, diversification and other business development projects.
- **Social Development Loan Facility**
A lending facility designed to provide long-term loan assistance for the development of facilities and establishments of institutions that provides quality education or other academic training programs and affordable medical or health care related services to the general population and to SSS members and their dependents.
- **Overseas Filipino Workers (OFW) Reintegration Program**
A program in partnership with the Overseas Workers Welfare Administration (OWWA) designed to provide credit and capacity-building support services to OFWs to encourage them to engage in sustainable business activities as alternative to overseas employment.
- **Health-Plus Program**
A loan program which aims to provide credit assistance to government units, medical colleges/universities and private medical and health goods/services providers mandated to and engaged in the delivery of healthcare goods and services.
- **LANDBANK SPEED Jeepneys**
LANDBANK SPEED Jeepneys is a special loan program that aims to provide the necessary lending facility in financing the acquisition of modern public transport vehicles following the general framework of Government's Public Transport Modernization Program (PTMP).

- **Innovation and Technology Lending Program (I-TECH)**
A loan program which aims to support the commercial production of patented Filipino inventions through special financing window to qualified borrower-beneficiaries and promote innovation and technology for inclusive growth.

M. CREDIT PROGRAMS FOR EDUCATIONAL SUPPORT

- **Lending Program for State Universities and Colleges**
A loan program that aims to provide credit facility to qualified State Universities and Colleges (SUCs) to enable them to support infrastructure expansion and other income-generating and agri-related programs and projects.
- **K-12 Bridge Financing Program of LANDBANK**
A loan program that aims to provide bridge/short term financing to the participating Non-DepEd Schools under the DepEd's Senior High School Voucher Program (SHS VP).

5. FCDU Products and Services

A. DEPOSIT TRANSACTION

- **Clearing of FX Check Deposited in an FCDU Account via Cash Letter Service**
FX Checks drawn against a US-based bank are cleared with the US Federal reserve through the bank's designated collecting banks.
- **Clearing of FX Check Drawn Against a Local Bank via Collection Letter Service**
FX Checks drawn against local bank are cleared directly with the drawee bank.
- **Deposit via FX Check**
Authorized LANDBANK branches accept the following foreign instrument for deposit to an FCDU account:

BANK DRAFTS are negotiable instruments issued by a foreign or local bank and drawn against said bank's demand deposit account with a foreign correspondent bank.

MONEY ORDERS are negotiable instruments issued by a bank in the form of a money order drawn against its depository bank or themselves.

PERSONAL CHECKS are negotiable instruments issued by an individual drawn against his/ her demand account with a foreign bank.

- **Deposit via FX Currencies**
Authorized LANDBANK branches accept bills/notes and coins of eligible LANDBANK FCDU deposit to an FCDU account maintained with the Bank.
- **Incoming Local Remittance PDDTS via GSRT MODE/EOD Netting**
Incoming local remittance pertains to an incoming fund transfer from a participating local bank of the Philippine Domestic Dollar Transfer System (PDDTS) - Gross Settlement Real Time (GSRT/End-of-Day (EOD) Netting mode for credit to a LANDBANK FCDU account.
- **Deposit from Incoming Foreign Remittance**
LANDBANK credits the proceeds of an incoming remittance from any foreign bank coursed through LANDBANK's foreign depository banks.

B. WITHDRAWAL TRANSACTION

- **Withdrawal Transaction from an FCDU Account via Foreign Currency Demand Draft**
Foreign currency denominated bank draft drawn against LANDBANK's foreign depository bank.
- **Withdrawal via FX Currencies**
Authorized LANDBANK branches services withdrawals in foreign bills/ notes drawn against an FCDU deposit account.
- **Via Outgoing PDDTS-Gross Settlement Real Time (GSRT) Mode**
Transfer of US dollar funds from LANDBANK to any beneficiary maintaining an FCDU account with a participating local bank.
- **Via Outgoing Foreign Electronic Fund Transfer**
Transfer of FCDU deposits from LANDBANK to any beneficiary living outside of the Philippines.
- **Withdrawals via Philippine Peso**
Authorized LANDBANK branches services withdrawals from an FCDU deposit account where proceeds shall be converted into Philippine Peso

C. FX CURRENCY PURCHASE

- **Outright Purchase of FX Currencies**
Refers to buying of foreign currency denominated bills/notes and coins

Outright Purchase of FX Instruments

- **Via Bank Draft**
Negotiable instruments purchased by clients and issued by the bank that are drawn against the bank's demand deposit account with a foreign correspondent bank.
- **Company Check**
Negotiable instruments issued by a company/firm to their client and drawn against their demand deposit account with foreign bank.
- **Via Postal Money Order**
Negotiable instruments issued by a post office to a client and drawn against the demand deposit account with a foreign bank.
- **Via USTW Checks**
Negotiable instruments issued by the US Treasury Department to a client
- **Via on "US" Checks**
Negotiable instruments issued by an FX bank and drawn against LANDBANK's USD maintained either of the following: USD, FX bank's USD account, or FX bank's PHP account
- **Personal Checks**
A negotiable instrument issued by an individual drawn against his/ her demand deposit account with a foreign bank.
- **Sale of FX Currency Notes**
Sale of foreign currency notes to clients, both institutional and individual.
- **Sale of FX through Telegraphic Transfer**
Refers to sale of USD or any third currency to a client funded by one of our LANDBANK's FX depository banks, for transmittal to the client's beneficiary. For non-trade purposes, clients are serviced by branches while for trade purposes clients are serviced by Lending Units.
- **Sale of FX through Demand Draft**
Refers to negotiable instruments purchased by a client drawn against LANDBANK's demand deposit account with a foreign correspondent/ depository bank.

D. INWARD REMITTANCES

- **Incoming Foreign Remittance from any Foreign Bank**
LANDBANK receives incoming remittances from any foreign bank that are coursed through LANDBANK's foreign correspondent and/or depository banks.
- **Incoming Local Remittance through PDDTS/GSRT/End-Of-Day (EOD) Netting/RTGS**
Incoming local remittance pertains to incoming fund transfers from a participating Philippine Domestic Dollar Transfer System (PDDTS) - Gross Settlement Real Time (GSRT)/EOD Netting, Real Time Gross Settlement (RTGS) Mode local bank for credit to account maintained in a LANDBANK Branch.
- **Inward Remittances**
Inward Remittances received from remittance agency partners (RAPs) via tested/original copy of payment orders/SWIFT for credit to LANDBANK account payable to a certain beneficiary.

6. INTERNATIONAL TRADE SERVICES

A. EXPORT

- **Advice of Export Letter of Credit (EPLC)/Amendment**
Foreign LC opened in favor of an exporter received by LANDBANK through, SWIFT, mail confirmation or through other local commercial bank. Export LC (EPLC) can be used as collateral for pre-export financing that are processed by the Lending Units and implemented by Loans Implementation Department (LID). EPLC enables the exporter to have additional working capital to manufacture export goods.
- **Export Collections/Outward Bills for Collection (OBC)**
These are exporter's draft/documents which are not outrightly purchased awaiting receipt of a foreign bank credit advices or clearing of dollar drafts.
- **Export Bills Purchase (EBP)**
Credit accommodation extended to an exporter wherein the exporter's draft/shipping documents under LC, DP or DA and other modes of payment

are purchased directly/outright by the Bank prior to receipt of a foreign bank's credit advice.

- **Collection of Documentary Stamp Fees**

BANK acts as the collecting/remitting bank of the documentary stamp fees (DSF) imposed by the Bureau of Customs on goods exported by the clients. Settlement of BOC documentary stamp & service fees are made by debiting the Exporter's LBP account upon receipt of data from PCHC thru PASS 5.

- **Inward Remittances**

These are incoming telegraphic transfers representing export proceeds remitted by the exporter's buyer and credited to LBP's account with the foreign bank. LBP acts only as receiver or channel of payment.

B. IMPORT

- **Opening or Issuance of Foreign Commercial Letter of Credit**

Bank issuance charged to the importer's account in favor of the exporter. Authorizes the exporter to claim payments provided all LC terms and conditions are complied with. On the part of the importer, LC ensures that the terms and conditions agreed upon are complied with before payment is made.

- **Issuance of Guarantee (Against Foreign Back Counter-Guarantee)**

A guarantee issued by the bank in favour of a local beneficiary against a foreign correspondent bank counter-guarantee which the latter issued on behalf of their customer.

- **Collection of Import Duties**

Bank acts as the collecting/remitting bank for the advance and final duties imposed by the Bureau of Customs (BOC) on the goods imported by client. Settlement of Advance or Final duties and services fees are made by debiting the Importer's LBP account upon receipt of data from PCHC thru PASS 5.

- **Processing of Open Account (O/A)**

A mode of payment for a non LC transaction wherein the shipping documents are sent and released by the seller/exporter directly to the buyer/importer without coursing the documents thru the Bank upon the importer's promise to pay at some future date after shipment.

- **Processing of Documents Against Acceptance (D/A)**

A mode of payment for a non LC transaction whereby the original shipping documents are received from the seller/exporter's bank with the instruction to release these documents to the buyer/importer only upon their acceptance to pay collection proceeds at as specific future date.

- **Documents Against Payment (D/P)**

A mode of payment for a non LC transaction whereby the original shipping documents are received from the seller/exporter's bank with the instruction to release these documents to the buyer/importer only upon the outright payment of collection proceeds.

- **Opening or Issuance of Domestic Commercial Letter of Credit**

Bank issuance charged to the client/local buyer account in favor of the local seller. Authorizes local seller to claim payments provided all LC terms and conditions are complied with. LC ensures payment to the local seller for the goods delivered or services performed. On the part of the local buyer, LC ensures that the terms and conditions of the credit are complied with before payment is made.

- **Processing of Commercial LC Amendment (Foreign and Domestic)**

Amendments to LC terms and condition requested by the client such as decrease in LC amount which requires beneficiary's confirmation, and change in beneficiary's name.

- **Issuance of Shipping Guarantee/ Advance Release**

Shipping guarantee issued by the Bank to the shipping line requesting release of goods to the importer pending receipt that enables from the shipping line prior of the receipt of the original Bill of Lading and/or Airway Bill.

- **Processing of Import Bills (IB)**

Examination of shipping documents received from the foreign banks to ascertain if all terms and conditions of the foreign commercial LC are complied with. Shipping documents booked under Import Bills already paid and/or converted to Trust Receipt (TR) will be forwarded to the importer to enable them to release goods from the shipping line and/or cancel shipping guarantee. Simultaneously a

payment authority is sent to the foreign bank if documents were communicated on a collection basis.

- **Processing of Domestic Bills (DB)**
Examination of documents presented to the Bank by a local seller to ascertain if all the terms and conditions of the domestic commercial LC are complied with before payments or acceptance are made.
- **Processing of Direct Remittance-Imports (DRI)**
A mode of payment for a non-LC transaction wherein the shipping documents are sent and released by the seller/exporter directly to the buyer/importer without courting the documents thru the Bank upon the importer's promise to pay at some future date after shipment. Payment should be made within 29 calendar days from the date of the Bill of Lading (BL)/Airway Bill (AWB)
- **Processing of Advance Import Payments (AIP)**
A mode of payment for a non-LC transaction wherein the payment is sent by the buyer/importer in advance to the seller/exporter thru the banks prior to the shipment of the goods and receipt of the shipping documents.
- **Opening or Issuance of Stand-by LC (Foreign and Domestic)**
An undertaking issued by the Bank on behalf of its client that payment will be made to the beneficiary in the event that the client does not make good its obligation.

7. INVESTMENTS

TRUST PRODUCT AND SERVICES

A. TRUST ARRANGEMENTS

This refers to a fiduciary relationship whereby legal title to funds and/or properties of the Trustor is transferred to LANDBANK-Trust Banking Group (LANDBANK TBG), subject to an equitable obligation to administer, hold and manage such funds and/or properties for the use, benefit or advantage of the trustor or other designated beneficiaries.

- **Unit Investment Trust Fund (UITF)**
UITFs are open-ended pooled trust funds that are invested collectively in a diversified portfolio approved by the Bangko Sentral ng Pilipinas (BSP). It is an affordable and the best vehicle to participate in the financial markets. UITFs offer a simple, more convenient, and less time-consuming method of investing in a diversified portfolio.

- **LANDBANK Money Market Fund**

A fund intended for clients with conservative risk profile that aims to provide high liquidity and minimal risk but with decent returns on the invested capital, from placements on short-term special deposit accounts.

- **LANDBANK Money Market Plus Fund**

A fund intended for clients with moderate risk profile that offers investors a relatively liquid investment while providing potential higher income from a portfolio of short-term bonds and fixed income securities.

- **LANDBANK Bond Fund**

A fund intended for clients with moderate risk profile that aims to generate a steady stream of income mainly through investments in a diversified portfolio of peso-denominated fixed income government securities, corporate bonds and bank deposits.

- **LANDBANK Growth Fund**

A fund intended for clients with aggressive risk profile that aims to generate capital growth while maintaining steady stream of income through combination of diversified investments in peso-denominated listed stocks and tradable fixed income securities.

- **LANDBANK Equity Index Fund**

A fund intended for clients with aggressive risk profile that aims for long term capital growth through investment mainly in peso-denominated listed equities comprising the Philippine Stock Exchange Index (PSEi).

- **LANDBANK Global \$ Fund**

The fund intended for clients with moderate risk profile aims to generate a relatively higher income through investments in Dollar-denominated fixed income securities issued by the National Government and by local companies.

- **Personal Equity and Retirement Account – Unit Investment Trust Funds (PERA-UITFs)**

PERA-UITFs are open-ended pooled fund that are invested collectively in a diversified portfolio of PERA investment products associated with the Contributor's investment and risk profile, and/or age of near retirement.

- **LANDBANK PERA Money Market Fund**

A fund intended for contributors with conservative risk profile that aims to provide high liquidity and decent returns from short-term and flexible investments with less than one-year duration, with minimal risk on capital

- **LANDBANK PERA Bond Fund**

A fund intended for contributors with moderate risk profile aims to generate moderate yields from their capital through investments in diversified portfolio of peso-denominated fixed income securities.

- **LANDBANK PERA Global \$ Fund**

A fund intended for contributors with moderate risk profile aims to generate relatively moderate returns from their capital through investments in Dollar-denominated fixed income securities issued by the National Government and by local companies.

B. INSTITUTIONAL TRUST ACCOUNTS

Institutional Trust Accounts refers to trust arrangements where the trustor is a juridical entity (i.e. but not limited to corporations, institutions, organizations) or incorporated funds (i.e. retirement funds, pension funds, etc.)

- **Employee Benefit**

This refers to trust arrangements established to hold the assets of an employee benefit plan wherein the beneficiaries are the employees of the corporation or institution.

- **Defined Benefit Retirement Plan (Gratuity Plan)**

A retirement plan based on a specific and defined amount of benefit provided by the company expressed in number of months per year of service. The company is the sole contributor and the employees have no option to contribute to the fund.

- **Defined Contribution Retirement Plan (Provident Plan)**

A contributory retirement fund wherein both the employer and employee contribute to the retirement plan. The retirement benefit of the employee is dependent on the defined contribution. Contributions are based on either a specific amount

or percentage of salary of the employee that the employer is willing to contribute.

- **Hybrid Retirement Plan**
A combination of a Defined Benefit Plan (Gratuity Plan), based on actuarial valuation and Defined Contribution Plan (Provident Plan), wherein the employees have the option to contribute to the retirement fund. Hybrid Plans are also registered with the BIR for tax exemption approval and certification.
- **Pre-Need Accounts**
This refers to trust arrangements established by pre-need companies in compliance with the regulatory requirement to maintain trust accounts for such activities.
- **Individual Trust Accounts**
This refers to trust arrangements established by an individuals or a natural person, usually consisting of disposition of assets to designated beneficiaries and settlement of the estate of the deceased.
- **Personal Management Trust (PMT)**
A type arrangement that is ideal for those who wish to preserve or earn from their assets to answer for the current needs or for the future use of the trustor or his beneficiaries
- **Personal Retirement Trust Account (PRTA)**
A trust arrangement between LANDBANK-Trust Banking Group during the lifetime if the trustor, established to cater to the retirement needs of the trustor.

