36.	GONZALO BENJAMIN A. BONGOLAN First Vice President Investment Banking Group	Treasury Certification Program: Forex	11/12/2018	11/20/2018	ATENEO BAP
		Strategic Planning & Strategic Execution	10/24/2018	11/09/2018	R.G. MANABAT & CO.
		Treasury Certification Program: Money Market Module	09/17/2018	10/02/2018	ATENEO-BAP
		AML Updating LEAP	04/20/2018	04/20/2018	AMLA 2017
		Corporate Governance Orientation Program for GOCCs	04/18/2018	04/18/2018	ICD
		Impact of Train Law on Government Banks	01/25/2018	01/25/2018	SGV
37.	MERCEDITAS N. OLIVA Vice President Financial Accounting Department	Microsoft Excel Advanced	12/07/2018	12/07/2018	MS EXCEL-CG
		Tax And PFRS Updates	11/17/2018	11/17/2018	SGV
		Strategic Planning & Strategic Execution	10/24/2018	11/09/2018	R.G. MANABAT & CO.
		Training on Branch Operations Accounting	08/25/2018	08/25/2018	FAD
		GACPA 40th Annual National Convention	05/23/2018	05/26/2018	GACPA
		AML Updating LEAP	04/20/2018	04/20/2018	AMLA 2017
		PFRS 9 Project KTS: Loss Given Default	04/20/2018	04/20/2018	SGV
		Understanding the Impact of Law on Train	04/10/2018	04/10/2018	PICPA
		Impact of Train Law on Government Banks	01/25/2018	01/25/2018	SGV
38.	LOLITA M. ALMAZAR Vice President Investment Sales and Distribution Department	AML Updating LEAP	04/20/2018	04/20/2018	AMLA 2017
39.	VIRGILIO C. PARANIAL Vice President Buendia Branch	Integrated Management System (LEAP)	12/14/2018	12/14/2018	IMS
		Users' Training On ATM Replacement - Phase 3	11/10/2018	11/10/2018	ATM 3
		ATM Replacement Phase 3 Trainor's Training	10/26/2018	10/26/2018	ATM 3
		Enterprise Risk Management (LEAP)	09/28/2018	09/28/2018	ERM1
		BPS: Remittance Operations	08/31/2018	08/31/2018	CEBG PROD1
		BPS: Credit Card Operations	08/31/2018	08/31/2018	CEBG PROD2
		BPS: Debit Card and ATM Operations	08/31/2018	08/31/2018	CEBG PROD3
		BPS: Electronic Products & Services	08/31/2018	08/31/2018	CEBG PROD4
		Check Truncation System (CTS) Retooling	06/02/2018	06/02/2018	CTS
		Business Continuity Management Awareness (LEAP)	05/04/2018	05/04/2018	BRMD
		Trainors' Training on Branch Operations Retooling	04/17/2018	04/18/2018	BBS PROGRAM
		Understanding the Impact of Law on Train	10/04/2018	10/04/2018	PICPA
40.	BERNARDO B. BAYANGOS Vice President Isabela Lending Center	LANDBANK's Environmental Policies & Programs	07/30/2018	07/30/2018	EPMD
		2018 Introduction To Quality Circles	04/13/2018	04/13/2018	QC
41.	REYNALDO C. CAPA Vice President Banking Services Group	2018 Introduction To Quality Circles	04/13/2018	04/13/2018	QC
42.	MARIA EDELWINA D. CARREON Vice President Internal Audit Group	Agia Annual National Convention Cum Seminar	10/09/2018	10/12/2018	AGIA
		New International Professional Practices Framework	03/10/2018	03/10/2018	ISPPIA
		ISACA Annual Conference	09/13/2018	09/14/2018	ISACA
		Certified Internal Control Auditor Program	07/07/2018	07/14/2018	CICAP
		Joint Audit & Compliance	05/23/2018	05/24/2018	JAC
		AML Updating LEAP	04/20/2018	04/20/2018	AMLA 2017
		Corporate Governance Orientation Program for GOCCs	04/18/2018	04/18/2018	ICD
		Executive Briefing on IMS	04/03/2018	04/03/2018	EXECUTIVE BRIEFING IMS
		Pre & Post Implementation System Review	03/26/2018	03/27/2018	ISACA
		Fraud Risk Management	02/24/2018	02/24/2018	BAIPHIL
		Check Truncation/CICS	01/25/2018	01/25/2018	CTS
		Impact of Train Law on Government Banks	01/25/2018	01/25/2018	SGV
43.	MARIETTA B. CAJUGUIRAN Vice President Corporate Banking Department II	LANDBANK's Environmental Policies & Programs	11/28/2018	11/28/2018	EPMD
		The Philippine Economy 2019: Fearless Forecast	11/16/2018	11/16/2018	FUTURISTICS
		AML Updating LEAP	09/02/2018	09/02/2018	AMLA 2017
		Global Forum on Infrastructure Strategies	01/18/2018	01/18/2018	PCM ASIA
44.	ELENITA C. RAPANUT Vice President Branch Banking Support Department	AML Updating LEAP	04/20/2018	04/20/2018	AMLA 2017
		Understanding the Impact of Law on Train	10/04/2018	10/04/2018	PICPA
45.	ALLAN R. BISNAR Vice President Cebu South Lending Center	IMS Cert Audit Prep Workshop	08/18/2018	08/18/2018	IMS
46.	EDUARDO N. REYES, JR. Vice President Nueva Ecija Lending Center	Training on Revised IRR of RA No. 9184/PHILGEPS	10/08/2018	10/10/2018	GPPB
		LANDBANK's Environmental Policies & Programs	07/16/2018	07/16/2018	EPMD
		AML Updating LEAP	04/20/2018	04/20/2018	AMLA 2017

47.	DINA MELANIE R. MADRID Vice President Facilities And Procurement Services Group	Strategic Planning & Strategic Execution	10/24/2018	11/09/2018	R.G. MANABAT & CO.
		AML Updating LEAP	04/20/2018	04/20/2018	AMLA 2017
		Course in Occupational Health & Safety	04/18/2018	04/26/2018	UP-CPH
		Executive Briefing on IMS	04/03/2018	04/03/2018	EXECUTIVE BRIEFING IMS
48.	EMMA M. BROSAS Vice President Corporate Banking Department I	Customization Of IMS Certification Checklist	05/29/2018	05/29/2018	IMS
		GACPA 40th Annual National Convention	05/23/2018	05/26/2018	GACPA
		AML Updating LEAP	04/20/2018	04/20/2018	AMLA 2017
		Global Forum on Infrastructure Strategies	01/18/2018	01/18/2018	PCM ASIA
49.	IVY C. SACRAMENTO Vice President Balance Sheet Management Department	AML Updating LEAP	04/20/2018	04/20/2018	AMLA 2017
		FMAP Annual Convention	03/09/2018	03/11/2018	FMAP 2010
50.	ESPERANZA N. MARTINEZ Vice President Public Sector Department	Enterprise Risk Management (LEAP)	09/28/2018	09/28/2018	ERM
		Basic Trade Transactions (LEAP)	08/31/2018	08/31/2018	ITD TRADE
		GACPA 40th Annual National Convention	05/23/2018	05/26/2018	GACPA
		Business Continuity Management Awareness (LEAP)	05/04/2018	05/04/2018	BRMD
		Applied HR for Line Managers	03/21/2018	03/23/2018	ATENEO-CCE
		LDP 10: Leadership and Managing Change	02/15/2018	02/16/2018	LDP
		LDP 10: Strategic Thinking	02/13/2018	02/14/2018	LDP
51.	EMMANUEL G. DIMAANO Vice President Capital Markets Trading Department	Integrated Management System (LEAP)	12/14/2018	12/14/2018	IMS
		Towards New Horizons (Pre-Retirement Sem)	10/25/2018	10/26/2018	WALKING THRU
		Business Continuity Management Awareness (LEAP)	05/04/2018	05/04/2018	BRMD
		2018 Introduction to Quality Circles	04/13/2018	04/13/2018	QC
		FMAP Annual Convention	03/09/2018	03/11/2018	FMAP 2010
		AML Updating LEAP	02/09/2018	02/09/2018	AMLA 2017
52.	EULALIO G. LAGAPA, JR. Vice President Cebu North Lending Center	Integrated Management System (LEAP)	12/14/2018	12/14/2018	IMS
		Enterprise Risk Management (LEAP)	09/28/2018	09/28/2018	ERM
		Basic Trade Transactions (LEAP)	08/31/2018	08/31/2018	ITD TRADE
		Business Continuity Management Awareness (LEAP)	05/04/2018	05/04/2018	BRMD
53.	MARJORIE R. CORTEZ Vice President Business Risk Management Department	Embedding Risk Management in New Product Development	11/15/2018	11/15/2018	BAIPHIL
		Crisis Management	09/03/2018	09/04/2018	NEVILCLARK
		Overview of Outsourcing Framework	05/19/2018	05/19/2018	BAI PHIL
		People Risk Management	05/11/2018	05/11/2018	BAIPHIL
		Understanding the Impact of Law on Train	04/10/2018	04/10/2018	PICPA
		Executive Briefing on IMS	04/03/2018	04/03/2018	EXECUTIVE BRIEFING IMS
		PMS Annual Convention 2018	03/15/2018	03/15/2018	PMS
54.	ENRIQUE L. SAZON, JR. Vice President Network Operations Department	Enterprise Risk Management (LEAP)	09/28/2018	09/28/2018	ERM
		Business Continuity Management Awareness (LEAP)	05/04/2018	05/04/2018	BRMD
		Payment Card Industry Data Security Standard	05/02/2018	05/03/2018	SPARTAN
55.	PACIFICO C. DE PAZ, JR. Vice President Electronic Products Department	Business Analytics Foundation	11/19/2018	11/20/2018	PHOENIX1.1
		Cybersafe	05/11/2018	05/11/2018	PHOENIX 1.1
		AML Updating LEAP	04/20/2018	04/20/2018	AMLA 2017
56.	ROSE MARIE E. SOTELO Vice President Treasury Risk Management Department	Certification Seminar for Phase 1 of the Sec Exam	10/25/2018	10/26/2018	SEC
		Enterprise Risk Management (LEAP)	09/28/2018	09/28/2018	ERM
		2018 PSAI Annual Conference	09/19/2018	09/21/2018	PSA
		Risk MGT in BKG: Principles & Framework	07/14/2018	07/17/2018	RMB MOD
		Managing Risk from FX&INT Rate Exposures	07/05/2018	07/06/2018	ATENEO
		Joint Audit & Compliance	05/23/2018	05/24/2018	JAC
		Business Continuity MGT Awareness (LEAP)	05/04/2018	05/04/2018	BRMD
		Conduct of Stress Testing Exercises	03/02/2018	03/02/2018	BAIPHIL
57.	EMMANUEL G. HIO, JR. Vice President Organization Development Department	Integrated Management System (LEAP)	11/26/2018	11/26/2018	IMS
		International Executive Development Program on Engaging Leaders	11/13/2018	11/15/2018	APRACA
		Asia OD Network Learning Event	10/24/2018	10/26/2018	ODPN
		Public Sector HR Symposium	07/18/2018	07/20/2018	CSC
		PSTD National Convention	04/10/2018	04/11/2018	PSTD
		LODP: Anti-Money Laundering Act	03/15/2018	03/15/2018	LODP 1.10
58.	CIELITO H. LUNARIA Vice President Financial Insitutions Department	Landbank's Environmental Policies & Programs	11/28/2018	11/28/2018	EPMD
		2018 Global Payments	09/21/2018	09/21/2018	WFARGO
		AML Updating LEAP	04/20/2018	04/20/2018	AMLA 2017

59.	**ARTHUR E. DALAMPAN** Vice President Electronic Banking Systems Department	Fintech & Blockchain Innovation	03/21/2018	03/22/2018	ENDERUN
		Big Data Foundation	03/19/2018	03/20/2018	APEX GLOBAL
		Enterprise Architecture Conference	03/08/2018	03/09/2018	AEA PHILS
60.	**GRACE OFELIA LOVELY V. DAYO** Vice President Retail Banking Systems Department	Enterprise Risk Management (LEAP)	09/28/2018	09/28/2018	ERM
		Business Continuity Management Awareness (LEAP)	05/04/2018	05/04/2018	BRMD
61.	**ADELFA R. MASACUPAN** Vice President Liquidity And Reserve Management Department	Enterprise Risk Management (LEAP)	09/28/2018	09/28/2018	ERM
		Business Continuity Management Awareness (LEAP)	05/04/2018	05/04/2018	BRMD
		FMAP Annual Convention	03/09/2018	3/11/2018	FMAP 2010
62.	**JOSELITO B. VALLADA** Vice President Human Resource Management Group	Strategic Planning & Strategic Execution	10/24/2018	11/09/2018	R.G. M & CO.
		PMAP Annual Conference	10/10/2018	10/12/2018	PMAP
		Public Sector HR Symposium	07/18/2018	07/20/2018	CSC
		AML Updating LEAP	04/20/2018	04/20/2018	AMLA 2017
		Corporate Governance Orientation Program for GOCCs	04/18/2018	04/18/2018	ICD
		Impact of Train Law on Government Banks	01/25/2018	01/25/2018	SGV
63.	**EFREN S. TEDOR** Vice President Physical Security Office	Security Management International Convention	08/29/2018	08/30/2018	PSIS
		AML Updating LEAP	04/20/2018	04/20/2018	AMLA 2017
		Course In Occupational Health & Safety	04/18/2018	04/26/2018	UP-CPH
		Philippine Exchange With American Law Enforcers	02/07/2018	02/07/2018	PSIS
64.	**MARIA AURORA R. BOCATO** Vice President Credit Risk Management Department	Updated Guidelines On Sound CRM	10/05/2018	10/06/2018	BAIPHIL
		Joint Audit & Compliance	05/23/2018	05/24/2018	JAC
		PFRS 9 Project KTS: Loss Given Default	04/20/2018	04/20/2018	SGV
		PFRS 9 Project KTS: Forecasting Assessment	04/20/2018	04/20/2018	SGV
		PFRS 9 Project KTS: Calcn Exercise PF	04/19/2018	04/19/2018	SGV
		PFRS 9 Project KTS: Calcn Exer For UB/KB	04/19/2018	04/19/2018	SGV
		PFRS 9 Project KTS: ECL Calculation	04/18/2018	04/18/2018	SGV
		PFRS 9 Project KTS: PD Modeling	04/18/2018	04/18/2018	SGV
		Impact of Train Law on Government Banks	01/25/2018	01/25/2018	SGV
65.	**ROSSANA S. CORONEL** Relationship Officer South Ncrbg Cluster A	ATM Replacement Phase 3 Trainor's Training	10/26/2018	10/26/2018	ATM
		Branch Operations Retooling Seminar	09/08/2018	09/09/2018	BBS
		AML Updating LEAP	04/20/2018	04/20/2018	AMLA 2017

LANDBANK's Overarching Policy and Procedures for Managing Related Party Transactions (RPTs)

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.

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 Directors, Officers, Stakeholders, and other Related Interests (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.

Board of Directors' Duties and Responsibilities

The Board of Directors shall have the overall responsibility in ensuring that transactions with related parties are handled in a sound and prudent manner, with integrity, and in compliance with applicable laws and regulations to protect the interest of depositors, creditors and other stakeholders.

Towards this end, the Board of Directors shall carry out the following duties and responsibilities:

1. To observe good governance and approve an overarching policy on the handling of RPTs to ensure that there is effective compliance with existing laws;

2. To approve all material RPTs, including those that cross the materiality threshold, write-off of material exposures to related parties, and renewal or material changes in the terms and conditions of RPTs;

3. Delegate to Management Committee (ManCom) the vetting of non-material RPTs and confirm all non-material RPTs vetted in accordance with the CASA as presented by the RPTCommittee. ManCom Minutes shall articulate the discussions on RPT;

4. Direct Management to establish an effective system to:

   a. Direct, identify, and monitor RPs and RPTs;
   b. Continuously review and evaluate existing relationship between and among businesses and counterparties; and
   c. Identify, measure, monitor, and control risks arising from RPTs;

5. Maintain adequate capital against risks associated with exposures to RPs;

6. Oversee the integrity, and effective implementation of the Bank's whistleblowing policy; and

7. Constitute an RPT Committee and provide adequate resources to said Committee, including the authority to procure the assistance of independent experts, if necessary, to assess the fairness of RPTs.

Material Related Party Transactions
LAND BANK OF THE PHILIPPINES
As of 31 March 2018

Parent Bank/ QB and Subsidiary/ Affiliate	Related Counterparty	Relationship Between the Parties	Transaction Date	Type of Transaction	Amount/ Contract Price (in Php Millions)	Terms
A. Bank/QB						
a. Subsidiaries and Affiliates						
	Metrobank Card Corporation (A Finance Company)	LANDBANK Director Rodolfo V. Puno is the brother of Mr. Regis V. Puno, who is one of the Directors of Metrobank Card Corporation. Hence, Mr. Regis V. Puno is related within the second degree of consanguinity with Director Rodolfo V. Puno.	02/20/2018	Renewal with increase of Short Term Loan Line and Money Market Line	₱1,060.00	No Preferential Terms
b. DOSRI						
	Alsons Consolidated Resources, Inc. (ACR)	The LANDBANK Chairman of the Board, Sec. Carlos G. Dominguez III, is the brother-in-law of Ms. Rosvida A. Dominguez, who is a minority shareholder of Alsons Corporation, Alsing Power Holdings Corp. and Alsons Development and Investment Corp. (shareholders of ACR). She is married to Mr. Paul Dominguez, brother of the Secretary. Hence, they are related within the second degree of affinity.	01/30/2018	1) Amendment of the previously approved Terms and Conditions on: a) Prepayment penalty for optional prepayment b) Financial covenants (Minimum Interest Cover Ratio and Maximum Debt to Equity Ratio) 2) Waiver on the declaration of an Event of Default resulting from the non-compliance by ACR of the Financial Covenants 3) Waiver on the Pro-rata sharing and pari-passu provision on partial prepayment	₱2,625.00	No Preferential Terms
	Philippine Deposit Insurance Corporation	Finance Secretary Carlos G. Dominguez serves as Chairman to both PDIC and LANDBANK	02/13/2018	1) Renewal of Short Term Loan Line 2) Renewal with decrease of Domestic Bills Purchase Line 3) Exemption from CPI 2016-006 standard loan pricing to give 0.25% spread instead of 0.5% required for accounts rated "Prime".	₱7,000.00	No Preferential Terms
	Maynilad Water Services, Inc.	Agricultural and Development Lending Sector Head and LANDBANK Insurance Brokerage, Inc. Director EVP Edward John T. Reyes is the brother-in-law of Atty. Alex Erlito S. Fider, who is the Corporate Secretary of Maynilad. Hence, Atty. Alex Erlito S. Fider is related within the second degree of affinity with EVP Edward John T. Reyes.	02/13/2018	Establishment of Corporate Notes, Short Term Loan Line and Documents against Acceptance/ Documents against Payment/ Letter of Credit	₱19,723.04	No Preferential Terms
	Italpinas Development Corporation (IDC)	IDC's Independent Director, Mr. Rafael Dominquez, holding 10,000 shares of the Company with a par value of ₱0.50 or ₱5,000.00 is the son of LANDBANK Chairman of the Board, Sec. Carlos Dominguez and related within the first degree of consanguinity.	02/27/2018	Request for seven year Term Loan facility	₱420.00	No Preferential Terms

Material Related Party Transactions
LAND BANK OF THE PHILIPPINES
As of 30 June 2018

Parent Bank/ QB and Subsidiary/ Affiliate	Related Counterparty	Relationship Between the Parties	Transaction Date	Type of Transaction	Amount/ Contract Price (in Php Millions)	Terms
A. Bank/QB						
a. Subsidiaries and Affiliates						
	LANDBANK - Provident Fund (LANDBANK-PF)	DOSRI – Related Interest – LANDBANK Officers	04/10/2018	Renewal without change in amount of Short Term Loan Line and Cancellation of Long Term Revolving Credit Line and Domestic Bills Purchase Line	₱500.00	1. To allow loan value of 100% of the face value of the Deposits for Hold-out and Government Securities, instead of 90% and 80%, respectively as provided in the CASA Section A.1.17 2. Continuous exemption from Bank Policy not to use the prevailing PDST-R2 as base rate, exemption from the imputation of minimum spread based on the Borrower's credit rating and floor rate per CPI Nos. 2016-006 and 2017-005. This was previously approved by LANDBANK Board per Resolution No. 00-083 dated 22 February 2000. 3. Continuous waiver on the conduct of credit and background investigations on LANDBANK-PF's Board of Trustees and Key Officers as provided by in the Credit Manual and CPI No. 2015-006. This was previously approved by LANDBANK Board per Resolution No. 00-083 dated 22 February 2000 4. Cost of Documentary Stamp Tax (DST) and Gross Receipt Tax (GRT) shall be for the account of LANDBANK
	Philippine Export-Import (PhilEXIM) Credit Agency	The National Government is common Stockholder of PhilEXIM and LANDBANK.	04/10/2018	Fifth 180-day extension of Availability End Date (AED) of the approved ₱1,950 Million Short Term Loan Line and ₱150 Million Domestic Bills Purchase Line from 31 March 2018 to 30 September 2018	₱2,100.00	No Preferential Terms
	Overseas Filipino Bank (OFBank) - Formerly Philippine Postal Savings Bank	The Bank is owned by ROP and Phillipine Postal Corporation. However, per EO No. 44, series of 2017, OFBank will be owned by LANDBANK once the necessary regulatory approvals are secured.	05/08/2018	Reinstatement without change in amount of Money Market Line	₱1,000.00	Deviation from the criteria on profitability, net past due ratio, capital, and "Poor" credit rating
b. DOSRI						
	Central Luzon State University (CLSU)	CLSU is a state owned University created by virtue of RA No. 4067. LANDBANK's Credit Policy Issuance (CPI) No. 2016-008 states that loans granted to SUCs are considered as Government Borrowings thus classified as DOSRI Loans.	6/5/2018	Request for Term Loan	₱65.00	No Preferential Terms
	PNOC Exploration Corporation*	GOCC - (Exempted from review/ approval as Related Party since the loan implementation is subject to the issuance of the Monetary Board Opinion.)	06/26/2018	• Reallocation of the Amount of the Existing Credit Facilities; (Letter of Credit/ Trust Receipt Line, Foreign/Domestic Standby LC, Short Term Loan Line, Domestic Bills Purchase Line and Settlement Risk Line) • Reduction of the Interest Spread and Floor Rate; • Waiver on CPI No. 2016-001, Requiring All Insurable Collateral (i.e. Trust Receipt on goods) to be insured with an Insurance Company Accredited by LANDBANK and LANDBANK Insurance Brokerage, Incorporated (LIBI) as Designated Insurance Broker; and • Additional Terms and Conditions: Total Amount of Deposit with LANDBANK Shall not Fall Below the LC/TR Outstanding Balance/ Availment at any Given Time	₱3,250.00	No Preferential Terms

*This is considered as DOSRI and subject to DOSRI Rules.

Material Related Party Transactions
LAND BANK OF THE PHILIPPINES
As of 30 September 2018

Parent Bank/ QB and Subsidiary/ Affiliate	Related Counterparty	Relationship Between the Parties	Transaction Date	Type of Transaction	Amount/ Contract Price (in Php Millions)	Terms
A. Bank/QB						
a. DOSRI						
	Duty Free Philippines Corporation (DFPC)*	DFPC is 100% GOCC that runs under the direct supervision of the Department of Tourism through the Philippine Tourism Authority - (Exempted from review/approval as Related Party since the loan implementation is subject to the issuance of the Monetary Board Opinion.)	09/25/2018	3rd 180-day extension of Availability End Date (AED) of the Short Term Loan Line; Letter of Credit/ Trust Receipt/ Standby Letter of Credit Line; and Foreign/Domestic Bills Purchase Line from 25 September 2018 to 24 March 2019.	₱1,100.00	No Preferential Terms

*This is considered as DOSRI and subject to DOSRI Rules.