C. OTHER INSTITUTIONAL SERVICES

- **Legislated and Quasi-Judicial Trust Services**
This refers to trust arrangements mandated by law, executive order, a court or other government regulatory agency, such as in cases of, but not limited to receivership, receiving/custodianship arrangements for IPOs, rights or offerings.
- **Corporate Fiduciary Account**
 - **Mortgage Trust Indenture (MTI)**
LANDBANK-Trust Banking Group holds a pool of properties, real estate and/or chattel mortgage in behalf of creditors. Mortgage Participation Certificates are issued to represent the proportionate share of creditors on the collateral pool.

- **Facility and Loan/Paying Agency**
The LANDBANK-Trust Banking Group as a the Facility Agent is appointed to centralize the monitoring and the administration of the Notes Facility, ensuring that payments due under the Notes are settled promptly, reports are submitted as stipulated in the Agreement and to a certain extent, ensures that terms and conditions of the Agreement are faithfully complied by all parties. LANDBANK-Trust Banking Group may be engaged as Paying Agent to ensure disbursement of periodic interest to creditors/lenders.

• Common Type of Escrow

- **POEA Escrow**
A standard escrow arrangement required by the POEA in the application and renewal for license of overseas employment agencies. All overseas employment agencies are required to set up an Escrow account with an accredited reputable bank and deliver to the Escrow agent the amount of at least P1.0 Million or \$20,000.00.
- **Capital Gains (BIR) Escrow**
This is a standard Escrow Arrangement wherein a Filipino citizen who has sold his Principal Residence (house and lot), may set up an Escrow with BIR and deliver to the Escrow Agent/Authorized Agent Bank (AAB) the amount equivalent to the capital gains tax derived from the sale, exchange, disposition of his Principal Residence.
- **Buy and Sell (Procurement)/Loan Releases Escrow**
This is usually resorted to a Deed of Conditional Sale, Contract to Sell, or Long-term purchase agreements. The buyer or seller delivers certain assets, documents, source codes to the Escrow agent as specified in the contract or upon fulfillment of the contract or service.
- **Escrow Services for Funds/Assets under Dispute of Ownership**
This arrangement is resorted for assets where ownership is under dispute by two or more parties. The funds or assets are set aside and held and received by an Escrow Agent until a final decision on the rightful owner of the assets by a competent body or final instruction

by all parties depending on what is stipulated in the contract (e.g. government BOT/PPP projects & procurement, disputes in inheritance, tax refunds, etc.)

- **Other escrow arrangements required by regulations such as, but not limited to, HLURB escrows, HDMF collection arrangements, DENR escrows, outsourcing projects, government projects/ programs, E.Os, grants and loan agreements depending on the need of the clients.**
- **Third Party Securities Custody and Registry Services**
The Bank as Custodian, thru its Third-Party Custodianship and Registry Department (TCRD), shall hold securities under a written agreement with clients and facilities receiving and delivering of securities upon instruction. As Registrar, TCRD shall establish and maintain the official record of all registered holders of a corporate/ bank issuance as designated or appointed by the issuer.
- **Personal Equity and Retirement Account-Cash Custodianship**
The Bank, thru its Third-Party Custodianship and Registry Department (TCRD), shall act as PERA Cash Custodian to the Contributor's PERA pursuant to Republic Act No. 9505 of 2008 (PERA Law). TCRD shall oversee the receipt, acknowledgment and release of all funds in connection with PERA.
- **Safekeeping Services**
LANDBANK-Trust Banking Group provides complete range of custody and safekeeping solutions to meet the client's objectives. LANDBANK-Trust Banking Group receives, safekeeps, delivers, records and preserves the properties consisting of non-marketable securities, titles and other documents placed under safekeeping and deliver the same, upon instruction by the client.
- **Life Insurance Trust**
This refers to agency agreements where LANDBANK-Trust Banking Group shall collect the proceeds of the life insurance policy of the client upon the death of the insured to distribute the same to assigned beneficiaries stated in the agreement.

D. INVESTMENT/PORTFOLIO

Management (Peso or US Dollar Denominated)

This trust services involves the prudent management of funds or assets in behalf of the client based on his investment objectives, risk profile and liquidity requirements. LANDBANK-Trust Banking Group acts as investment/ portfolio manager with primary intention of capital preservation, risk optimization and assurance of liquidity.

E. Special Purpose Trust

LANDBANK-Trust Banking Group acts as an independent party to a special purpose vehicle of undivided ownership interest in a segregated or identifiable pool of assets or receivables.

TREASURY PRODUCTS

A. Government Securities (GS)

Government Securities are debt instruments issued by the Republic of the Philippines or any of its instrumentalities to finance public expenditures. GS are scrippless securities and are registered under the Registry of Scrippless Securities (RoSS) system of the Bureau of Treasury.

B. Corporate Securities (CS)

Corporate securities are debt instruments issued by public or private corporations to finance their operations. They are not deposit products and are, hence, not covered by PDIC. They offer fixed coupon rate and enjoy better yields than Government Securities (GS).

C. LANDBANK Issues

- **PESO Long-Term Negotiable Certificates of Deposits (LTNCD)**
LTNCD is a long-term negotiable certificate of time deposit indicating an amount of bank indebtedness with a designed maturity. The tenor is typically five (5) years.

INVESTMENT BANKING

A. Debt and Equity Underwriting

Underwriting is the service of guaranteeing the sale of bonds, stocks or other forms of securities. The underwriter assures the issuer of funds raised through a firm underwriting commitment.

B. Financial Advisory

Financial advisory is the service of providing sound advice to clients who want to explore various options for raising funds and structuring or packaging the terms of financing.

C. Loan Syndication

Loan arrangement is the service of assisting borrowers raise funds via traditional bank debt financing. Loans may be tapped solely from LBP or from a syndicate of lenders led by LBP (i.e., syndicated loan).

D. Privatization

Privatization is financial advisory and underwriting services for various Government agencies, which intend to raise funds via disposition of assets. The role of the advisor is to render advice on the appropriate mode of disposition to be applied.

E. Project Finance

Project Finance is a loan arrangement involving a specific project, separate and distinct entity from the project sponsor. Under this type of deal, the collateral is limited to the project assets and has limited recourse to project sponsors. The sponsors are almost isolated from the obligations of the project.

F. Merger and Acquisition

Mergers and Acquisition is the purchase by a company of another company with the eventual consolidation of the two companies into one entity. The role of investment bankers is normally in the valuation of the target companies and financing for the acquisition.

8. ANCILLARY PRODUCTS

• Deposit Pick-up Services

Deposit Pick-up Services allow the mobilization/transmittal of voluminous cash/check deposits of clients via pick-up at the client's premises through the use of the bank's armoured car facilities and other authorized bank vehicles. A minimum Average Daily Balance of 1M for NCR clients and .500M for provincial clients is required to avail this service.

• Payroll Services

Payroll services is an arrangement with Government Agencies and Private Corporation to effect debiting the total payroll amount from the client firm's account and crediting each of the individual ATM accounts of employees on payroll date. Clients such as Government Agencies and Private Corporation must maintain a significant level of deposits with the Bank.

• Revenue Collection Arrangement

The government agency/client firms opens and maintains one-way depository account/s (ODAs) at the Bank's branches where their field offices/ branches/customers may deposit their sales collections/payments for eventual transfer on a periodic basis to a main account.

• Safety Deposit Box

Boxes with different sizes are rented to selected clients of the Bank for the purpose of keeping their asset valuables and important documents.

• Demand Draft

Demand Drafts are negotiable instruments sold by a bank to a client and drawn against said bank's demand deposit account with other depository bank.

• Manager's Check

Manager's Checks are negotiable instruments which are being sold by LANDBANK to clients.

• LANDBANK Gift Check

The LANDBANK Gift Check is a peso-denominated check which works just like a Manager's Check. It shall be offered to clients as an alternative form of gift which is as good as cash.

BOARD OF DIRECTORS

As of December 31, 2017



SEC. EMMANUEL F. PIÑOL
*Secretary - Department of Agriculture
Ex-Officio Member*

MR. ALEX V. BUENAVENTURA
*President and CEO
Vice Chairperson*

SEC. CARLOS G. DOMINGUEZ
*Secretary - Department of Finance
Ex-Officio Chairman*

SEC. JOHN R. CASTRICIONES
*Secretary - Department of Agrarian Reform
Ex-Officio Member*

SEC. SILVESTRE H. BELLO III
*Secretary - Department of Labor
and Employment
Ex-Officio Member*



MR. CRISPINO T. AGUELO
*Representative - Agrarian Reform
Beneficiaries Sector*



MR. VIRGILIO DV. ROBES
*Representative - Agrarian Reform
Beneficiaries Sector*



ATTY. JESUS V. HINLO, JR.
Representative - Private Sector



MR. RODOLFO V. PUNO
Representative - Private Sector

Management Team

As of December 31, 2017



JULIO D. CLIMACO, JR.
*Executive Vice President
Corporate Services Sector*



ALEX V. BUENAVENTURA
President and CEO



EDWARD JOHN T. REYES
*Executive Vice President
Agricultural and Development Lending Sector*



LIDUVINO S. GERON
*Executive Vice President
Branch Banking Sector*



ALAN V. BORNAS
*Executive Vice President
Operations Sector*



CAREL D. HALOG
*Executive Vice President
Treasury and Investment Banking Sector*

Agricultural and Development Lending Sector

As of December 31, 2017



JOSELITO P. GUTIERREZ
Senior Vice President
Mindanao Lending Group

MA. CELESTE A. BURGOS
Senior Vice President
Corporate Banking Group

FILIPINA B. MONJE
Senior Vice President
Northern and Central Luzon Lending Group



LOLITA T. SILVA
First Vice President
Retail and Mid-Market
Lending Group

LUCILA E. TESORERO
First Vice President
Southern Luzon Lending Group

ELSIE FE B. TAGUPA
First Vice President
Visayas Lending Group



EMMA M. BROSAS
Vice President
Corporate Banking Department I

CHARLOTTE I. CONDE
Vice President
Davao Lending Center

CIELITO H. LUNARIA
Vice President
Financial Institutions Department

EDUARDO N. REYES JR.
Vice President
Nueva Ecija Lending Center

EMELLIE V. TAMAYO
Vice President
Lending Programs
Management Group

Branch Banking Sector

As of December 31, 2017



LEILA C. MARTIN
Senior Vice President
North NCR Branches Group



RAMON R. MONTELOYOLA
Senior Vice President
South NCR Branches Group



RENATO G. EJE
First Vice President
OFW Remittance Group



ALTHON C. FEROLINO
First Vice President
West Visayas Branches Group



KHURSHID U. KALABUD
First Vice President
West Mindanao Branches Group



CAMILO C. LEYBA
First Vice President
East Mindanao Branches Group



RANDOLPH L. MONTESA
First Vice President
Card and Electronic Banking Group



MARILOU L. VILAFRANCA
First Vice President
Southeast Luzon Branches Group



DELMA O. BANDIOLA
Vice President
East Visayas Branches Group



ROSSANA S. CORONEL
Vice President
South NCRBG Cluster-A



ELIZABETH M. CRUZ
Vice President
MBC Ayala Branch



PACIFICO C. DE PAZ, JR.
Vice President
Electronic Products Department



SYLVIA C. LIM
Vice President
Central Luzon Branches Group



ELENITA C. RAPANUT
Vice President
Branch Banking Support Department



MA. BELMA T. TURLA
Vice President
North Luzon Branches Group



MA. CIELITO D. VALDIVIA
Vice President
Southwest Luzon Branches Group

Units under the Board and Office of the President

As of December 31, 2017



JOSEPHINE G. CERVERO
Senior Vice President
Trust Banking Group



ALEX A. LORAYES
Senior Vice President
Agrarian Services Group



AMELIA S. AMPARADO
First Vice President
Compliance Management Group



ATTY. NOEL B. MARQUEZ
First Vice President
Legal Services Group



ELCID C. PANGILINAN
First Vice President
Strategic Planning Group



MARIA EDELWINA D. CARREON
Vice President
Internal Audit Group



SOFIA C. LADOREZ
Vice President
Risk Management Group



EFREN S. TEDOR
Vice President
Physical Security Office

Corporate Services Sector

As of December 31, 2017



CATHERINE ROWENA B. VILLANUEVA
First Vice President
Corporate Affairs Department

DINA MELANIE R. MADRID
Vice President
Facilities and Procurement Services Group

ATTY. JOSELITO B. VALLADA
Vice President
Human Resource Management Group

Operations Sector

As of December 31, 2017



ANNALENE M. BAUTISTA
First Vice President
Controllershship Group

WINSTON ROCHEL L. GALANG
Vice President
Banking Operations Group



ALDEN F. ABITONA
Vice President
Technology Management Group

MERCEDITAS N. OLIVA
Vice President
Financial Accounting Department

Treasury and Investment Banking Sector

As of December 31, 2017



LOLITA M. ALMAZAR
Vice President
Investment Sales and
Distribution Department

MA. ELIZABETH L. GENER
Vice President
Liquidity and Reserve Management
Department

CHRISTINE G. MOTA
Vice President
Rates and FX Trading
Department



IVY C. SACRAMENTO
Vice President
Balance Sheet Management Department

MA. FRANCIA O. TITAR
Vice President
Capital Markets Trading Department

LANDBANK Foundation and Subsidiaries

As of December 31, 2017



GAUDIOSO CARLOS A. GARCIA VI
Executive Director
LANDBANK Countryside
Development Foundation, Inc.

SIMEONA S. GUEVARRA
President and CEO
LBP Resources and
Development Corporation

MANUEL H. LOPEZ
President and CEO
LBP Leasing and Finance Corporation

ROY C. OSCILLADA
President and CEO
Masaganang Sakahan, Inc.

RODOLFO V. PESTAÑO[†]
General Manager
LBP Insurance Brokerage Inc.