Material Related Party Transactions
LAND BANK OF THE PHILIPPINES
As of 31 December 2018

Parent Bank/ QB and Subsidiary/ Affiliate	Related Counterparty	Relationship Between the Parties	Transaction Date	Type of Transaction	Amount/ Contract Price (in Php Millions)	Terms
A. Bank/QB						
a. Subsidiaries and Affiliates						
	LBP Resources and Development Corp.	Subsidiary	10/09/2018	Award of Contract for six months Contract Extension of Building Maintenance and Janitorial Services for LANDBANK Plaza Headquarters and Satellite Offices	₱57.21	No Preferential Terms
	LBP Leasing and Finance Corp.	Subsidiary	10/09/2018	Award of Contract for One Year Fleet Management Service under Financial Lease of 304 Units Service Vehicles	₱91.00	No Preferential Terms
	LBP Resources and Development Corp.	Subsidiary	11/13/2018	Award of Contract for One Year Services of 520 Utility Workers/ Messengers at LANDBANK Field Units for the period of 1 January 2019 to 31 December 2019	₱132.77	No Preferential Terms
	LBP Resources and Development Corp.	Subsidiary	11/13/2018	Award of Contract for One Year Building Maintenance and Janitorial Services for LANDBANK Headquarters and Satellite Offices including Supply of Bank-Prescribed Sanitizing Agents and Consumables	₱96.81	No Preferential Terms
	Land Transportation Franchising & Regulatory Board (LTFRB)	Government Agency	12/18/18	• Disposal of ROPA covered by TCT Nos. 162702, 162703 and 162704 thru Negotiated Sale in favor LTFRB for 34,789,000.00 (at latest Appraised Value) on cash basis. • Exemption from the following: a. Payment of 10% of offered price b. Publication of new/updated Indicative Price of ₱34,789,000.00	₱34.00	No Preferential Terms

Parent Bank/ QB and Subsidiary/ Affiliate	Related Counterparty	Relationship Between the Parties	Transaction Date	Type of Transaction	Amount/ Contract Price (in Php Millions)	Terms
b. DOSRI						
	Philippine Export-Import Credit Agency (PhilEXIM)*	GOCC - (Exempted from review/ approval as Related Party since the loan implementation is subject to the issuance of the Monetary Board Opinion.)	10/09/18	Sixth 180-Day Extension of Availability End Date (AED) of the Approved ₱1,950.0 Million Short Term Loan Line and ₱150.0 Million Domestic Bills Purchase Line From 30 September 2018 to 31 March 2019		No Preferential Terms
	Power Sector Assets and Liabilities Management Corporation (PSALM)*	GOCC - (Exempted from review/ approval as Related Party since the loan implementation is subject to the issuance of the Monetary Board Opinion.)	10/23/2018	• Request for Term Loan • To Allow a Minimum Spread of 0.40% per annum Instead of 1.50% per annum required for account rated as "Good". • To Allow the Availability Period of Two Years from Loan Signing. • Waiver on Collection of Handling and Commitment Fees.	₱76,512.00	No Preferential Terms
	National Food Authority(NFA)*	GOCC - (Exempted from review/ approval as Related Party since the loan implementation is subject to the issuance of the Monetary Board Opinion.)	10/23/2018	• Purchase of the existing exposure/ notes of private banks, via increase in LANDBANK's participation by up to ₱19.544 Billion in the remaining balance of the ₱75.0 Billion ROP Guaranteed Syndicated Term Loan Facility. • To allow amendment of the interest rate structure including minimum spread of 0.3% instead of the required 2.5% for the account rated as "Satisfactory".	₱24,844.00	No Preferential Terms
	LBP Service Corporation (LBPSC)*	DOSRI - (Exempted from review/ approval as Related Party since the Bank strictly adheres to the provisions of RA No. 9184 (Government Procurement Act) and its 2016 Revised Implementing Rules and Regulations (IRR) which provides public monitoring of the procurement process and the implementation of awarded contracts with the end in view of guaranteeing that these contracts are awarded pursuant to the provisions of the Act and its IRR, and that all these contracts are performed strictly according to specifications. The said law also requires disclosure of relations wherein relation to the Head of the Procuring Entity, BAC members, TWG, BAC Secretariat or end-user Unit within the third civil degree of consanguinity or affinity shall automatically disqualify a bidder from participating in the procurement of contracts of procuring entity.)	11/13/2018	Award of Contract for Four Months Extension of Office Manpower Services for Deployment to Various Units of LANDBANK.	₱160.76	No Preferential Terms
	PNOC Group of Companies*	GOCC - (Exempted from review/ approval as Related Party since the loan implementation is subject to the issuance of the Monetary Board Opinion.)	11/27/18	First 180-day extension of Availability End Date of various credit lines of the PNOC Group in the total amount of ₱3,250.00 Million LC/TR Lines, F/ DSLC, STLL, DBPL and SRL from 30 November 2018 to 31 May 2019		No Preferential Terms

Parent Bank/ QB and Subsidiary/ Affiliate	Related Counterparty	Relationship Between the Parties	Transaction Date	Type of Transaction	Amount/ Contract Price (in Php Millions)	Terms
b. DOSRI						
	PNOC Group of Companies *	GOCC - (Exempted from review/ approval as Related Party since the loan implementation is subject to the issuance of the Monetary Board Opinion.)	11/27/2018	PHILIPPINE NATIONAL OIL COMPANY • Renewal of (the Letters of Credit/ Trust Receipt (LC/TR)) Line • Renewal of Foreign/Domestic Standby Letter of Credit (F/ DSLC), • Renewal of Short Term Loan Line (STLL) • Renewal of Domestic Bills Purchase Line (DBPL) • Renewal of Settlement Risk Line (SRL) PNOC EXPLORATION CORPORATION • Renewal of LC TR Line • Renewal of F/DSLC • Renewal of DBPL PNOC RENEWABLES CORPORATION • Renewal of STLL • Renewal of DBPL • To allow a minimum spread of 0.50% instead of 1.50% for “Good” rating per CPI 2018-007 for PNOC RC only. • Waiver on CPI No. 2016-001, requiring all insurable collateral (i.e. Trust Receipt on goods) to be insured with an insurance company accredited by LANDBANK and LANDBANK Insurance Brokerage, Incorporated (LIBI) as designated insurance broker for PNOC and PNOC EC only.	₱3,250.00	No Preferential Terms

Report on the Status and Aggregate Exposures to Related Parties
LAND BANK OF THE PHILIPPINES
As of 31 December 2018

Name of Counterparty	Relationship	Date Granted	Type of Transaction	Amount	Outstanding Balance as of 31 December 2018
Alsons Consolidated Resources, Inc.	The LANDBANK's Chairman of the Board, Sec. Carlos G. Dominguez III, is the brother-in-law of Ms. Rosvida A. Dominguez, who is a minority shareholder of Alsons Corporation, Alsing Power Holdings Corp. and Alsons Development and Investment Corp. (shareholders of ACR). She is married to Mr. Paul Dominguez, brother of the Secretary. Hence, they are related within the second degree of affinity.	01/24/2018 - approved by the Credit Committee 1/30/18 - approved by the Investment and Loan Committee	1) Amendment of the previously approved Terms and Conditions on: a) Prepayment penalty for optional prepayment b) Financial covenants (Minimum Interest Cover Ratio and Maximum Debt to Equity Ratio) 2) Waiver on the declaration of an Event of Default resulting from the non-compliance by ACR of the Financial Covenants 3) Waiver on the Pro-rata sharing and pari-passu provision on partial prepayment	₱2,500,000,000.00	₱194,250,000.00
Alsons Aquaculture Corporation				₱125,000,000.00	₱20,000,000.00
Metrobank Card Corporation (A Finance Company)	LANDBANK Director Rodolfo V. Puno is the brother of Mr. Regis V. Puno who is one of the Directors of Metrobank Card Corporation. Hence, Mr. Regis V. Puno is related within the second degree of consanguinity with Director Rodolfo V. Puno.	02/14/18 - approved by the Credit Committee 6/26/18 - approved by the Investment and Loan Committee 6/26/18 - approved by the Board	• Renewal with increase of Short Term Loan Line • Renewal of Money Market Line	₱2,500,000,000.00	₱2,000,000,000.00
Philippine Deposit Insurance Corporation	DOSRI - Hon. Carlos G. Dominguez III, Finance Secretary serves as Chairman to both PDIC and LANDBANK	02/07/2018 - approved by the Credit Committee 2/13/18 - approved by the Investment and Loan Committee 2/27/18 - approved by the Board	• Renewal of STLL • Renewal with decrease of DBPL • Exemption from CPI 2016-006 standard loan pricing to give 0.25% spread instead of 0.5% required for accounts rated "Prime"	₱7,000,000,000.00	₱677,685.39
Maynilad Water Services, Inc.	EVP Edward John T. Reyes (Agricultural and Development Lending Sector Head and LBP Insurance Brokerage, Inc. (LIBI) Director), is the brother-in-law of Atty. Alex Erlito S. Fider, who is the Corporate Secretary of Maynilad. Hence, Atty. Alex Erlito S. Fider is related within the second degree of affinity with EVP Edward John T. Reyes.	02/07/2018 - approved by the Credit Committee 2/13/18 - approved by the Investment and Loan Committee 2/13/18 - approved by the Board	• Establishment of Corporate Notes • Establishment Short Term Loan Line • Establishment Documents against Acceptance/ Documents against Payment/ Letter of Credit	₱12,669,980,000.00	₱1,643,145,000.00
Metro Manila Waste Water Management Project				₱7,053,060,000.00	₱6,138,222,510.48
Italpinas Development Corporation	IDC's independent Director, Mr. Rafael Dominquez, holding 10,000 shares of the Company with a par value of ₱0.50 or ₱5,000.00 is the son of DOF Secretary and LANDBANK Chairman of the Board, Mr. Carlos Dominguez and related within the first degree of consanguinity.	02/21/18 - approved by the Credit Committee 02/27/18 - approved by the Investment and Loan Committee 2/27/18 - approved by the Board	Establishment of term loan facility	₱420,000,000.00	₱38,600,000.00
LBP Service Corporation	LANDBANK - PFD is a major stockholder of LANDBANKSC and LANDBANK Officers sit as BOD Member	02/21/18 - approved by the Credit Committee 2/27/18 - approved by the Investment and Loan Committee	• Renewal without change in amount of Short Term Loan Line • Renewal without change in amount of Domestic Stand-by LC	₱150,000,000.00	No availment yet
Angelito M. Villanueva	Husband of FVP Catherine Rowena B. Villanueva (Head of LANDBANK Corporate Affairs Department)	10/13/2017 - approved by the Management Committee	Landbank Mobile Loan Saver (LMLS)	₱1,800,000.00	₱1,163,139.71
Sps. Mary Jean V. Piñol & Ferdinand F. Piñol	Sister-in-Law and Brother of LANDBANK Director/Sec. Emmanuel F. Piñol (Department of Agriculture)	09/28/17 - approved by the Head Office Committee Assets Disposal 11/07/17 - approved by the Board	Disposal of ROPA through Negotiated Sale of Property in favor of Sps. Mary Jean V. Piñol & Ferdinand F. Piñol	₱790,000.00	N/A
LANDBANK - Provident Fund (LANDBANK-PF)	DOSRI – Related Interest – LANDBANK Employees	03/21/18 - approved by the Credit Committee 04/10/18 - approved by the Investment and Loan Committee 4/10/18 - approved by the Board	• Renewal without change in amount of Short Term Loan Line • Cancellation of ₱1,500.00 Million Long Term Revolving Credit Line • Cancellation of ₱100 Million Domestic Bills Purchase Line	₱500,000,000.00	₱200,000,000.00
Philippine Export-Import Credit Agency	Common Stockholder of PhilEXIM and LANDBANK is the National Government	03/21/18 - approved by the Credit Committee 04/10/18 - approved by the Investment and Loan Committee	Fifth 180-day extension of Availability End Date (AED) of the approved ₱1,950 Million Short Term Loan Line and ₱150 Million Domestic Bills Purchase Line from 31 March 2018 to 30 September 2018	₱2,100,000,000.00	₱771,637,500.00
Overseas Filipino Bank (OFBank) - Formerly Philippine Postal Savings Bank	The Bank is owned by ROP and Philippine Postal Corporation. However, per E.O. No. 44, Series of 2017, OFBank will be owned by LANDBANK once the necessary regulatory approvals are secured.	05/08/18 - approved by the Credit Committee and Investment and Loan Committee 5/08/18 - approved by the Board	Reinstatement without change in amount of Money Market Line	₱1,000,000,000.00	₱1,000,000,000.00

Name of Counterparty	Relationship	Date Granted	Type of Transaction	Amount	Outstanding Balance as of 31 December 2018
Central Luzon State University (CLSU)	CLSU is a state owned University created by virtue of RA No. 4067. LANDBANK's Credit Policy Issuance (CPI) No. 2016-008 states that loans granted to SUCs are considered as Government Borrowings thus classified as DOSRI Loans.	05/30/18 - approved by the Credit Committee 06/5/18 - approved by the Investment and Loan Committee 6/13/2018 - approved by the Board	• Establishment of Term Loan • To allow a minimum spread of 1.00% instead of 1.50% required for accounts rated as Good.	₱65,000,000.00	No availment yet
PNOC Exploration Corporation *	GOCC - (Exempted from review/ approval as Related Party since the loan implementation is subject to the issuance of the Monetary Board Opinion.)	06/11/18 - approved by the Credit Committee 06/19/18 - approved by the Investment and Loan Committee	• Reallocation of the Amount of the Existing Credit Facilities; (Letter of Credit/ Trust Receipt Line, Foreign/Domestic Standby LC, Short Term Loan Line, Domestic Bills Purchase Line and Settlement Risk Line) • Reduction of the Interest Spread and Floor Rate; • Waiver on CPI No. 2016-001, Requiring All Insurable Collateral (i.e. Trust Receipt on goods) to be insured with an Insurance Company Accredited by LANDBANK and LANDBANK Insurance Brokerage, Incorporated (LIBI) as Designated Insurance Broker; and • Additional Terms and Conditions: Total Amount of Deposit with LANDBANK Shall not Fall Below the LC/TR Outstanding Balance/Availment at any Given Time	₱1,850,000,000.00	No outstanding balance
Duty Free Philippines Corporation (DFPC)*	DFPC is 100% GOCC that runs under the direct supervision of the Department of Tourism through the Philippine Tourism Authority - (Exempted from review/approval as Related Party since the loan implementation is subject to the issuance of the Monetary Board Opinion.)	09/12/18 - approved by the Credit Committee 09/18/18 - approved by the Investment and Loan Committee 9/25/18 - approved by the Board	3rd 180-day extension of Availability End Date (AED) of the Short Term Loan Line; Letter of Credit/ Trust Receipt/ Standby Letter of Credit Line; and Foreign/ Domestic Bills Purchase Line from 25 September 2018 to 24 March 2019.	₱1,100,000,000.00	No outstanding balance
VP Francisco E. Burgos, Jr. (Assistant Vice President/ Head of LANDBANK EDSA Greenhills Branch)	Husband of Ma. Celeste A. Burgos, (Senior Vice President/Head of LANDBANK Corporate Banking Group and Chairperson of the Head Office Committee on Asset Disposal)	7/12/18 - approved by Head Office Committee Assets Disposal 7/24/2018 - approved by the Board	Lease of the Bank's 12.50 sq.m. parking slot identified as parking slot no. B2- S071, covered by CCT No. 66686 located at the Kingswood Makati Condominium, P. Ocampo Sr. Avenue (Vito Cruz) Extension corner Metropolitan Avenue and Cabanillas St., Brgy. La Paz, Makati City - ₱3,000.00 per month inclusive of 5% EWT subject to escalation rate of 5% starting on the 2nd year, in case of continued occupancy.	₱3,000.00	N/A
Ana Edelwisa E. Mariano	LANDBANK officer (Assistant Department Manager - Treasury Support Department)	7/12/18 - approved by Head Office Committee Assets Disposal 7/24/2018 - approved by the Board	Disposal of ROPA covered by TCT No. T-49758 thru Negotiated Sale in favor of Ms. Ana Edelwisa E. Mariano for ₱1,700,000.00 (at indicative price) to be paid as follows: a) 10% of the offered price paid on 02 May 2018 per LANDBANK Official Receipt No. 0021803 b) 90% balance payable thru Provident Fund Office financing.	₱1,700,000.00	N/A
Avelina L. Dino	LANDBANK officer (Branch Operations Officer at LANDBANK - Calbayog Branch)	7/12/18 - approved by Head Office Committee Assets Disposal 7/24/2018 - approved by the Board	Disposal of ROPA covered by TCT Nos. T-8807, T-8808 & T-8810 thru Negotiated Sale in favor of Ms. Avelina L. Dino for ₱656,000.00 (at indicative price) on installment basis for five years at 9% fixed interest rate per annum. Payable as follows: a) 10% offered price paid on 30 January 2018 per LANDBANK OR No. 0013909 b) 90% remaining balance payable in equal monthly installment over five years at a fixed interest rate of 9% per annum.	₱656,000.00	N/A
Sps. Elvera and Rimon Arbinoya	Ms. Arbinoya is a LANDBANK employee (Customer Associate assigned at LANDBANK Janiuay Branch)	7/12/18 - approved by Head Office Committee Assets Disposal 7/24/2018 - approved by the Board	Disposal of ROPA covered by TCT No. T-181487 thru Negotiated Sale in favor of Sps. Elvera and Rimon Arbinoya for ₱100,000.00 (Indicative Price) on cash basis.	₱100,000.00	N/A
Rubilyn C. Simangan	LANDBANK employee (Treasury Sales Specialist under Investment Sales and Distribution Department assigned at Cauayan Branch)	7/12/18 - approved by Head Office Committee Assets Disposal 8/14/2018 - approved by the Board	Disposal of ROPA covered by TCT No. T-122438 thru Negotiated Sale in favor of Rubilyn C. Simangan for ₱500,000.00 (Indicative Price) on installment basis for three years at 8% fixed interest rate per annum payable as follows: a) 10% offered price paid on 16 April 2018 per LANDBANK OR No. 0025749 b) 15% additional down payment to be paid within 30 calendar days from date of Notice of Approval c) 75% remaining balance payable in equal monthly installment over three years at a fixed interest rate of 8% per annum.	₱500,000.00	N/A
John Kevin T. David	LANDBANK employee (Agrarian Affairs Processor/Analyst at LANDBANK-Agrarian Office (AOC III)	7/12/18 - approved by Head Office Committee Assets Disposal 8/14/2018 - approved by the Board	Disposal of ROPA covered by TCT No. T-042-2017010182 thru Negotiated Sale in favor of John Kevin T. David for ₱528,000.00 (Indicative Price) via Provident Fund Office (PFO) Financing payable as follows: a) 10% of offered price paid on 12 March 2018 per LANDBANK OR No. 0062185 b) 90% remaining balance payable thru PFO Financing within 30 days from date of annotation of mortgage in favor of LANDBANK-PFO on the title of the property.	₱528,000.00	N/A

Name of Counterparty	Relationship	Date Granted	Type of Transaction	Amount	Outstanding Balance as of 31 December 2018
Maricris DR. Rodriguez	LANDBANK employee (Account Assistant under Mortgage Banking Department I)	7/12/18 - approved by Head Office Committee Assets Disposal 8/14/2018 - approved by the Board	Disposal of ROPA covered by TCT No. T-042-2017010181 thru Negotiated Sale in favor of Maricris DR. Rodriguez for ₱669,000.00 (Indicative Price) via PFD Financing payable as follows: a) 10% of offered price paid on 01 March 2018 per LANDBANK OR No. 0021052 b) 90% remaining balance payable thru PFD Financing within 30 days from date of annotation of mortgage in favor of LANDBANK-PFD on the title of the property.	₱669,000.00	N/A
LBP Resources and Development Corp.	Subsidiary	1/11/2018	LANDBANK Paco Warehouse Renovation Project	₱2,321,662.25	N/A
LBP Resources and Development Corp.	Subsidiary	1/11/2018	1. LANDBANK Ilagan Branch Renovation/Relocation - ₱4,969,345.00 2. LANDBANK Harrison Plaza Branch Renovation - ₱923,070.00	₱5,892,415.00	N/A
LBP Resources and Development Corp.	Subsidiary	1/11/2018	1. LANDBANK Aparri Branch Renovation - ₱6,828,304.00 2. Overseas Filipino Bank Main Building Repainting and Minor Repairs - ₱2,461,316.00	₱9,289,620.00	N/A
LBP Resources and Development Corp.	Subsidiary	1/25/2018	1. LANDBANK Cataingan Extension Office Building Construction - ₱13,627,149.00 2. LANDBANK Moalboal Branch Renovation - ₱5,150,061.00	₱18,777,210.00	N/A
LBP Resources and Development Corp.	Subsidiary	2/8/2018	1. LANDBANK Laoag Branch Major Renovation Project - ₱8,601,826.00 2. LANDBANK Cebu Osmeña Branch Various Civil Works for Site Development - ₱7,850,237.00 3. LANDBANK Baguio Branch Relocation/ Renovation - ₱5,966,028.00 4. LANDBANK Sagay Branch Relocation/ Renovation - ₱4,616,634.00	₱27,034,725.00	N/A
LBP Resources and Development Corp.	Subsidiary	2/15/2018	1. LANDBANK Lapu-Lapu Branch Renovation - ₱4,639,202.00 2. LANDBANK San Andres (Catanduanes) Extension Office - ₱4,591,081.00	₱9,230,283.00	N/A
LBP Resources and Development Corp.	Subsidiary	3/8/2018	LANDBANK Harrison Plaza (Century Park Hotel) Branch Relocation/Renovation Project (Supplemental Contract)	₱313,050.19	N/A
LBP Resources and Development Corp.	Subsidiary	3/8/2018	LANDBANK Legaspi Office Building Service Entrance Rewiring/ Rehabilitation	₱921,328.00	N/A
LBP Resources and Development Corp.	Subsidiary	3/15/2018	1. LANDBANK Binangonan Branch/Records Center Renovation - ₱8,078,875.00 2. LANDBANK Lebak Branch Renovation - ₱5,550,665.00	₱13,629,540.00	N/A
LBP Resources and Development Corp.	Subsidiary	4/12/2018	1. LANDBANK Cabagan Extension Office (New Unit) Renovation - ₱5,638,247.00 2. LANDBANK Tayug Branch Renovation - ₱5,672,292.00	₱11,310,539.00	N/A
LBP Resources and Development Corp.	Subsidiary	5/3/2018	1. LANDBANK Claver Branch Renovation - ₱4,789,017.00 2. LANDBANK Muñoz Extension Office (EO) Renovation - ₱4,717,428.00 3. LANDBANK Koronadal EO Renovation - ₱4,143,697.00 4. LANDBANK Guihulngan Renovation - ₱6,419,178.00	₱20,069,320.00	N/A
LBP Resources and Development Corp.	Subsidiary	5/17/2018	LANDBANK Cebu Osmeña Branch Various Civil Works for Site Development Project (Supplemental Contract)	₱1,329,577.27	N/A
LBP Resources and Development Corp.	Subsidiary	5/31/2018	LANDBANK Moalboal (Cebu) Branch Renovation Project (Supplemental Contract)	₱1,075,785.73	N/A
LBP Resources and Development Corp.	Subsidiary	5/31/2018	Preventive Maintenance of Air-conditioning Units and Components for the Period 9 February 2018 to 8 February 2020 for LANDBANK Baclaran, Caloocan, Greenhills and West Avenue Cash Centers	₱216,000.00	N/A
LBP Resources and Development Corp.	Subsidiary	6/7/2018	LANDBANK Cabarroguis (Quirino Province) Branch Renovation Project (Supplemental Contract)	₱1,279,485.00	N/A
LBP Resources and Development Corp.	Subsidiary	6/21/2018	LANDBANK Isulan (Sultan Kudarat) Branch Renovation Project (Supplemental Contract)	₱766,737.81	N/A
LBP Resources and Development Corp.	Subsidiary	6/28/2018	LANDBANK Pili Branch Renovation	₱3,243,601.00	N/A
LBP Resources and Development Corp.	Subsidiary	7/26/2018	1) LANDBANK Ortigas Center Extension Office Renovation - ₱5,035,767.00 2) LANDBANK Balanga Branch Renovation - ₱1,994,872.00	₱7,030,639.00	N/A
LBP Resources and Development Corp.	Subsidiary	8/30/2018	LANDBANK Tanauan City Branch Renovation	₱4,025,065.00	N/A
LBP Resources and Development Corp.	Subsidiary	9/20/2018	LANDBANK COA Branch Renovation	₱4,452,409.00	N/A
LBP Resources and Development Corp.	Subsidiary	9/20/2018	LANDBANK El Salvador Extension Office Renovation	₱3,921,733.00	N/A
LBP Resources and Development Corp.	Subsidiary	9/20/2018	LANDBANK BOC-MICP Branch Renovation	₱1,743,038.00	N/A

Name of Counterparty	Relationship	Date Granted	Type of Transaction	Amount	Outstanding Balance as of 31 December 2018
LBP Resources and Development Corp.	Subsidiary	9/27/2018	Renovation of the following LANDBANK Offices: 1) Romblon Branch - ₱11,241,404.00 2) South Harbor Branch - ₱6,787,285.00 3) Limay Branch - ₱5,093,908.00 4) YMCA Branch - ₱4,510,980.00 5) Talibon Branch - ₱3,608,902.00 6) Nueva Vizcaya Lending Center - ₱3,576,243.00 7) Tacloban Real Branch - ₱3,124,232.00	₱37,942,954.00	N/A
LBP Resources and Development Corp.	Subsidiary	9/27/2018	1) LANDBANK Bauang Branch Renovation - ₱6,273,555.00 2) LANDBANK Imus Branch Renovation - ₱5,131,070.00	₱11,404,625.00	N/A
LBP Resources and Development Corp.	Subsidiary	9/27/2018	One (1) Year Chauferring Services for LANDBANK-Owned Service Vehicles for the period 8 April 2018 to 7 April 2019 for the following Offices: 1) LANDBANK Head Office for LLFC-Donated Vehicle 2) Occidental Mindoro Lending Center 3) Zamboanga del Sur Lending Center 4) Samar Lending Center	₱1,058,541.83	N/A
LBP Leasing and Finance Corp.	Subsidiary	3/20/2018	Lease Schedule No. FS-RO-04-00 - Finance Lease of 6 units service vehicles - ₱244,020.00/month	₱244,020.00	N/A
LBP Leasing and Finance Corp.	Subsidiary	3/20/2018	Lease Schedule No. FS-RO-05-00 - Finance Lease of 20 units service vehicles - ₱813,400.00/month	₱813,400.00	N/A
LBP Leasing and Finance Corp.	Subsidiary	3/23/2018	Lease Schedule No. FF-HO-02-00 - Finance Lease of 1 unit service vehicle - ₱51,010.00/month	₱51,010.00	N/A
LBP Leasing and Finance Corp.	Subsidiary	3/23/2018	Lease Schedule No. FS-RO-03-00 - Finance Lease of 23 units service vehicles - ₱986,470.00/month	₱986,470.00	N/A
LBP Leasing and Finance Corp.	Subsidiary	3/23/2018	Lease Schedule No. FF-HO-03-00 - Finance Lease of 5 units service vehicles - ₱255,050.00/month	₱255,050.00	N/A
LBP Leasing and Finance Corp.	Subsidiary	5/3/2018	Full-Service Financial Lease of Two (2) Units 2012 Mitsubishi L200 with Customized ATM Body under LS No. FF2-HO-01-00 for the Period 16 July 2017 to 15 July 2019	₱2,959,200.00	N/A
LBP Leasing and Finance Corp.	Subsidiary	25-Jul-18, 8-Aug-18 and 20-Sept-18	Repairs and maintenance and insurance on various vehicles, cash donations and security deposits	₱136,507.85	N/A
LBP Leasing and Finance Corp.	Subsidiary	9/20/2018	Full Service Operating Lease of Two Units Hyundai County with Chauffering Services	₱13,783,140.00	N/A
LBP Insurance Brokerage, Inc.	Subsidiary	7/25/2018	Sale of Debt Security	₱15,000,000.00	N/A
LBP Insurance Brokerage, Inc.	Subsidiary	8/24/2018	Sale of Debt Security	₱10,000,000.00	N/A
LBP Insurance Brokerage, Inc.	Subsidiary	9/27/2018	Sale of Debt Security	₱15,000,000.00	N/A
LBP Insurance Brokerage, Inc.	Subsidiary	Jul 6, 31, Aug 10, 23 and Sept 07, 2018	Insurance Premium for various motor vehicle lease availers	₱658,595.52	N/A
Overseas Filipino Bank	Subsidiary	7/6/2018	Initial Capital Infusion	₱428,992,000.00	N/A
Overseas Filipino Bank	Subsidiary	9/14/2018	Deposit	₱1,000,000,000.00	N/A
Small Business Guarantee and Finance Corp.	LANDBANK has equity investment with the counterparty	7/6/2018	Sale of Debt Security	₱50,303,000.00	N/A
Small Business Guarantee and Finance Corp.	LANDBANK has equity investment with the counterparty	7/19/2018	Sale of Debt Security	₱67,851,000.00	N/A
Small Business Guarantee and Finance Corp.	LANDBANK has equity investment with the counterparty	8/2/2018	Sale of Debt Security	₱100,624,000.00	N/A
Small Business Guarantee and Finance Corp.	LANDBANK has equity investment with the counterparty	9/14/2018	Sale of Debt Security	₱50,201,000.00	N/A
Small Business Guarantee and Finance Corp.	LANDBANK has equity investment with the counterparty	9/27/2018	Sale of Debt Security	₱50,000,000.00	N/A
Small Business Guarantee and Finance Corp.	LANDBANK has equity investment with the counterparty	9/27/2018	Sale of Debt Security	₱50,242,000.00	N/A
LBP Resources and Development Corp.	Subsidiary	10/9/2018	Award of Contract for six months Contract Extension of Building Maintenance and Janitorial Services for LANDBANK Plaza Headquarters and Satellite Offices	₱57,494,129.21	N/A
LBP Leasing and Finance Corp.	Subsidiary	10/9/2018	Award of Contract for One Year Fleet Management Service under Financial Lease of 304 Units Service Vehicles	₱91,078,320.00	N/A
LBP Resources and Development Corp.	Subsidiary	11/13/2018	Award of Contract for One Year Services of 520 Utility Workers/Messengers at LANDBANK Field Units for the period of 1 January 2019 to 31 December 2019	₱132,613,025.77	N/A
LBP Resources and Development Corp.	Subsidiary	11/13/2018	Award of Contract for One Year Building Maintenance and Janitorial Services for LANDBANK Headquarters and Satellite Offices including Supply of Bank-Prescribed Sanitizing Agents and Consumables	₱96,631,218.81	N/A

Name of Counterparty	Relationship	Date Granted	Type of Transaction	Amount	Outstanding Balance as of 31 December 2018
Land Transportation Franchising & Regulatory Board (LTFRB)	Government Agency	12/18/2018	• Disposal of ROPA covered by TCT Nos. 162702, 162703 and 162704 thru Negotiated Sale in favor LTFRB for 34,789,000.00 (at latest Appraised Value) on cash basis. • Exemption from the following: a. Payment of 10% of offered price b. Publication of new/updated Indicative Price of ₱34,789,000.00	₱34,789,000.00	N/A
Philippine Export-Import Credit Agency (PhilEXIM)*	GOCC - (Exempted from review/ approval as Related Party since the loan implementation is subject to the issuance of the Monetary Board Opinion.)	10/9/2018	Sixth 180-Day Extension of Availability End Date (AED) of the Approved ₱1,950.0 Million Short Term Loan Line and ₱150.0 Million Domestic Bills Purchase Line From 30 September 2018 to 31 March 2019	***	***
Power Sector Assets and Liabilities Management Corporation (PSALM)*	GOCC - (Exempted from review/ approval as Related Party since the loan implementation is subject to the issuance of the Monetary Board Opinion.)	10/23/2018	• Request for Term Loan • To Allow a Minimum Spread of 0.40% per annum Instead of 1.50% per annum required for account rated as "Good". • To Allow the Availability Period of Two Years from Loan Signing. • Waiver on Collection of Handling and Commitment Fees.	₱76,512,500,000.00	₱52,512,500.00
National Food Authority (NFA)*	GOCC - (Exempted from review/ approval as Related Party since the loan implementation is subject to the issuance of the Monetary Board Opinion.)	10/23/2018	• Purchase of the existing exposure/ notes of private banks, via increase in LANDBANK's participation by up to ₱19.544 Billion in the remaining balance of the ₱75.0 Billion ROP Guaranteed Syndicated Term Loan Facility. • To allow amendment of the interest rate structure including minimum spread of 0.3% instead of the required 2.5% for the account rated as "Satisfactory".	₱24,844,000,000.00	₱34,704,359,577.72
LBP Service Corporation (LBPSC)*	DOSRI - (Exempted from review/ approval as Related Party since the Bank strictly adheres to the provisions of RA No. 9184 (Government Procurement Act) and its 2016 Revised Implementing Rules and Regulations (IRR) which provides public monitoring of the procurement process and the implementation of awarded contracts with the end in view of guaranteeing that these contracts are awarded pursuant to the provisions of the Act and that all these contracts are performed strictly according to specifications. The said law also requires disclosure of relations wherein relation to the Head of the Procuring Entity, BAC members, TWG, BAC Secretariat or end-user Unit within the third civil degree of consanguinity or affinity shall automatically disqualify a bidder from participating in the procurement of contracts of procuring entity.)	11/13/2018	Award of Contract for Four Months Extension of Office Manpower Services for Deployment to Various Units of LANDBANK	₱160,089,868.76	N/A
PNOC Group of Companies *	GOCC - (Exempted from review/ approval as Related Party since the loan implementation is subject to the issuance of the Monetary Board Opinion.)	11/27/2018	First 180-day extension of Availability End Date of various credit lines of the PNOC Group in the total amount of ₱3,250.00 Million LC/TR Lines, F/DSLC, STLL, DBPL and SRL from 30 November 2018 to 31 May 2019 PHILIPPINE NATIONAL OIL COMPANY • Renewal of (the Letters of Credit/ Trust Receipt (LC/TR)) Line • Renewal of Foreign/Domestic Standby Letter of Credit (F/DSLC), • Renewal of Short Term Loan Line (STLL) • Renewal of Domestic Bills Purchase Line (DBPL) • Renewal of Settlement Risk Line (SRL) PNOC EXPLORATION CORPORATION • Renewal of LC/TR Line • Renewal of F/DSLC • Renewal of DBPL PNOC RENEWABLES CORPORATION • Renewal of STLL • Renewal of DBPL • To allow a minimum spread of 0.50% instead of 1.50% for "Good." rating per CPI 2018-007. for PNOC RC only. • Waiver on CPI No. 2016-001, requiring all insurable collateral (i.e. Trust Receipt on goods) to be insured with an insurance company accredited by LANDBANK and LANDBANK Insurance Brokerage, Incorporated (LIBI) as designated insurance broker for PNOC and PNOC EC only.	₱3,250,000,000.00	No outstanding balance
Sps. Ma. Gerni and Geterito Gementiza**	Ma. Gerni Gementiza is the sister of FVP Charlotte I. Conde	11/13/2018	Renewal of Short Term Loan Line	₱7,220,000.00	N/A

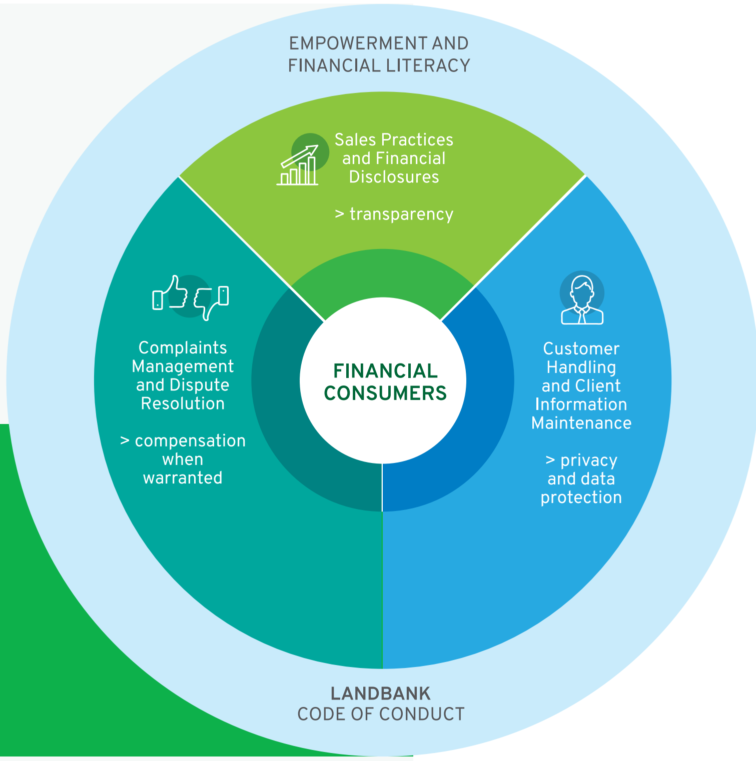
Name of Counterparty	Relationship	Date Granted	Type of Transaction	Amount	Outstanding Balance as of 31 December 2018
Ms. Julieta B. Delos Reyes	Landbank employee (Branch Operations Officer/ Acting Head at LANDBANK España Branch)	10/09/2018	Disposal of ROPA covered by TCT Nos. T-176386 to 176389 thru LANDBANK-Provident Fund Department (LANDBANK-PFD) financing, in favor of Ms. Julieta B. Delos Reyes for ₱3,265,000.00 (at indicative price) to be paid as follows: a) 10% of the offered price paid on 05 July 2018 per LANDBANK Official Receipt No. 0000359 b) 90% remaining balance payable thru PFD Financing within 30 days from date of annotation of mortgage in favor of LANDBANK-PFD on the title of the property Late payments shall be charged a penalty of 24% per annum Failure to pay the balance within sixty (60) calendar days from due date shall cause immediate cancellation of the sale and forfeiture of the 10% of the offered price in favor of the Bank.	₱3,265,000.00	N/A
LBP Resources and Development Corp.	Subsidiary	10/04/2018	LANDBANK Iligan Branch Renovation	₱11,202,551.00	N/A
LBP Resources and Development Corp.	Subsidiary	10/04/2018	LANDBANK Paco Warehouse Renovation Project (Variation Order)	₱151,280.03	N/A
LBP Resources and Development Corp.	Subsidiary	10/18/2018	Five Hundred (500) Utility Worker/Messengerial Services for LANDBANK Field Units (Extension of Contract)	₱45,935,786.67	N/A
LBP Resources and Development Corp.	Subsidiary	10/18/2018	Back-up Site of Various Units at LANDBANK West Avenue Branch	₱5,268,590.55	N/A
LBP Resources and Development Corp.	Subsidiary	10/18/2018	Overseas Filipino Bank Main Building Provision of PDOS Area and Rehabilitation of Existing Amenities and Finishes (Phase 2)	₱2,508,131.00	N/A
LBP Resources and Development Corp.	Subsidiary	10/18/2018	LANDBANK Claver (Surigao del Norte) Branch Renovation Project (Variation Order)	₱280,328.00	N/A
LBP Resources and Development Corp.	Subsidiary	10/22/2018	One (1) Year Services of Property Caretaker for the National Livelihood Development Corporation Property located at Brgy. San Andres, Alaminos, Laguna	₱82,800.00	N/A
LBP Resources and Development Corp.	Subsidiary	11/08/2018	LANDBANK Atimonan (Quezon) Extension Office	₱3,979,811.00	N/A
LBP Resources and Development Corp.	Subsidiary	11/08/2018	One (1) Lot Supply, Delivery and Installation of Covered Parking for Antipolo Warehouse	₱521,000.00	N/A
LBP Resources and Development Corp.	Subsidiary	11/08/2018	LANDBANK Dau Branch Renovation	₱3,684,707.00	N/A
LBP Resources and Development Corp.	Subsidiary	11/08/2018	LANDBANK Camiling Branch Renovation	₱2,834,806.00	N/A
LBP Resources and Development Corp.	Subsidiary	11/08/2018	LANDBANK Cataingan (Masbate) Extension Office Building Construction Project (Variation Order)	₱401,765.20	N/A
LBP Resources and Development Corp.	Subsidiary	11/22/2018	Chauffeuring Services for LANDBANK-Owned Service Vehicles for LANDBANK Negros Oriental Lending Center for the Period 15 July 2018 to 14 July 2020	₱609,164.08	N/A
LBP Resources and Development Corp.	Subsidiary	11/22/2018	Chauffeuring Services for LANDBANK-Owned Service Vehicles for the Period 8 April 2018 to 7 April 2019 for the following Offices: 1) LANDBANK Head Office for LLFC-Donated Vehicle 2) Occidental Mindoro Lending Center 3) Zamboanga del Sur Lending Center 4) Samar Lending Center	₱1,058,541.83	N/A
LBP Resources and Development Corp.	Subsidiary	11/22/2018	LANDBANK Aparri Branch Renovation Project (Variation Order)	₱652,111.97	N/A
LBP Resources and Development Corp.	Subsidiary	11/29/2018	LANDBANK Koronadal Extension Office Relocation/ Renovation	₱1,227,540.00	N/A
LBP Resources and Development Corp.	Subsidiary	11/29/2018	LANDBANK Subic Branch Building Construction Project (Variation Order)	₱2,268,418.00	N/A
LBP Resources and Development Corp.	Subsidiary	11/29/2018	LANDBANK BOC-MICP Branch Renovation Project (Variation Order)	₱68,555.04	N/A
LBP Resources and Development Corp.	Subsidiary	11/29/2018	LANDBANK Guihulngan (Negros Oriental) Branch Renovation/ Relocation (Variation Order)	₱91,141.00	N/A
LBP Leasing and Finance Corp.	Subsidiary	10/18/2018	Fleet Management Service under Semi-Service Financial Lease of Two (2) Service Vehicles	₱582,480.00	N/A
Masaganang Sakahan, Inc.	Subsidiary	12/06/2018	500 Packs of Two (2) Kilograms of Rice with Plastic Packaging for LANDBANK Share-a-Gift Program for Street Children	₱46,000.00	N/A
				₱143,116,980,686.12	**₱46,764,567,913.30**

*This is considered as DOSRI and subject to DOSRI Rules.
**vetted by the RPTCOM on 13 November 2018
***₱2,100.00 Million existing total exposure to the Bank
****₱3,250.00 Million existing total exposure to the Bank

List of Material Related Party Transactions (Off-Balance Sheet Commitment)
LAND BANK OF THE PHILIPPINES

Parent Bank/ QB and Subsidiary/ Affiliate	Related Counterparty	Relationship Between the Parties	Transaction Date	Type of Transaction	Amount (USD)	Amount (PHP)	Terms
	Maynilad Water Services, Inc.	EVP Edward John T. Reyes (Agricultural and Development Lending Sector Head and LBP Insurance Brokerage, Inc. (LIBI) Director), is the brother-in-law of Atty. Alex Erlito S. Fider, who is the Corporate Secretary of Maynilad. Hence, Atty. Alex Erlito S. Fider is related within the second degree of affinity with EVP Edward John T. Reyes.	02/13/2018	Establishment of Corporate Notes, Short Term Loan Line and Documents against Acceptance/Documents against Payment/ Letter of Credit	20,759,366.48	1,091,527,489.52	No Preferential Terms
	Italpinas Development Corporation	IDC's independent Director, Mr. Rafael Dominquez, holding 10,000 shares of the Company with a par value of ₱0.50 or ₱5,000.00 is the son of DOF Secretary and LBP Chairman of the Board, Mr. Carlos Dominguez and related within the first degree of consanguinity.	02/27/2018	Request for seven year term loan facility	-	381,400,000.00	No Preferential Terms

Financial Consumer Protection (FCP)



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 occured in relation to financial losses to consumers.

Cognizant of the need for a dynamic financial marketplace where there is financial inclusion and stability, and wherein consumers make informed decisions, the BSP issued Circular No. 857 for all BSP-Supervised Financial Institutions (BSFIs) to come up with a Financial Consumer Protection (FCP) Framework. The FCP sets the rules and regulations that cover and underscores FCP as a part of the Bank's corporate governance and culture.

The FCP provides an enabling environment that protects the interest of financial consumers and institutionalizes the responsibilities of all stakeholders.

Guided by the BSP Circular, LANDBANK came up with FCP Framework and guidelines to implement the Bank's FCP Framework (Annex A).

The success of LANDBANK's FCP Program is determined by the level of support and cooperation among LANDBANK personnel, from top management to individual employees, and strengthened by the appropriate systems, processes and people.

A. CONSUMER PROTECTION OVERSIGHT FUNCTION

Role and Responsibility of the Board of Directors and Senior Management

LANDBANK BOARD OF DIRECTORS (BOD)

The LANDBANK BOD shall be primarily responsible for ensuring that consumer protection rules and regulations are incorporated in the Bank's business operations and strategies. The responsibilities of LANDBANK BOD, 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 BOD 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.

LANDBANK FCP WT shall be responsible for formulating, updating, and reporting/monitoring pertinent policies, systems and other prerequisites that may be required under the BSP Circular No. 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; (5) Financial Education and Awareness consistent with the Components of the LANDBANK FCP particularly: (1) FCP Framework; (2) Governance and Oversight; (3) Consumer Protection Risk Management System (CPRMS); and Consumer Assistance Management System (CAMS).

A.2 CONSUMER PROTECTION RISK MANAGEMENT SYSTEM (CPRMS)

The LANDBANK's 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. Detailed discussions on LANDBANK's CPRMS can be found in the Bank's Risk Management.

B. CONSUMER PROTECTION PROGRAMS

1. Consumer Protection Compliance Program

   a. An FCP Compliance Program is established in order to prevent or reduce regulatory violations and protect consumers from associated harm or loss.

   b. Any findings and recommendations from the Compliance Program mechanisms shall be elevated by the CMG to the BOD, through the ACC for assessment of the effectiveness and adequacy of approved policies and internal controls for FCP.

2. Consumer Protection Internal Audit Program

   a. An independent and periodic assessment of Bank Units' adherence to consumer protection practices, internal policies, procedures, and laws, rules and regulations is conducted by the IAG.

   b. Audit results from the said assessment shall be elevated by IAG to the BOD, through the ACC, to ascertain the effectiveness and adequacy of approved policies and internal controls for FCP.

3. Consumer Protection Training Program

   a. The Bank appropriate trainings and development programs to enhance the competencies of its human resources through the ODD.

   b. In addition to its in-house programs, the Bank allows its employees to participate in external training programs, both local and foreign, provided, a re-tooling seminar, roadshow or IT system roll-out programs shall be cascaded to concerned Bank employees.

   c. The training programs are categorized into:

      - Management and leadership;
      - Operational courses; and
      - Foundational (organizational and behavioural) courses

4. Consumer Assistance Management System

LANDBANK CAMS per AO No. 101 s. 2018 is centralized at the CAD-CCC.

For CAMS to be effectively carried out, CCC undertakes the following:

a. Receive, handle, register, and provide feedbacks to customer inquiries and complaints received from different Bank channels, such as LANDBANK PhoneAccess, LANDBANK electronic mails, LANDBANK Website – WEBMASTER, and LANDBANK Facebook page;

b. Consolidate and analyse recorded calls and reports on complaints, and report results thereof to MANCOM for resolution and approval of mitigating strategies;

c. Ensure competency and quality in the delivery of CCC's services through provision of trainings and seminars on excellent customer service and other relevant development workshops, in coordination with ODD; and

d. Provide a dedicated and an organic team that ensures quality services thru its Quality and Complaint Management Unit which handles process improvement, call quality assurance, complaint management, and Management Information System (MIS)/Feedback Management.

C. FCP Accomplishments CY 2018 – 2019

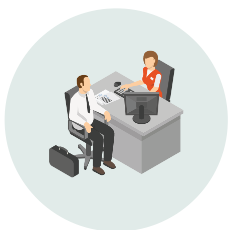
FCP Plans & Programs	Accomplishments
1. FCP Refresher to Branches Groups and Field Units	• Conducted FCP Refresher to Branches Groups and Field Units from August – September 2018 using FCP AVP presentation materials. Covered field units in Central Luzon, North and South Luzon, and Visayas and Mindanao
2. Consumer Protection Training Programs thru e-LEAP	• Bank-wide implementation of FCP module to LEAP system from 02 September – 15 October 2019
3. Consumer Assistance Management System (CAMS)	• AO 101 s. 2018 – Guidelines on LANDBANK's Customer Assistance Management approved last 04 September 2018
4. Updates on LANDBANK FCP Manual	• Updates and revisions on FCP chapters for Board Approval
5. FCP Plans in CYs 2019-2021	• Proposed FCP programs involving various initiatives for financial consumer protection

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:

a. Retail Banking – this segment principally provides and offers wide range of financial products and services to individual customers. Products and services include individual deposit products, payment remittances, foreign exchange transactions, loans to small farmers and fishers (SFF), agrarian reform beneficiaries (ARBs), consumer loans, as well as unit investment trust funds (UITFs), among others.



b. Corporate Banking – this segment principally handles loans and other credit facilities and deposit accounts for corporate, small and medium enterprises, and institutional customers such as Rural Financial Institutions (RFI) and Cooperatives as conduits to SFFs and ARBs, LGU and GOCCs.

c. Treasury and Investment Banking – this segment principally provides money market, trading and treasury services as well as the management of LANDBANK's funding operations by use of treasury bills, government securities and placements and acceptances with other banks, through treasury and wholesale/corporate banking.

d. Others – consists of LANDBANK's other sectors and various support units.

Segment revenues and expenses that are directly attributable to the business segment and the relevant portion of LANDBANK'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 income-generating business segments recorded a higher interest income in 2018 compared with 2017 levels. Corporate Banking improved by 45% or ₱10.3 Billion to ₱33.2 Billion, while Treasury and Investment Banking is higher by 6% or ₱1.4 Billion reaching ₱23.6 Billion.

In terms of net profit, Treasury and Investment Banking segment contributed the highest at ₱24.4 Billion given its minimal manpower complement, while the "Others" segment composed of support and other cost centers have a negative net income contribution.

Contribution of each major business segment to the total revenue of the Bank

Corporate Banking contributed more than half of the total interest income of the Bank in 2018 at 55%. Combined with Treasury and Investment Banking, these two segments accounted for 95% of LANDBANK's total interest income. Retail Banking contributed majority of the rest at 5%, and this segment is expected to expand its share going forward given the Bank's updated strategic initiatives to focus more on financial inclusion and more aggressive lending to small farmers and fishers. The Bank's total interest income in 2019 accounted for 90% of the Bank's total revenues.

Significant Developments and Future Plans and Targets

Corporate Banking Group

The Corporate Banking Group (CBG) completed the year with a total of ₱19.10 Billion in gross revenues. This is 54.8% higher than the ₱12.3 Billion income in 2017. The Group registered 143.0% accomplishment over the Gross Income target of ₱13.95 Billion.

The Group's Loan Portfolio reached ₱435.2 Billion in 2018, surpassing the 2017 Portfolio by ₱114.4 Billion or a growth rate of 35.7% over the previous year's total loans of ₱320.7 Billion.

The loans to the Priority Sector reached a total amount of ₱403.3 Billion, increasing by ₱94.07 Billion, or a growth of 30.4% over the previous year's total of ₱309.2 Billion.

The loans to these projects reached ₱333.4 Billion, increasing by 134.9% from the 2017 year-end total of ₱274 Billion.

CBG's coverage of the SMEs was remarkable with a total of ₱58.7 Billion in loans granted by the end of the year, recording a 59.2% increase over the total from the previous year.

The foundation for these efforts rests on expanding and advancing our lending productivity via extensive marketing, partnerships with other government agencies, syndications with other banks, and improved business processes.

The Group aims to achieve growth that is sustainable while taking into consideration the Bank's financial stability and institutional viability.

The CBG will continue to grow by focusing on serving our customers & clients, by continuing to manage our risks well. With all these, the CBG aims to be a catalyst of development and sustainable growth.

Retail and Mid-market Lending Group

The Retail and Mid-market Lending Group (RMLG) remained committed in providing financial assistance to Micro, Small, and Mid-market Enterprises (MSMEs) in the National Capital Region. Despite the highly competitive environment in the retail market, RMLG's loan portfolio grew significantly from ₱14,762 Million in 2017 to ₱21,585 Million by end of 2018.

RMLG is continuously promoting strong government support to target markets/sector (MSMEs, OFWs, infrastructure, health, education, transportation, housing, tourism).

In addition, RMLG supported the Bank's new program, LANDBANK SPEED PUV program, which would ensure safety, convenience and order in the operation of Public Utility Vehicles (PUVs) that would benefit existing jeepney driver-operators. This program is in accordance with the Philippine government thrust of modernizing public transportation in the country. With this, RMLG's market will further expand and workload will significantly increase. As of December 2018, RMLG has secured approval of loans aggregating to ₱243.45 Million for the acquisition of 125 PUVs.

In the coming years, RMLG shall unceasingly respond to the needs of the majority of MSME businesses which are located in the NCR. Moreover, it shall continue to strengthen its lending to the priority sectors, prioritize and pursue loans to agri-agra clients as well as other priority programs of the Bank. It shall continue promoting the SPEED, in accordance to government thrust of modernizing public transportation in the country, and the Bank's GO GREEN in support of the thrust in the reduction of electric consumption by promoting the use of energy efficient solutions. RMLG shall continue participating in the promotion of the K-12 Bridge Financing to school owners to be part of the value change for the education of the Filipinos. Further, it shall replicate the same to other sectors such as to the contractors for the BUILDERS program, hospital owners for HealthPlus, individuals for the OFW-RP and housing loan programs of the bank, among others.

Moreover, continuous attendance of RMLG personnel in seminars and trainings, that will enhance credit and human related skills to provide excellent customer service, will be undertaken.

Treasury and Investment Banking Group

Domestic financial markets suffered in 2018 amid souring US-China trade relations, increasing local inflation, and aggressive tightening moves by the Bangko Sentral ng Pilipinas (BSP). The tit-for-tat trade dispute between the world's two largest economies dampened market sentiment, resulting in the drop in the local stock index by about 15% year-on-year. Domestic developments were also challenging, with inflation hitting an annual average of 5.2%. To anchor inflation back to its 2-4% target, the BSP hiked policy rates for a total of 175 bps for the entire year. This aggressive move of the BSP caused the 10-year benchmark rate to peak at about 8.25% from just 6.25% at the start of 2018. The increase in local interest rates also slashed about 2.5% from the value of the Philippine peso against the US dollar.

Despite the financial market downturn in 2018, TIBS exceeded its annual target and registered a total income of ₱26.14 Billion, which came from investment income, treasury loans, due from BSP deposit facilities, and fee-based income.

- **Dominant Industry Position**

  LANDBANK was chosen to be part of the Bureau of the Treasury's (BTr's) Interdealer Government Securities (GS) Repurchase Agreement Program, as well as one of the 10 Market Makers among GS Eligible Dealers (GSEDs) in the country.

For eight straight years, LANDBANK remains to be among the Top 5 Fixed-Income Dealing Participants in the secondary market as conferred by the Philippine Dealing and Exchange Corporation during the Philippine Dealing System (PDS) Annual Awards for 2018.

- **Investment Banking and Capital Markets**

Investment Banking Group (IBG) has established its solid track record in arranging and managing various types of debt finance transactions to private and government entities.

It has successfully arranged sources of funding for the financial requirements of three companies with the same goal of country development in terms of addressing demands on water supply, promoting financial inclusion, and providing maritime transportation.

LANDBANK through the IBG, acted as the sole Lead Issue Manager for the BTr's 21st Tranche of the Three-Year Retail Treasury Bonds (RTBs) with issue date on 13 June 2018. The RTB offering from 30 May to 08 June 2018 was met with strong demand from the investing public with the RTB's current marketing campaign, #RTBparaReadyTayoBukas.

IBG also monitors the performance of the Bank's investments in equity and other financial instruments.

- **Strong Sales and Distribution Network**

LANDBANK, as Lead Issue Manager and one of the selling agents for the ₱121.76 Billion RTB Tranche 21 of the BTr issued on 13 June 2018, was able to capture the largest share of the total issue size at 37% or ₱45.48 Billion through Investments Sales and Distribution Department's strong hold on retail, individual, and GOCC clients.

LANDBANK also strengthened the distribution of its Treasury products to retail clients as well as new clients from various industries such as Thrift and Rural Banks, Cooperatives, Insurance Companies, Local Government Units, State Universities and Colleges and other Educational Institutions, Water Districts and Hospitals through participation in various primary corporate issuances of Vista Land and Lifescapes, Inc., SM Prime Holdings, Metrobank, Aboitiz Power, Petron, Ayala Land, Inc., San Miguel Corporation Global Power Bonds, North Luzon Expressway and San Miguel Corporation. LANDBANK's participation in said primary issuances amounted to a total sales of ₱1.237 Billion.

ISDD's aggressive sales and distribution of various treasury products for the year ended December 2018 amounted to ₱235.51 Billion with an income of ₱50.65 Million resulting to LANDBANK gaining recognition in the PDS Annual Awards for 2018.

The PDS Group conferred LANDBANK as the Top 2 Fixed-Income Brokering Participant among 30 other participants for generating the most trading volume for 2018 as measured by the total volume turnover of securities transacted by face amount in the PDS Annual Awards.

This is the second time that LANDBANK was given this recognition. In 2017, LANDBANK was also a recipient of the same award.