Heads of Sectors, Groups and Departments

As of 31 December 2017

UNITS UNDER THE BOARD AND OFFICE OF THE PRESIDENT

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President and CEO

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Legal Manager/OIC

Physical Security Office

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Vice President

Internal Audit Group

Maria Edelwina D. Carreon
Vice President

Credit Review Department

Renner E. Espinosa
Audit Manager

Field Operations Audit Department

Corazon DC. Paraiso
Department Manager

Head Office and Systems Technology Audit Department

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Assistant Vice President

Compliance Management Group

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First Vice President

Anti-Money Laundering Department

Jose Emmanuel C. Valdez
Department Manager

Regulatory Compliance Department

Don V. Sumadchat
Department Manager

Trust Banking Group

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Camilo G. Sanchez
Assistant Vice President

Third Party Custodianship and Registry Department

Analiza M. Vasco
Assistant Vice President

Trust Business Development Department

Madonna M. Cinco
Department Manager

Trust Oversight and Strategic Management Department

Atty. Mario S. Sabino Jr.
Department Manager

Trust Operations Department

Dianne S. Magboo
Senior Management Associate/
Acting Dept. Head

Trust Portfolio Management Department

Ryan Joseph M. Salud
Department Manager

Risk Management Group

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Credit Risk Management Department

Maria Aurora R. Bocato
Assistant Vice President

Treasury Risk Management Department

Rosemarie E. Sotelo
Assistant Vice President

Enterprise Risk Management Office

Benedict M. Vocal
Department Manager

Business Risk Management Department

Marjorie R. Cortez
Bank Executive Officer/OIC

Information Security and Technology Risk Management Office

Maria Rosa Lorelie H. Concepcion
Risk Management Specialist III

Credit Policy Formulation and Review Unit

Jennifer B. Cura
Bank Executive Officer/Head

Investment and Loan Committee Secretariat and Support Unit

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Sr. Risk Management Officer

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Assistant Vice President

Landowners Assistance and Policy Department

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Assistant Vice President

Land Transfer Processing Department

Atty. Ricarte Porfirio A. Rey
Assistant Vice President

Legal Services Group

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Administrative Legal Department

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Assistant Vice President

Banking Legal Services Department

Cesar S. Cabañes
Assistant Vice President

CARP Legal Services Department

Rafael L. Berbaño
Assistant Vice President

Field Legal Services Department

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Assistant Vice President

Litigation Department

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Assistant Vice President

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Assistant Vice President

Customer Service and Product Development Department

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Assistant Vice President

Quality Management Department

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Department Manager

AGRICULTURAL AND DEVELOPMENT LENDING SECTOR

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Executive Vice President

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Eleanor D. Quicoy
Department Manager

Lending Support Department

Teresita SP. Aringo
Assistant Department Manager/Head

Special Assets Department

Margarita C. Laureano
Acquired Assets Officer/
Acting Department Manager

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Vice President

Corporate Banking Department II

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Assistant Vice President

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Vice President

Public Sector Department

Esperanza N. Martinez
Assistant Vice President

Microfinance Institutions Department

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Account Officer

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Vice President

Development Assistance Department

Lolita S. Huerto
Program Officer

Environmental Program and Management Department

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Assistant Vice President

Fund Sourcing Department

Margarita C. Cabrera
Senior Asset and Liability Management
Officer/Acting 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 I

Joji D. Flores
Account Officer/Head

Small and Medium Enterprises - Mid-Market Lending Department II

Danilo D. Dayanghirang
Assistant Vice President

Northern and Central Luzon Lending Group

Filipina B. Monje
Senior Vice President

Southern Luzon Lending Group

Lucila E. Tesorero
First Vice President

Visayas Lending Group

Elsie Fe B. Tagupa
First Vice President

Mindanao Lending Group

Joselito P. Gutierrez
Senior Vice President

Davao Lending Center

Charlotte I. Conde
Vice President

Nueva Ecija Lending Center

Eduardo N. Reyes Jr.
Vice President

CORPORATE SERVICES SECTOR

Julio D. Climaco, Jr.
Executive Vice President

Corporate Affairs Department

Catherine Rowena B. Villanueva
First Vice President

Provident Fund Office

Virginia C. Limbo
Department Manager

Facilities and Procurement Services Group

Dina Melanie R. Madrid
Relationship Officer/Acting Vice President

Procurement Department

Alwin I. Reyes
Assistant Vice President

Project Management and Engineering Department

Alexander S. Lazaro
Department Manager

Facilities Management Department

Ramil P. Remillano
Assistant Department Manager/
Acting Head

Human Resource Management Group

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Vice President

Employee Relations Department

Mira Leah B. Patio
Department Manager

Organization Development Department

Emmanuel G. Hio Jr.
Assistant Vice President

Personnel Administration Department

Atty. Joselito B. Vallada
Vice President/Concurrent Head

TREASURY AND INVESTMENT BANKING SECTOR

Carel D. Halog
Executive Vice President

Investment Sales and Distribution Department

Lolita M. Almazan
Vice President

Treasury Support Department

Guian Angelo S. Dumalagan
Market Economist/Acting Head

Asset and Liability Management Group

Ma. Elizabeth L. Gener
Vice President/OIC

Balance Sheet Management Department

Ivy C. Sacramento
Vice President

Liquidity and Reserve Management Department

Ma. Elizabeth L. Gener
Vice President

Financial Markets Group

Ma. Francia O. Titar
Vice President/OIC

Capital Markets Trading Department

Ma. Francia O. Titar
Vice President

Rates and FX Trading Department

Christine G. Mota
Vice President

FX Sales and Hedging Solutions Department

Adelfa R. Masacupan
Assistant Vice President

Investment Banking Group

Atty. Florence Rosalind R. Claveria
Officer-In-Charge

Investment Banking Department II

Atty. Florence Rosalind R. Claveria
Department Manager

OPERATIONS SECTOR

Alan V. Bornas

Executive Vice President

IT Quality Management Office

Josie M. Castro
Assistant Department Manager

Banking Operations Group

Winston Rochel L. Galang
Vice President

Foreign and Domestic Remittance Department

Corazon A. Gatdula
Assistant Vice President

International Trade Department

Manuel F. Francisco
Department Manager

Loans Implementation Department

Lani U. Pornuevo
Information Technology Project Officer/
Acting Head

Property Valuation and Credit Information Department

Atty. Buenaventura R. Del Rosario
Senior Legal Officer/Acting Head

Banking Services Group

Reynaldo C. Capa
Assistant Vice President/Acting Head

ATM and Cash Management Department

Arnold Jose G. Adolfo
Department Manager

Central Clearing Department

Joseph R. Castillo
Department Manager

MDS and Collections Management Department

Irish D. Tan
Department Manager

Controllershship Group

Annalene M. Bautista
First Vice President

Administrative Accounting Department

Benjamin P. Villanueva, Jr.
Department Manager

Agrarian Accounting Department

Jaime G. Dela Cruz
Department Manager

Financial Accounting Department

Merceditas N. Oliva
Vice President

Systems and Methods Department

Reynaldo Michael R. Bien
Department Manager

Treasury Operations Department

Cristie Corazon A. Villanueva
Department Manager

Technology Management Group

Alden F. Abitona
Vice President

Data Center Management Department

Cary Brian M. Santos
Assistant Vice President

Electronic Banking Systems Department

Arthur E. Dalaman
Assistant Vice President

Enterprise Systems Department

Rosanna F. Berones
Assistant Vice President

IT-Project Management Department

Rosemarie A. Tam
Assistant Vice President

Network Operations Department

Enrique L. Sazon, Jr.
Assistant Vice President

Retail Banking Systems Department

Grace Ofelia Lovely V. Dayo
Assistant Vice President

IT Security Office

Lolita L. Sumaylo
Information Technology Officer/Head

Production Control and Administrative Services

Alona L. Manabat
Information Technology Officer/Head

BRANCH BANKING SECTOR

Liduvino S. Geron
Executive Vice President

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
Department Manager

Card and Electronic Banking Group

Randolph L. Montesa
First Vice President

Electronic Products Department

Pacifico C. De Paz, Jr.
Vice President

Debit Cards and ATM Management Department

Marissa B. Pineda
Assistant Vice President

Cash Management Solutions Department

Ninna Richelle H. Veran
Department Manager

Credit Card Administration Department

Annamaria M. Calara
Bank Executive Officer

OFW Remittance Group

Renato G. Eje
First Vice President

Domestic Remittance Marketing Department

Jose James T. Figueras
Assistant Vice President

Overseas Remittance Marketing and Support Department

Atty. Reo S. Andarino
Assistant Vice President

North NCR Branches Group

Leila C. Martin
Senior Vice President

North NCRBG Cluster A

Ma. Elenita N. Manucom
Assistant Vice President

North NCRBG Cluster B

Ma. Elena A. Balassu
Assistant Vice President

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

Mary Lilian R. Cruz
Assistant Vice President

North Luzon Branches Group

Ma. Belma T. Turla
Relationship Officer

Central Luzon Branches Group

Sylvia C. Lim
Vice President

Southeast Luzon Branches Group

Marilou L. Villafranca
First Vice President

Southwest Luzon Branches Group

Ma. Cielito D. Valdivia
Vice President

East Visayas Branches Group

Delma O. Bandiola
Relationship Officer

West Visayas Branches Group

Althon C. Ferolino
First Vice President

East Mindanao Branches Group

Camilo C. Leyba
First Vice President

West Mindanao Branches Group

Khurshid U. Kalabud
First 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

The Board of Directors

Land Bank of the Philippines
Manila

Opinion

We have audited the consolidated financial statements of **Land Bank of the Philippines (LBP), and its subsidiaries (referred to as the "Group")** which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the **Group** as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAI). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Philippine Public Sector, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 10 to the Financial Statements which disclosed, among others, that the LBP's Available-for-sale investments - Domestic-Private account includes the undelivered 3,366,800 MERALCO shares. Likewise, the corresponding cash dividends earned amounting to P358.446 million and P297.086 million as at December 31, 2017 and 2016, 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 issued a Resolution on March 5, 2018 which (1) noted LBP's Motion for Early Resolution with Manifestation dated February 6, 2018; (2) gave due course to LBP's Petition; and (3) required parties to submit their respective Memoranda within thirty (30) days from notice thereof. LBP received the aforesaid Resolution on May 15, 2018 and forwarded me 32-page LBP Memorandum to the Office of the Government Corporate Counsel (OGCC) on May 28, 2018 for their consideration, review and/or signature.

Our opinion is not modified in respect of the above matter.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAI will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISSAI, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

COMMISSION ON AUDIT



Rochie J. Felices
Supervising Auditor

June 14, 2018

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, 2017 and 2016, 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 International Standards of Supreme Audit Institutions (ISSAI) and has expressed opinion on the fairness of presentation upon completion of such audit, in its report to the Board of Directors.



ANNALENE M. BAUTISTA
SVP, Controllership Group



ALAN V. BORNAS
EVP, Operations Sector



ALEX V. BUENAVENTURA
President and CEO

Signed this 13th day of June 2018

Statements of Financial Position

December 31, 2017 and 2016

(In Philippine Pesos)

	NOTE	GROUP		PARENT	
		2017	2016 As restated	2017	2016 As restated
ASSETS					
Cash and other cash items	4	31,385,326,196	28,251,826,726	31,384,484,693	28,250,784,197
Due from Bangko Sentral ng Pilipinas	5	305,343,193,269	355,405,020,009	305,343,193,269	355,405,020,009
Due from other banks	6	5,184,791,386	11,731,533,951	5,106,486,709	11,621,760,371
Interbank loans receivable	7	20,970,600,000	15,562,360,000	20,970,600,000	15,562,360,000
Securities purchased under agreements to resell	8	52,222,764,329	14,803,583,599	52,222,764,329	14,803,583,599
Held for trading	9	13,366,264,729	9,904,584,983	13,366,264,729	9,904,584,983
Available for sale investments - net	10	236,393,169,709	290,396,560,740	236,393,169,709	290,396,560,740
Held to maturity investments	11	318,240,517,135	152,818,697,546	317,123,977,928	151,928,198,623
Loans and receivables - net	12 & 17	614,454,235,900	501,160,840,640	612,715,409,602	499,956,723,754
Investments in subsidiaries	13	0	0	438,775,007	438,775,006
Investment property - net	14 & 30	5,683,999,567	6,288,135,905	5,571,611,003	6,159,908,096
Property and equipment - net	15	7,744,828,099	7,145,490,196	7,222,632,456	6,644,893,199
Non-current assets held for sale		325,698,390	267,045,114	321,980,850	258,659,819
Other assets - net	16 & 30	12,941,415,384	9,202,965,445	12,847,356,511	9,123,223,895
Deferred income tax	21 & 30	2,873,682,144	2,333,684,395	2,808,807,996	2,270,589,542
		1,627,130,486,237	1,405,272,329,249	1,623,837,514,791	1,402,725,625,833
LIABILITIES AND EQUITY					
Liabilities					
Deposit liabilities	18	1,425,219,507,106	1,235,625,205,480	1,425,473,355,997	1,235,977,335,203
Bills payable	19	25,375,107,659	30,251,333,652	24,580,107,659	30,035,333,652
Derivative liabilities		18,892,674	18,504,560	18,892,674	18,504,560
Deposits from other banks		0	1,723,036	0	1,723,036
Treasurer's, Manager's and Cashier's checks		1,237,442,880	1,265,559,561	1,237,442,880	1,265,559,561
Payment order payable		53,631,992	94,188,109	53,631,992	94,188,109
Marginal deposits		14,984,223,824	15,025,639,549	14,984,223,824	15,025,639,549
Cash letters of credit		8,788,482,340	6,373,117,805	8,788,482,340	6,373,117,805
Other liabilities	20	34,839,504,002	20,824,901,209	34,677,450,701	20,748,875,021
		1,510,516,792,477	1,309,480,172,961	1,509,813,588,067	1,309,540,276,496
Equity					
Common stock	29 & 30	20,981,000,000	17,800,000,000	20,981,000,000	17,800,000,000
Paid-in surplus		101,098,220	101,098,220	101,098,220	101,098,220
Retained earnings free		32,125,960,648	29,143,602,631	30,753,073,583	27,871,317,945
Retained earnings reserve		42,311,448,508	30,794,448,508	41,271,448,508	29,771,448,508
Undivided profits		15,621,465,990	14,355,885,309	15,505,365,035	14,105,451,520
Revaluation increment		61,200,000	61,200,000	0	0
Other Comprehensive Income					
Net unrealized gains on securities available for sale		5,411,941,378	3,536,033,144	5,411,941,378	3,536,033,144
Remeasurement of retirement benefit obligation		(420,984)	(111,524)	0	0
		116,613,693,760	95,792,156,288	114,023,926,724	93,185,349,337
		1,627,130,486,237	1,405,272,329,249	1,623,837,514,791	1,402,725,625,833

The Notes on pages 139 to 201 form part of these financial statements.

Statements of Comprehensive Income

For the years ended December 31, 2017 and 2016

(In Philippine Pesos)

		GROUP		PARENT	
	NOTE	2017	2016 As restated	2017	2016 As restated
INTEREST INCOME					
Loans		29,745,504,130	25,931,533,423	29,531,777,486	25,719,257,438
Investments		15,913,386,891	13,011,486,550	15,880,559,323	12,984,866,640
Due from Bangko Sentral ng Pilipinas		2,399,863,981	2,709,171,877	2,399,863,981	2,709,171,877
Deposit in banks		47,503,037	29,285,949	39,363,021	22,959,257
Others		1,248,452	1,087,878	1,248,452	847,370
		48,107,506,491	41,682,565,677	47,852,812,263	41,437,102,582
INTEREST EXPENSE					
Deposit liabilities		8,923,169,074	9,409,271,625	8,923,675,095	9,410,204,824
Borrowed funds		900,650,066	843,737,159	897,055,307	844,998,335
Unsecured subordinated debt		0	46,265,625	0	46,265,625
Others		2,251	9,219,883	920,592	17,599,425
		9,823,821,391	10,308,494,292	9,821,650,994	10,319,068,209
NET INTEREST INCOME					
PROVISION FOR CREDIT LOSSES	17	38,283,685,100	31,374,071,385	38,031,161,269	31,118,034,373
		1,129,582,344	144,447,845	1,109,626,624	118,370,022
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES					
		37,154,102,756	31,229,623,540	36,921,534,645	30,999,664,351
OTHER OPERATING INCOME					
Dividends		1,582,606,081	1,942,212,386	1,582,606,081	1,942,183,297
Fees and commission		1,892,258,615	1,709,681,719	1,779,684,551	1,614,721,616
Gain from dealings in foreign currency		415,407,278	474,854,097	412,592,550	465,675,584
Gain from sale/redemption/reclass of non-trading of FA and Liab		451,832,549	320,019,255	451,875,346	325,844,255
Gain on financial assets - held for trading		893,560,913		893,560,913	
Foreign exchange gains from revaluation		0	133,496,302	0	133,496,302
Miscellaneous income	30 & 31	1,320,450,134	1,559,241,090	1,122,775,823	1,501,487,166
		6,556,115,570	6,139,504,849	6,243,095,264	5,983,408,220
OTHER OPERATING EXPENSES					
Compensation and fringe benefits		11,304,292,633	8,683,112,699	11,271,950,519	8,667,061,096
Taxes and licenses		3,122,761,706	2,754,498,888	3,097,464,757	2,726,700,282
Depreciation and amortization		1,051,745,668	944,040,528	1,035,285,806	927,664,127
Loss on financial assets and liabilities - held for trading		0	716,566,301	0	716,566,301
Foreign exchange loss from revaluation		574,046,924	0	574,046,924	0
Rent		968,795,158	629,009,957	1,002,024,401	675,124,454
Miscellaneous expenses	32	10,649,957,320	8,817,630,234	10,358,880,013	8,799,420,536
		27,671,599,409	22,544,858,607	27,339,652,420	22,512,536,796
INCOME BEFORE INCOME TAX					
PROVISION FOR INCOME TAX	21 & 30	16,038,618,917	14,824,269,782	15,824,977,489	14,470,535,775
		417,152,927	468,384,473	319,612,454	365,084,255
NET INCOME					
		15,621,465,990	14,355,885,309	15,505,365,035	14,105,451,520
OTHER COMPREHENSIVE INCOME					
	29	1,875,598,774	(7,409,465,613)	1,875,908,234	(7,416,088,695)
TOTAL COMPREHENSIVE INCOME					
		17,497,064,764	6,946,419,696	17,381,273,269	6,689,362,825

The Notes on pages 139 to 201 form part of these financial statements.