ISDD's increased sales volume likewise resulted to additional PDS award in 2018 as the Top 2 Fixed Income Dealing Participant for generating the most trading volume as measured by the total volume turnover of securities transacted by face amount.

LANDBANK's FX Sales and Hedging Solutions Department (FSHSD) actively marketed clients' FX requirements and facilitated $1.73 Billion worth of FX transactions. FSHSD has continued their aggressive, yet collaborative, marketing initiatives by providing real-time competitive rates and strengthening linkages and partnerships with various trade associations/organizations such as Philippine Exporters Confederation, Inc. (Philexport) and Chamber of Furniture Industries of the Philippines (CFIP) as well as government agencies such as Department of Trade and Industry (DTI) and Center for International Trade Expositions and Missions (CITEM).

Financial Highlights (Group)

Results of Operation

LANDBANK maintained its position as one of the top performing banks in the Philippine Banking Industry in 2018, having reached milestones in various areas of its operations. The Bank continues to effectively fulfill its mandate while remaining financially viable, having reached ₱16.1 Billion in net income for the end of 2018, ₱872 Million or 5.7% higher than the ₱15.3 Billion net income recorded in 2017. This translated to a return on equity of 14.1%, which is higher than the industry average of 9.3%.

Growth in revenues is mainly due to significant increase of interest income in 2018. Interest income reached ₱60.7 Billion, ₱12.7 Billion or 26.4% higher than ₱48.0 Billion generated in 2017.

Interest income from loans and investments accounted for ₱59.9 Billion, or 98.8% of total interest income. Interest income from loans amounted to ₱38.8 Billion or 63.9% of total interest income of the Bank, while interest income from investments amounted to ₱21.1 Billion or 34.8% of total interest income.

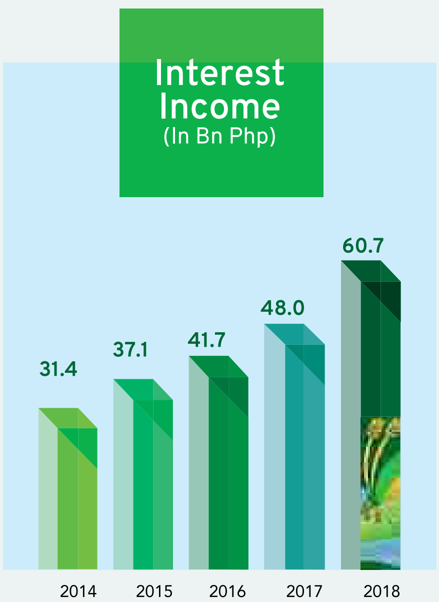
Other operating income amounted to ₱7.63 Billion, a ₱974 Million increase from ₱6.65 Billion in 2017.

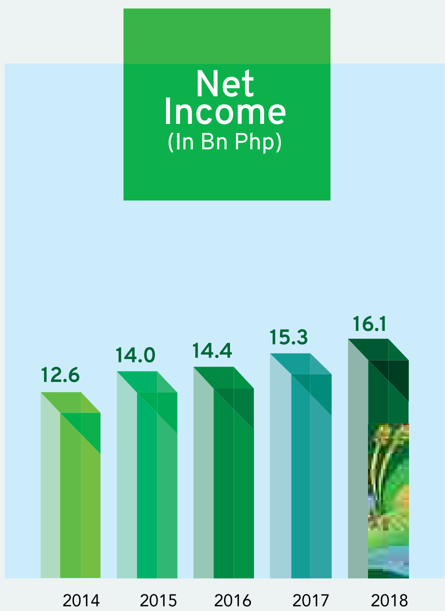
Financial Summary/Financial Highlights (In Php Million)

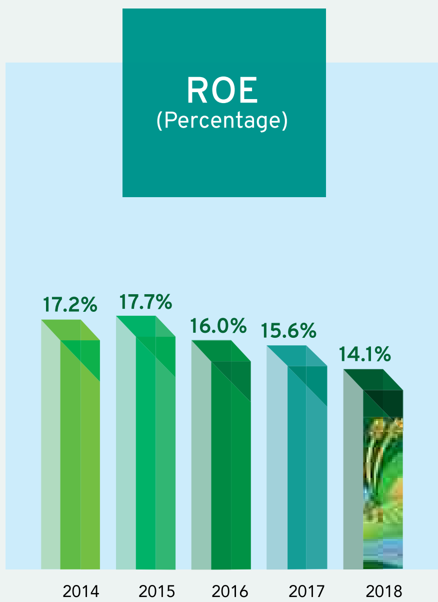
Minimum Required Data	Group[1]		Parent	
	2018	2017 As Restated	2018	2017 As Restated
Profitability				
Total Net Interest Income	46,596.50	38,172.95	45,972.03	38,031.16
Total Non Interest Income	7,628.75	6,654.52	7,244.74	6,243.10
Total Non Interest Expenses	33,529.81	28,007.39	32,612.85	27,669.79
Pre-provision Profit	20,695.44	16,820.08	20,603.92	16,604.47
Provision for Credit/Impairment Losses	4,295.34	1,136.84	3,852.49	1,109.63
Net Income	16,144.12	15,271.40	16,589.96	15,175.22
Selected Balance Sheet Data				
Liquid Assets	991,505.00	920,693.08	986,896.67	919,489.51
Gross Loans	872,401.68	674,516.92	867,217.35	674,360.20
Total Assets	1,888,776.08	1,627,078.41	1,877,693.34	1,623,837.51
Deposits	1,663,262.24	1,425,219.51	1,656,141.28	1,425,473.36
Total Equity	137,016.83	116,222.71	134,958.29	113,693.79
Selected Ratios				
Return on Equity (ROE)[2/]	12.75%	14.41%	14.05%	15.57%
Return on Assets (ROA)[2/]	0.92%	1.01%	0.96%	1.04%
CET 1 capital ratio	11.86%	10.93%	11.82%	10.90%
Tier 1 capital ratio	11.86%	10.93%	11.82%	10.90%
Capital Adequacy Ratio	12.69%	11.77%	12.65%	11.74%
BASEL III Leverage Ratio	5.55%		5.51%	
Per common share data				
Net Income per share:				
Basic				
Diluted				
Book value				
Others				
Cash dividends declared			-	1,960.00
Headcount			8,599	7,985
Officers			1,139	1,013
Staff			7,460	6,972

[1]*Consolidated Amount of Parent and Subsidiaries*

[2] *Parent's ROE and ROA as reflected in the notes to F/S were computed as Total Equity and Average Total Assets are equal to sum of January to December outstanding balance ÷ 12.*







Financial Condition

LANDBANK remains among the leading institutions in the Philippine Banking Industry, achieving top spots in major balance sheet accounts.

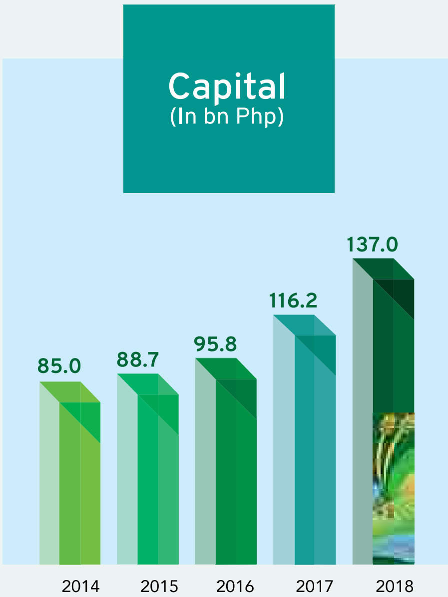
Total resources amounted to ₱1.89 Trillion in 2018, 16.1% or ₱261.7 Billion higher than the same period in 2017. Total loans amounted to ₱803.0 Billion in 2018, accounting for 42.5% of total resources. Loans to the priority sectors increased by a significant ₱170.2 Billion, which resulted in 32.3% increase or ₱201.8 Billion higher than ₱601.1 Billion posted in 2017.

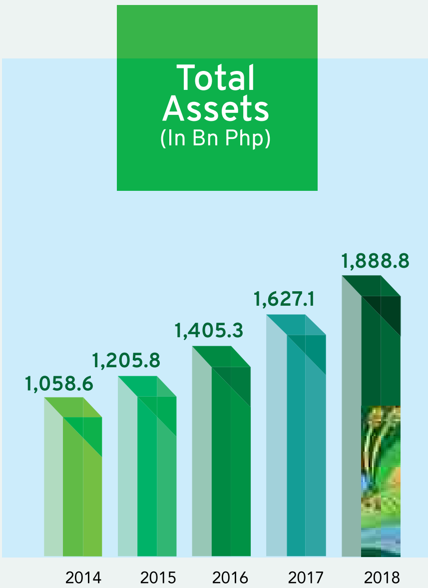
The Bank's total deposit liabilities amounted to ₱1.66 Trillion by the end of 2018, 16.7% or ₱238.0 Billion higher than the ₱1.43 Trillion balance from the previous year. It fully covers the Bank's loan and investment portfolios combined. Growth in the Bank's deposits were due to significant expansion of government deposits that reached ₱1.21 Trillion and accounted for 73% of the Banks total deposit liabilities for 2018.

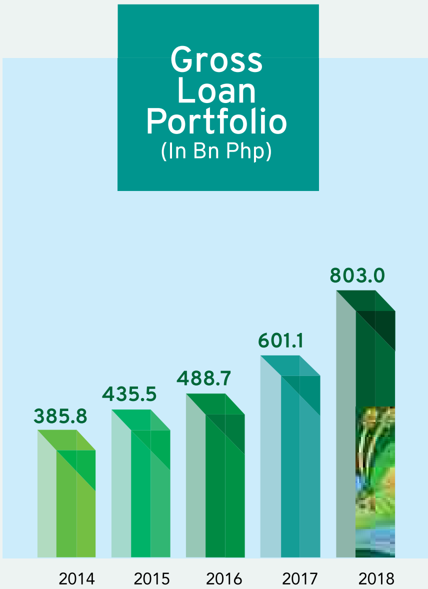
Capital and Capital Ratios

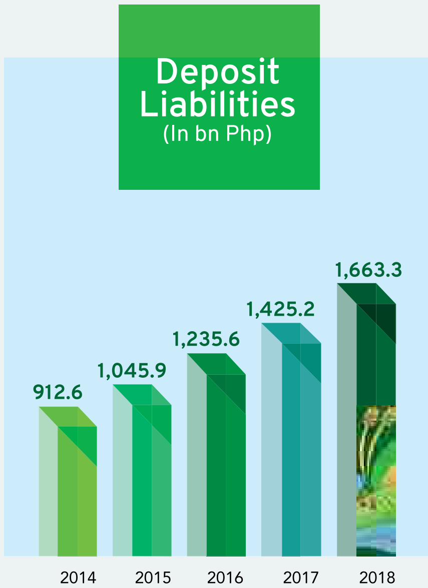
As of 31 December 2018, LANDBANK has authorized capital stocks amounting to ₱200.0 Billion consisting of two billion common shares at ₱100.0 par value per share. Paid-up capital increased to ₱26.29 Billion from ₱20.98 Billion in 2017 due to additional capital booked from the closure of National Livelihood Development Corporation (NLDC). 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 common equity tier 1 (CET1) capital, regulatory deductions, and total qualifying capital for 2018 and 2017 (except for the ratios, all amounts in ₱ Millions).









	Group[2]		Parent	
	2018	2017	2018	2017
Tier 1 Capital				
Common Equity Tier 1 (CET 1) Capital				
Paid-up Common Stock	26,861.78	20,981.00	26,290.78	20,981.00
Retained Earnings	78,108.68	64,144.95	78,043.28	64,144.95
Undivided Profits	14,918.11	13,859.33	15,478.21	14,058.26
Other Comprehensive Income	11,704.31	5,411.94	11,805.22	5,411.94
Total	**131,592.88**	**104,397.22**	**131,617.49**	**104,596.15**
Regulatory Deductions from CET 1 Capital				
a. Unsecured DOSRI Loans	826.29	1,146.69	970.20	1,274.44
b. Deferred Income Tax	510.09	516.58	441.26	441.26
c. Other intangible assets	1,166.03	1,270.34	1,155.22	1,269.75
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)	-	-	1,912.76	1,418.83
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)	1,051.79	989.18	990.40	950.12
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)	647.22	450.29	512.15	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)	313.30	281.74	43.15	96.44
h. Other equity investments in non-financial allied undertakings and non-allied undertakings	19,697.89	23,629.95	19,620.19	23,187.93
Total	**24,212.61**	**28,284.77**	**25,645.33**	**28,998.77**
Net CET 1 Capital	**107,380.27**	**76,112.45**	**105,972.16**	**75,597.38**
Additional Tier 1 Capital	**-**	**-**	**-**	**-**
Total Tier 1 Capital	**107,380.27**	**76,112.45**	**105,972.16**	**75,597.38**
Tier 2 Capital				
General Loan Loss Provision	7,522.09	5,806.69	7,490.00	5,790.00
Total Tier 2 Capital	**7,522.09**	**5,806.69**	**7,490.00**	**5,790.00**
Total Qualifying Capital	**114,902.36**	**81,919.14**	**113,462.16**	**81,387.38**

The Bank's total CET 1 capital increased in 2018 due to additional capital booked from the abolition of NLDC combined with higher retained earnings and OCI. With lower regulatory deductions, net CET1 capital improved by 41.1% to ₱107.38 Billion from ₱76.11 Billion the previous year. Given the significant improvement in CET1 capital, total qualifying capital likewise increased by 40.3% or ₱32.07 Billion, ₱114.90 Billion in 2018 from ₱81.92 Billion in 2017.

[2]Consolidated with Subsidiaries

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

Account Description	GROUP[3]					
	2018			2017 As Restated		
	Regulatory Capital	Reconciling Items	Audited Financial Statements	Regulatory Capital	Reconciling Items	Audited Financial Statements
Paid-up common stock	26,861.78	(571.00)	26,290.78	20,981.00		20,981.00
Paid-in Surplus		101.10	101.10		101.10	101.10
Retained earnings	78,108.68	4,222.55	82,331.23	64,144.95	10,256.41	74,401.36
Revaluation Increment		61.20	61.20		61.20	61.20
Undivided profits	14,918.11	1,226.01	16,144.12	13,859.33	1,412.07	15,271.40
Other Comprehensive Income						
Net unrealized gains or losses on AFS securities	11,409.62	451.17	11,860.79	5,411.94		5,411.94
Remeasurement of retirement benefit obligation		(4.15)	(4.15)		(5.29)	(5.29)
Currency Translation Difference		231.76	231.76			
Others	294.69	(294.69)	-			
Deductions	(24,212.61)	24,212.61	-	(28,284.77)	28,284.77	-
Tier I (CET 1) capital/Total equity	**107,380.27**	**29,636.56**	**137,016.83**	**76,112.45**	**40,110.26**	**116,222.71**
Tier 2 Capital	**7,522.09**	**(7,522.09)**	**-**	**5,806.69**	**(5,806.69)**	**-**
Total Qualifying Capital/Total equity	**114,902.36**	**22,114.47**	**137,016.83**	**81,919.14**	**34,303.57**	**116,222.71**

Account Description	PARENT					
	2018			2017 As Restated		
	Regulatory Capital	Reconciling Items	Audited Financial Statements	Regulatory Capital	Reconciling Items	Audited Financial Statements
Paid-up common stock	26,290.78		26,290.78	20,981.00		20,981.00
Paid-in Surplus		101.10	101.10		101.10	101.10
Retained earnings	78,043.28	1,792.87	79,836.15	64,144.95	7,879.57	72,024.52
Undivided profits	15,478.21	1,111.75	16,589.96	14,058.26	1,116.97	15,175.23
Other Comprehensive Income						
Net unrealized gains or losses on AFS securities	11,510.53	398.02	11,908.55	5,411.94		5,411.94
Currency Translation Difference		231.75	231.75			
Others	294.69	(294.69)	-			
Deductions	(25,645.33)	25,645.33	-	(28,998.77)	28,998.77	-
Tier I (CET 1) capital/Total equity	**105,972.16**	**28,986.13**	**134,958.29**	**75,597.38**	**38,096.41**	**113,693.79**
Tier 2 Capital	**7,490.00**	**(7,490.00)**	**-**	**5,790.00**	**(5,790.00)**	**-**
Total Qualifying Capital/Total equity	**113,462.16**	**21,496.13**	**134,958.29**	**81,387.38**	**32,306.41**	**113,693.79**

There is a significant increase in total risk-weighted assets (RWA) at 30.1%, from ₱696.23 Billion in 2017 to ₱905.54 Billion in 2018, mainly due to higher credit and operational RWAs from substantial expansion in loans and gross revenues.

[3]Consolidated Amount of Parent and Subsidiaries

	GROUP		PARENT	
	Dec. 2018	Dec. 2017	Dec. 2018	Dec. 2017
Risk-Weighted Assets				
Credit Risk-Weighted Assets				
Total Risk -Weighted On-Balance Sheet Assets	760,337.51	574,229.49	753,133.32	572,037.74
Total Risk-Weighted Off-Balance Sheet Assets	66,363.84	53,455.13	65,330.97	53,455.13
Total Counterparty Risk-Weighted Assets in the Trading Books	180.82	676.86	180.82	676.86
Total Credit Risk-Weighted Assets	**826,882.17**	**628,361.48**	**818,645.11**	**626,169.73**
Market Risk-Weighted Assets				
Interest Rate Exposures	858.00	2,860.51	842.65	2,860.51
Equity Exposures	-	-	-	-
Foreign Exchange Exposures	138.59	238.53	138.59	238.53
Options	8,305.89	3,623.02	8,305.89	3,623.02
Total Market Risk-Weighted Assets	**9,302.48**	**6,722.06**	**9,287.13**	**6,722.06**
Total Operational Risk-Weighted Assets	**69,356.38**	**61,152.10**	**68,688.10**	**60,605.09**
Total Risk-Weighted Assets	**905,541.03**	**696,235.64**	**896,620.34**	**693,496.88**

Increase in CET 1 ratio to 11.86% in 2018 from 10.93% the previous year is due to improvement of CET 1 capital. With no outstanding AT1 capital, Tier 1 capital ratio likewise stood at 11.86% which is well above the BSP requirement.

	GROUP		PARENT	
	Dec. 2018	Dec. 2017	Dec. 2018	Dec. 2017
CET 1 Capital Ratio	**11.86%**	**10.93%**	**11.82%**	**10.90%**
Minimum CET 1 Ratio	6.00%	6.00%	6.00%	6.00%
Capital Conservation Buffer	5.86%	4.93%	5.82%	4.90%
Tier 1 Capital Ratio	**11.86%**	**10.93%**	**11.82%**	**10.90%**
Risk-Based Capital Adequacy Ratio (CAR)	**12.69%**	**11.77%**	**12.65%**	**11.74%**

LANDBANK's December 2018 Capital Adequacy Ratio (CAR) improved to 12.69% from 11.77% in 2017, 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 – RA No. 7656 issued in 1993. The Bank regularly declares and remits at least 50% of its annual net earnings as cash dividends and until 2017, has remitted an aggregate amount of ₱46.15 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 2018 earnings in May 2019 to support continued loan expansion to its priority sectors and various government initiatives and directives. The request for dividend relief was favorably endorsed by the Department of Finance (DOF) to the Office of the President of the Philippines.

LANDBANK Foundation and Subsidiaries

3,215

Cooperative officers and personnel benefited from the trainings conducted by LCDFI

LANDBANK COUNTRYSIDE DEVELOPMENT FOUNDATION, INC. (LCDFI)

The LANDBANK Countryside Development Foundation, Inc. (LCDFI) was established in March 1983 as a non-stock, non-profit corporate foundation of the Land Bank of the Philippines (LANDBANK). The Foundation embodies LANDBANK's commitment to spur development in the countryside particularly among its priority sectors such as the small farmers and fishers, agrarian reform beneficiaries, countryside Financial Institutions, small and medium enterprises (SMEs) and Overseas Filipino Workers (OFWs), among others.

In 2013, it was classified by the Governance Commission for GOCCs (GCG) as a government-owned and controlled corporation (GOCC). As such, LCDFI endeavors to comply with all pertinent rules and regulations governing GOCCs and government entities.

Financial Highlights
(In ₱ Millions)

	2018	2017	Growth Rate (%)
Revenue	31.57	25.54	24
Expenses	36.05	26.02	39
Net Income After Tax	(4.48)	(0.47)	843
Total Assets	101.40	105.04	(3)
Total Liabilities	2.64	1.98	34
Total Fund Balance/ Equity	98.76	103.06	(4)

In 2018, the total revenue of LCDFI increased by ₱6.03 Million (or 24% growth) to ₱31.57 Million from ₱25.54 Million in 2017. This was mainly due to the increase in the number of training batches requested by LANDBANK, from 105 batches in 2017 to 119 in 2018. Given this, there was a proportional increase in the donation or source of LCDFI's revenue from LANDBANK.

Meanwhile, total expenses accelerated from ₱26.02 Million in 2017 to ₱36.05 Million in 2018 or an increase of 39% or ₱10.03 Million. This is accounted for by the additional manpower complement and corresponding SSL salary adjustments resulting from the increased number of training batches conducted by the Foundation.

Capacity Building Program

The Foundation extends capability-building services to Bank-assisted cooperatives on training implementation, module development, monitoring and evaluation, and customized training. In 2018, a total of 119 batches of training requested by the Bank's Lending Program Management Group (LPMG), were conducted by the Foundation. This is higher than the 115 in 2017 and even surpassed the target of 105 training batches for an accomplishment rate of 113%.

All training batches benefited 3,215 cooperative officers and personnel who took the various training courses. They were members of 880 LANDBANK Borrowing Cooperatives where 531 co-ops have Maturity Levels A and B; 267 co-ops with Maturity Levels C and D; and 82 co-ops from other categories.

In particular, the Foundation held 12 Priority Training Modules all over the country with 34 batches conducted in Northern and Central Luzon; 41 batches in Southern Luzon and Bicol; 23 batches in the Visayas and 21 batches in Mindanao for a total of 119 batches. The Priority Training Modules, facilitated by Capacity Building Officers (CBOs), consisted of courses on Risk and Control Self-Assessment (RCSA), Remedial Management, Account Management, Credit Administration, and Monitoring and Evaluation. During the year, the Foundation

also conducted four batches of customized trainings requested by three cooperatives to include Fundamentals of Cooperatives, Governance and Management of Cooperatives, and Risk Management Assessment.

Enterprise Development Program

Enterprise Development Program Sites

For 2018, the Foundation continued to expand its areas of operation or coverage sites under its Enterprise Development Program (EDP) with support from donations of LANDBANK and the LCDFI Program Development Fund.

From the 16 established project sites in 2015 to 2017, nine new EDP sites were established in 2018 bringing a total of 25 EDP sites: 10 in Luzon, nine in the Visayas and six in Mindanao. These sites were developed to implement for the Project Likas Saka (PLS) and the Project Coco BinHi (PCB), especially for areas which are coconut growing sites.

In 2018, a total of 1,125 Agrarian Reform Beneficiaries and small farmers in the 25 EDP sites benefited.

Project Likas Saka (PLS)

Project Likas Saka, which typically covers vegetable-growing areas, assists farmers who are willing to shift from conventional farming to natural farming. The objectives of the project are: (1) organize farmers into clusters as pre-coop stage; (2) make these farmer-beneficiaries eventually become clients/customers of LANDBANK, and, (3) develop relationships with LGUs for a variety of service opportunities.

During the same period, LCDFI exceeded its target under the Project Likas Saka with the addition of 11 new farmer-clusters bringing total to 30 farmer-clusters established in the 25 EDP sites.

The Foundation conducted natural farming training seminars which were facilitated by 25 Local Farm Technicians (LFTs) who serve as farmer-leaders in each EDP site. The Foundation made 68 site monitoring and visits during the year to determine the needs of participating farmer-clusters and to provide updates in the natural farming technology. This initiative benefited 669 farmer-members in the EDP sites.

LCDFI was also able to distribute organic farm inputs, such as multi-strain and multi-species bio-fertilizer, and vegetables seed to all Project Likas Saka areas.

Project Coco BiNHi (PCB)

Pursuant to its commitment to spur development in the countryside, the Foundation continues its partnership with the Philippine Coconut Authority-Zamboanga Research Center (PCA-ZRC) to establish the "Project Coco BiNHi (Bigay and Hiram)" in 2018.

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 those farms by going beyond being mere recipients of dole-outs to becoming credit-worthy borrowers for production purposes. Also, LCDFI has identified the following objectives in the course of the Coco BiNHi implementation: (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.

In 2018, another Memorandum of Agreement (MOA) with Philippine Coconut Authority (PCA) was signed for the project to conduct 10 training batches at PCA-ZRC.

Each of the three-day seminar consisted of about 30% classroom-type lectures by officials and scientists of PCA-ZRC and 70% field/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).

LCDFI, through Project Coco BiNHi and in partnership with PCA-ZRC, provided support for capacity building interventions such as technology transfer trainings on replanting, fertilization and intercropping for coconut farmers in project sites.

Likewise, LCDFI partnered with Allied Botanical Corp. in the distribution of organic fertilizers and joint-fertilization activity for the coconut farmer-beneficiaries aimed to increase the yield nuts per coconut tree, thereby increasing income of coconut farmers.

Project Kabuhayan Sibol

In 2018, LANDBANK, through the Corporate Affairs Department (CAD) tapped LCDFI to partner for a pilot livelihood program in three upland communities—one site each for Luzon, Visayas and Mindanao—under the Bank's Gawad Sibol Program, previously known as the Adopt-A-Watershed Program.

LCDFI conducted training on natural/organic vegetable and livestock raising, delivery of vegetable seeds and farm materials, and made monitoring visits for three selected peoples' organizations (PO) who are existing partners of LANDBANK-CAD, providing extra income for their impoverished families who help protect and nurture the watersheds adopted by LANDBANK.

Once the pilot program proves to be successful, it will be replicated in the other Gawad Sibol Program sites nationwide.

CSR Programs

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 the various CSR Programs of the Bank being managed by the LANDBANK-CAD.

LANDBANK Gawad Patnubay Scholarship Program

For 2018, LCDFI continued as an active partner to the tri-partite Trust Agreement with LANDBANK (through LANDBANK-CAD) and the LANDBANK-Trust Banking Group (TBG), signed in 2017, in maintaining the Scholarship Fund which is invested and held in trust by the LANDBANK-TBG.

The Agreement allowed the consolidation of the scholarships funds being held by LCDFI and LANDBANK from the annual voluntary donations of the Bank's employees being administered by LANDBANK's Employee Relations Department (ERD). The pooled funds were then invested by LANDBANK-TBG.

As "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 LBP Employees Association (LBPEA), Middle Management and Officers Association (MMOAI) and Senior Management to interview and screen the applicants for scholarship all over the country.

In 2018, the Foundation participated in the final screening of Gawad Patnubay Scholars at Benguet State University, La Trinidad, Benguet and University of the Philippines – Visayas in Miagao, Iloilo.

Manila Bay SUNSET Partnership Program, Inc. (MBSPPI)

The Foundation continued to play an important role in the Manila Bay SUNSET Partnership Program, Inc. (MBSPPI), the flagship CSR program of LANDBANK which aims not only to clean-up Manila Bay and nearby coastal areas but also promote environmental awareness, protection and conservation.

LCDFI employees joined the "Manila Bay Clean-up Activity" spearheaded by the Bank on 11 August 2018 as part of its anniversary celebration. The event was also participated-in by other volunteer-partners who were able to collect truckloads of trash from Manila Bay.

Our employees also assisted in the production of "effective microorganism" or EM mudballs that were used to help clean-up esteros, as well as in manufacturing trash boats made of empty PET bottles which were later donated to the Metropolitan Manila Development Authority (MMDA) for its drive to clean-up *esteros* in the Metro.

Finally, in all capacity building trainings conducted by LCDFI nationwide, the short film "That Thing Called Basura," an IEC program of MBSPPI advocating for proper waste disposal and management, were shown in between breaks.

LCDFI Executive Director Roy C. Oscillada is newly elected by the Board to perform the function of corporate treasurer of MBSPPI in 2018.

Organizational Development

Competency Framework

In December 2018, as part of its commitment to the Governance Commission for GOCCs (GCG) and the LCDFI Performance Scorecard for 2018, the Foundation completed its evaluation to determine the average competency baseline of the organization by identifying the competency gaps of employees.

The employees were evaluated in the required LCDFI Competencies – core, organizational, leadership, and technical ; and Competency Proficiency Indicators – level 1 (basic), level 2 (immediate), level 3 (advance), and level 4 (expert).

In 2018, the average competency of LCDFI employees is 53% meet the required competencies.

Executive Order (EO) No. 36 (SSL)

On 21 May 2018, the Governance Commission for GOCCs (GCG) has issued authorization for LCDFI to adopt the compensation framework under Executive Order No. 36, "Suspending the Compensation and Position Classification System (CPCS) Under EO No. 203 (S. 2016), Providing for Interim Compensation Adjustments, and for Other Purposes."

The salaries of LCDFI employees are now at par with industry levels.

ISO 9001:2015 Certification

Since 2017, LCDFI, in coordination with three other LANDBANK subsidiaries—LBP Resources and Development Corp. (LBRDC), LBP Insurance and Brokerage, Inc. (LIBI), and Masaganang Sakahan, Inc. (MSI)—engaged the services of BCJA Training, Consultancy and Events thru public bidding for its Quality Management Systems (QMS), en route to ISO Certification.

Last 25 December 2018, LCDFI was issued the certification (CB Certificate No. 67787) for ISO 9001:2015 for quality management by NQA, the third party certifying body.

The ISO certification is a hallmark to LCDFI's professional excellence and a testament to its commitment to provide quality training services to its beneficiaries and to LANDBANK.

Plans and Programs for 2019

For 2019, LCDFI shall continue to conduct capacity building programs for LANDBANK Borrowing Cooperatives based on the requested training batched by the Bank. It shall likewise continue to provide assistance to small household farmers through technology transfer of natural and organic farming systems and techniques.

LCDFI shall continue to support LANDBANK's strengthening capacity building programs for farmers and farmers' cooperatives by providing training programs on financial literacy and institutional development.

LBP INSURANCE BROKERAGE, INC.

The LANDBANK Insurance Brokerage, Inc. (LIBI) is one of the wholly-owned subsidiaries of LANDBANK established on 22 October 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 ₱ Millions)

	2018	2017	Growth Rate (%)
Gross Income	174.05	149.87	16
Total Expenses	56.07	54.02	4
Net Income After Tax	93.58	77.02	21
Total Resources	1,301.41	1,257.71	3
Total Liabilities	250.16	267.31	(6)
Total Equity	1,051.25	990.40	6

In 2018, LIBI's gross income recorded an increase of ₱24.18 Million from the ₱149.87 Million in 2017 to ₱174.05 Million. Likewise, total expenses increased by ₱2.05 Million to ₱56.07 Million from last year's ₱54.02 Million. This resulted in net income after tax (NIAT) of ₱93.58 Million which is higher by ₱16.56 Million or 21% compared to the 2017 NIAT of ₱77.02 Million. Thus, LIBI surpassed its 2018 NIAT target of ₱80.67 Million by 16% or ₱12.91 Million.

Last 27 December 2018, LIBI was able to secure its ISO 9001:2015 certifications for Quality Management System, which is one of the major accomplishments of LIBI for 2018.

LIBI deployed Account officers in Davao City, Davao del Sur, and Tagum City in 2018, to bring closer its quality products and personalized customer service to customer clients.

For 2019, LIBI will deploy account officers in the provinces of Cebu, Cagayan de Oro, and Isabela due to emerging demands of clients' needs.

P174.05mn
LIBI gross income

ISO 9001:2015
Certification obtained for LIBI's QMS

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.

Through 43 years, MSI has been religiously fulfilling its mandate in the delivery of marketing interventions to farmers assisted by the Bank.

The year 2018 is challenging for MSI due to the implementation of EO No. 36 (Salary Standardization Law) which led to the removal of the Bank's rice benefit to employees and consequently affected MSI overall sales performance.

Financial Highlights
(In ₱ Millions)

	2018	2017	Growth Rate (%)
Gross Revenues	198.61	333.29	(40)
Total Expenses	186.70	289.46	(35)
Net Income After Tax	8.47	30.74	(72)
Total Resources	188.00	221.57	(15)
Total Liabilities	39.52	62.08	(36)
Total Equity	148.47	159.49	(7)

In 2018, MSI recorded total gross revenue of ₱198.61 Million, a decrease of 40% compared to last year's ₱333.29 Million. Total expenses decreased by 35% from ₱289.46 Million in 2017 to ₱186.70 Million in 2018. MSI net income after tax stood at ₱8.47 Million, lower by 72% compared to ₱30.74 Million in 2017.

MSI's total resources reached ₱188.00 Million in 2018, lower by 15% compared to ₱221.57 Million recorded during the previous year. Total liabilities declined by 36% from ₱62.08 Million a year ago to ₱39.52 Million in 2018. Stockholder's equity declined by 9% or ₱11.02 Million from last year's ₱159.49 Million to ₱148.47 Million this year.

Focus on Social Impact

On Market Access

MSI marketing efforts were focused on corporate accounts for milled rice, and developed and expanded market.

In 2018, MSI served a total number of 99 corporate clients which is an increase of 50% from the 66 corporate clients of the previous year. There was also a recorded 22% increase in volume of milled rice sold from 20,243 bags in 2017 to 24,634 bags in 2018.

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.

MSI assisted 14 cooperatives in its Payment-In-Kind (PIK) for loan payment to LANDBANK amounting to ₱98.64 Million.

MSI continued to support to its mandated sector by providing marketing assistance and free solar drying facilities. In 2018, MSI management, through the Board's stewardship, initiated to implement the "free usage of truck scale services" for a more expanded assistance to these PIK paying cooperatives.

Centered on Customers/Stakeholders

On Customers Satisfaction

MSI conducted for the fourth year a survey to assess the level of customer satisfaction to the quality of our services. The survey showed a result of average 4.42 (using a 5-point rating scale with adjectival equivalent of 5-Excellent, 4-Very Good, 3-Good, 2-Fair and, 1-Poor) which can affirm satisfaction of the MSI customers in its goods and services.

Enhancing Internal Processes

The toll milling process of MSI improved its milling recovery efficiency which was recorded at 64%. This represents the higher end of the industry average range of milling recovery from a low of 62% to a high of 64%.

With MSI strengthened logistics operation, it was able to deliver 100% of the orders on time or within four days. This is 100% of the set 2018 target of 100% delivery of orders on time.

In 2018, MSI secured its ISO 9001:2015 certifications for quality management system, which is also a testament to its commitment in providing quality service to its clients/ stakeholders.

Efforts on Learning and Growth

In 2018, MSI provided essential (basic and/or intermediate) trainings to all employees to strengthen its human resources capabilities, likewise, continuously strengthening its employees' competencies.

For 2019, MSI will address the competency gaps identified through trainings and seminars in collaboration with globally competitive institutions to abridge inadequacies on technical, administrative and other competencies essential to the business operations.

Future Plans

The LANDBANK Board of Directors approved the request of ManCom for the classification of MSI into in-active/non-operational status in its meeting held last 11 September 2019.

With the approval of the LANDBANK Board on MSI's classification into in-active/non-operational status, the Bank will undertake the following set of activities: (1) submission of documentary requirements to GCG for evaluation; (2) release of GCG memorandum order for MSI de-activation; (3) notification to SEC on the retention for the Juridical Personality of MSI; and (4) implementation of dispositive actions of MSI functions, assets, and liabilities.

LBP LEASING AND FINANCE CORPORATION

LBP Leasing and Finance Corporation (LLFC) continues to complement services of LANDBANK by making available various leasing and financial facilities that support priority sectors in the acquisition of equipment and other capital assets as well as in providing working capital requirements which allows them to expand, upgrade or modernize their operations.

Financial Highlights
(In ₱ Millions)

	2018	2017	Growth Rate (%)
Gross Revenues	582.39	471.32	24
Total Expenses	422.62	345.80	22
Net Income After Tax	115.21	94.08	22
Total Resources	4,748.35	4,247.07	12
Total Liabilities	3,257.39	2,824.14	15
Total Equity	1,490.96	1,422.93	5

As of 31 December 2018, LLFC generated total gross revenue of ₱582.39 Million; higher by 24% from last year's ₱471.32 Million. Total expenses increased by 22% from ₱345.80 Million in 2017 to ₱422.62 Million in 2018. This resulted to the LLFC's net income after tax (NIAT) of ₱115.21 Million, which is 22% higher than the 2017 NIAT of ₱94.1 Million.

Total Resources stood at ₱4,748.35 Million as of end-2018, ₱501.28 Million or 12% higher than last year's ₱4,247.07 Million. This increase in the total resources was driven primarily by the growth in total portfolio during the year. As of end-2018, total portfolio reached ₱3.95 Billion which higher by 11% from the ₱3.57 Billion total portfolio in 2017. Total portfolio for priority sectors is recorded at ₱3.16 Billion or 80% of the total portfolio as of year-end 2018. These identified priority sectors of LLFC include: agri- and food chain enterprises, government accounts, government contractors and suppliers, and enterprises engage in energy and environment related services, medical and social services, and transportation.

For 2019, LLFC's Major Plans and Programs include: (1) strengthening LANDBANK-LLFC complementation by establishing processes and defining contact points between LANDBANK and LLFC both in business generation and operations; (2) human capital build-up which will cover recruitment and training of personnel to build-up sufficient human resources who are competent and more engaged; (3) funding source expansion by increasing the number of creditor banks (existing funding source) and developing, at least, one alternative funding source to support expansion in credit and leasing operations; and (4) quality improvement through review and updating of policies and process as the corporation secures ISO 9001:2015 certification during the year.

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 messengerial services, among others.

Financial Highlights
(In ₱ Millions)

	2018	2017	Growth Rate (%)
Gross Revenues	458.78	394.80	16
Total Expenses	382.62	296.06	29
Net Income After Tax	53.99	69.87	23
Total Resources	675.05	648.70	4
Total Liabilities	93.10	78.29	19
Total Equity	581.95	570.41	2

In 2018, LBRDC's total gross revenue increased by 16% to ₱458.78 Million from the ₱394.80 Million in 2017 generated from the construction, manpower services, property management, air conditioning units (ACU) maintenance services, and commission fees. Total expenses of LBRDC increased to ₱382.62 Million from

the ₱296.06 Million in 2017, which is higher by 29%. This posted a net income after tax (NIAT) of LBRDC of ₱53.99 Million which is lower by 23% from last year's ₱69.87 Million.

LBRDC's total resources amounted to ₱675.05 Million for 2018 with marked increase of ₱26.35 Million from ₱648.70 Million in 2017. This was primarily due to the increase in short-term investments, other current assets, inventories, non-current assets, and long-term investments. Total liabilities increased by 19% or ₱14.72 Million to ₱93.01 Million from ₱78.29 Million due to the increased government and other liabilities dues. Total equity of LBRDC increased by 2% or ₱11.54 Million due to the higher net income generated in 2018.

In addition, LBRDC's other accomplishments for 2018 would include its ISO 9001:2015 certification for quality management system, approval of the Philippine Contractors' Accreditation Board approved the renewal of LBRDC license from Category "A" to "A medium B", completion of four construction projects and 37 renovation projects, and provision of essential trainings to all LBRDC personnel to strengthen its human resources capabilities.

LBRDC's major plans and programs for 2019 include the following: (1) construction/renovation of LANDBANK branches (i.e., construction of two buildings and 35 renovation projects; (2) market construction/renovation projects and manpower/janitorial requirements of different Government Agencies that do not require bidding; and (3) provide 70% manpower requirement of LANDBANK such as technicians, janitorial, messengerial services and other skilled workers.

OVERSEAS FILIPINO BANK (OFBank)

By virtue of Executive Order No. 44 signed by President R. Duterte in September 2017, LANDBANK acquired the Philippine Postal Savings Bank, Inc. (Postbank) through transfer of shares of the Bureau of the Treasury (23% share) and Philippine Postal Corporation (77% share) to the Bank. As such, Postbank became a wholly-owned and fully-controlled subsidiary of LANDBANK and was converted into Overseas Filipino Bank (OFBank) to cater to the banking needs of migrant workers worldwide.

In January 2018, President Duterte led the launching of the OFBank. While OFBank continued to undertake winding down of operations such as manpower and interest expenses reduction, house cleaning of books of accounts, resolution of legal cases and ROPA disposal, among others, the Bank was able to launch its seven products and services in 2018: (1) OFBank Visa Debit Card; (2) OFBank Mobile App; (3) OFBank High-Yield Savings Account; (4) OFBank Checking Account; (5) OFBank Easy Savings Plus; (6) OFBank US Dollar Savings Deposit Account; and (7) OFBank US Dollar Time Deposit.

Financial Highlights
(In ₱ Millions)

	2018	2017	Growth Rate (%)
Gross Revenue	468.06	529.59	(12)
Total Expense	1,192.53	636.36	87
Net Income After Tax	(724.47)	(106.77)	(578)
Total Resources	9,034.65	9,144.48	(1)
Total Liabilities	8,794.64	8,302.48	6
Total Equity	240.02	842.00	(71)

As of 31 December 2018, year-to-date revenues reached ₱468.06 Million while total expenses totaled at ₱1,192.53 Million, hence, year to date net loss (before tax) is (₱724.47) Million. Compared with the same period last year, total revenue decreased by 12% to ₱468.06 Million in 2018 from ₱529.59 Million in 2017. Meanwhile, total expenses increased by 87% from ₱636.36 Million in December 2017 to ₱1,192.53 Million in December 2018.

Net loss for 2018 is higher by ₱617.70 Million than the ₱106.77 Million of the previous year resulting in net loss figure to ₱724.47 Million. This is a result from higher expenses, bulk of which are the provisions for losses and impairment losses as required by the Bangko Sentral ng Pilipinas and separation pay of remaining personnel of the former Postbank. Lower revenue also resulted of transition, winding down of operations in preparation for the full implementation of the OFBank's new Business Model.

As of 31 December 2018, total assets reached ₱9.03 Billion. Total assets decreased slightly by 1% or ₱109.83 Million from the ₱9,144.48 Million in December 2017 to ₱9.03 Million in December 2018. Decrease in total assets was brought mainly by lower loan portfolio, bank premises and other assets as a result of the winding down of operations.

OFBank's total liabilities registered at ₱8,794.64 Million in 2018, bulk of which was accounted for deposit portfolio of ₱8.32 Billion. Total liabilities were further increased by 6% which was attributed to the increased deposit liabilities by 4% or ₱337.05 Million from ₱7.98 Billion in December 2017 to ₱8.32 Billion in December 2018.

Even in transition, OFBank managed to still increase its deposit portfolio.

As of 31 December 2018, total capital decreased to ₱240.02 Million, lower by 71% (or ₱601.98 Million) from last year's ₱842.00 Million in December 2017. Even with capital infusion, total equity decreased due to the net loss in the past three years.

Contribution of Major Business Segments to Total Revenue

OFBank's bulk of revenue reached ₱266.41 Million (or 56.92% share), generated from the interest income on loans and discounts. The remaining 43.08% were sourced from the interest income on the dues from the BSP (₱84.71 Million), miscellaneous income from the penalties on past due loans (₱72.04 Million), and investments, loans and receivables from RA/CA/PR/SLB, deposits with banks, sales contract receivable, foreign exchange, and other fees and commission (₱44.90 Million).

Highlights of Major Activities during the Year

For 2018, OFBank highlighted four major activities which have impact on the bank's operations. First, it implemented the new IT Systems outsourced from LANDBANK. This enhanced the OFBank's business efficiency in providing banking services to its clients under the terms and conditions set forth in the agreement. OFBank also introduced and offered various products and services (such as deposit, loan, and remittance services) to its target market including the land-based OFWs, seafarers, immigrants and Filipinos with working visas.

In the same year, OFBank and LANDBANK sought BSP approval through the joint-letter request of the OFBank 5-Year Strategic Business Plan (2019-2023), closure of 30 OFBank branches, 30 new branch licenses as "White Knight" incentive for LANDBANK, and regulatory reliefs for OFBank. Lastly, the Bank's on-going implementation of the Early Retirement Incentive Plan (ERIP) involving a total of 75 employees that resulted from the directive of the National Government's acquisition of Philippine Postal Savings Bank by the Land Bank of the Philippines.

During the year, OFBank has also five (5) major strategic initiatives, as follows: (1) tightened its collection efforts due to increasing problem accounts. As early as end of December 2016, the Bank was closely monitoring the collection and conversion of these problem accounts into good accounts. The collection team was created in May 2017 to continuously doing collection and remedial efforts to recover these past due loans. This team was composed of various officers from the Credit Management Group, Corporate Banking Group and Branch Banking Group; (2) completed the initial phase of its remittance operation by outsourcing from LANDBANK a remittance system which allowed OFWs to send funds from abroad to an OFBank account as destination account or cash pick-up at any OFBank branch; (3) introduced a mobile application to give clients easier access to their accounts, with a secured mobile banking experience for the Overseas Filipino Workers and Filipino immigrants abroad; (4) managed the Bank's operations while it is in transition for the implementation of the new business model of clean-up long outstanding audit and compliance issues to substantially reduce our financial and market risk; generation and implementation of cost-saving measures and adopt cost-cutting initiatives; focus on the massive collection efforts by all lending units; do the necessary remedial actions to recover past due accounts (last resort for loan recovery is foreclosure); and house cleaning of loan accounts; (5) while at the same time, the Bank is accelerating business and operational integrity as a "New Bank" focused on improving CAMELS rating by addressing all BSP ROE and PCA directives; aggressive deposit-taking for both private and government accounts; and engage in more cross-selling activities.

Significant Developments during the Year

- Last 06 April 2018, OFBank Board of Directors approved to close Overseas Filipino Bank provincial branches and consolidate it with the Land Bank of the Philippines and implement the "One-Branch-Bank" Model.
- OFBank Stockholder's and Board of Directors also approved the increase in the Bank's authorized capital from ₱1,000,000,000.00 to ₱3,500,000,000.00.
- LANDBANK infused a total of ₱428.992 Million capital to OFBank completing the subscription to the ₱1,000,000,000.00 authorized capital stock of OFBank. The remaining amount of ₱571.01 Million were the capital amount transferred from the PHILPost (₱440.00 Million) and the National Government (₱131.01 Million) to LANDBANK.
- OFBank was able to secure approval of its 5-Year Strategic Business Plan (2019-2023) through OFBank Secretary's Certificate on the Board Resolution No. 2018-195 last 16 October 2018.

Future Plans

OFBank as a "Digital Bank" will continue to serve the OFWs and immigrants, and at the same time, to be profitable for the benefit of its stakeholders. These lead to the crafting of the Bank's five major plans for the year 2019 to improve its business operations including other factors which could affect its operation efficiency: **(1) deposits and loans –** increase the volume of deposits from government entities target clientele to include the OFs (Overseas Filipinos), OFWs (Overseas Filipino Workers) and their beneficiaries; and concentrate lending to micro, small and medium enterprises (MSMEs) and consumer loans such as housing, salary, and multi-purpose for the Overseas Filipinos, Overseas Filipino Workers (OFWs) and their beneficiaries; **(2) Management and Corporate Governance –** regularly monitor the status and report to the Management, the projects and programs of the Bank, such as mobile banking app upgrade, launch of core and non-core products and services for the OFs, OFWs and their beneficiaries and the outsourcing of IT systems; and adhere to all the requirements of regulatory bodies, e.g. BSP, COA and GCG, among others; **(3) Capital Build-Up –** secure approval of the increase in authorized capital stock from ₱1.0 Billion to ₱3.5 Billion in preparation of the Bank's plan in offering preferred shares to the OFs and OFWs in the future and/or additional equity through infusion from LANDBANK; **(4) Organizational Development –** continuously develop the capabilities of Bank officers and employees in the attainment of the organization's objectives; and **(5) Technology Advancement –** implement its core-banking systems that have been outsourced from LANDBANK which will promote efficiency and accuracy in critical banking processes.

Targets

For 2019, OFBank sets its business targets aligned with the Business Plan and Budget approved by the Bank's Board of Director's last 28 November 2018. Revenue is estimated to reach ₱1,741.79 Million while expenses at ₱1,590.49 Million, which will result in net income before tax of ₱151.30 Million.

In the same year, total deposit portfolio is projected to expand to ₱19,200.00 Million (private deposit – ₱3,840.00 Million, government deposit – ₱15,360.00 Million). This included the additional deposit requirement of ₱10,883.76 Million (or 31%) from last year's ₱8,316.24 Million. In addition, total loan portfolio is targeted at ₱15,968.26 Million which is higher by ₱11,924.24 Million or 295% loan requirement from last year's ₱4,044.02 Million.

2018 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 (ABD) of ₱10,000, 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. The US pensioner/beneficiary has the option to open either an individual Peso Savings Account or individual Dollar Savings Account.

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 (HYUSDTD)
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 LANDBANK 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 LANDBANK Branches and Extension offices (EOs).

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.

ATM Savings Account
An interest-bearing peso savings account wherein deposit, withdrawals and cashless purchase can be done through following channels:

Transaction	Deposit	Withdrawal	Cashless Purchase
Over-the-Counter	✔	✔	
ATM (Bancnet)	✔	✔	
Cash Deposit Machine (CDM)	✔		
Point-of-Sale (POS)			✔

Cashless purchases may also be done through any Point-of-Sale (POS) terminal of partner merchants from department stores, supermarkets and accredited establishments.

Current Account with ATM Access
A non-interest-bearing peso savings account wherein deposit, withdrawals and cashless purchase can be done through following channels:

Transaction	Deposit	Withdrawal	Cashless Purchase
Over-the-Counter	✔	✔	
ATM (Bancnet)	✔	✔	
Cash Deposit Machine (CDM)	✔		
Point-of-Sale (POS)			✔

Peso Earning Access and Sure Yield (EASY) Check
An interest-bearing peso checking account (IBCA), with a minimum initial deposit of ₱10,000 for individual clients and ₱20,000 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 following channels:

Transaction	Deposit	Withdrawal	Cashless Purchase
Over-the-Counter	✔	✔	
ATM (Bancnet)	✔	✔	
Cash Deposit Machine (CDM)	✔		
Point-of-Sale (POS)			✔

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 ₱20,000, 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 is an initiative of the Bureau of Internal Revenue (BIR). With eFPS, transmission of tax return information including attachments if any, and 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.

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.

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.

LANDBANK LINK.BizPortal
LANDBANK LINK.BizPortal 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.

The CDM is available at selected branches (on-site) and at all LANDBANK Easy Access Facility (LEAF) sites. CDM is capable of performing the following functions:

1. Accepts card-based and card-less cash deposit transactions for ATM accounts;
2. Counts and sorts bills/notes;
3. Verifies authenticity/detects counterfeit bills/notes;
4. Issues confirmation receipt for transactions;
5. Generates Electronic Journal for recording and balancing of transactions; and
6. Provides facility for "Balance Inquiry"

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.

The e-Card is a multi-access, multi-purpose ATM card:
1. ID card for members and employees
2. Point-of-Sale (POS) debit transaction
3. Access to LANBANK's phone banking and retail internet banking facilities
4. Access to Bancnet Online and Bancnet Mobile Banking

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 ₱50,000 withdrawal a day and ₱10,000 debit through Point-of-Sale (POS) of other banks to accredited merchants

LANDBANK ATM Regular Card

An interest bearing peso savings account with the following features:

- Immediately access funds through over 20,000 ATMs nationwide
- Access account, pay bills, and transfer funds via:
  - LANDBANK Phone Access (405-7000[NCR]; 1-800-10-405-7000 ([PLDT Domestic Toll Free])
  - LANDBANK iAccess (www.lbpiaccess.com)
  - LANDBANK Mobile Banking Application (MBA)
- Point-of-Sale (POS) purchase and online shopping
- The LANDBANK ATM Card is free for the initial issuance. Defective ATM card will be replaced free of charge within 30 calendar days upon receipt of request
- Over-the-counter withdrawal is allowed when ATM is unavailable or withdrawal for the day exceeds ₱50,000.00. Valid ID needs to be presented
- Subject to perforation if not claimed within the Bank's prescribed period
- PACSVAL/weAccess Crediting System
- PDIC Covered

LANDBANK Visa Debit Card

Enhanced version of LANDBANK ATM Card that enables international access to over 2 Million ATMs worldwide where the Visa logo is displayed, and expands merchant network through our partnership with Visa. LANDBANK Visa Debit Card provides real advantage over the standard ATM card through the following benefits:

- Use your own money linked to your deposit account wherever you are
- Access cash and obtain local currency at ATMs at home or oversees
- Access account, pay bills, and transfer funds via:
  - LANDBANK Phone Access (405-7000[NCR]; 1-800-10-405-7000 ([PLDT Domestic Toll Free])
  - LANDBANK iAccess (www.lbpiaccess.com)
  - LANDBANK Mobile Banking Application (MBA)
- Purchase online, in-store, by phone and nail order
- Just swipe and sign for your local or international in-store transactions
- Enjoy global standard of EMV card security and card acceptance
- Perform local ATM transactions (e.g., cash withdrawal, Interbank/Intrabank Fund transfer, POS and Bills Payment)
- Perform transactions via VisaNet such as
  - POS Transactions via Visa Merchants
  - VISA Money Transfer (VMT)/VISA Personal Payment (VPP)
  - ATM Access via VISA and PLUS ATMs worldwide
  - Online Transactions via VISA merchants
  - Mail Order/Telephone Order (MO/TO) via VISA merchants
  - Recurring Payment via VISA merchants
- Ten (10) years card validity

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/7days 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, LANDBANK Cash Card and LANDBANK e-Card. ATM magstripe at the back of the card enables financial transactions.

AGRARIAN SERVICES

Land Transfer Claims

LANDBANK, as one of the CARP Implementing Agencies (CIAs), undertakes the following activities:

- Processing, Valuation, and Approval of land transfer claims involving lands covered by the various Agrarian Reform Laws, to wit:

Presidential Decree (PD) 27	The Tenant Emancipation Act which provided for the transfer of agricultural lands primarily devoted to rice and corn to the tenants.
Executive Order (EO) 228	Declared full land ownership to qualified farmer beneficiaries covered by PD No. 27, determining the value of remaining unvalued rice corn lands, and providing the manner of payment by the farmer beneficiary and mode of compensation to the landowner.
Executive Order (EO) 229	Provided mechanisms for the implementation of the comprehensive agrarian reform program as to land acquisition and distribution.
Republic Act (RA) 6657 or the Comprehensive Agrarian Reform Law	Declared the policy to pursue the Agrarian Reform Program to promote social justice and sound rural development and industrialization in consideration of the welfare of landless farmers and farm workers
Republic Act (RA) 9700	An act strengthening the Comprehensive Agrarian Reform Program (CARP), extending the acquisition and distribution of all agricultural lands instituting necessary reforms, amending for the purpose certain provisions of RA No. 6657, otherwise known as the Comprehensive Agrarian Reform Law of 1988, as amended.