Statements of Changes in Equity - Group

For the years ended December 31, 2017 and 2016

(In Philippine Pesos)

	Common Stock (Note 29) Shares	Amount	Paid-in Surplus	Retained Earnings Free	Retained Earnings Reserve (Note 29)	Undivided Profits	Revaluation Increment	Other Comprehensive Income (Loss) (Note 29)	TOTAL
Balance, December 31, 2015, as restated	1,197,100,000	11,971,000,000	101,098,220	24,513,920,642	27,190,507,032	13,965,866,598	61,200,000	10,945,387,233	88,748,979,725
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				14,355,885,309		(7,416,088,695)	14,355,885,309
Net income during the year, as restated								6,623,082	(7,416,088,695)
Net unrealized loss on securities									6,623,082
Re-measurement of retirement benefit obligation									(6,764,159,431)
Declaration of cash dividends				(6,764,159,431)					0
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				1,583,525,322	(550,000,000)				1,033,525,322
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, As restated (Note 30)	178,000,000	17,800,000,000	101,098,220	29,143,602,631	30,794,448,508	14,355,885,309	61,200,000	3,535,921,620	95,792,156,288
Capital infusion from the National Government	31,810,000	3,181,000,000							3,181,000,000
Net income during the year						15,621,465,990		1,875,908,234	15,621,465,990
Net unrealized loss on securities								(309,460)	1,875,908,234
Re-measurement of retirement benefit obligation									(309,460)
Transfer to retained earnings free				14,355,885,309		(14,355,885,309)			0
Transfer to retained earnings reserve				(11,517,000,000)	11,517,000,000				0
Payment of cash dividends				(130,571,749)					(130,571,749)
PFRS/prior period adjustment				274,171,455					274,171,455
Closure of excess book value over cost of investment in subsidiaries				(29)					29
Currency translation difference				(127,027)					(127,027)
Balance, December 31, 2017	209,810,000	20,981,000,000	101,098,220	32,125,960,648	42,311,448,508	15,621,465,990	61,200,000	5,411,520,394	116,613,693,760

The Notes on pages 139 to 201 form part of these financial statements.

LAND BANK OF THE PHILIPPINES

Statements of Changes in Equity - Parent

For the years ended December 31, 2017 and 2016

(In Philippine Pesos)

	Common Stock (Note 29)	Paid-in Surplus	Retained Earnings Free	Retained Earnings Reserve (Note 29)	Undivided Profits	Other Comprehensive Income (Loss)	TOTAL
	Shares	Amount					
Balance, December 31, 2015	1,197,100,000	11,971,000,000	23,273,646,428	26,282,507,032	13,663,584,070	10,952,121,839	86,243,957,589
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					5,829,000,000
Net income during the year, as restated					14,105,451,520		14,105,451,520
Net unrealized loss on securities						(7,416,088,695)	(7,416,088,695)
Declaration of cash dividends			(6,600,000,000)				(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			1,574,637,927				1,574,637,927
Currency translation difference			(1,609,004)				(1,609,004)
Balance, December 31, 2016, As restated (Note 30)	178,000,000	17,800,000,000	27,871,317,945	29,771,448,508	14,105,451,520	3,536,033,144	93,185,349,337
Capital infusion from the National Government	31,810,000	3,181,000,000					3,181,000,000
Net income during the year					15,505,365,035		15,505,365,035
Net unrealized loss on securities						1,875,908,234	1,875,908,234
Transfer to retained earnings free			14,105,451,520				14,105,451,520
Increase in retained earnings-reserve			(11,500,000,000)				(11,500,000,000)
PFRS/prior period adjustment			276,431,145				276,431,145
Currency translation difference			(127,027)				(127,027)
Balance, December 31, 2017	209,810,000	20,981,000,000	30,753,073,583	41,271,448,508	15,505,365,035	5,411,941,378	114,023,926,724

The Notes on pages 139 to 201 form part of these financial statements.

Statements of Cash Flows

For the years ended December 31, 2017 and 2016

(In Philippine Pesos)

	GROUP		PARENT	
	2017	2016 As restated (Note 30)	2017	2016 As restated (Note 30)
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest received	46,992,505,309	40,134,385,755	46,739,385,751	39,888,098,637
Interest paid	(10,116,074,021)	(9,974,587,863)	(10,114,161,298)	(9,985,246,934)
Fees and commission received	1,892,258,615	1,709,681,719	1,779,684,551	1,614,721,616
Loss on financial assets and liabilities held for trading	893,560,913	(716,566,301)	893,560,913	(716,566,301)
Gain from dealings in foreign currency	415,407,278	474,854,097	412,592,550	465,675,584
Miscellaneous income	1,320,450,134	1,559,241,090	1,122,775,823	1,501,487,166
General and administrative expenses	(24,086,735,039)	(21,529,600,928)	(23,151,640,503)	(21,484,465,722)
Operating income before changes in operating assets and liabilities	17,311,373,189	11,657,407,569	17,682,197,787	11,283,704,046
Changes in operating assets and liabilities				
(Increase)/Decrease in operating assets				
Interbank loans receivable	(5,408,240,000)	2,237,516,515	(5,408,240,000)	2,237,516,515
Held for Trading	(3,461,679,746)	(1,430,561,411)	(3,461,679,746)	(1,430,561,411)
Loans and receivable	(113,778,984,191)	(50,454,014,676)	(113,225,893,729)	(50,653,983,574)
Other assets	(3,374,127,830)	(783,469,378)	(3,359,461,415)	(728,729,376)
Deferred income tax	(539,997,749)	(2,263,000,574)	(538,218,454)	(2,270,589,542)
Increase/(Decrease) in operating liabilities				
Deposit liabilities	189,594,301,626	189,764,889,458	189,496,020,794	189,749,476,939
Derivative liabilities	388,114	18,504,560	388,114	18,504,560
Deposits from other banks	(1,723,036)	(15,034,483)	(1,723,036)	(15,034,483)
Payment order payable	(40,556,117)	2,982,521	(40,556,117)	2,982,521
Marginal deposits	(41,415,725)	8,499,169,285	(41,415,725)	8,499,169,285
Cash letters of credit	2,415,364,535	(1,090,480,608)	2,415,364,535	(1,090,480,608)
Treasurer's, Manager's and Cashier's Checks	(28,116,681)	(672,022,924)	(28,116,681)	(672,022,924)
Other liabilities	11,985,244,933	(1,851,517,672)	11,292,442,789	(1,755,919,732)
Net cash generated from operations	94,631,831,322	153,620,368,182	94,781,109,116	153,174,032,216
Income taxes paid	(90,429,132)	(43,096,498)	0	0
Net cash generated from operating activities	94,541,402,190	153,577,271,684	94,781,109,116	153,174,032,216
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property and equipment	(1,413,773,089)	(1,071,509,092)	(1,377,634,985)	(1,083,684,370)
Disposals of investment property	473,511,516	(96,143,872)	459,243,583	(83,041,232)
Disposals of/(additions to) non-current assets held for sale	(58,653,276)	103,989,457	(63,321,031)	88,621,268
Dividends received	1,582,606,081	1,942,212,386	1,582,606,081	1,942,183,297
Gain from investment securities	451,832,549	320,019,255	451,875,346	325,844,255
Decrease/(increase) in:				
Available for sale investments	55,879,299,265	(143,675,620,172)	55,879,299,265	(143,681,445,172)
Held to maturity investments	(165,421,819,589)	(30,216,914,659)	(165,195,779,305)	(30,143,954,962)
Investment in subsidiaries	0	0	(1)	0
Net cash provided by (used in) investing activities	(108,506,996,543)	(172,693,966,697)	(108,263,711,047)	(172,635,476,916)
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash dividends paid	(130,571,749)	(6,764,159,431)	0	(6,600,000,000)
Capital infusion from National Government	3,181,000,000	5,829,000,000	3,181,000,000	5,829,000,000
Other charges to capital	279,198,360	1,028,528,452	276,304,118	1,023,028,923
Increase/(decrease) in:				
Bills payable	(4,845,874,439)	8,212,596,224	(5,424,874,439)	8,396,596,224
Unsecured subordinated debt		(10,500,000,000)	0	(10,500,000,000)
Net cash used in financing activities	(1,516,247,828)	(2,194,034,755)	(1,967,570,321)	(1,851,374,853)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(574,046,924)	133,496,302	(574,046,924)	133,496,302
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(16,055,889,105)	(21,177,233,466)	(16,024,219,176)	(21,179,323,251)

Statements of Cash Flows

For the years ended December 31, 2017 and 2016

(In Philippine Pesos)

	GROUP		PARENT	
	2017	2016 As restated (Note 30)	2017	2016 As restated (Note 30)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
Cash and other cash items	28,251,826,726	26,889,637,489	28,250,784,197	26,889,156,228
Due from Bangko Sentral ng Pilipinas	355,405,020,009	314,934,579,624	355,405,020,009	314,934,579,624
Due from other banks	11,731,533,951	5,890,980,638	11,621,760,371	5,782,735,575
Securities purchased under agreements to resell	14,803,583,599	83,654,000,000	14,803,583,599	83,654,000,000
	410,191,964,285	431,369,197,751	410,081,148,176	431,260,471,427
CASH AND CASH EQUIVALENTS AT END OF YEAR				
Cash and other cash items	31,385,326,196	28,251,826,726	31,384,484,693	28,250,784,197
Due from Bangko Sentral ng Pilipinas	305,343,193,269	355,405,020,009	305,343,193,269	355,405,020,009
Due from other banks	5,184,791,386	11,731,533,951	5,106,486,709	11,621,760,371
Securities purchased under agreements to resell	52,222,764,329	14,803,583,599	52,222,764,329	14,803,583,599
	394,136,075,180	410,191,964,285	394,056,929,000	410,081,148,176

The Notes on pages 139 to 201 form part of these financial statements.

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, 2017, 73 percent 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 personal, 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 May 22, 2018 while 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, its functional currency 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
Masaganang Sakahan, 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 because 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 amortised 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 or revalued (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 amortised 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

Current taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxing authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the statement of financial position date.

Deferred taxes

Deferred tax is provided on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- a. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- b. In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular income tax, and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward of unused tax credits from MCIT and unused NOLCO can be utilized except:

- a. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- b. In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each statement of financial position date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Current tax and deferred tax relating to items recognized directly in equity are recognized in other comprehensive income and not in the statement of income.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred taxes relate to the same taxable entity and the same taxation authority.

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 2017 amounts to P6.61 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, 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 P932,694,753,035 and P929,839,387,530 as of December 31, 2017 and P653,979,538,186 and P651,884,922,377 as of December 31, 2016, 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 P236,393,169,709 as of December 31, 2017 and P290,396,560,740 as of December 31, 2016.

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 amortised cost. The carrying values of held-to-maturity investments of the Group and the Parent are P318,240,517,135 and P317,123,977,928 as of December 31, 2017 and P152,818,697,546 and P151,928,198,623 as of December 31, 2016, respectively.

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 P7,744,828,099 and P7,222,632,456 as of December 31, 2017 and P7,145,490,196 and P6,644,893,199 as of December 31, 2016, respectively.

4. Cash and Other Cash Items

This account consists of:

	Group		Parent	
	2017	2016	2017	2016
Cash on hand	31,202,307,803	27,820,116,755	31,202,262,803	27,820,045,782
Checks and other cash items	102,351,901	319,185,867	102,351,901	319,185,867
Returned checks and other cash items	42,674,041	103,786,468	42,674,041	103,786,468
Miscellaneous checks and other cash items	68,445	0	68,445	0
Petty cash fund	8,236,000	6,842,000	7,646,000	6,750,000
Revolving fund	442,011	1,115,064	235,508	235,508
Payroll fund	29,245,995	780,572	29,245,995	780,572
	31,385,326,196	28,251,826,726	31,384,484,693	28,250,784,197

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	
	2017	2016	2017	2016
Deposit with local banks	264,150,453	399,159,167	185,845,776	289,385,587
Deposit with foreign banks	4,920,640,933	11,332,374,784	4,920,640,933	11,332,374,784
	5,184,791,386	11,731,533,951	5,106,486,709	11,621,760,371

The Group maintains nostro accounts on global basis with 24 foreign depository banks totaling 28 and 29 bank accounts in 2017 and 2016, respectively, the most significant of which are as follows:

2017	2016
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. The Bank of New York
4. Standard Chartered Bank, Frankfurt	4. JP Morgan Chase Bank
5. LandesBank Baden-Wuerttemberg	5. LandesBank Baden-Wuerttemberg

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:

	2017	2016
Domestic	2.55% to 2.75%	2.55% to 4.11%
Foreign	0.55% to 1.90%	0.12% to 0.80%

8. Securities Purchased under Agreements to Resell

This account consists of:

	Group		Parent	
	2016	2016	2017	2016
Domestic				
Government Securities Purchased under Reverse Repurchase Agreement				
BSP	50,390,420,809	14,792,325,450	50,390,420,809	14,792,325,450
Private Corporation	1,832,343,520	0	1,832,343,520	0
FCDU				
Margin Call on the Bank's Report				
Transactions Derivative with positive	0	11,258,149	0	11,258,149
	52,222,764,329	14,803,583,599	52,222,764,329	14,803,583,599

Securities Purchased under Agreements to Resell with BSP interest rate at 3.00 per cent and 4.00 per cent as at December 31, 2017 and 2016, respectively. While Repo with Private Corporation carry interest at 3.50 per cent.

9. Held for Trading

This consists of:

	Group		Parent	
	2017	2016	2017	2016
Government Securities – Domestic	11,273,543,561	8,465,657,400	11,273,543,561	8,465,657,400
Private Securities – Domestic	4,318,924	7,227,302	4,318,924	7,227,302
Derivative with positive fair value	2,088,402,244	1,431,700,281	2,088,402,244	1,431,700,281
	13,366,264,729	9,904,584,983	13,366,264,729	9,904,584,983

The Held for Trading (HFT) financial assets of the Group carry interest rates at December 31 as follows:

	2017			2016		
Domestic	1.120%	to	10.50%	1.215%	to	10.50%
Foreign	0%	to	0%	0%	to	9.625%

HFT includes the foreign exchange (FX) risk cover of the Parent's borrowings from multilateral agencies amounting to P1,481,384,331 and P1,213,761,006 in 2017 and 2016, 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 relented 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, 2017, the outstanding notional amount of the FX risk cover amounted to JPY7,047,442,607 and EUR6,932,914.

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 P267,623,325 in 2017 and P69,741,440 in 2016.

The derivative with positive fair value comprise of the following:

	2017	2016
Foreign Exchange Risk Cover	1,481,384,331	1,213,761,006
Debt Warrants	93,046,402	92,655,060
Forward Contracts	513,971,511	125,284,215
	2,088,402,244	1,431,700,281

The Garman-Kohlhagen valuation model used in pricing the derivative Foreign Exchange Risk Cover (FXRC) was found acceptable by the Bangko Sentral ng Pilipinas (BSP) during the conduct of their on-site validation in 2009.

10. Available for Sale Investments

This account consists of:

	Group		Parent	
	2017	2016	2017	2016
Domestic				
Government	171,600,159,961	222,882,526,585	171,600,159,961	222,882,526,585
Private	16,755,064,692	13,825,136,451	16,755,064,692	13,825,136,451
Foreign				
Government	38,498,020,707	43,680,900,441	38,498,020,707	43,680,900,441
Private securities	2,198,840,173	2,656,479,215	2,198,840,173	2,656,479,215
Investment in non-marketable securities, net of allowance for probable losses of P1,409,212,337 in 2017 and P1,407,712,336 in 2016	7,341,084,176	7,351,518,048	7,341,084,176	7,351,518,048
	236,393,169,709	290,396,560,740	236,393,169,709	290,396,560,740

Available-for-sale investments of the Group carry interest rates at December 31 as follows:

	2017			2016		
Domestic	2.12%	to	12.88%	2.12%	to	12.88%
Foreign	1.50%	to	10.63%	0.00%	to	10.63%

- Available-for-sale investments-Domestic Private include 42,002,750 MERALCO shares of stocks with market value of P13,802,103,650 which are subject of legal disputes.

In November 2008, MERALCO unlawfully cancelled the 42,002,750 shares 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 42,002,750 shares, 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 P358,446,362 and P297,086,432 as of December 31, 2017 and 2016, respectively, 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's Report* 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's Report* 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.

On February 8, 2018, LBP filed its *Motion for Early Resolution with Manifestation* dated February 6, 2018. On March 5, 2018, the Supreme Court (SC) issued a Resolution which (1) Noted LBP's *Motion for Early Resolution with Manifestation* dated February 6, 2018; (2) Gave due course to LBP's Petition; and (3) Required parties to submit their respective Memoranda within thirty (30) days from notice thereof.

LBP received the aforesaid Resolution on May 15, 2018. On May 28, 2018, LBP forwarded the 32-page LBP Memorandum to the Office of the Government Corporate Counsel (OGCC) for their consideration, review and/or signature.

As of this writing, the LBP Memorandum is still within the OGCC but assurance was given that the same will be filed on time counting the deadline from OGCC's receipt of the pertinent Resolution.

- The Parent's Accumulated market gains/losses on AFS government and private issues as of December 31, 2017 amounted to P7,570,565,922. Parent's Net unrealized gains/losses on AFS was P5,411,941,378.
- The difference in the amount outstanding of the accumulated market gains/losses and net unrealized gains/losses on AFS as of December 31, 2017 in the amount of P2,158,624,544 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 Development Bank 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, 2017 (In US Dollars)	Book Value As of December 31, 2017 (In US Dollars)	Percentage in MRTC
▪ MRT III Bonds	97,086,626	198,764,801	
▪ MRT III Preferred Shares	54,000,000	54,000,000	
Securitized ERPs	151,086,626	252,764,801	26.65%
Unsecuritized ERPs	90,579,859	89,146,324	11.12%
	241,666,485	341,911,125	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	
	2017	2016	2017	2016
Government				
Domestic	305,478,395,955	140,122,852,716	304,414,216,748	139,232,353,793
Foreign	7,483,993,748	7,548,562,307	7,483,993,748	7,548,562,307
Private				
Domestic	4,660,033,453	4,525,200,772	4,607,673,453	4,525,200,772
Foreign	618,093,979	622,081,751	618,093,979	622,081,751
	318,240,517,135	152,818,697,546	317,123,977,928	151,928,198,623

Held to maturity investments of the Group carry interest rates at December 31 as follows:

	2017			2016		
Domestic	2.12%	to	18.25%	2.12%	to	18.25%
Foreign	1.50%	to	10.63%	3.70%	to	11.63%

12. Loans and Receivables

This account consists of:

	Group		Parent	
	2017	2016	2017	2016
Interbank loans receivable	23,381,523,497	13,933,991,858	23,381,523,497	13,933,991,858
Allowance for credit losses	(494,034,413)	(377,489,237)	(494,034,413)	(377,489,237)
	22,887,489,084	13,556,502,621	22,887,489,084	13,556,502,621
Loans to Government	85,003,110,577	75,362,941,773	86,610,312,991	77,323,717,031
Allowance for credit losses	(58,695,811)	(39,254,484)	(58,695,811)	(37,475,575)
	84,944,414,766	75,323,687,289	86,551,617,180	77,286,241,456
Agrarian Reform and other Agriculture Loans	94,308,830,739	82,676,676,393	94,296,074,627	82,656,139,911
Allowance for credit losses	(501,725,947)	(813,149,563)	(492,406,326)	(804,241,345)
	93,807,104,792	81,863,526,830	93,803,668,301	81,851,898,566
Microfinance Loans	16,711,201,915	15,195,660,709	16,711,201,915	15,195,660,709
Allowance for credit losses	(304,605,896)	(162,299,417)	(304,605,896)	(162,299,417)
	16,406,596,019	15,033,361,292	16,406,596,019	15,033,361,292
SME/MSE Loans	62,161,803,998	50,434,960,772	61,535,264,304	50,340,269,990
Allowance for credit losses	(1,546,538,791)	(1,265,855,622)	(1,476,935,402)	(1,264,527,250)
	60,615,265,207	49,169,105,150	60,058,328,902	49,075,742,740
Contract to Sell	1,086,890,095	1,213,186,524	1,086,890,095	1,213,186,524
Allowance for credit losses	(95,852,304)	(67,094,207)	(95,852,304)	(67,094,207)
	991,037,791	1,146,092,317	991,037,791	1,146,092,317
Loans to Private Corporation	287,616,688,319	221,228,865,584	286,699,962,153	219,809,378,837
Allowance for credit losses	(1,502,014,465)	(2,098,313,121)	(1,413,436,875)	(1,958,547,377)
	286,114,673,854	219,130,552,463	285,286,525,278	217,850,831,460
Loans to Individuals for Housing Purposes	5,298,893,903	4,594,431,303	5,298,893,903	4,594,431,303
Allowance for credit losses	(143,956,974)	(113,440,784)	(143,956,974)	(113,440,784)
	5,154,936,929	4,480,990,519	5,154,936,929	4,480,990,519
Loans to Individual for Consumption	23,590,846,852	20,927,918,069	23,590,846,852	20,927,918,069
Allowance for credit losses	(664,885,163)	(265,346,014)	(664,885,163)	(265,346,014)
	22,925,961,689	20,662,572,055	22,925,961,689	20,662,572,055
Loans to Individual for Other Purposes	2,163,769,452	3,265,151,628	1,955,862,989	3,038,124,371
Allowance for credit losses	(27,766,950)	(30,993,589)	(23,887,146)	(26,974,555)
	2,136,002,502	3,234,158,039	1,931,975,843	3,011,149,816
Loans & Receivable-Others- Non Residents-FCDU	0	42,617,143	0	42,617,143
	595,983,482,633	483,643,165,718	595,998,137,016	483,997,999,985
Accrued interest receivable	4,317,342,367	3,682,585,380	4,312,242,942	3,679,060,625
Allowance for credit losses	(207,661,804)	(208,095,604)	(207,661,804)	(208,095,604)
	4,109,680,563	3,474,489,776	4,104,581,138	3,470,965,021
Accounts receivable	1,577,848,430	1,880,863,405	1,386,156,007	1,777,505,545
Allowance for credit losses	(837,140,413)	(939,519,428)	(800,117,462)	(895,077,510)
	740,708,017	941,343,977	586,038,545	882,428,035
Sales contract receivable	1,106,403,155	1,025,704,678	1,170,706,548	1,010,467,301
Allowance for credit losses	(23,536,124)	(65,928,195)	(23,536,124)	(65,928,195)
	1,082,867,031	959,776,483	1,147,170,424	944,539,106
Due from ARF	107,546,452	44,812,459	107,546,452	44,812,459
Unquoted debt securities	11,489,212,785	11,343,693,075	11,489,212,785	11,343,693,075

	Group		Parent	
	2017	2016	2017	2016
Allowance for credit losses	(717,276,758)	(727,713,927)	(717,276,758)	(727,713,927)
	10,771,936,027	10,615,979,148	10,771,936,027	10,615,979,148
Lease contract receivable	1,686,688,619	1,509,819,094	0	0
Allowance for credit losses	(28,673,442)	(28,546,015)	0	0
	1,658,015,177	1,481,273,079	0	0
	614,454,235,900	501,160,840,640	612,715,409,602	499,956,723,754

Interest rates on loans in 2017 range from 1.00 per cent to 15.00 per cent for peso denominated loans and from 1.038 per cent to 6.88 per cent for foreign currency denominated loans.

Unquoted debt securities of the Parent classified as loans consist of government and private securities amounting to P189,586,384 and P10,582,349,643, respectively, as of December 31, 2017 and P134,033,530 and P10,481,945,618, respectively, as of December 31, 2016. The account includes Metro Rail Transit Corporation's (MRTC) Bonds with book value of \$198,764,801 (P9,924,326,530) 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	206,203,247	143,279,892	7,153,965,015
FCDU	82,390,198	55,484,909	2,770,361,515
	288,593,445	198,764,801	9,924,326,530

Covered by Memorandum of Agreement (MOA) signed on August 22, 1988 between LBP and Bangko Sentral ng Pilipinas, 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:

	2017	2016
Balance, January 1	5,077,435,761	4,434,160,030
Provision	1,097,966,193	10,835,402
Write-offs	(518,577,316)	(260,717,891)
Transfers and other adjustments	(488,128,328)	893,158,220
Balance, December 31	5,168,696,310	5,077,435,761

As of December 31, 2017 and 2016, the breakdown of Gross Loans as to secured and unsecured follows:

	Parent			
	2017		2016	
	Amount	%	Amount	%
Secured loans:				
Guarantee of the Republic of the Philippines	74,009,347,617	12.31	62,872,554,788	12.86
Various guarantees	171,630,612,724	28.55	140,926,345,944	28.81
Various mortgages	201,152,010,569	33.46	155,918,505,389	31.88
	446,791,970,910	74.32	359,717,406,121	73.55
Unsecured loans	154,374,862,416	25.68	129,358,029,625	26.45
Gross loan at amortized cost	601,166,833,326	100.00	489,075,435,746	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 on NPLs in compliance with BSP Circular No. 772 and 941, which amends regulations governing non-performing loans.

	2017	2016
Total NPLs	6,599,423,133	7,173,190,276
Allowance for credit losses	(4,409,334,072)	(5,077,435,761)
Net NPLs	2,190,089,061	2,095,754,515

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
Masaganang Sakahan, Inc.	24,554,941
	438,775,007

14. Investment Property

This account consists of:

	Group					
	2017			2016		
	Land	Building	Total	Land	As restated Building	Total
At Cost						
At January 1	5,324,096,900	2,751,086,499	8,075,183,399	5,140,496,096	2,798,310,365	7,938,806,461
Additions/(Disposals)	(671,694,313)	(116,272,443)	(787,966,756)	183,600,804	(47,223,866)	136,376,938
Transfers/Adjustment	(6,735,000)	(9,454,000)	(16,189,000)	0	0	0
At December 31	4,645,667,587	2,625,360,056	7,271,027,643	5,324,096,900	2,751,086,499	8,075,183,399
Accumulated depreciation and impairment						
At January 1	719,348,362	1,067,699,132	1,787,047,494	381,363,319	1,151,415,498	1,532,778,817

Group						
2017			2016			
	Land	Building	Total	Land	Building	Total
Depreciation	0	125,027,255	125,027,255	0	113,958,857	113,958,857
Transfers/Adjustment	0	(213,147,246)	(213,147,246)	335,034,811	(178,902,576)	156,132,235
Impairment	(169,124,837)	57,225,410	(111,899,427)	2,950,232	(18,772,647)	(15,822,415)
At December 31	550,223,525	1,036,804,551	1,587,028,076	719,348,362	1,067,699,132	1,787,047,494
Net book value	4,095,444,062	1,588,555,505	5,683,999,567	4,604,748,538	1,683,387,367	6,288,135,905

Parent						
2017			2016			
	Land	Building	Total	Land	Building	Total
At Cost						
At January 1	5,227,972,998	2,667,188,503	7,895,161,501	5,061,545,050	2,714,412,369	7,775,957,419
Additions/(Disposals)	(666,609,681)	(126,913,220)	(793,522,901)	166,427,948	(47,223,866)	119,204,082
At December 31	4,561,363,317	2,540,275,283	7,101,638,600	5,227,972,998	2,667,188,503	7,895,161,501

Accumulated depreciation and impairment						
At January 1	713,010,845	1,022,242,560	1,735,253,405	377,976,034	1,107,592,295	1,485,568,329
Depreciation	0	123,455,943	123,455,943	0	112,325,488	112,325,488
Transfers/Adjustment	0	(212,367,291)	(212,367,291)	335,034,811	(178,902,576)	156,132,235
Impairment	(173,409,264)	57,094,804	(116,314,460)	0	(18,772,647)	(18,772,647)
At December 31	539,601,581	990,426,016	1,530,027,597	713,010,845	1,022,242,560	1,735,253,405
Net book value	4,021,761,736	1,549,849,267	5,571,611,003	4,514,962,153	1,644,945,943	6,159,908,096

Depreciation of the Group amounting to P125,027,255 and P113,958,857 and of the Parent amounting to P123,455,943 and P112,325,488 in 2017 and 2016, respectively, are included in depreciation and amortization expense in the statement of comprehensive income.

Investment properties acquired through foreclosure as of December 31, 2017 which are still within the redemption period by the borrowers and with on-going court case amounted to P148,455,156 and P1,297,840,959, respectively. Properties amounting to P44,392,431 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
									2017 2016
At Cost									
At January 1	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
Additions	7,543,074	95,763,429	113,572,330	170,582,525	4,841,060	1,129,298,647	52,631,890	38,013,167	1,612,246,122 1,416,220,224
Disposals	(10,101,424)	(110,000)	(39,534)	(20,382,223)	(5,746,905)	(397,033,402)	(27,948,737)	(6,390,264)	(467,752,489) (276,648,426)
Transfers	(1,587,273)	(75,062,955)	2,535,407	(24,887,043)	(19,473,139)	(97,031,284)	0	(15,937,597)	(231,443,884) (334,838,191)
At December 31	615,866,513	178,330,312	4,749,151,532	949,901,436	60,444,761	7,915,570,171	812,404,543	99,617,946	15,381,287,214 14,468,237,465
Accumulated Depreciation, Amortization & Impairment loss									
At January 1	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
Depreciation & amortization	0	0	67,100,072	75,057,989	1,733,774	652,842,115	16,224,026	1,803,474	814,761,450 697,778,037
Disposals	0	0	(140,877)	(6,296,740)	(5,600,052)	(349,500,753)	(7,299,900)	(3,056,830)	(371,895,152) (252,584,074)
Transfers/Adjustments	0	0	(98,183,940)	(37,204,714)	(9,929,799)	(9,432,914)	14,479,838	8,993,454	(131,278,075) (16,125,713)
At December 31	0	0	1,975,683,666	385,727,070	40,547,351	4,798,489,978	323,917,135	86,295,052	7,610,660,252 7,299,072,029
Allow for Losses	0	0	7,238,932	909,444	2,825,144	14,564,287	0	261,056	25,798,863 23,675,240
Net book value	615,866,513	178,330,312	2,766,228,934	563,264,922	17,072,266	3,102,515,906	488,487,408	13,061,838	7,744,828,099 7,145,490,196

	Parent									
	Land	Building Under Construction	Buildings	Leasehold Rights and Improvements	Transportation and Equipment	Furniture and Office Equipment	Transportation Equipment Under Lease	Others	Total	
									2017	2016
At Cost										
At January 1	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
Additions	7,543,074	95,763,429	113,529,220	168,606,200	3,585,367	1,125,522,503	1,835,000	35,260,494	1,551,645,287	1,407,190,200
Disposals	(10,101,424)	(110,000)	(39,534)	(20,382,223)	(5,746,905)	(396,621,881)	0	(6,355,864)	(439,357,831)	(236,392,251)
Transfers	(1,587,273)	(73,823,967)	2,478,708	(24,659,049)	(19,044,046)	(96,942,863)	0	(15,937,597)	(229,516,087)	(334,807,825)
At December 31	605,084,513	179,569,300	4,650,603,399	947,920,160	40,217,834	7,881,869,694	336,987,339	80,235,200	14,722,487,439	13,839,716,070
Accumulated Depreciation & Amortization										
At January 1	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
Depreciation & amortization	0	0	62,912,745	75,053,038	197,781	650,947,752	8,660,790	0	797,772,106	680,572,893
Disposals	0	0	(140,877)	(6,296,740)	(5,600,052)	(349,500,753)	0	(3,056,830)	(364,595,252)	(231,580,008)
Transfers/Adjustments	0	0	(98,183,942)	(37,033,419)	(9,456,048)	(9,068,248)	14,479,838	8,993,454	(130,268,365)	(16,113,712)
At December 31	0	0	1,930,790,094	385,722,119	28,137,999	4,776,163,917	281,060,450	72,181,541	7,474,056,120	7,171,147,631
Allow for Losses	0	0	7,238,932	909,444	2,825,144	14,564,287	0	261,056	25,798,863	23,675,240
Net book value	605,084,513	179,569,300	2,712,574,373	561,288,597	9,254,691	3,091,141,490	55,926,889	7,792,603	7,222,632,456	6,644,893,199

Depreciation and amortization of the Group amounting to P814,761,450 and P697,778,037 and of the Parent amounting to P797,772,106 and P680,572,893 in 2017 and 2016, respectively, are included in depreciation and amortization expense in the statement of comprehensive income.