- Payment/Release of Land Transfer Claim Proceeds to Landowners

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.

  For 10-Year AR, based on outstanding principal balance, at interest rates aligned with the 91-day Treasury Bill rates, payable every six (6) months from date of issue until the tenth year.

  Annual payment of 10% of the face value (matured portion) of AR Bond every anniversary date of issue of the bond until their maturity dates.

  Full redemption/payment of face value of LANDBANK 25-Year Bond on its maturity date, including payment of accrued interest computed at 6% per annum, tax free.

- **Bond Transfer, Conversion, Exchange and Replacement**

  Processing, approval and releasing of new replacement bonds upon request of the Landowner/ Bondholder for the following:

  Assignment – transfer from inscribed or bearer bond to a named assignee/s.
  Conversion – changing of an inscribed bond to a bearer bond and vice-versa.
  Exchange – act of issuing one bond by consolidating two or more bonds and vice-versa.
  Replacement – issuance of a new AR Bond in lieu of lost 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.

  Buyers of the instrument may be banks, insurance companies, foreign corporations and private individuals who may purchase AR Bonds for any of the following reasons:

  - Alternative mode of compliance by banks with Agri-Agra Law
  - Security deposit of Foreign Corporations with the Securities and Exchange Commission (SEC)
  - Capital and reserve requirement/s of insurance companies
  - Investment instrument/s

- **Special Lending Window for Landowners and Bondholders (Multi-Purpose Loan)**
  To further enhance LANDBANK's credit assistance to landowners and original bondholders whose properties were affected by the Comprehensive Agrarian Reform Program, a special lending program is available from LANDBANK's various lending units 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**
    The CFP is now integrated with the ROREM and known as "Certificate of Full Payment and Release of Real Estate Mortgage" (CFP/ROREM). Said document shall be duly notarized and for registration with the Register of Deeds. With the advent of the PARCS, the CFP/ROREM shall be automatically generated by the system one (1) day after ARB's full payment. The maximum number of days for processing and release of CFP and ROREM is ROREM is three (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**
    ARBs are obliged to pay their annual amortization of the land awarded to them under CARP. However, if a farm lot suffered substantial reduction or production not attribute to the ARB due to natural and man-made calamities/incidents, the affected ARB shall be provided with relief in terms of restructuring, deferment and/or suspension of payment of their annual dues.

  - **Estate Development Planning**
    In improving ARB productivity through estate development planning/proper land development (integrated area/zonal development), the Bank shall be involved in the institutional development of the mandated clients. This shall include 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**
    The new product is an enhancement of PARCS to be launched within 2017 wherein the ARBs shall receive text messages acknowledging the receipt of their land amortization payment through PARCS. It allows DAR and LANDBANK to interact with ARBs in a cost-effective and timely manner. This is a marketing tool on future collaborations for support services to ARBs.

LOAN PRODUCTS

A. Housing and Mortgage Programs

- **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

  a. **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

b. 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.

c. 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.

d. 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)
  Jointly established by the Bangko Sentral ng Pilipinas (BSP), Philippine Deposit Insurance Corporation (PDIC) and LANDBANK in recognition of the need to further strengthen and enhance the viability of rural banks (RBs) given their importance in providing financial services to the community, particularly in their specialized or niche markets, and in promoting financial inclusion and financial stability in the economy.

  The Program seeks to encourage consolidations and mergers among RBs to bring about a less fragmented banking system by enabling them to:

  - Improve their financial strength
  - Enhance their viability
  - Strengthen their management and governance
  - Generate synergies and economies of scale through common infrastructure systems and resources; and
  - Expand their market

C. Mobile Loan Saver

- LANDBANK Mobile Loan Saver (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. Program beneficiaries are compose of National Government Agencies (NGAs), Government-Owned and Controlled Corporations (GOCCs), Local Government Units (LGUs) excluding Barangay Units and Private Entities.

D. Development Lending Programs Commodity Based Programs

- Cacao 100 Program
  The program offers a short-term loan or long term loan for production, working capital and relending/rediscounting 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.

- LANDBANK-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**
  Supports the growership program for fisheries anchored on institutional buyers or processors linked with small fisherfolk and SMEs as growers. 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. To 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)**
  Pursuant to the 2013 General Appropriations Act (GAA), 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 ₱550 Million.

  Starting 2016, the AFFP has also adopted an alternative credit delivery mechanism via conduits to reach out/service more clients.

- **Agrarian Production Credit Program (APCP)**
  Pursuant to the CARPER Law, LANDBANK, Department of Agriculture (DA), Department of Agrarian Reform (DAR) and Department of Environment and Natural Resources (DENR), signed a MOA in 2012 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 among LANDBANK, DA and its attached agencies 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)**
  Pursuant to the CARP Law, LANDBANK and DAR forged a partnership through the execution of a MOA in 1996 to implement the CAP-PBD which 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.

- **LANDBANK-SRA Socialized Credit Program Under the Sugarcane Industry Development Act (SIDA)**
  The Program aims to introduce better and cost-efficient sugarcane farming practices, improving farm productivities for sugarcane farmers in consonance to the Sugarcane Industry Development Act

- **LANDBANK Livestock Contract Growing Farmers Financing Program (LANDBANK-CPFP)**
  The program aims to promote participation of farmers in the CPFP livestock contract growing, it further aims to offer financial assistance to the poultry and livestock industry and agriculture sector in general.

- **Young Entrepreneurs from School (YES!) to Agriculture Program or YESAP**
  The program aims to promote agri-entrepreneurship among the youth through the provision through the provision of credit and other support services. Further, it aims to encourage enterprising young individuals to prioritize farming and agri-business enterprises

- **Assistance to Restore and Install Sustainable Enterprises for Agrarian Reform Beneficiaries and Small Farm Holders (ARISE-ARBs) Program**
  ARISE-ARBs Program aims to make available financing support for disaster affected ARBs/SFHs and their families to restore livelihood and farming activities.

  Specifically, it aims to:

  - Provide credit support for post disaster emergency needs to restore livelihoods and farming activities of disaster affected ARBs and SFHs

  - Capacitate Cooperatives/Farmer Associations (FA) to effectively manage the operations of livelihood projects and enterprises through adoption of disaster resilient agri-technology and market linking alliances;

  - Implement risk mitigation measures to reduce the effects of natural disaster and safeguard assets of ARBs/SFHs and Coops and Fas; and

  - Develop and enhance the capacities of field implementers in the provision of handholding activities and technical supports related to financing report, livelihood and farming activities natural disaster risk areas.

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).

- **LANDBANK Rural Bank Lending to LGU Employees Partnership Program**
  The program aims to supplement the partner financial institution's working capital via rediscounting facility an increase access to credit LGU employees through eligible Rural Banks

G. Calamity Assistance Program

- **LANDBANK Calamity Assistance and Rehabilitation Support (CARES) Program**
  LANDBANK CARES Program is a rehabilitation assistance program to be made available to various Bank's existing and new customers for them to recover from the destruction brought about 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.

- LANDBANK Calamity Assistance and Rehabilitation Support (CARES) Program for Islamic City of Marawi and other LGUs in Lanao Del Sur
  The Program aims to provide timely and appropriate financial support and fast track infrastructure recover, restore economic and social activities and bring back accessibility of basic services to the conflict-affected LGUs in Lanao Del Sur, especially the Islamic City of Marawi.

H. Partner Financial Institutions-Additional Credit for Countryside Outreach and Rural Development (PFI-ACCORD) Program

Offers a working capital loan to LANDBANK'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 Project

- Agricultural Credit Support Project
  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 LANDBANK or through its conduits to the following clientele: small farmers and fisherfolk, small & medium enterprises and agribusiness enterprises

- Harnessing Agribusiness Opportunities through Robust and Vibrant Entrepreneurship Supportive of Peaceful Transformation (HARVEST)
  A JICA-funded loan aimed to create employment in the areas within the current Autonomous Region in Muslim Mindanao (ARMM) and other conflict-affected areas along with outside areas following the chain concept by supporting agribusiness and agri-business related investments which largely contribute towards improving the peace and order of the regions.

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)
  Cognizant of the need in improving and expanding energy access of the barangays to spur socio-economic growth and generate more employment in the countryside, LANDBANK makes available financing assistance to qualified Electric Cooperatives and wholesale power aggregators. This complements RA No. 9136 otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA Law) which provides for the promotion of rural electrification that would ensure quality, reliability, security and affordability of supply of electric power nationwide.

- Renewable Energy Lending Program
  Cognizant of the pressing need to push renewable energy projects, the legislative branch of government is currently working on the enactment of the Biofuels Bill to mandate the blending of ethanol with gasoline, and fatty acids methyl ester (FAME) with diesel. Also, there

is the Clean, Renewable and Alternative Energy Bill which aims to promote the development of renewable sources of energy to reduce the country's reliance on imported fuel.

The LANDBANK, being a government financial institution has taken steps to provide support to the government's call to promote the development of sources of renewable energy.

Thus, 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.

- H$_2$OPE (Water Program for Everyone)
  Water Program for Everyone or H$_2$OPE 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 Philippines is one of the world's most disaster-prone countries due to the high incidence of natural hazards and high vulnerability linked to poverty and environmental degradation. The government is thus working to prioritize actions for mainstreaming adaptation and disaster risk management, aiming at improving community resilience to the hazards brought by climate change. Through the LANDBANK Climate SAFE (Special Adaptation Facility for the Ecosystem) Program, financing is provided to climate change adaptation projects.

  This program aims to provide financing to all climate change adaptation projects, including those approved in the LGU development or investment plan or Local Climate Change Action Plan, as well as projects/activities in the Business Continuity Plan of private sector entities are eligible to this program.

- Carbon Finance Support Facility (LANDBANK's Flagship Program for Climate Change Mitigation
  LANDBANK brings to you the Carbon Finance Support Facility (CFSF) – the flagship program for climate change mitigation. It 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.

  LANDBANK will coordinate and manage the selling of the carbon credits on your behalf to carbon buyers through the World Bank. Carbon buyers will use the Certified Emission Reduction (CERs) to meet a part of their emission reduction targets under the Kyoto Protocol (an international treaty that calls upon the reduction of greenhouse gases or GHG which cause global warming).

  LANDBANK has three (3) UNFCCC-registered Program of Activities (PoA):

  - PoA for Animal Waste (Piggery)
    The program involves the introduction of biodigester/methane recovery system in the management of wastewater of piggeries that usually use open anaerobic systems. Through the construction of biodigester/methane recovery system, the GHG emissions of the piggery are captured, flared and/or used in power generation.

  - PoA for Landfill Gas Recovery
    The program encourages Local Government Units and private operators to set up sanitary landfills in compliance with RA No. 9003 and further promote the construction of landfill gas management facilities. In this way, the PoA will reduce GHG emission from methane compared to the emission that would have occurred in the absence of the landfill gas management facilities. Hence, additional benefits in the form of revenues from carbon credits and power generation are achieved.

  - PoA for Mini-Hydropower Plants
    The program aims to displace the use of fossil-fuel based electricity generation through power generation from implementation of small-scale hydropower plants.

- Climate SMART Financing Program (Positive Action Towards Sustainable Development)
  Climate change is a global concern as it poses what is arguably the biggest threat against the planet. All over the world, various sectors of society are pushing towards climate change adaptation and mitigation measures in line with the goals of promoting sustainable development.

The Climate **SMART** Financing Program is LANDBANK's banner program for supporting climate change projects and activities. **SMART** stands for **S**ynergistic **M**itigation, **A**daptation, **R**esiliency, and **T**ransformation. 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. The PPF provides a zero interest loan of up to 50% of the project preparation cost. The balance shall be proponent's equity. The Land Bank of the Philippines (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)
  In support of the National SME Development Plan, the government financial institutions (GFIs) collaborated to design a uniform lending program to meet the funding needs of SMEs. Under the unified lending program, the participating GFIs shall apply simplified and standardized lending procedures and guidelines (e.g., loan purpose, fee structures, interest rates, application forms, financial ratios, and other lending parameters) for evaluating the loan applications of SMEs.

  To adapt to the financing needs of SMEs, two (2) types of loans are available under the program:

  - Short term loans payable in one (1) year, and
  - Long term loans that are payable up to five (5) years.

  The unified lending scheme is in addition to the existing financial services of the participating GFIs.

- 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.

  It also aims to support the government's program of invigorating economic activity and providing more employment opportunities.

- 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.

  It also aims to support the program of the national government to attain a better distribution of educational and hospital facilities throughout the country that will be more responsive to the needs of the particular localities and their inhabitants.

- 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 PUVs
  The Program recognizes the significant and critical role that the public transport sector play in providing an efficient transport service to the commuting public, thereby accelerating socio-economic gains and, at the same time, reducing environmental and health costs in terms of the adverse effects of jeepney's carbon and sulphur emissions.

  LANDBANK SPEED PUVs 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.

- Terrain and Naval Special Program on Reliable Means of Transport (TRANSPORT) Financing Program
  The program aims to provide transport cooperative valuable financing assistance in facilitating the transformation of transport cooperatives/institutions into sustainable, modern, financially viable and competitive entities.

- LANDBANK Go Green Inclusive Financing for SMEs and LGUs Program
  A loan program which aims to capitalize the viability of giving accessible financing packages for energy efficient solutions for businesses, households and government.

- LANDBANK Ferryboat Inclusive Financing Program
  The program aims to promote inclusive financing to individual small boat owners and provide credit assistance for their acquisition of modern safe and efficient ferry boats. Further, it supports the modernization program of the Department of Transportation (DOTr) for the replacement of wooden-hulled passenger boats in domestic routes

- Franchising Lending Program
  The program aims to provide credit assistance to qualified players in the franchising industry, particularly the franchisees and franchisors.

M. Credit Programs for Educational Support

- Lending Program for State Universities and Colleges
  To make credit available to qualified State Universities and Colleges (SUCs) to enable them to support infrastructure expansion and other income–generating and agri–related programs and projects.

  The following SUCs shall be considered under the Program:
  - Those operating profitably in the last three (3) years
  - Engaged in agri-related programs and projects
  - Have LANDBANK as their sole depository bank
  - With DBM-CHED-PASUC leveling of at least II

- 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).

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:

    - LANDBANK's USD
    - FX bank's USD account with LANDBANK
    - FX bank's PHP account with LANDBANK

- 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.

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 such as:

  - Documents with discrepancies (if under LC)
  - Documents which are sent directly to the buyer by the exporter and awaiting payment from the foreign bank through T/T
  - Dollar draft/check presented by the exporter representing export-related transactions
  - Documents to be sent on collection basis as instructed by the exporter

- 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
  LANDBANK acts as the collecting/remitting bank of the documentary stamp fees (DSF) imposed by the Bureau of Customs on goods exported by the clients. Client exporter shall be enrolled in the Bureau of Customs Payment Application System (PASS 5) by submitting the required documents to a LANDBANK branch where he maintains his deposit account. Settlement of BOC documentary stamp and service fees are made by debiting the Exporter's LANDBANK account upon receipt of data from PCHC through PASS 5.

- Inward Remittances
  These are incoming telegraphic transfers representing export proceeds remitted by the exporter's buyer and credited to LANDBANK's account with the foreign bank. LANDBANK 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.

  LC ensures payment to the exporter for the goods delivered or services performed. 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 Custom (BOC) on the goods imported by client. Client Importer shall be enrolled in the Bureau of Customs Payment Application System (PASS 5) by submitting the required documents to LANDBANK branch where he maintains his deposit account. Settlement of Advance or Final duties and services fees are made by debiting the Importer's LANDBANK 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.

  - Payable at least 30 days after Bill of Lading (BL)/Airway Bill (AWB)
  - Payment made beyond 360 days from BL/AWB date is subject to BSP approval

- 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.

- Processing of Trust Receipts (TR)
  A credit accommodation granted to importers which allows them to pay Domestic/Import Bills at some future date as agreed upon. LANDBANK is vested title/legal ownership of the goods although the importer has physical possession of the same.

- 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 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.

  Shipping guarantee issued should be cancelled upon importer's receipt of original Bill of Lading/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.

  Documents booked under domestic bills may be paid outright or converted to Trust Receipt (TR) upon request of the buyers/client.

- 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 coursing 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.

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 & 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)**
    This is based on a specific and defined amount of benefit provided by the company expressed in number of months per year of service. An actuarial valuation is necessary to provide an estimate on how much funds the company should contribute or set aside to fulfill its obligation/liability to its qualified employees in case of retirement. 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.

    This type of plan does not require an actuarial valuation. However, if the contributed amount of the employer is not sufficient to cover for the minimum benefit required by law (RA No. 7641), the employer will have to top up on the retirement benefit of the employee.

  - **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.

    In the PMT, a trust agreement between LANDBANK-Trust Banking Group and the trustor is established during the lifetime of the trustor, with the purpose of providing for the financial needs of the trustor and/or his/her designated 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 acts as intermediary between the Borrower/Issuer and a syndicate of Lenders/Noteholders in accordance to the Loan/Notes facility. The Facility Agent is appointed as such 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
    Based on Part II, Rule II of the 2002 POEA rules and regulations governing the recruitment and employment of land-based Overseas Filipino Workers (OFW) and on Part II, Rule II, 2003 POEA rules and regulations governing the recruitment and employment of seafarers. This is 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 ₱1.0 Million or $20,000.00. This is to ensure that there are funds set aside by the manning/ recruitment agency for any eventuality of garnishment due to disputes between the manning/recruitment agency and the OFW.

  - Capital Gains (BIR) Escrow
    Based on BIR Revenue Regulation No. 13-99, as amended by BIR Regulation No. 14-00, governing the exemption of certain individuals from the capital gains tax on the sale, exchange or disposition of his Principal Residence. This is also 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. The seller is given by BIR a maximum of 18 months from date of the sale or disposition to acquire or construct a new Principal residence using the proceeds from the sale, exchange or disposition of his old Principal Residence. The Escrow Agent/AAB shall release to the Seller/Transferor within 18 calendar months after showing proof of acquisition/ construction and clearance from BIR.

  - Buy and Sell (Procurement)/Loan Releases Escrow
    This is usually resorted to in 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. Release of funds, securities, legal documents, TCTs/CCTs, or source codes will only be triggered upon fulfillment of the conditions of the contract or service by either or both parties to the agreement.

  - Escrow Services for Funds/Assets under Dispute of Ownership
    This arrangement is resorted to for assets where ownership is under dispute by two or more parties. This arrangement could be triggered by a court order or mutual consent of all 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 and 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, through 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, through its Third-Party Custodianship and Registry Department (TCRD), shall act as PERA Cash Custodian to the Contributor's PERA pursuant to RA 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. The types of investments such as bank deposits, government securities, corporate bonds, equities, Unit Investment Trust Funds and mutual funds, other alternative investments are prudently assessed and evaluated to suit client's requirement and risk appetite.

The arrangement could be directional – wherein prior consent from the client is required before any decision is made; or discretionary – wherein the bank is given full authority to invest the fund in pre-agreed investment guidelines.

The Investment Management Account is an Agency Arrangement and as such, the principal shall at all times retain legal title to funds of this arrangement. This type of arrangement's primary objective is most commonly for wealth build up or wealth accumulation.

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. These pools of assets or receivables are then sold or transferred to LANDBANK-Trust Banking Group for management. The LANDBANK-Trust Banking Group will sell securities to the investors backed by the assets. The cashflows generated by the underlying assets are then transferred to investors.

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 scripless securities and are registered under the Registry of Scripless Securities (RoSS) system of the Bureau of Treasury.

B. Corporate Securities

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. LTNCDs are high-yielding, negotiable deposit instruments covered by Philippine Deposit Insurance Corporation (PDIC) up to ₱500,000.00. 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. Under a firm commitment, the underwriter is required to take-up the unsubscribed or unsold portion of the securities. Thus, a good underwriter must have strong marketing capabilities for sale of securities and strong financial resources to deliver on its underwriting commitment in the event of under subscription.

B. Financial Advisory

Financial advisory is the service of providing sound advice to clients who want to explore various options for raising funds. Normally, borrowers or issuers hire financial advisors to assist in structuring or packaging the terms of financing required, i.e. amount, tenor, rates, etc.

C. Loan Syndication

Loan arrangement is the service of assisting borrowers raise funds via traditional bank debt financing. Loans may be tapped solely from LANDBANK or from a syndicate of lenders led by LANDBANK (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, such as (a) straight sale or auction of assets, (b) sale to strategic or financial investors and (c) initial public offering (IPO). LANDBANK as the lead underwriter may guarantee the distribution of shares for privatizations, among others.

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. Its cashflows are mainly from revenues 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.

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 ₱1 Million for NCR clients and ₱500,000 for provincial clients is required to avail this service.

- **Payroll Services**
  Payroll is effected by 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. Manager's Check maybe presented for encashment to the issuing LANDBANK branch or deposited to any bank subject to one (1) day clearing.

- **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. The check maybe deposited or encashed at any LANDBANK branch; and may also be deposited in other banks subject to existing check clearing policies and procedures.

Left to right:

Emmanuel F. Piñol
Secretary
Department of Agriculture

Carlos G. Dominguez
Chairman
Secretary - Department of Finance

Atty. Silvestre H. Bello III
Secretary
Department of Labor and Employment

Alex V. Buenaventura
Vice Chairman
President and CEO

Atty. John R. Castriciones
Secretary
Department of Agrarian Reform

LANDBANK
WE HELP YOU GROW.

Left to right:

Nancy Irlanda Tanjuatco
Representative - Private Sector

Atty. Jesus V. Hinlo Jr.
Representative - Private Sector

Atty. Jaime Llaneta Miralles
Representative - Agrarian Reform Beneficiaries Sector

Virgilio De Vera Robes
Representative - Agrarian Reform Beneficiaries Sector

ALTERNATE MEMBERS OF THE BOARD

as of December 31, 2018

Rosalia V. De Leon
Treasurer
Bureau of the Treasury

Atty. Erwin D. Sta. Ana
Deputy Treasurer
Bureau of the Treasury

Atty. Francisco M. Villano, Jr.
Undersecretary
Department of Agriculture

Atty. Luis Meinrado C. Pangulayan
Undersecretary
Department of Agrarian Reform

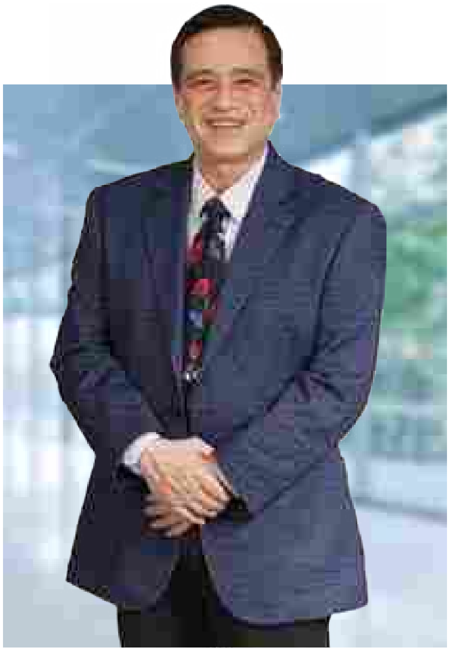
Atty. Claro A. Arellano
Undersecretary
Department of Labor and Employment

Atty. Joji V. Aragon
Assistant Secretary
Department of Labor and Employment

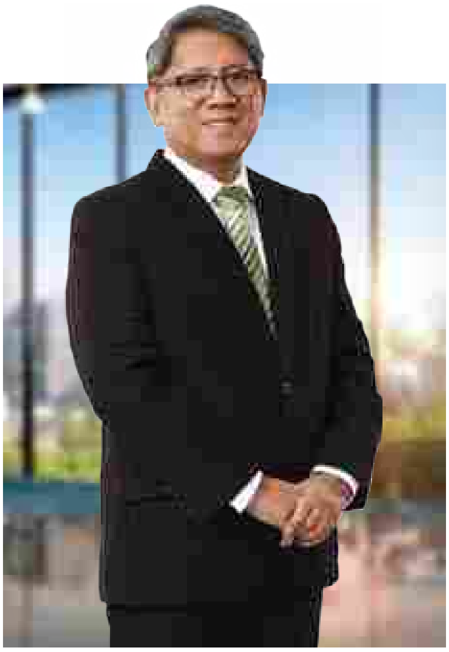
MANAGEMENT TEAM

as of December 31, 2018

Joselito P. Gutierrez
Executive Vice President
Agricultural and Development Lending Sector



Alex V. Buenaventura
President and CEO



Liduvino S. Geron
Executive Vice President
Branch Banking Sector

Julio D. Climaco, Jr.
Executive Vice President
Corporate Services Sector

Alan V. Bornas
Executive Vice President
Operations Sector

Carel D. Halog
Executive Vice President
Treasury and Investment Banking Sector

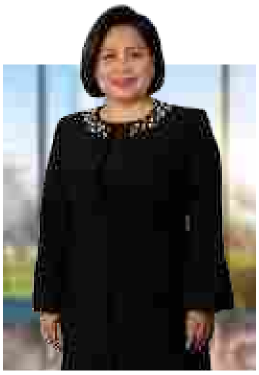
AGRICULTURAL AND DEVELOPMENT LENDING SECTOR

as of December 31, 2018

Ma. Celeste A. Burgos
Senior Vice President
Corporate Banking Group

FIlipina B. Monje
Senior Vice President
Northern and Central Luzon Lending Group

Charlotte I. Conde
First Vice President
Mindanao Lending Group



Lolita T. Silva
First Vice President
Retail and Mid-Market Lending Group

Elsie Fe B. Tagupa
First Vice President
Visayas Lending Group

Emellie V. Tamayo
First Vice President
Lending Programs Management Group

Lucila E. Tesorero
First Vice President
Southern Luzon Lending Group

Emma M. Brosas
Vice President
Corporate Banking Department I

Marietta B. Cajuguiran
Vice President
Corporate Banking Department II

Cielito H. Lunaria
Vice President
Financial Institutions Department

Esperanza N. Martinez
Vice President
Public Sector Department

Bernardo B. Bayangos
Vice President
Isabela Lending Center

Allan R. Bisnar
Vice President
Cebu South Lending Center

Eulalio G. Lagapa, Jr.
Vice President
Cebu North Lending Center

Eduardo N. Reyes, Jr.
Vice President
Nueva Ecija Lending Center

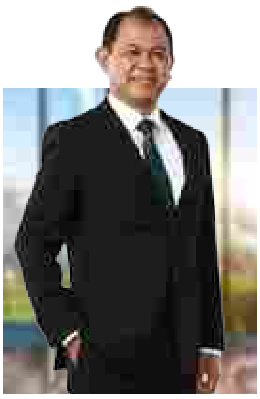
BRANCH BANKING SECTOR

as of December 31, 2018

Leila C. Martin
Senior Vice President
North NCR Branches Group

Ramon R. Monteloyola
Senior Vice President
South NCR Branches Group

Delma O. Bandiola
First Vice President
East Visayas Branches Group



Althon C. Ferolino
First Vice President
West Visayas
Branches Group

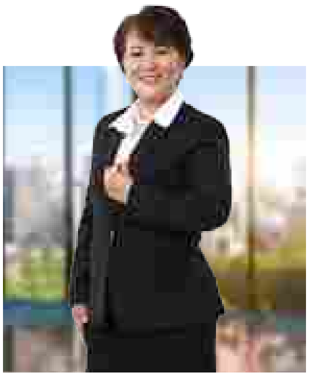
Khurshid U. Kalabud
First Vice President
West Mindanao
Branches Group