Office equipment, furniture and vehicles with carrying amount of P125,586,902 and P18,917,775 in 2017 and 2016, respectively, are temporarily idle. The carrying amounts of properties which are held for disposal are P45,737,950 and P95,200,366 in 2017 and 2016, respectively.

16. Other Assets

This account consists of:

	Group		Parent	
	2017	2016 As restated	2017	2016 As restated
Accrued interest receivable	4,729,809,072	4,249,564,877	4,729,809,072	4,249,564,877
Sundry debits	3,300,224,422	1,132,214,119	3,300,224,422	1,132,214,119
Prepaid expenses	849,626,810	703,310,727	863,054,159	695,565,609
Other intangible assets	1,274,390,786	995,115,732	1,269,754,705	990,649,656
Documentary stamps	50,995,687	13,642,766	50,995,687	13,642,766
Stationery & supplies on hand	87,296,290	121,214,793	85,706,112	119,015,779
Accounts receivable	142,526,049	124,220,000	110,683,017	120,395,981
Inter-office float items	1,849,331	6,380,704	1,849,331	6,380,704
Others	2,541,645,426	1,894,380,216	2,472,228,495	1,832,872,893
Allowance for credit losses	(36,948,489)	(37,078,489)	(36,948,489)	(37,078,489)
	12,941,415,384	9,202,965,445	12,847,356,511	9,123,223,895

17. Allowance for Credit Losses

Changes in the allowance for credit losses of the Parent are as follows:

	2017	2016
Balance at beginning of year:		
Loan portfolio	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
Provisions charged to operations	1,109,626,624	118,370,022
Accounts charged off and others	(518,577,316)	(130,652,996)
Transfer/adjustments	(540,724,100)	766,146,962
	50,325,208	753,863,988
Balance December 31	9,284,019,566	9,233,694,358
Balance at end of year:		
Loan portfolio (Note 12)	5,168,696,310	5,077,435,761
Receivables from customers and other assets	4,115,323,256	4,156,258,597
	9,284,019,566	9,233,694,358

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:

	2017	2016
Loans and receivables	1,097,966,193	10,835,402
Other loans and receivables	3,939,242	4,125,283
Property and equipment	2,123,622	2,212,599
Others	5,597,567	101,196,738
	1,109,626,624	118,370,022

18. Deposit Liabilities

This account consists of:

	Group		Parent	
	2017	2016	2017	2016
Domestic				
Demand deposits	709,255,131,727	558,433,859,126	709,508,966,307	558,645,451,456
Savings deposits	629,561,441,753	604,692,020,353	629,561,456,064	604,832,103,495
Time certificate of deposits	639,712,721	740,236,375	639,712,721	740,236,375
Long Term Negotiable Certificate of Deposits	11,000,000,000	11,000,000,000	11,000,000,000	11,000,000,000
	1,350,456,286,201	1,174,866,115,854	1,350,710,135,092	1,175,217,791,326
Foreign				
Demand deposits –FCDU/EFCDU	0	0	0	0
Savings deposit –FCDU/EFCDU	16,209,512,264	16,660,725,911	16,209,512,264	16,661,180,162
Time certificate of deposit-FCDU/EFCDU	58,553,708,641	44,098,363,715	58,553,708,641	44,098,363,715
	74,763,220,905	60,759,089,626	74,763,220,905	60,759,543,877
	1,425,219,507,106	1,235,625,205,480	1,425,473,355,997	1,235,977,335,203

Domestic deposit liabilities earn annual fixed interest rates ranging from 0.25 to 3.75 per cent in 2017 and 2016. Foreign deposit rates range from 0.31 to 1.12 per cent and from 0.15 to 2.50 per cent in 2017 and 2016, respectively. In 2017 and 2016, P1,046,327,990,132 or 73 per cent and P830,665,634,534 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	
	2017	2016	2017	2016
Bangko Sentral ng Pilipinas	62,381,800	64,110,213	62,381,800	64,110,213
Domestic borrowings	998,416,153	542,684,470	203,416,153	326,684,470
Foreign borrowings	24,314,309,706	22,951,863,236	24,314,309,706	22,951,863,236
Foreign interbank borrowings	0	3,480,400,000	0	3,480,400,000
Foreign repo borrowings	0	3,212,275,733	0	3,212,275,733
	25,375,107,659	30,251,333,652	24,580,107,659	30,035,333,652

The breakdown of Bills payable (foreign borrowings) is as follows:

Creditor/Funder	2017	2016
World Bank/IBRD	11,251,244,042	9,888,905,728
Asian Development Bank (ADB)	526,700,409	566,749,295
Japan International Cooperation Agency (JICA)	10,990,095,259	11,134,289,635
Kreditanstalt für Wiederaufbau (KfW)	1,546,269,996	1,361,918,578
	24,314,309,706	22,951,863,236

The total foreign borrowings of P24,314,309,706 is guaranteed by the National Government. Foreign borrowings relented in local currency amounting to P13,807,611,673 are provided with foreign exchange risk cover (FXRC) by the National Government. This has historical value of P13,387,892,033. 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 2017 range from 0.01 to 2.70 per cent and 0.75 to 4.75 per cent, respectively, while for 2016, the rates range from 0.53 to 2.70 per cent and 0.75 to 4.75 per cent, for foreign and domestic borrowings, respectively.

20. Other Liabilities

This account consists of:

	Group		Parent	
	2017	2016	2017	2016
Accrued interest, fringe benefits, taxes and other expense payable	5,456,637,031	3,789,817,883	5,981,003,923	3,694,835,040
Accounts payable	21,393,744,012	10,890,952,708	21,190,391,391	11,032,008,827

	Group		Parent	
	2017	2016	2017	2016
Due to Agrarian Reform Fund	200,709,929	206,742,900	200,709,929	206,742,900
Sundry credits	1,180,757,638	916,312,733	1,180,757,638	916,312,733
Unearned income	29,963,772	36,492,648	32,984,303	36,601,557
Withholding tax payable	237,128,397	276,535,509	234,805,308	274,195,133
Miscellaneous liabilities	4,766,310,850	3,429,780,765	4,735,230,233	3,724,218,339
Others	1,574,252,373	1,278,266,063	1,121,567,976	863,960,492
	34,839,504,002	20,824,901,209	34,677,450,701	20,748,875,021

21. 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 of comprehensive 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	
	2017	2016 As restated	2017	2016 As restated
Current:				
Normal income tax (NIT)	906,519,486	477,709,852	805,019,191	380,141,248
Income tax-final	1,503,541	1,197,686	0	0
	908,023,027	478,907,538	805,019,191	380,141,248
Deferred	(490,870,100)	(10,523,065)	(485,406,737)	(15,056,993)
	417,152,927	468,384,473	319,612,454	365,084,255

The reconciliation of the provision for income tax computed at the statutory tax rate and actual provision is as follows:

	Group		Parent	
	2017	2016 As restated	2017	2016 As restated
Statutory income tax	4,810,991,912	4,447,280,935	4,747,493,247	4,341,160,733
Additions to (reductions in) income taxes arising from:				
Non-deductible interest expense	2,178,034,747	1,828,135,265	2,178,021,352	1,828,120,028
Other deductible/Non-deductible expense	390,064,318	134,489,779	390,061,416	120,475,251
FCDU income	(989,519,824)	(839,624,870)	(989,519,824)	(839,624,870)
Tax exempt & tax paid income	(5,622,687,915)	(5,071,480,249)	(5,610,414,044)	(5,061,398,161)
Others	(349,730,311)	(30,416,387)	(396,029,693)	(23,648,726)
	417,152,927	468,384,473	319,612,454	365,084,255

The net deferred income tax asset reported by the Parent for 2017 amounted to P2,808,807,997 and P2,270,589,542 for CY 2017 and 2016, respectively while the subsidiaries recognized deferred tax assets of P64,874,148 and P63,094,853 for CY 2017 and 2016, respectively.

Below are the temporary differences for which deferred tax asset (net of deferred tax liabilities) recognized by the Parent because Management believes that it is probable that future taxable profits will be available against which the asset can be utilized.

	Parent	
	2017	2016 As restated
Deferred tax asset:		
Allowance for credit losses	2,681,985,562	2,255,532,549
Accrued expenses	200,112,888	67,868,710
Unrealized loss on foreign exchange/financial assets & liabilities-held for trading	149,709,634	0
	3,031,808,084	2,323,401,259
Deferred tax liability:		
Unrealized gain on financial assets and liabilities-held for trading	223,000,087	35,704,090
Unrealized gain on foreign exchange	0	17,107,627
	223,000,087	52,811,717
	2,808,807,997	2,270,589,542

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, 2017, the Parent Company reported the following revenues and expenses for income tax purposes:

Revenues	
Services/operations	27,133,663,390
Non-operating and taxable other income:	
Trading and securities gain (loss)	964,069,418
Service charges, fees and commissions	1,752,531,358
Profit from assets sold	536,127,315
Income from trust operations	165,133,215
Others	811,164,690
Total Revenues	31,362,689,386
Expenses	
Cost of services:	
Compensation and fringe benefits	6,883,811,430
Others	7,674,667,356
	14,558,478,786
Itemized deductions:	
Compensation and fringe benefits	4,055,406,810
Taxes and licenses	3,030,589,138
Documentary stamps used	2,145,955,870
Security, messengerial and janitorial	734,312,410
Bad debts	517,171,215
Information technology expenses	480,178,811
Communications, light and water	416,303,911
Depreciation and amortization	369,644,076
Management and professional fees	311,486,826
Fees and commission	284,196,620
Advertising	260,999,157
Transportation and travel	213,214,024
Rent	150,246,226
Trainings and seminars	144,785,982
Representation and entertainment	137,565,109
Insurance	107,018,006
Repairs and maintenance	98,374,384
Others	663,364,722
	14,120,813,297
Total Expenses	28,679,292,083

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 2017 are as follows:

Documents / transactions	DST Paid
Debt instruments, bonds, certificate of time deposits	3,262,390,154
Mortgages, pledges, deed of assignments/trust	41,149,920
Foreign bills of exchange, letters of credit	68,415,101

Documents / transactions	DST Paid
Acceptance of bills of exchange payable in the Philippines	23,274,633
Bank, checks, drafts and telegraphic transfer/others	24,550,747
	3,419,780,555

II. All other taxes, local and national, paid for 2017:

National	
Percentage taxes (GRT)	2,935,727,525
Fringe benefits tax	9,502,607
National taxes	1,244,717
	2,946,474,849
Local	
Real estate tax	50,074,368
Local business tax	36,379,278
Mayor's Permit/Municipal License/Other Regulatory Fees/License Permit	84,498,120
Other local taxes	12,087,257
	183,039,023
	3,129,513,872

III. The amount of withholding taxes paid/accrued for the year amounted to:

Tax on Compensation and benefits	935,860,783
Creditable withholding taxes	141,329,350
Final withholding taxes	1,685,178,786
	2,762,368,919

IV. Taxes withheld by client on their income payments to the Bank were claimed as tax credits:

Tax Credits against Income Tax	2,391,615,008
Tax Credits against Gross Receipts Tax	337,392,062
	2,729,007,070

22. 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 2017 and 2016 amounted to P595,744,261 and P592,211,966, respectively.

23. Lease Contracts

Operating lease commitments – as lessee

Future minimum rentals payable under non-cancellable operating leases as at December 31 are as follows:

	Parent	
	2017	2016
Within one year	432,634,240	376,950,983
After one year but not more than five years	1,030,923,809	903,105,446
More than five years	583,407,886	348,199,927
	2,046,965,935	1,628,256,356

Operating lease commitments – as lessor

Future minimum rentals receivable under non-cancellable operating leases as at December 31 are as follows:

	Parent	
	2017	2016
Within one year	7,403,215	17,232,221
After one year but not more than five years	10,135,869	11,598,817
More than five years	0	3,522,472
	17,539,084	32,353,510

24. 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, 2017 amounted to P77,827,579,966 of which P77,550,124,180 are government borrowings covered by BSP Circular No. 547.

The following are the significant transactions of the Parent with related parties:

	2017				2016			
	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	21,617,258	1,736,964,454	77,805,962,709	79,564,544,421	14,240,547	2,056,762,078	67,420,239,682	69,491,242,307
Deposit liabilities		253,848,891	0	253,848,891	0	352,129,723	0	352,129,723
Other liabilities		791,071,980	0	791,071,980	0	664,282,958	0	664,282,958
	21,617,258	2,781,885,325	77,805,962,709	80,609,465,292	14,240,547	3,073,174,759	67,420,239,682	70,507,654,988

The following are the percentage of DOSRI loans:

	2017	2016
DOSRI to Total Loans	12.95%	13.79%
Unsecured DOSRI to Total DOSRI	1.64%	3.29%
Past due DOSRI to Total DOSRI	0	0
Non-performing DOSRI to Total DOSRI	0	0

The following are the significant transactions with subsidiaries:

	2017	2016
Sales/(Purchases)	(56,764,955)	(50,089,161)
Interest income	58,169,133	62,729,684
Interest expense	(114,685,640)	(120,560,858)
Lease expense	(50,932,708)	(46,140,175)
Other income	10,249,108	17,826,349
Other expenses	(180,283,148)	(342,779,942)

Transactions with other related parties:

Compensation of key management personnel:

	Group		Parent	
	2017	2016	2017	2016
Short-term employee benefits	111,340,791	99,042,860	92,988,227	81,219,717
Post-employment benefits	26,442,267	20,994,781	25,372,307	20,667,833
Other long-term benefits	38,992,197	31,750,375	38,992,197	31,750,375
	176,775,255	151,788,016	157,352,731	133,637,925

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, 2017 and 2016, 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.

25. 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 P232,391,242,067 and P101,607,181,197 as at December 31, 2017 and 2016, respectively.

Summary of Assets under Management is as follows:

	2017 (Unaudited)	2016 (Unaudited)
Special Purpose Trust	470,422,546	772,214,891
Other Fiduciary Accounts	187,518,284,717	58,178,627,791
Agency	33,600,066,906	32,993,894,750
Trust	10,802,467,898	9,662,443,765
	232,391,242,067	101,607,181,197

In compliance with the requirements of the General Banking Law, government securities with total face value of P850,000,000 in 2017 and 2016 are deposited with BSP as security for the Parent's faithful performance of its fiduciary obligation.

26. 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, 2017, the outstanding notional amount of the currency sell forward/swap agreements with maturity of less than six months amounted to P24,267,554,492 with market value of P23,741,802,527.

Over the Counter Interest Rate Option Contract Bought

As of December 31, 2017, the outstanding notional amount of the debt warrants bought to mature on November 29, 2032 amounted to P76,942,217 with market value of P93,046,402.

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, 2017, the outstanding notional amount of the FX risk cover amounted to JPY7,047,442,607 and EUR6,932,914.

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.

27. 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	
	2017	2016
Trust Department accounts	232,391,242,067	101,607,181,197
Commitments	92,695,411,258	68,006,353,434
Standby/commercial letters of credit	31,880,361,020	31,005,280,619
Derivatives	27,574,406,990	37,467,182,586
Outstanding guarantees	805,133,223	727,783,209
Spot exchange contracts	1,497,900,000	198,880,000
Late deposits received	529,930,060	612,047,865
Outward bills for collection	98,516,034	113,060,539
Liability Indemnity Fund	43,481,662	38,746,232
Others	132,685,499	591,970,101
	387,649,067,813	240,368,485,782

28. Financial Performance

The following basic ratios measure the financial performance of the Parent:

	2017	2016 As restated
Net interest margin ratio	3.31%	3.05%
Return on average assets	1.07%	1.08%
Return on average equity	15.90%	15.97%

29. Equity

As of December 31, 2017, the Parent's authorized capital stock consisted of 2 billion common shares with par value of P100.0 per share totaling P200 billion.

As of December 31, 2017, the Parent's Paid-up capital increased to P20.98 billion equivalent to 209,810,000 shares with par value of P100.0 per share due to the capital infusion of P3.181 billion in 2017 and P5.829 billion in 2016 by the National Government.

In accordance with Section 3 of Malacanang Executive Order No. 198, series of 2016, the Parent's authorized capital was increased to P200 billion divided into 2 billion common shares with par value of P100.0 per share. With the increase in par value per share from P10.0 to P100.0, the number of shares issued decreased from 1,197,100,000 to 119,710,000.

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 and 2017.

The Retained Earnings- reserves of the Group and the Parent consist of:

	Group		Parent	
	2017	2016	2017	2016
	(Amounts in Millions)			
Reserve for trust business	5,000.00	5,000.00	5,000.00	5,000.00
Reserve for contingencies	2,532.50	32.50	2,502.50	2.50
Reserve for PPE and software acquisition	294.00	263.00	0	0
Reserve for retirement fund and insurance	98.00	98.00	0	0
Reserve for business expansion	600.00	600.00	0	0
Reserve for others	33,786.95	24,800.95	33,768.95	24,768.95
	42,311.45	30,794.45	41,271.45	29,771.45

The following table shows the components of Other Comprehensive Income of the Group:

		Group	
	Re-measurement of retirement benefit obligation	Net Unrealized Gain/(loss) on AFS securities	Total
Balances, as of January 1, 2016	(6,734,606)	10,952,121,839	10,945,387,233
Increase/(decrease) in CY 2016	6,623,082	(7,416,088,695)	(7,409,465,613)
Balances, as of December 31, 2016	(111,524)	3,536,033,144	3,535,921,620
Increase/decrease in CY 2017	(309,460)	1,875,908,234	1,875,598,774
Balance, as of December 31, 2017	(420,984)	5,411,941,378	5,411,520,394

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	
	2017	2016	2017	2016
	(Amounts in Millions)			
Tier 1 Capital	104,397	85,486	104,596	85,486
Tier 2 Capital	5,807	4,970	5,790	4,950
Gross Qualifying Capital	110,204	90,456	110,386	90,436
Less: Required Deductions	28,285	25,219	28,999	26,524
Total Qualifying Capital	81,919	65,237	81,387	63,912
Risk Weighted Assets	696,236	572,060	693,497	569,219
Adjusted Tier 1 Capital ratio	10.93%	10.54%	10.90%	10.36%
Total Capital Adequacy Ratio (CAR)	11.77%	11.40%	11.74%	11.23%

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.

30. Prior Period Adjustments

In 2017 the Land Bank of the Philippines Group and Parent Bank made adjustments to its financial statements as of and for the year ended December 31, 2016 as a result of the recognition of Investment Property on RAMAWIL Realty Sales and Development Enterprises and Deferred Income Tax (DITA) by the Parent.

The effects of these restatements in the financial statements as of and for the year ended December 31, 2016 are summarized below:

	As Previously Reported	Effects of Restatement	As Restated
Group			
Changes in the Statement of Financial Position			
Assets			
Investment Property	6,128,097,587	160,038,318	6,288,135,905
Other assets-net	8,667,364,571	535,600,874	9,202,965,445
Deferred Income Tax	63,094,853	2,270,589,542	2,333,684,395
		<u>2,966,228,734</u>	
Equity			
Retained Earnings-Free	26,719,129,410	2,424,473,221	29,143,602,631
Undivided Profit	13,814,129,796	541,755,513	14,355,885,309
		<u>2,966,228,734</u>	

	As Previously Reported	Effects of Restatement	As Restated
Changes in the Statement of Comprehensive Income			
Miscellaneous income	1,399,202,772	160,038,318	1,559,241,090
Provision for Income Tax	850,101,668	(381,717,195)	468,384,473
		<u>541,755,513</u>	
Parent			
Changes in the Statement of Financial Position			
Assets			
Investment Property	5,999,869,778	160,038,318	6,159,908,096
Other assets-net	8,587,623,021	535,600,874	9,123,223,895
Deferred Income Tax	0	2,270,589,542	2,270,589,542
		<u>2,966,228,734</u>	
Equity			
Retained Earnings-Free	25,446,844,724	2,424,473,221	27,871,317,945
Undivided Profit	13,563,696,007	541,755,513	14,105,451,520
		<u>2,966,228,734</u>	
Changes in the Statement of Comprehensive Income			
Miscellaneous income	1,341,448,848	160,038,318	1,501,487,166
Provision for Income Tax	746,801,450	(381,717,195)	365,084,255
		<u>541,755,513</u>	

31. Miscellaneous Income, net

This account is composed of:

	Group		Parent	
	2017	2016	2017	2016
Gain from sale/derecognition of non-financial assets	678,729,147	628,117,478	666,394,383	624,701,953
Rent income	89,901,851	92,306,493	21,562,277	28,088,764
Miscellaneous income	478,329,419	800,451,378	361,329,446	810,380,708
Recovery on charged-off assets	73,489,717	38,365,741	73,489,717	38,315,741
	<u>1,320,450,134</u>	<u>1,559,241,090</u>	<u>1,122,775,823</u>	<u>1,501,487,166</u>

32. Miscellaneous Expenses

This account is composed of:

	Group		Parent	
	2017	2016	2017	2016
Management and other professional fees	322,051,029	181,639,529	319,669,363	179,879,301
Supervision fees	407,083,016	358,665,505	406,633,016	358,665,505
Fines, penalties and other charges	8,157,911	99,681	8,150,157	94,015
Insurance	2,989,640,362	2,265,586,074	2,980,602,579	2,262,162,033
Fees and commission expense	298,229,270	276,762,661	298,229,270	276,626,758
Litigation/asset acquired expenses	110,563,820	91,354,333	108,361,349	87,829,805
Bad debts written-off	193,140	39,000	193,140	0
Other Expenses	6,514,038,772	5,643,483,451	6,237,041,139	5,634,163,119
	10,649,957,320	8,817,630,234	10,358,880,013	8,799,420,536

33. Events After the End of Reporting Period

- On November 14, 2016, the GCG confirmed the abolition of the People's Credit and Finance Corporation (PCFC) as approved under Memorandum dated September 3, 2015 of then Malacanang Executive Secretary wherein its assets and liabilities shall be transferred to the Parent. Accordingly, PCFC started the necessary procedures in winding up its operation until June 30, 2017. Based on audited financial statements issued on February 6, 2018, its net worth is P1.182 billion as of June 30, 2017. Part of which is National Livelihood Development (NLDC)'s capital contribution to PCFC in the amount of P820 million.
- On October 13, 2017, the Executive Secretary issued a Memorandum, directing the Governance Commission for GOCCs (GCG) to continue the abolition of National Livelihood Development Corporation (NLDC) in accordance with Malacanang Memorandum Order No. 85, series of 2015. Accordingly, the NLDC's assets and liabilities shall be transferred to the Parent in which its net worth shall represent additional capital infusion by the National Government to the Parent. From the audited financial statements issued on May 30, 2018, the net worth of NLDC is P4.948 billion as of December 31, 2017.
- On September 28, 2017, the President of the Philippines issued Executive Order No. 44 directing the Parent to acquire Philippine Postal Savings Bank, Inc. (PPSBI) and its subsequent conversion into an Overseas Filipino Bank (OFB) through transfer of shares of the Philippine Postal Corporation and Bureau of Treasury at zero value. Likewise, the Parent shall infuse the necessary capital of the OFB which is nil as of June 30, 2018.

34. Financial Risk Management

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 the Group's maximum exposure to credit risk, before and after considering eligible collateral held or other credit enhancements.

On-Balance Sheet (BS) Items	Net Exposures	2017 (In Millions)						Credit RWA
		0%	20%	50%	75%	100%	150%	
Cash on Hand	31,203	31,203	0	0	0	0	0	0
Checks and Other Cash Items (COCI)	104	0	104	0	0	0	0	21
Due from Bangko Sentral ng Pilipinas (BSP)	305,350	305,350	0	0	0	0	0	0
Due from Other Banks	5,119		48	5,031		40		2,565
Available-for-Sale (AFS) Financial Assets	215,270	179,393	0	30,785	0	5,092	0	20,484
Held-to-Maturity (HTM) Financial Assets	319,974	310,331	0	4,372	0	5,271	0	7,457
Unquoted Debt Securities Classified as Loans	10,554	0	0	0	0	10,554	0	10,554
Loans and Receivables	538,951	0	4,131	22,139	75,683	434,946	2,052	506,682
1. Interbank Loans Receivables	43,897	0	3,796	17,185	0	22,893	23	32,279
2. Loans & Receivables - Others								
a. LGUs & Public Sector Entities	30,683	0	0	0	0	30,683	0	30,683
b. Government Corporation	1,943	0	0	0	0	1,943	0	1,943
c. Corporates	349,998	0	0	0	0	349,998	0	349,998
d. Micro/Small & Medium Enterprise	76,018	0	335	0	75,683	0	0	56,829
e. Loans to individuals	34,160	0	0	4,954	0	29,206	0	31,683
3. Defaulted Exposures	2,252	0	0	0	0	223	2,029	3,267
Other Loans and Receivables ^{1/}	52,233	50,400	0	0	0	1,833	0	1,833
Sales Contract Receivable (SCR)	1,156	0	0	0	0	594	562	1,437
Real and Other Properties Acquired	4,211	0	0	0	0	0	4,211	6,317
Total Exposures Excluding Other Assets	1,484,125	876,677	4,283	62,327	75,683	458,330	6,825	557,350
Other Assets	16,819	0	0	0	0	16,819	0	16,819
Total On-BS RWA not covered by CRM	0	0	0	0	0	0	0	60
Total On-Balance Sheet Exposures	1,500,944	876,677	4,283	62,327	75,683	475,149	6,825	574,229
^{1/} Arising from Repurchase Agreements, Certificates of Assignment/Participation with Recourse, and Securities Lending and Borrowing Transactions								
Off-BS Items	Credit Equivalent Amount	0%	20%	50%	75%	100%	150%	Credit RWA
A. Direct credit substitutes	5,818	0	0	134	0	5,684	0	5,751
B. Transaction-related contingencies	46,141	0	0	0	0	46,141	0	46,141
C. Trade-related contingencies	2,363	0	0	1,600	0	763	0	1,563
D. Other commitments	0	0	0	0	0	0	0	0
Total Off-Balance Sheet Exposures	54,322	0	0	1,734	0	52,588	0	53,455
Counterparty RWA In The Trading Book	Credit Equivalent Amount	0%	20%	50%	75%	100%	150%	Credit RWA
Derivative Exposures	726	0	0	99	0	627	0	677
Total Exposures	1,555,992	876,677	4,283	64,160	75,683	528,364	6,825	628,361

Credit Exposures and Credit-Related Commitments

As of 31 December 2017, the Group's Gross Loans & Receivables amounted to P538,951 million, net of credit risk mitigation which consists mainly of prime collaterals such as deposit holdout, government securities (GS) and sovereign guarantees. Net Loans & Receivables stood at Corporates at P349,998 million (64.94%), followed by Micro/Small & Medium Enterprise (MSMEs) at P76,018 million (14.10%), Loans to Individuals at P34,160 million (6.34%), and Government Entities at P32,626 million (6.05%). The Group also holds substantial receivables arising from Repurchase Agreements aggregating P52,233 million. The P53,455 million credit risk weight of net Off-balance Sheet exposures of P54,322 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 Group's Total Gross Loans & Receivables reflected a Credit Risk Weighted Assets (RWA) of P506,682 million following the Standardized Approach. This represents 80.64% of the Total Credit RWA of P628,361 million. However, the Total Credit RWA increased by P114,823 million or 22.36%, from P513,538 million in 2016 to P628,361 million in 2017. The Total Credit RWA represents 90.25% of the Group's Aggregate RWA of P696,236 million.

Management of Credit Risk

Credit Risk Management 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 Investment and Loan Committee (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 Risk Management 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 2017, the Parent's net Non-Performing Loan (NPL) stood at P2,190 million or 0.325% of the total loan portfolio.

Credit Risk Rating

LANBANK'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 Risk Management.

The generated credit ratings form part of the risk components required to calculate the Expected Credit Loss (ECL) under the ECL Estimation Approach Methodology in accordance with the provisions of Bangko Sentral ng Pilipinas (BSP) Circular No. 855, series of 2014 (Guidelines on Sound Credit Risk Management) as well as the Philippine Financial Reporting Standards 9 (PFRS 9) which is slated for implementation in 2018. The said credit ratings are also needed for the eventual adoption of the advance approaches in credit risk management under the Basel Committee on Banking Supervision (BCBS) principles on sound credit risk management.

Toward this end, the Bank approved in 2017 the enhancement 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 LGUs
- Behavioral Scoring Model for SMEs
- Behavioral Scoring Model for Corporates
- Behavioral Scoring Model for Cooperatives
- Application Scoring Model for Credit Card*
- Application Scoring Model for Livelihood Mobile Loan Saver

**Credit Scoring Models Only*

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

Further, consistent with good corporate governance, LANDBANK manages credit risk by setting limits for individual borrowers and group of borrowers and industry segments. The Bank also monitors credit exposures, and continually assesses the credit quality of counterparties. Assessment of credit quality considers credit ratings of counterparties given by BSP recognized Credit Rating Agencies such as Moody's, Fitch and Standard & Poor's.

Credit Risk Monitoring

LANDBANK has continuously adopted a formal reporting system for the Board of Directors 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 Risk Oversight Committee (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 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 REST stress test. Results of the stress testing, together with the contingency plans, are escalated to the ILC and RISKCOM.

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 Bank 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 2017, the Parent's qualifying capital covering credit risk is P81.39 billion.

On the other hand, the Parent's Single Borrower's Limit (SBL) is pegged at P25.720 billion for direct lending and P36.008 billion for wholesale lending.

Overall credit risk management oversight is a function of the Board of Directors (BOD)-level Risk Management (RM) 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 Bank ensures that the credit risks undertaken are commensurate with the risk appetite and the Bank'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 Bank 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 2017 and 2016, the Bank does not have credit concentration in any particular industry.