Camilo C. Leyba
First Vice President
East Mindanao
Branches Group

Sylvia C. Lim
First Vice President
Central Luzon
Branches Group

Randolph L. Montesa
First Vice President
Card and Electronic
Banking Group

Ma. Belma T. Turla
First Vice President
North Luzon Branches Group



Ma. Cielito D. Valdivia
First Vice President
Southwest Luzon
Branches Group

Marilou L. Villafranca
First Vice President
Southeast Luzon
Branches Group

Pacifico C. De Paz, Jr.
Vice President
Electronic Products
Department

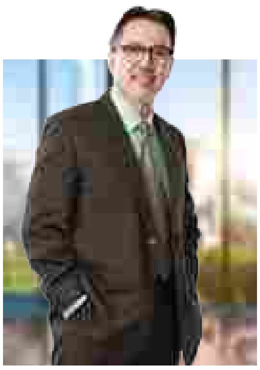
Virgilio C. Paranial
Vice President
Buendia Branch

Elenita C. Rapanut
Vice President
Branch Banking Support
Department

Rossana S. Coronel
Relationship Officer
South NCRBG Cluster A

UNITS UNDER THE BOARD AND OFFICE OF THE PRESIDENT

as of December 31, 2018

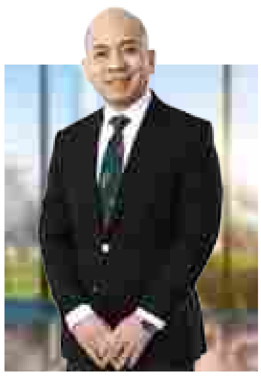


Alex A. Lorayes
Senior Vice President
Agrarian Services Group

Amelia S. Amparado
First Vice President
Compliance Management
Group

Sofia C. Ladores
First Vice President
Risk Management Group

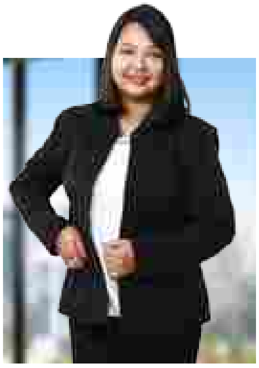
Atty. Noel B. Marquez
First Vice President
Legal Services Group



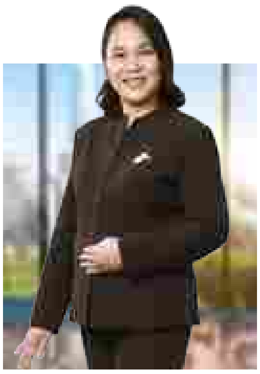
Elcid C. Pangilinan
First Vice President
Strategic Planning Group

Maria Aurora R. Bocato
Vice President
Credit Risk Management Department

Maria Edelwina D. Carreon
Vice President
Internal Audit Group



Marjorie R. Cortez
Vice President
Business Risk Management Department



Rose Marie E. Sotelo
Vice President
Treasury Risk Management Department

Efren S. Tedor
Vice President
Physical Security Office

CORPORATE SERVICES SECTOR

as of December 31, 2018

Catherine Rowena B. Villanueva
First Vice President
Corporate Affairs Department

Dina Melanie R. Madrid
Vice President
Facilities and Procurement Services Group

Emmanuel G. Hio, Jr.
Vice President
Organization Development Department

Atty. Joselito B. Vallada
Vice President
Human Resource Management Group

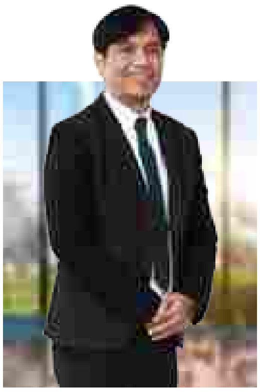
OPERATIONS SECTOR

as of December 31, 2018

Annalene M. Bautista
Senior Vice President
Controllership Group

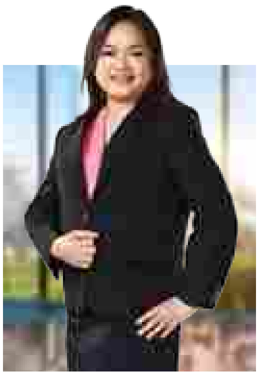
Alden F. Abitona
First Vice President
Technology Management Group

Winston Rochel L. Galang
First Vice President
Banking Operations Group



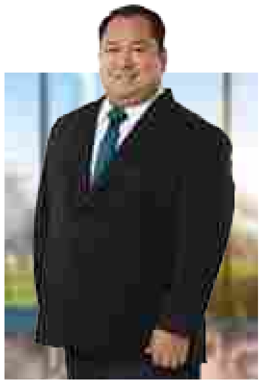
Reynaldo C. Capa
Vice President
Banking Services Group

Arthur E. Dalampan
Vice President
Electronic Banking
Systems Department



Grace Ofelia Lovely V. Dayo
Vice President
Retail Banking
Systems Department

Merceditas N. Oliva
Vice President
Financial Accounting
Department



Enrique L. Sazon, Jr.
Vice President
Network Operations
Department

TREASURY AND INVESTMENT BANKING SECTOR

as of December 31, 2018

Gonzalo Benjamin A. Bongolan
First Vice President
Investment Banking Group

Ma. Elizabeth L. Gener
First Vice President
Asset and Liability
Management Group

Ma. Francia O. Titar
First Vice President
Financial Markets Group

Lolita M. Almazar
Vice President
Investment Sales and
Distribution Department

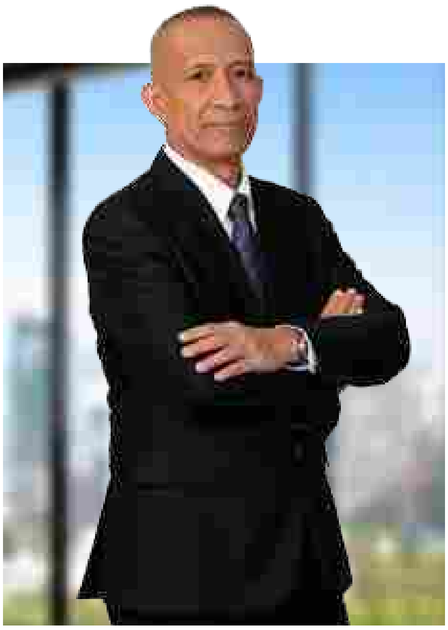
Emmanuel G. Dimaano
Vice President
Capital Markets
Trading Department

Adelfa R. Masacupan
Vice President
Liquidity and Reserve
Management Department

Ivy C. Sacramento
Vice President
Balance Sheet Management
Department

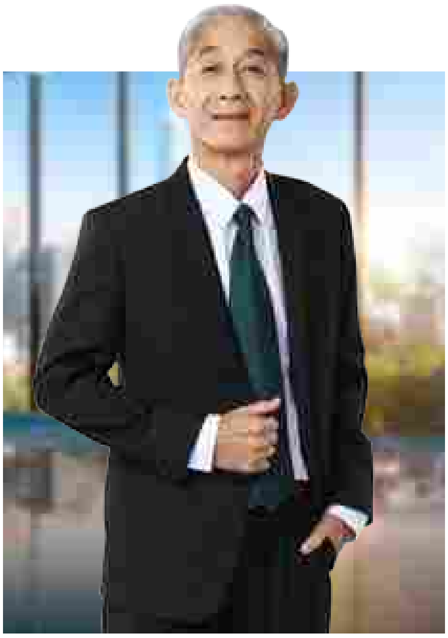
LANDBANK FOUNDATION AND SUBSIDIARIES

as of December 31, 2018



Roy C. Oscillada
Executive Director
LANDBANK Countryside Development Foundations, Inc.

Tomas T. De Leon, Jr.
President
LBP Insurance Brokerage, Inc.



Manuel H. Lopez
President and CEO
LBP Leasing and Finance Corporation

Simeona S. Guevarra
President and CEO
LBP Resources and Development Corporation

Blesilda R. Macalalad
Officer-in-Charge
Masaganang Sakahan, Inc.

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **Land Bank of the Philippines and Subsidiaries (the Group) and of Land Bank of the Philippines (the Parent)** which comprise the statements of financial position as at December 31, 2018 and 2017 and the statements of comprehensive income, statements of changes in capital funds and statements of cash flows for the years then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Group and the Parent as at December 31, 2018 and 2017, and their financial performance and their cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

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 Financial Statements* section of our report. We are independent of the Group and the Parent 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 12 to the Financial Statements which disclosed, among others, that the LBP's Fair Value through Other Comprehensive Income account includes the undelivered 3,366,800 MERALCO shares with market value of P1.279 billion as of December 31, 2018. Likewise the corresponding cash dividends earned amounting to P403.481 million and P358.446 million as at December 31, 2018 and 2017, 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 dated 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. On June 22, 2018, the LBP's Memorandum was filed in compliance with the Supreme Court Resolution dated March 5, 2018.

Further as discussed in Note 2.4 to the Financial Statements the Group will adopt PFRS 15 effective 1 January 2019 retroactive 1 January 2018. The deferred adoption of PFRS 15 has insignificant impact on the financial statements of the Group.

Our opinion is not modified in respect to these matters.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's and the Parent'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 and the Parent or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and Parent's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 and the Parent's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- 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 uncertainly exists related to events or conditions that may cast significant doubt on the Group's and the Parent'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 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 and the Parent to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the 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 and the Parent to express an opinion on the 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.

Report on Other Regulatory Requirements

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as whole. The supplementary information in Note 25 to the 2018 financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements prepared in accordance with PFRS. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

COMMISSION ON AUDIT

ROCHIE J. FELICES
Supervising Auditor

July 05 2019

LAND BANK OF THE PHILIPPINES

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Land Bank of the Philippines and Subsidiaries (the Group) and the Land Bank of the Philippines (the Parent)** is responsible for the preparation of the financial statements including the schedules attached therein, for the years ended December 31, 2018 and 2017 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's and Parent's ability to continue as a going concern and using the going concern basis of accounting unless management either intends to liquidate the bank or to cease operations or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's and the Parent's financial reporting process.

The Board of directors reviews and approves the financial statements including the schedule attached therein, and submits the same to the regulators, creditors and other users.

The Commission on Audit has audited the financial statements of the Group and of the Parent in accordance with the International Standards of Supreme Audit Institutions, and its report to the Board of Directors has expressed its opinion on the fairness of presentation upon completion of such audit.

CARLOS G. DOMINGUEZ
Chairman of the Board

CECILIA C. BORROMEO
President and Chief Executive Officer

ALAN V. BORNAS
Executive Vice President/Head, Operations Sector

Signed this 5th day of July 2019

LAND BANK OF THE PHILIPPINES

STATEMENTS OF FINANCIAL POSITION

December 31, 2018 and 2017
(In Philippine Peso)

	NOTE	GROUP 2018	GROUP 2017 As restated	PARENT 2018	PARENT 2017 As restated
ASSETS					
Cash and other cash items	5	37,071,877,586	31,385,326,196	36,968,265,489	31,384,484,693
Due from Bangko Sentral ng Pilipinas	6	334,804,227,060	305,349,912,019	331,197,576,413	305,349,912,019
Due from other banks	7	4,889,218,840	5,184,791,386	5,709,452,042	5,106,486,709
Interbank loans receivable	8	18,096,177,165	20,981,026,772	18,096,177,165	20,981,026,772
Securities purchased under agreements to resell	9	50,549,159,021	52,232,925,111	50,019,791,667	52,232,925,111
Fair value thru profit or loss	10	10,645,595,328	13,386,136,492	10,600,661,385	13,386,136,492
Fair value thru other comprehensive income	11	111,268,777,036	238,225,846,879	110,786,754,095	238,225,846,879
Hold to collect - net	12	497,719,823,912	321,091,631,449	496,519,359,289	319,973,931,764
Loans and receivables - net	13 & 20	798,740,094,904	614,436,495,351	792,390,872,379	612,715,409,602
Investments in subsidiaries	14	0	0	1,460,533,882	438,775,007
Investment in associates	15	581,627,180	0	581,627,180	0
Investment property - net	16	5,779,512,960	5,683,999,567	5,396,784,095	5,571,611,003
Property and equipment - net	17	8,183,696,092	7,704,663,099	7,960,167,665	7,222,632,456
Non-current assets held for sale		777,088,447	325,698,390	334,903,288	321,980,850
Other intangible assets - net	18	1,172,778,116	1,274,390,786	1,155,221,449	1,269,754,705
Other assets - net	19	5,012,833,637	6,936,783,008	5,096,215,338	6,847,792,734
Deferred income tax	24	3,483,592,688	2,878,785,921	3,418,973,804	2,808,807,996
TOTAL ASSETS		**1,888,776,079,972**	**1,627,078,412,426**	**1,877,693,336,625**	**1,623,837,514,792**
LIABILITIES AND EQUITY					
Liabilities					
Deposit liabilities	21	1,663,262,240,424	1,425,219,507,106	1,656,141,277,372	1,425,473,355,997
Bills payable	22	32,430,837,033	25,375,107,659	31,256,837,033	24,580,107,659
Derivative liabilities		3,326,450	18,892,674	3,326,450	18,892,674
Treasurer's, Manager's and Cashier's checks		1,489,153,882	1,237,442,881	1,471,531,657	1,237,442,881
Payment order payable		66,497,438	53,631,992	66,497,438	53,631,992
Marginal deposits		12,264,093,339	14,984,223,824	12,264,093,339	14,984,223,824
Cash letters of credit		6,298,812,120	8,788,482,340	6,298,812,120	8,788,482,340
Other liabilities	23	35,944,291,642	35,178,411,468	35,232,674,582	35,007,591,173
Total Liabilities		1,751,759,252,328	1,510,855,699,944	1,742,735,049,991	1,510,143,728,540
Equity	33 & 34				
Common stock		26,290,777,708	20,981,000,000	26,290,777,708	20,981,000,000
Paid-in surplus		101,098,220	101,098,220	101,098,220	101,098,220
Retained earnings free		27,633,552,918	32,089,913,615	26,423,619,072	30,753,073,583
Retained earnings reserve		54,697,680,262	42,311,448,508	53,412,530,262	41,271,448,508
Undivided profits		16,144,116,453	15,271,398,927	16,589,955,646	15,175,224,563
Revaluation increment		61,200,000	61,200,000	0	0
Other Comprehensive Income					
Net unrealized gains on securities available for sale		11,860,791,134	5,411,941,378	11,908,549,439	5,411,941,378
Remeasurement of retirement benefit obligation		(4,145,338)	(5,288,166)	0	0
Translation adjustment and others		231,756,287	0	231,756,287	0
Total Equity		**137,016,827,644**	**116,222,712,482**	**134,958,286,634**	**113,693,786,252**
TOTAL LIABILITIES AND EQUITY		**1,888,776,079,972**	**1,627,078,412,426**	**1,877,693,336,625**	**1,623,837,514,792**

The Notes on pages 199 to 247 form part of these financial statements.

LAND BANK OF THE PHILIPPINES

STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2018 and 2017
(In Philippine Peso)

		GROUP		PARENT	
	NOTE	2018	2017 As restated	2018	2017 As restated
INTEREST INCOME					
Loans		38,803,126,137	29,647,104,130	38,179,954,592	29,531,777,486
Investments		21,144,730,881	15,913,386,891	21,090,787,288	15,880,559,323
Due from Bangko Sentral ng Pilipinas		661,583,354	2,399,863,981	576,871,409	2,399,863,981
Deposit in banks		75,050,773	47,503,037	68,054,864	39,363,021
Others		1,022,530	1,248,452	1,021,816	1,248,452
		60,685,513,675	48,009,106,491	59,916,689,969	47,852,812,263
INTEREST EXPENSE					
Deposit liabilities		13,072,218,375	8,923,169,074	12,969,084,208	8,923,675,095
Borrowed funds		1,016,714,902	912,985,196	974,989,745	897,055,307
Others		76,719	2,251	581,382	920,592
		14,089,009,996	9,836,156,521	13,944,655,335	9,821,650,994
NET INTEREST INCOME		46,596,503,679	38,172,949,970	45,972,034,634	38,031,161,269
PROVISION FOR CREDIT LOSSES	20	4,295,343,215	1,136,837,099	3,852,491,480	1,109,626,624
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES		42,301,160,464	37,036,112,871	42,119,543,154	36,921,534,645
OTHER OPERATING INCOME					
Dividends		1,436,544,181	1,582,606,081	1,436,544,181	1,582,606,081
Fees and commission		1,873,386,176	1,892,258,615	1,724,510,897	1,779,684,551
Gain from dealings in foreign currency		404,965,662	415,407,278	404,965,662	412,592,550
Gain from sale/redemption/reclass of non-trading of FA and Liab		48,165,355	451,832,549	48,165,355	451,875,346
Gain on financial assets - held for trading		0	893,560,913	0	893,560,913
Gain on financial assets at fair value thru profit or loss		649,454,034	0	652,256,811	0
Gain on financial assets & liabilities designated at FV thru P/L		42,818,431	0	42,818,431	0
Foreign exchange gains from revaluation		392,423,881	0	392,285,472	0
Miscellaneous income	35	2,780,991,623	1,418,850,134	2,543,193,018	1,122,775,823
		7,628,749,343	6,654,515,570	7,244,739,827	6,243,095,264
OTHER OPERATING EXPENSES					
Compensation and fringe benefits		13,853,217,876	11,309,938,760	13,367,317,082	11,271,950,519
Taxes and licenses		3,842,625,455	3,452,902,178	3,789,219,650	3,427,605,229
Depreciation and amortization		1,417,510,263	1,051,745,668	1,362,803,272	1,035,285,806
Foreign exchange loss from revaluation		0	574,046,924	0	574,046,924
Rent		1,255,848,910	968,795,158	1,558,356,596	1,002,024,401
Miscellaneous expenses	36	13,160,603,980	10,649,957,320	12,535,155,976	10,358,880,013
		33,529,806,484	28,007,386,008	32,612,852,576	27,669,792,892
INCOME BEFORE INCOME TAX		16,400,103,323	15,683,242,433	16,751,430,405	15,494,837,017
PROVISION FOR INCOME TAX	24	255,986,870	411,843,506	161,474,759	319,612,454
NET INCOME		16,144,116,453	15,271,398,927	16,589,955,646	15,175,224,563
OTHER COMPREHENSIVE INCOME	33				
Net unrealized gains on securities available for sale		6,448,849,756	1,875,908,234	6,496,608,061	1,875,908,234
Remeasurement of retirement benefit obligation		1,142,828	(5,176,642)	0	0
Translation adjustment and others		231,756,287	0	231,756,287	0
TOTAL COMPREHENSIVE INCOME		**22,825,865,324**	**17,142,130,519**	**23,318,319,994**	**17,051,132,797**

The Notes on pages 199 to 247 form part of these financial statements.

LAND BANK OF THE PHILIPPINES

STATEMENTS OF CHANGES IN EQUITY - GROUP

For the years ended December 31, 2018 and 2017
(In Philippine Peso)

	Common Stock (Note 32)		Paid-in Surplus	Retained Earnings Free	Retained Earnings Reserve (Note 33)	Undivided Profits	Revaluation Increment	Other Comprehensive Income (Loss) (Note 33)	TOTAL
	Shares	Amount							
Balance, December 31, 2016 - as restated	**178,000,000**	**17,800,000,000**	**101,098,220**	**29,107,555,598**	**30,794,448,508**	**14,355,885,309**	**61,200,000**	**3,535,921,620**	**95,756,109,255**
Capital infusion from the National Government	31,810,000	3,181,000,000							3,181,000,000
Net income during the year - as restated						15,271,398,927			15,271,398,927
Net unrealized gain on securities								1,875,908,234	1,875,908,234
Re-measurement of retirement benefit obligation								(5,176,642)	(5,176,642)
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)
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 - as restated	**209,810,000**	**20,981,000,000**	**101,098,220**	**32,089,913,615**	**42,311,448,508**	**15,271,398,927**	**61,200,000**	**5,406,653,212**	**116,222,712,482**
Effect of PFRS 9 adoption (Note 2.4)				(8,124,414,908)				6,555,190,215	(1,569,224,693)
Beginning balance under PFRS 9	**209,810,000**	**20,981,000,000**	**101,098,220**	**23,965,498,707**	**42,311,448,508**	**15,271,398,927**	**61,200,000**	**11,961,843,427**	**114,653,487,789**
Capital infusion from the National Government	53,097,777	5,309,777,708							5,309,777,708
Net income during the year						16,144,116,453			16,144,116,453
Net unrealized gain on securities								188,345,583	188,345,583
Re-measurement of retirement benefit obligation								1,142,828	1,142,828
Transfer to retained earnings free				15,271,398,927		(15,271,398,927)			0
Transfer to retained earnings reserve				(12,245,150,000)	12,245,150,000				0
Payment of cash dividends				(137,791,589)					(137,791,589)
Prior period adjustment				627,595,559					627,595,559
Disposal of equity securities classified as Fair Value thru other comprensive income				294,686,042				(294,686,042)	0
Appropriation of ECL general provision				(141,081,754)	141,081,754				0
Closure of excess book value over cost of investment in subsidiaries				(19)					(19)
Currency translation difference and others				(1,602,955)				231,756,287	230,153,332
Balance, December 31, 2018	**262,907,777**	**26,290,777,708**	**101,098,220**	**27,633,552,918**	**54,697,680,262**	**16,144,116,453**	**61,200,000**	**12,088,402,083**	**137,016,827,644**

TThe Notes on pages 199 to 247 form part of these financial statements.

LAND BANK OF THE PHILIPPINES

STATEMENTS OF CHANGES IN EQUITY - PARENT

For the years ended December 31, 2018 and 2017
(In Philippine Peso)

	Common Stock (Note 33)							
	Shares	Amount	Paid-in Surplus	Retained Earnings Free	Retained Earnings Reserve (Note 33)	Undivided Profits	Other Comprehensive Income (Loss) (Note 33)	TOTAL
Balance, December 31, 2016	**178,000,000**	**17,800,000,000**	**101,098,220**	**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 - as restated						15,175,224,563		15,175,224,563
Net unrealized gain on securities							1,875,908,234	1,875,908,234
Transfer to retained earnings free				14,105,451,520		(14,105,451,520)		0
Increase in retained earnings-reserve				(11,500,000,000)	11,500,000,000			0
Prior period adjustment				276,431,145				276,431,145
Currency translation difference				(127,027)				(127,027)
Balance, December 31, 2017 - as restated	**209,810,000**	**20,981,000,000**	**101,098,220**	**30,753,073,583**	**41,271,448,508**	**15,175,224,563**	**5,411,941,378**	**113,693,786,252**
Effect of PFRS 9 adoption (Note 2.4)				(8,124,414,908)			6,555,190,215	(1,569,224,693)
Beginning balance under PFRS 9	**209,810,000**	**20,981,000,000**	**101,098,220**	**22,628,658,675**	**41,271,448,508**	**15,175,224,563**	**11,967,131,593**	**112,124,561,559**
Capital infusion from the National Government	53,097,777	5,309,777,708						5,309,777,708
Net income during the year						16,589,955,646		16,589,955,646
Net unrealized gain on securities							236,103,888	236,103,888
Transfer to retained earnings free				15,175,224,563		(15,175,224,563)		0
Increase in retained earnings-reserve				(12,000,000,000)	12,000,000,000			0
Prior period adjustment				467,734,501				467,734,501
Disposal of equity securities classified as Fair Value thru other comprensive income				294,686,042			(294,686,042)	-
Appropriation of ECL general provision				(141,081,754)	141,081,754			-
Currency translation difference and others				(1,602,955)			231,756,287	230,153,332
Balance, December 31, 2018	**262,907,777**	**26,290,777,708**	**101,098,220**	**26,423,619,072**	**53,412,530,262**	**16,589,955,646**	**12,140,305,726**	**134,958,286,634**

The Notes on pages 199 to 247 form part of these financial statements.