As of December 31, 2017 and 2016, information on the concentration of credit as to industry based on carrying amount is shown below:

	Parent			
	2017		2016	
	Amount	%	Amount	%
Financial intermediation	71,713,093,339	12	41,499,841,256	8
Agriculture, hunting and forestry	51,536,263,324	8	82,848,337,774	17
Real estate, renting and business activities	58,048,731,998	10	51,448,278,099	11
Public administration and defense	76,784,032,439	13	43,684,643,149	9
Manufacturing	51,985,570,951	9	35,062,538,415	7
Community, social and personal services	13,346,062,576	2	12,480,366,557	3
Electricity, gas and water	93,537,592,974	15	77,787,367,744	16
Wholesale & retail trade, repair of motor vehicles, motorcycles & personal and household goods	57,639,838,178	10	41,239,331,755	8
Transport, storage and communication	43,994,810,674	7	39,356,260,435	8
Construction	37,899,953,536	6	28,760,843,760	6
Private households	23,646,244,827	4	20,989,139,302	4
Hotel and restaurant	4,637,321,925	1	3,241,279,187	1
Others	16,397,316,585	3	10,677,208,313	2
	601,166,833,326	100	489,075,435,746	100
Allowance for losses	(5,168,696,310)		(5,077,435,761)	
	595,998,137,016		483,997,999,985	

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 government securities 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, conducts 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, Management Action Triggers (MATs) and Stop Loss. 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, VaR and Stop Loss 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 (RWA)

As of 31 December 2017, the Group's Total Market RWA stood at P6,722 million, broken down as follows:

PARTICULARS	AMOUNT (In Millions)
Interest Rate Exposure	2,860
Equity Exposure	0
FX Exposure	239
Options	3,623
Total Market RWA	6,722

The Total Market RWA represents 0.97% of the Group's Aggregate RWA of P696,236 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. 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. Government and Foreign Securities are subject to daily mark-to-market and controlled through risk limits such as position, VaR, MATs and Stop Loss.

PARTICULAR	DAILY LIMIT(In Millions)		MAT	STOP LOSS (In Millions)
	POSITION	VaR		
Government Securities	P20,000.00	P150.00	YTD Gain Erosion Group Target	P200.00
Foreign Securities	\$20.00	\$0.20		\$0.64
YTD: Year-to-Date				

The Foreign Exchange Risk in Foreign Securities are accounted under Foreign Exchange Risk Management.

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, MATs and Stop Loss.

PARTICULAR	DAILY LIMIT(In Millions)		MAT	STOP LOSS (In Millions)
	POSITION	VaR		
Equity	1,000.00	15.00	YTD Gain Erosion Group Target	90.00

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 functional currency, the Parent monitors daily the currency positions to ensure that these are within established limits.

The following limits are set for foreign-currency related transactions:

PARTICULAR	DAILY LIMIT(In \$ Millions)		MAT	STOP LOSS
	POSITION	VAR		
Fx Trading	50.00	0.36	YTD Gain Erosion	1.15
FS	20.00	0.20	Group Target	0.64

FS: Foreign Securities

The Parent had the following significant exposures denominated in foreign currencies as of 31 December 2017:

PARTICULAR	In \$ Thousands					
	USD	JPY	EUR	AUD	Others	Total
ASSETS						
Fx Currency Notes & Coins on Hand (FCNCH)/ Cash and Other Cash Items (COCI)	23,149	72	50	6	34	23,311
Due from banks	84,952	687	15,155	263	689	101,746
Held for Trading	1,864	0	0	0	0	1,864
Available For Sale Investment	787,732	0	1	0	0	787,733
Investments in Bonds and Other Debt Instruments (IBODI)	505,729	0	0	0	0	505,729
Interbank Loans Receivable	420,000	0	0	0	0	420,000
Loans & Receivables	377,092	56,350	0	0	0	433,442
Other Assets	15,929	887	1,862	246	525	19,449
Gross Fx Assets	2,216,447	57,996	17,068	515	1,248	2,293,274
LIABILITIES						
Deposit Liabilities	1,488,178	514	7,996	0	7	1,496,695
Bills Payable	168,155	287,654	30,969	0	0	486,778
Others	180,146	1,229	7,110	246	525	189,256
Gross Fx Liabilities	1,836,479	289,397	46,075	246	532	2,172,729

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 FX 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 P193 million throughout 2017. 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

Risk Management (RM) models have 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 and capital 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-Test

The Parent 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 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 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 rate sensitive 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, Bond Duration Report and Balance Sheet Duration Report.

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

- a. Earnings Perspective: The Bank uses the Earnings-at-Risk (EaR) Model to estimate changes in net interest income under a variety of rate scenarios over a 12 month horizon. EaR is a simulation method that analyzes the interest rate risk in the Banking Book in terms of earnings (accrual basis).

To determine the actual behavior of Non-Maturing Deposits (NMDs) and capture the Bank's actual interest rate risk exposure, the Bank 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 in the analysis of actual maturity or re-pricing are behavioral models for the determination of Re-pricing Gap for 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 Parent as of 31 December 2017 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				
Liquid Assets	43,000	0	0	0
Total Investments	0	16	349	3,159
Total Loans	152,382	187,480	82,037	30,938
Other Assets	64	5	7	5
Total Financial Assets	195,446	187,501	82,393	34,102
Financial Liabilities				
Deposits	319,754	156,260	30,557	15,138
Bills Payable	0	527	11,251	0
Others	0	0	0	0
Total Financial Liabilities	319,754	156,787	41,808	15,138
Off-Balance Sheet				
Commitments	0	0	0	(44,730)
Total Off-Balance Sheet	0	0	0	(44,730)
Re-pricing Gap	(124,308)	30,714	40,585	(25,766)

Change in Interest Rates - in basis points (bps)								
EaR	-300	-200	-100	-50	+50	+100	+200	In Millions +300
	2,238	1,492	746	373	(373)	(746)	(1,492)	(2,238)

- 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 its 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		
Peso	Dollar	EVE-at-Risk
+300	+300	68,695
+267	+200	61,538
+255	+71	57,761
+180	+50	42,480
+100	+125	25,896
+50	+75	13,498
-50	-75	(14,385)
-100	-125	(29,337)
-180	-50	(52,897)
-255	-71	(78,876)

Change in Interest Rates - in bps		
		In Millions
Peso	Dollar	EVE-at-Risk
-267	-200	(85,313)
-300	-300	(99,574)

Both viewpoints are assessed to determine the full scope of the Parent's interest rate risk exposure (especially if the Parent has significant long-term or complex interest rate risk positions). Moreover, interest risk in the Parent is not managed in isolation. Interest risk measurement systems are integrated into the Parent's general risk measurement system and results from models are interpreted in coordination 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 its general RM framework covering risk identification, measurement and analysis, monitoring and control. The policies and procedures that govern liquidity RM are reviewed and endorsed on a regular basis by ALCO and RiskCom for approval of the Board of Directors. The basic liquidity policy of the Parent 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 Parent considers liquidity risk based on market and funding liquidity risk perspectives. Trading or market liquidity risk refers to the inability to unwind positions created from market, exchanges and counterparties due to temporary or permanent factors. It is the risk that the Parent cannot easily offset or eliminate a position at the market price because of inadequate market depth or through market disruption. Market liquidity risk is also associated with the probability that large transactions may have a significant effect on market prices in markets that lack sufficient depth. This liquidity risk perspective is captured through stress testing or scenario analysis.

Funding liquidity risk is the risk that the Parent will not be able to meet efficiently both expected and unexpected current and future cash flow and collateral needs without affecting either daily operations or the financial condition of the Parent. 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 has 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 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 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.

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 and by a Third party.

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 and the Parent's ability to meet future funding needs. It categorizes balance sheet items according to estimated maturities of assets and liabilities in order to determine any future mismatch such as long-term assets growing faster than long term liabilities. The RMG, through TRMD, assists ALCO in its function by preparing the LGR based on the Peso, FX Regular, FCDU, RBU and Consolidated Books.

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

Parent						
In Thousands						
2017			2016 (As restated)			
PARTICULARS	Due within 1 year	Due > 1 year	Total	Due within 1 year	Due > 1 year	Total
ASSETS						
Cash & Other Cash Items	31,384,485	0	31,384,485	28,250,784	0	28,250,784
Due from BSP	305,343,193	0	305,343,193	355,405,020	0	355,405,020
Due from Other Banks	5,104,789	1,698	5,106,487	11,620,068	1,692	11,621,760
Interbank Loan Receivable	20,970,600	0	20,970,600	15,562,360	0	15,562,360
Security Purchased Under Agreement to Resell	52,222,764	0	52,222,764	14,803,584	0	14,803,584
Loans & Receivables	266,386,189	346,329,221	612,715,410	175,805,122	324,151,602	499,956,724

Parent						
In Thousands						
PARTICULARS	2017			2016 (As restated)		
	Due within 1 year	Due > 1 year	Total	Due within 1 year	Due > 1 year	Total
Investments	31,881,973	535,440,215	567,322,188	41,770,353	410,897,766	452,668,119
Other Assets	4,537,445	24,234,943	28,772,388	1,747,689	22,709,586	24,457,275
Total Assets	717,831,438	906,006,077	1,623,837,515	644,964,980	757,760,646	1,402,725,626
LIABILITIES						
Deposits						
Demand	709,508,966	0	709,508,966	558,645,451	0	558,645,451
Savings	645,770,968	0	645,770,968	621,493,284	0	621,493,284
Time	57,114,142	2,079,279	59,193,421	43,741,305	1,097,295	44,838,600
LTNCD		11,000,000	11,000,000		11,000,000	11,000,000
Bills Payable	1,998,296	22,581,812	24,580,108	8,678,194	21,357,140	30,035,334
Unsecure	0	0	0	0	0	0
Subordinated Debt						
Due to BTr, BSP, & MCs/PCIC	1,650,798	299,984	1,950,782	1,626,972	165,894	1,792,866
Due to Local Banks	0	0	0	1,723	0	1,723
Other Liabilities & Payable	258,523	57,550,820	57,809,343	300,931	41,432,087	41,733,018
Total Liabilities	1,416,301,693	93,511,895	1,509,813,588	1,234,487,860	75,052,416	1,309,540,276

The Bank also prepares on a quarterly basis the Consolidated LGR (Parent and Subsidiaries).

- **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 Non-Maturing Deposits (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 Parent at carrying amounts as of 31 December 2017 based on contractual repayment arrangements which take into account the effective maturities as indicated by the deposit retention history.

In Millions						
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	276,249	0	65,583	0	2	341,834
Total Loans	196,247	99,366	43,967	151,349	194,981	685,910
Total Investments	12,759	349	18,774	196,904	338,536	567,322
Other Assets	3,304	0	1,233	44	24,191	28,772
Total Assets	488,559	99,715	129,557	348,297	557,710	1,623,838
Financial Liabilities						
Deposits	32,240	1,271	2,125	631	1,389,207	1,425,474
Borrowings	2,073	556	1,020	7,137	15,745	26,531
Other Liabilities & Unsecured Subordinated Debt	0	0	258	0	57,551	57,809
Total Capital	0	0	0	0	114,024	114,024
Total Liabilities & Capital	34,313	1,827	3,403	7,768	1,576,527	1,623,838
Gap Position	454,246	97,888	126,154	340,529	(1,018,817)	0

As of 31 December 2017, 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 Parent'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 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 Million except when expressed in percentage				
31 December				
PARTICULARS	2017 (Audited)	2016 (Audited)	2015 (Audited)	2014 (Audited)
Liquid Assets ^(*)	P967,553	P867,250	P722,850	P625,897
Financial Ratios:				
Liquid Assets to Total Assets	59.58%	61.83%	60.08%	50.23%
Liquid Assets to Total Deposits	67.88%	70.17%	69.09%	68.55%

*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 conducts regular stress testing and scenario analysis to further assess the Parent's vulnerability to liquidity risk. This activity supplements the risk models used by the Parent which simulates various probable to worst-case scenarios happening in the industry that would affect LBP. The following are the stress testing that are conducted by the Parent:

- Liquidity Stress Test/Scenario Analysis
- Fund Source Stress Test
- FX Regular Stress Test
- FCDU Stress Test

4. Liquidity Coverage Ratio

The Liquidity Coverage Ratio (LCR) is reported every quarter to ensure that the Parent 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:

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

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 2017, the Parent'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 (LCP)

The Parent formulated the Liquidity Contingency Plan (LCP) using extreme scenarios of adverse conditions under different time horizons to evaluate the Parent's ability to withstand and address these scenarios. The contingency plan focuses on the Parent's strategy for coordinating managerial action and communication plan during a crisis and includes triggering events that will activate the plan, contingency funding measures and procedures for making up cash flow shortfalls in adverse situations.

The plan details the amount of funds the Parent can access and the scenarios under which it could use them. It also provides guidance for managing liquidity risks in the following market scenarios:

- Ordinary Course of Business – The Parent manages its liquidity risk by: a) requesting depositors to roll-over their deposit by offering competitive deposit rates, b) drawing from its interbank credit lines, and/or c) the early termination of Government Securities Purchased under Reverse Repurchase Agreements (GSPURRA).
- Seasonal/Intermediation Duration – The Parent manages its liquidity risk in the longer-term through: a) the liquidation of marketable AFS category securities, b) the solicitation of government deposits, and c) the use of derivative instruments in the swap market.
- Acute/Institution Specific – In acute or institution specific circumstances, the Bank will seek to manage its liquidity risk by: a) the proportional liquidation of AFS and Held-to-Maturity (HTM) government securities, b) the non-renewal of maturing short-term loans, and c) borrowings from the BSP and the Philippine Deposit Insurance Corporation (PDIC) using eligible securities as collateral and generating cash infusions through large deposits.

The LCP likewise contains guidelines on Business Resumption Plan towards a transition to normal liquidity condition. This plan defines expectations from various sectors during the transition period from crisis to normal condition.

OPERATIONAL RISK MANAGEMENT

The Bank continued to take steps to strengthen the functions (ORMF) to fully adhere with BSP Circular 900 (Guidelines on Operational Risk Management).

Among the major initiatives to strengthen the ORMF is the revision of the Guidelines on Reporting and Monitoring of Operational Risk Events. The amendment aims to reinforce compliance of the Bank on the proper and effective reporting and monitoring of all operational risk events. This will capture internal loss data to assess the Bank's operational risk exposure and effectiveness of internal controls.

Another improvement introduced to adhere with BSP Circular 900 is the continued enhancement of the following ORM frameworks:

- Business Process Risk Management Framework (BPRMF)
- People Risk Management Framework (PRMF)
- Business Continuity Management Framework (BCMF)
- Legal Risk Management Framework (LRMF)
- Risk Management Framework on Trust Banking Operations

The frameworks aim to establish and implement RM strategies and best practices to effectively address and manage operational risk that are embedded in the day-to-day operations.

On 20 March 2017, BSP issued Circular 951 or Guidelines on Business Continuity Management (BCM). The Bank conducted gap assessment to determine the Parent's level of compliance with the requirements and formulate action plans necessary to close the gaps that were identified. Results of the gap assessment showed that the Parent is generally compliant with the requirements of BSP.

To further strengthen the Bank's compliance with BSP Circular 951, the Bank's BCM Framework and General Policy were enhanced and approved by the Management Committee and Risk Oversight Committee in 2017. The BCM Framework and General Policy is composed of the BCM governance structure and the BCM process as follows:

- Board and Senior Management Oversight
- Business Impact Analysis and Risk Assessment
- Business Resumption and Recovery Strategy Formulation
- Plan Development
- Plan Testing and Exercising
- Personnel Training and Plan Maintenance

As part of the Bank's BCM process, the Business Continuity Plan (BCP) components are 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. The new back-up site for Trust and Treasury Operations was established and tested in 2017 with successful results in October 2017. The IT Systems Prioritization List was likewise reviewed and revised based on results of Business Impact Analysis conducted among Bank units.

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 Asian Institute of Chartered Banks (AICB) where the BRMD Head passed the Bank Risk Management – Module 1 certification exam. Also, the Parent'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 2017 actual losses versus estimated losses.

Operational Risk Exposure

LANDBANK uses the Basic Indicator Approach for calculating the capital charge for operational risk under Pillar 1. The average Gross Revenue of the Parent for the last three years is used to calculate the Operational RWA. Thus, with the Gross Revenue of the Parent consistently increasing with business expansion, the Operational RWA has

also been increasing annually. As of 31 December 2017, the Group's Total Operational RWA using the Basic Indicator Approach was P61,152 million or 8.78% of the Group's Aggregate RWA of P696,236 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/IT, 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 operational risk, systems/IT risk registered the highest estimated loss. However, numerous controls are being implemented to mitigate systems/IT risk. The Bank has an established IT Governance Structure, frameworks and policies on the development of IT systems aligned with best practices on IT standards.

The Bank is confident that substantial loss on operational risk can be mitigated because the existing controls and preparedness measures are in place.

Acknowledgment

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