LAND BANK OF THE PHILIPPINES

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2018 and 2017
(In Philippine Peso)

	GROUP		PARENT	
	2018	2017 As restated	2018	2017 As restated
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest received	57,802,853,222	42,661,419,963	57,084,133,197	46,669,939,026
Interest paid	(13,087,087,359)	(10,128,409,151)	(12,959,893,491)	(10,114,161,298)
Fees and commission received	1,873,386,176	1,892,258,615	1,724,510,897	1,779,684,551
Gain on financial assets and liabilities-fair value thru P/L	692,272,465	893,560,913	695,075,242	893,560,913
Gain from dealings in foreign currency	404,965,662	415,407,278	404,965,662	412,592,550
Miscellaneous income	2,780,991,623	1,418,850,134	2,543,193,018	1,122,775,823
General and administrative expenses	(32,732,926,191)	(24,084,132,944)	(32,425,249,953)	(23,151,640,503)
Operating income before changes in operating assets and liabilities	**17,734,455,598**	**13,068,954,808**	**17,066,734,572**	**17,612,751,062**
Changes in operating assets and liabilities				
(Increase)/Decrease in operating assets				
Interbank loans receivable	2,883,080,000	(5,408,240,000)	2,883,080,000	(5,408,240,000)
Fair value thru profit or loss	2,730,313,373	(3,481,551,509)	2,774,974,239	(3,481,551,509)
Loans and receivable	(185,784,300,873)	(113,769,646,275)	(180,828,866,859)	(113,225,893,729)
Other intangible assets	(189,296,172)	(393,681,903)	(172,929,708)	(393,162,806)
Other assets	1,875,860,487	5,972,041,637	1,749,044,547	1,822,530,416
Deferred income tax	(604,806,767)	(545,101,526)	(610,165,808)	(538,218,454)
Increase/(Decrease) in operating liabilities				
Deposit liabilities	238,042,733,318	189,594,301,626	230,667,921,375	189,496,020,794
Derivative liabilities	(15,566,224)	388,114	(15,566,224)	388,114
Deposits from other banks	0	(1,723,036)	0	(1,723,036)
Payment order payable	12,865,446	(40,556,117)	12,865,446	(40,556,117)
Marginal deposits	(2,720,130,485)	(41,415,725)	(2,720,130,485)	(41,415,725)
Cash letters of credit	(2,489,670,220)	2,415,364,535	(2,489,670,220)	2,415,364,535
Treasurer's, Manager's and Cashier's Checks	251,711,001	(28,116,680)	234,088,776	(28,116,680)
Other liabilities	142,748,251	11,988,896,700	120,644,677	11,292,442,789
Net cash generated from operations	**71,869,996,733**	**99,329,914,649**	**68,672,024,328**	**99,480,619,654**
Income taxes paid	(140,046,620)	(90,429,132)	0	0
Net cash generated from operating activities	**71,729,950,113**	**99,239,485,517**	**68,672,024,328**	**99,480,619,654**
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property and equipment	(1,495,974,287)	(1,373,608,089)	(1,717,608,937)	(1,377,634,985)
Disposals of investment property	(256,064,325)	473,511,516	47,677,440	459,243,583
Disposals of/(additions to) non-current assets held for sale	(451,390,057)	(58,653,276)	(12,922,438)	(63,321,031)
Dividends received	1,436,544,181	1,582,606,081	1,436,544,181	1,582,606,081
Gain from investment securities	48,165,355	451,832,549	48,165,355	451,875,346
Decrease/(increase) in:				
Fair value thru other comprehensive income	132,361,941,988	54,046,622,095	132,891,723,234	54,046,622,095
Hold to collect	(175,405,219,744)	(168,271,773,425)	(175,321,294,328)	(168,045,733,141)
Investment in subsidiaries	0	0	(1,021,758,875)	(1)
Investment in associates	(581,627,180)	0	(581,627,180)	0
Net cash provided by (used in) investing activities	**(44,343,624,069)**	**(113,149,462,549)**	**(44,231,101,548)**	**(112,946,342,053)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash dividends paid	(133,840,795)	(130,568,425)	0	0
Capital infusion from National Government	5,309,777,708	3,181,000,000	5,309,777,708	3,181,000,000
Other charges to capital	(6,982,291,195)	240,457,247	(7,131,841,033)	276,304,118
Increase/(decrease) in:				
Bills payable	7,189,132,152	(4,845,874,439)	6,810,132,152	(5,424,874,439)
Net cash used in financing activities	**5,382,777,870**	**(1,554,985,617)**	**4,988,068,827**	**(1,967,570,321)**
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	392,423,881	(574,046,924)	392,285,472	(574,046,924)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**33,161,527,795**	**(16,039,009,573)**	**29,821,277,079**	**(16,007,339,644)**

CASH AND CASH EQUIVALENTS AT BEGINNING 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	305,349,912,019	355,405,020,009	305,349,912,019	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	52,232,925,111	14,803,583,599	52,232,925,111	14,803,583,599
	394,152,954,712	**410,191,964,285**	**394,073,808,532**	**410,081,148,176**
CASH AND CASH EQUIVALENTS AT END OF YEAR				
Cash and other cash items	37,071,877,586	31,385,326,196	36,968,265,489	31,384,484,693
Due from Bangko Sentral ng Pilipinas	334,804,227,060	305,349,912,019	331,197,576,413	305,349,912,019
Due from other banks	4,889,218,840	5,184,791,386	5,709,452,042	5,106,486,709
Securities purchased under agreements to resell	50,549,159,021	52,232,925,111	50,019,791,667	52,232,925,111
	427,314,482,507	**394,152,954,712**	**423,895,085,611**	**394,073,808,532**

The Notes on pages 199 to 247 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, 2018, 74 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 July 05, 2019 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 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).

2.2 Basis of Financial Statements Preparation

The accompanying financial statements have been prepared on a historical cost basis unless stated otherwise.

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 assets and liabilities in the RBU are translated in Philippine Peso based on the Bankers Association of the Philippines (BAP) closing rate prevailing at end of the year and at the BAP Weighted Average Rate for the year for income and expenses.

The consolidated financial statements are presented in Philippine peso and all values are rounded to the nearest peso except when otherwise indicated.

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
Overseas Filipino Bank, Inc	Philippines	Banking	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.

2.4 Changes in Accounting Policies

PFRS 9, Financial Instruments

Effective January 1, 2018, PFRS 9 replaces Philippine Accounting Standard (PAS) 39, Financial Instruments: Recognition and Measurement. PFRS 9 also supersedes all earlier versions of the standard, thereby bringing together all three aspects of the accounting for financial instruments: classification, measurement and impairment.

PFRS 9 is required to be applied on a retrospective basis, with certain exceptions. As permitted, the Group did not restate prior period comparative financial statements when the Group adopted the requirements of the new standard. Therefore, the comparative information for 2017 is reported under (PAS) 39 and is not comparable to information presented in 2018.

Restatements and differences in the carrying amounts of financial instruments arising from the adoption of PFRS 9 have been recognized in the 2018 opening balances of retained earnings and Other Comprehensive Income (OCI) as if the Group had always applied PFRS 9.

The Group adopted the classification and measurement, impairment and hedge accounting requirements of the standard as follows:

Classification and Measurement

Debt Financial Assets

Financial assets are measured at Fair Value through Profit or Loss (FVTPL) unless these are measured at Fair Value through Other Comprehensive Income (FVOCI) or at amortized cost. The classification and measurement provisions of PFRS 9 require that all debt financial assets that do not meet the “solely payment of principal and interest” (SPPI) test, including those that contain embedded derivatives, be classified at initial recognition as financial assets at FVTPL. The intent of the SPPI test is to ensure that debt instruments that contain non-basic lending features, such as conversion options and equity linked pay-outs, are measured as financial assets at FVTPL. Subsequent measurement of instruments classified as financial assets at FVTPL under PFRS 9 operates in a similar manner to financial instruments held for trading under PAS 39.

For debt financial assets that meet the SPPI test, classification at initial recognition will be determined based on the business model under which these instruments are managed. Debt instruments that are managed on a “hold to collect and for sale” basis will be classified as financial assets measured at FVOCI. Debt instruments that are managed on a “hold to collect” basis will be classified as investment securities at amortized cost. Subsequent measurement of instruments classified as financial assets at FVOCI and at amortized cost classifications under PFRS 9 operate in a similar manner to AFS financial assets for debt financial assets and loans and receivables, respectively, under existing PAS 39, except for the impairment provisions which are discussed below.

For those debt financial assets that would otherwise be classified as financial assets at FVOCI or at amortized cost, an irrevocable designation can be made at initial recognition to instead measure the debt instrument as financial asset measured at FVTPL under the fair value option (FVO) if doing so eliminates or significantly reduces an accounting mismatch.

Equity Financial Assets

All equity financial assets are required to be measured at initial recognition at FVTPL unless an irrevocable designation is made to classify the instrument as financial asset measured at FVOCI. Unlike AFS for equity securities under PAS 39, the FVOCI for equity category results in all realized and unrealized gains and losses being recognized in OCI with no recycling to profit and loss. Only dividends will continue to be recognized in profit and loss. Under PFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on the business model and their contractual terms.

Financial liabilities

The classification and measurement of financial liabilities remain essentially unchanged from the current PAS 39 requirements, except that changes in fair value of FVO liabilities attributable to changes in own credit risk are to be presented in OCI, rather than profit and loss.

Derivatives

Derivatives continue to be classified as financial assets/liabilities measured at FVTPL under PFRS 9.

A Parent's reconciliation between the carrying amounts under PAS 39 to the balances reported under PFRS 9 as of January 1, 2018 follow:

	December 31, 2017 under PAS 39					January 1, 2018 under PFRS 9	
	Measurement Category	Amount	Reclassification	Re-measurement	ECL	Measurement Category	Amount
Cash and other cash items	Amortized cost	31,384,484,693	0	0	0	Amortized cost	31,384,484,693
Due from Bangko Sentral ng Pilipinas	Amortized cost	305,349,912,019	0	0	0	Amortized cost	305,349,912,019
Due from other banks	Amortized cost	5,106,486,709	0	0	(2,829,846)	Amortized cost	5,103,656,863
Interbank loans receivable	Amortized cost	20,981,026,772	0	0	0	Amortized cost	20,981,026,772
Securities purchased under agreements to resell	Amortized cost	52,232,925,111	0	0	0	Amortized cost	52,232,925,111
Loans and receivables-net	Amortized cost	612,715,409,602	0	0	(6,700,361,502)	Amortized cost	606,015,048,100
Held for Trading							
Debt	FVTPL	11,277,862,485	(11,277,862,485)	0		FVTPL	11,273,543,561
				(318,924)		Amortized cost	4,000,000
Derivatives with Positive FV	FVTPL	2,088,402,244	(2,088,402,244)	0		FVTPL	2,088,402,244
		13,366,264,729	(13,366,264,729)	(318,924)			13,365,945,805
Available for Sale (AFS)							
Debt	AFS	213,436,947,813	(213,436,947,813)	4,759,031,029		Amortized cost	160,412,308,334
						FVOCI	57,783,670,508
Equity	AFS	15,615,137,720	(15,615,137,720)	0		FVOCI	15,615,137,720
		229,052,085,533	(229,052,085,533)	4,759,031,029			233,811,116,562
Held to Maturity (HTM)							
Debt	Amortized cost	317,123,977,928	(317,123,977,928)	2,158,624,544	148,610,144	Amortized cost	300,709,670,364
				162,953,735		FVOCI	18,884,495,987
		317,123,977,928	(317,123,977,928)	2,321,578,279	148,610,144		318,903,863,106
INMES	Historical cost	7,341,084,176	(7,341,084,176)	(1,383,025,654)		FVOCI	4,838,727,434
				(1,763,698,167)		FVTPL	763,345,258
				1,407,712,337			0
		7,341,084,176	(7,341,084,176)	(1,739,011,484)			5,602,072,692
UDSCL	Amortized cost	10,724,049,656	(10,724,049,656)	4,818,245		Amortized cost	10,608,870,816
				(4,818,245)		FVOCI	10,187,804
						FVTPL	104,991,036
		10,724,049,656	(10,724,049,656)	0			10,724,049,656
OTHER INVESTMENTS	Historical cost	10,016,959	(10,016,959)	9,043,808			0
				(673,500)		Historical cost	580,000
				35,952,733		FVOCI	53,760,000
		10,016,959	(10,016,959)	44,323,041			54,340,000

The impact on the Parent's surplus and net unrealized gain upon adoption of PFRS 9 are as follows:

	Amount
Other Comprehensive Income, Closing Balance under PAS 39 (December 31, 2017)	**5,411,941,378**
Adjustments on initial application of PFRS 9	
a. Reversal of net unrealized losses on reclassification of securities from FVOCI to Hold to Collect (HTC)	4,759,031,029
b. Reversal of unamortized net unrealized losses on previously reclassified securities from AFS to HTM	2,158,624,544
c. Recognition of net unrealized gains on HTM reclassified to FVOCI	162,953,734
d. Recognition of net unrealized loss on equity investments reclassified to FVOCI	(525,419,092)
	6,555,190,215
Opening Balance under PFRS 9 (January 01, 2018)	**11,967,131,593**
Retained Earnings – Free, Closing Balance under PAS 39 (December 31, 2017)	**30,753,073,583**
Adjustments on initial application of PFRS 9	
a. Reversal of unrealized gain on securities classified from FVTPL to HTC	(318,924)
b. Reversal of allowance for credit losses on equity investments reclassified to FVOCI	397,690,903
c. Recognition of unrealized losses on equity securities reclassified to FVTPL	(1,566,960,256)
d. Recognition of estimated credit losses (ECL)1/	(6,954,826,631)
	(8,124,414,908)
Opening Balance under PFRS 9 (January 01, 2018)	**22,628,658,675**

1/ Includes ECL for Contingent Accounts

The adoption of PFRS 9 as at January 01, 2018 resulted in the reversal of net unrealized losses in Other Comprehensive Income amounting to P6.555 billion and a reduction in the Retained Earning - free of P8.124 billion.

Credit Losses on Credit Exposures

Geared towards complying with the requirements of PFRS 9, the Bank adopted the Expected Credit Loss (ECL) methodology as of 1 January 2018 to quantify/measure the credit losses on loan receivables, investments in debt instruments that are measured at amortized cost or at Fair Value through Other Comprehensive Income (FVOCI); and credit commitments and financial guarantee contracts that are not measured at fair value through profit or loss (FVTPL).

With the Bank's adoption, the credit loss methodology changed significantly from incurred loss approach to ECL where the Bank recognized credit impairment/allowance for credit losses even before an objective evidence of impairment becomes apparent. Further, it considered past events, current conditions, and forecasts of future economic conditions in assessing impairment. The adoption of PFRS 9 to compute credit losses as of 1 January 2018 resulted in additional allowance of P6.955 billion.

PFRS 9 Policies-Classification and Measurement

1. The following instruments shall undergo the classification:

   a. Debt Instruments – Solely Payment of Principal and Interest and Business Model (BM) Tests
   b. Equity Instruments – BM Test

2. BMs shall be reviewed and recommended by the Investment and Loan Committee and approved by the Board of Directors.

3. The following are the BMs for managing financial assets:

Business Model	Amortized Cost-Hold to Collect (HTC)	Fair Value through Other Comprehensive Income (FVOCI)	Fair Value through Profit or Loss (FVTPL)
Objective	Collect Contractual cash flows	Collect contractual cash flows and sell	Sell Financial assets
Relevant Risks	Credit, Liquidity and Interest Rate	Liquidity, Interest Rate, Credit and Market	Market
Frequency of Sales	Rare (Only permitted sales as specified in the BM)	Less Frequent	More frequent and greater volume
KPIs and Incentives	Accrual or (net) interest income	Accrual Income and dividends	Trading/capital gains
Impairment and Credit Review	YES	YES	NO

4. Functions of the Parent's three (3) Lines of defense are as follows:

   a. First Line of Defense – responsible in implementation of the policies
   b. Second Line of Defense – responsible in the identification of various risk controls and compliance issues
   c. Third Line of Defense – responsible in ensuring effective governance, risk management and internal controls

PFRS 9 POLICIES – EXPECTED CREDIT LOSS (ECL) ASSESSMENT

1. ECL Assessment shall be applied to the following exposures:

   a. Loans and receivables measured at amortized cost;
   b. Investments in debt instruments that are measured at amortized cost;
   c. Investments in debt instruments that are measured at fair value through other comprehensive income (FVOCI);
   d. Due from Bangko Sentral ng Pilipinas and Due from Other Banks;
   e. Credit commitments and financial guarantee contracts that are not measured at fair value though profit or loss;
   f. Other Financial Assets measured at amortized cost (Accounts Receivables, etc.)

2. The Parent's exposures shall be classified into the following stages:

STAGE	CHARACTERISTICS	ECL ASSESSMENT
Stage 1	credit exposures that are considered "performing" and with no significant increase in credit risk since initial recognition or with low credit risk	12 MONTH
Stage 2	credit exposures that are considered "under-performing" or not yet non-performing but with significant increase in credit risk since initial recognition	LIFETIME
Stage 3	credit exposures with objective evidence of impairment, these are considered as "non-performing"	LIFETIME

PFRS 15 – Revenue from Contracts with Customers

PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. The Group determines to adopt PFRS 15 effective January 01, 2019 retroactive January 01, 2018.

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 BAP closing rate prevailing at the statement of financial position date and foreign-currency denominated income and expenses at the prevailing exchange rate on date of transaction. Foreign exchange differences arising from revaluation and translation of RBU 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.

FCDU assets and liabilities of the Parent are translated in the Philippine Peso at BAP closing rate prevailing at the statements of financial position date, and its income and expenses are translated at BAP weighted average rate for the year. Exchange difference arising on translation to the presentation currency are recorded to "Translation Adjustment and Others" in the Equity. Upon disposal of the FCDU or actual remittance of FCDU profits to RBU, the cumulative amount of translation adjustments in the equity is recognized in the statement of comprehensive income.

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.

Short-term investments – Carrying amounts approximate fair values.

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 FVTPL, the initial measurement of financial instruments includes transaction costs. For CY 2018, the Group classifies its financial assets in the following measurement categories: (1) financial assets at FVTPL, (2) financial assets at FVOCI investments, (3) financial assets at amortized cost consisting of hold to collect (HTC) investments, loans and receivables, due from BSP, due from other banks, interbank loans receivable and securities under agreement to resell. On the other hand, the financial liabilities are classified as financial liabilities at FVPL and financial liabilities at amortized cost. Under PFRS 9, the classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. For CY 2017, the Group classifies its financial assets in the following categories Held for Trading (HFT), Held to Maturity (HTM) investments, Available for Sale (AFS) investments, and loans and receivables while financial liabilities are classified as financial liabilities at FVPL and financial liabilities carried at amortized cost. Under PAS 39, 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.

Policies applicable beginning January 1, 2018

Financial assets are measured at FVTPL unless these are measured at FVOCI or at amortized cost. Financial liabilities are classified as either financial liabilities at FVTPL or financial liabilities at amortized cost.

The classification of financial assets depends on the contractual terms and the business model for managing the financial assets. Subsequent to initial recognition, the Group may reclassify its financial assets only when there is a change in its business model for managing these financial assets. Reclassification of financial liabilities is not allowed.

The Group first assesses the contractual terms of financial assets to identify whether they pass the contractual cash flow test (SPPI test). For the purpose of the SPPI test, principal is defined as the fair value of the financial assets at initial recognition and may change over the life of the financial asset. The most significant elements of interest within a lending arrangements are typically the consideration for the time value of money and credit risk. In contrast, contractual terms that introduce a more than insignificant exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are SPPI. In such cases, the financial asset is required to be measured at FVTPL. Only financial assets that pass the SPPI test are eligible to be measured at FVOCI or at amortized cost.

a. *Financial Assets at FVTPL*

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at Financial assets at FVTPL, irrespective of the business model. Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of income.

b. *Financial Assets at FVOCI*

Financial assets at FVOCI reclassified from Available for Sale Securities include debt and equity securities. After initial measurement, financial assets at FVOCI are subsequently measured at fair value. The unrealized gains and losses arising from the fair valuation of investment securities at FVOCI are excluded, net of tax, as applicable, from the reported earnings and are recognized in the statement of comprehensive income as 'Change in net unrealized loss on financial assets at FVOCI'.

Debt securities at FVOCI are those that meet both of the following conditions:

(i) The asset is held within a business model whose objective is to hold the financial assets in order to both collect contractual cash flows and sell financial assets; and
(ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the outstanding principal amount.

The effective yield component (including premium, discounts and directly attributable transaction costs) and foreign exchange restatement of debt securities are reported in the statement of income.

Equity securities designated at FVOCI are those that the Group made an irrevocable election at initial recognition to present in OCI the subsequent changes in fair value. Dividends earned on holding equity securities at FVOCI are recognized in the statement of income as 'Dividends' when the right to receive payment has been established. Equity securities at FVOCI are not subject to impairment assessment.

c. *Financial Assets at Amortized Cost*

Financial assets at amortized cost are debt financial assets that meet both of the following conditions:

(i) These are held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows; and
(ii) The contractual terms give rise on specified dates to cash flows that are SPPI on the outstanding principal amount.

After initial measurement, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for credit losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization is included in 'Interest Income' in the statement of income. Losses arising from credit losses are recognized in 'Provision for impairment, credit and other losses' in the statement of income.

d. *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 FVOCI investments. These are measured at amortised cost.

Impairment of Financial Assets

For CY 2017, 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 HTC 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 HTC 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.

FVOCI Investments

If an FVOCI 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 FVOCI 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 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.

Investment in Associate

The Parent's investment in associate pertains to the entity over which the Parent Company has investment holdings of 20 per cent or more and has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investment in associate is accounted for under the equity method of accounting.

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 2018 amounts to P7.08 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 expense in 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

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received.

The following specific recognition criteria must also be met before revenue is recognized:

Service charges and penalties

Service charges and penalties are recognized only upon collection or accrued when there is reasonable degree of certainty as to its collectability.

Fees and commissions

The Group earns fee and commission income from a diverse range of services it provides to its customers, which are divided into the following two categories:

a. Fee income earned from services that are provided over time

Fees earned for the provision of services over a period of time are accrued over that period. Commitment fees received to originate a loan 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.

b. Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as underwriting fees, corporate finance fees, and brokerage fees for the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

Other income

Income from the sale of services is recognized upon completion of service. Income from sale of properties is recognized upon completion of earnings process and the collectability of the sales price is reasonably assured under 'Profit from assets sold/exchanged' in the statement of income.

Interest income

Interest on interest-bearing financial assets at FVTPL and Held-for-Trading (HFT) investments are recognized based on the contractual rate. Interest on financial instruments measured at amortized cost and fair value through other comprehensive income are recognized based on the effective interest method of accounting.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and allocating the interest income or interest expense over the relevant period.

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.

Recovery on charged-off assets

Income arising from collections on accounts or recoveries from impairment of items previously written off is recognized in the year of recovery.

Dividend income

Dividend income is recognized when the Group's right to receive the payment is established.

Rental income

Rental income arising on leased premises is accounted for on a straight-line basis over the lease terms on ongoing leases.

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, 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. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

  The Group is currently assessing the impact of adopting PFRS 16. The Group expects that total assets and total liabilities will increase while total equity will decrease on adoption date.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

  Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for the classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

- Amendments to PAS 19, *Employees Benefits, Plan Amendment, Curtailment or Settlement*

  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

  a. Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.

  b. Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (assets).

  c. The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment, or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income

- *IFRIC 23, Uncertainty over Income Tax Treatments*

  This addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses the following:

  a. Whether an entity considers uncertain tax treatments separately
  b. The assumptions an entity makes about the examination of tax treatments by taxation authorities
  c. How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  d. How an entity considers changes in facts and circumstances

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

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*

   Group as Lessor

   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.

   Group as Lessee

   The Group has entered into lease on premises it uses for its operations. The Group has determined, based on the evaluation of the terms and conditions of the lease agreement (i.e., the lease does not transfer ownership of the asset to the lessee by the end of the lease term and lease term is not for the major part of the asset's economic life), that the lessor retains all the significant risks and rewards of ownership of these properties.

b. *Impairment losses on loans and receivables and HTC investments*

   For CY 2017, the Group reviews its loans and receivables and HTC 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 HTC investments of the Group and the Parent are P935,528,126,800 and P932,689,341,366 as of December 31, 2017, respectively.

For CY 2018, the Group recognized impairment/allowance for credit losses even before an objective evidence of impairment becomes apparent. Further, it considered past events, current conditions and forecasts of future economic conditions in assessing impairment. The carrying values of receivables from customers and HTC investments of the Group and the Parent are P1,296,459,918,816 and P1,288,910,231,668 as of December 31, 2018, respectively.

c. *Impairment of FVOCI investments*

For CY 2017, the Group determines that FVOCI 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 FVOCI investments are P238,225,846,879 for both the Group and Parent as of December 31, 2017.

For CY 2018, the Group recognized impairment/allowance for credit losses on debt securities even before an objective evidence of impairment becomes apparent. Further, it considered past events, current conditions and forecasts of future economic conditions in assessing impairment. Equity securities at FVOCI are not subject to impairment assessment. The carrying values of FVOCI investments for the Group and Parent as of December 31, 2018 are P111,268,777,036 and P110,786,754,095, 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 P8,183,696,092 and P7,960,167,665 as of December 31, 2018 and P7,704,663,099 and P7,222,632,456 as of December 31, 2017, respectively.

4. Fair Value Hierarchy

These levels are based on the inputs that are used to determine the fair value and can be summarized in:

Level 1: quoted prices in active markets for identical assets or liabilities
Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
Level 3: inputs that are not based on observable market data or unobservable inputs

As of December 31, 2018 and 2017, the fair value hierarchy of the Parent's assets and liabilities are presented below:

	As of December 31, 2018				
	Book Value	Level 1 a/	Level 2 b/	Level 3 c/	Total Fair Value
FINANCIAL ASSETS					
FVTPL	**10,591,290,490**	**6,156,447,966**	**3,496,912,079**	**937,930,445**	**10,591,290,490**
Debt Securities	6,247,351,926	6,156,447,966	0	90,903,960	6,247,351,926
Domestic	5,920,707,906	5,829,803,946	0	90,903,960	5,920,707,906
FX-Reg	0	0	0	0	0
FCDU	326,644,020	326,644,020	0	0	326,644,020
Equity Securities	847,026,485	0	0	847,026,485	847,026,485
Domestic	0	0	0	0	0
FX-Reg	847,026,485	0	0	847,026,485	847,026,485
FCDU	0	0	0	0	0
Derivative w/ positive FV	3,496,912,079	0	3,496,912,079	0	3,496,912,079
PLFD	3,289,615,516	0	3,289,615,516	0	3,289,615,516
FX-Reg	109,311,788	0	109,311,788	0	109,311,788
FCDU	97,984,775	0	97,984,775	0	97,984,775
FVOCI	**99,053,725,226**	**105,300,922,570**	**0**	**4,697,131,966**	**109,998,054,536**
Debt Securities	88,835,479,371	87,553,488,670	0	58,989,856	87,612,478,526
Domestic	47,472,096,826	46,274,200,044	0	58,989,856	46,333,189,900
FX-Reg	3,191,978,853	3,238,333,992	0	0	3,238,333,992
FCDU	38,171,403,692	38,040,954,634	0	0	38,040,954,634
Equity Securities	10,218,245,855	17,747,433,900	0	4,638,142,110	22,385,576,010
Domestic	5,530,888,955	17,747,433,900	0	560,650,392	18,308,084,292
FX-Reg	4,687,356,900	0	0	4,077,491,718	4,077,491,718
FCDU	0	0	0	0	0
HTC	**492,170,710,901**	**423,821,161,731**	**6,995,176,652**	**9,677,817,211**	**440,494,155,594**
Debt Securities	492,170,710,901	423,821,161,731	6,995,176,652	9,677,817,211	440,494,155,594
Domestic	458,807,377,690	399,909,493,987	5,947,689,682	140,100,776	405,997,284,445
FX-Reg	8,254,006,342	1,421,726,122	0	6,867,201,747	8,288,927,869
FCDU	25,109,326,869	22,489,941,622	1,047,486,970	2,670,514,688	26,207,943,280
Total	601,815,726,617	535,278,532,267	10,492,088,731	15,312,879,622	561,083,500,620
FINANCIAL LIABILITIES					
Bills Payable	**31,256,837,033**	**0**	**30,999,525,399**	**257,311,634**	**31,256,837,033**
BSP Rehabilitation Program	62,154,642	0	0	62,154,642	62,154,642
Domestic Borrowings (ODA thru BTr)	195,156,992	0	0	195,156,992	195,156,992
Foreign Borrowings (ODA)	26,793,125,399	0	26,793,125,399	0	26,793,125,399
Interbank Loans-Foreign Regular	4,206,400,000	0	4,206,400,000	0	4,206,400,000
Total	31,256,837,033	0	30,999,525,399	257,311,634	31,256,837,033

	As of December 31, 2017				
	Book Value	Level 1 a/	Level 2 b/	Level 3 c/	Total Fair Value
FINANCIAL ASSETS					
FVTPL	**13,366,264,729**	**11,273,543,561**	**2,092,721,168**	**0**	**13,366,264,729**
Debt Securities	11,277,862,485	11,273,543,561	4,318,924	0	11,277,862,485
Domestic	11,277,862,485	11,273,543,561	4,318,924	0	11,277,862,485
FX-Reg	0	0	0	0	0
FCDU	0	0	0	0	0
Derivative w/ positive FV	2,088,402,244	0	2,088,402,244	0	2,088,402,244
FX-Reg	513,971,511	0	513,971,511	0	513,971,511
PLFD	1,481,384,331	0	1,481,384,331	0	1,481,384,331
FCDU	93,046,402	0	93,046,402	0	93,046,402
FVOCI	**228,822,603,787**	**227,912,158,561**	**1,139,926,971**	**5,688,703,995**	**234,740,789,527**
Debt Securities	217,493,023,651	212,297,020,841	1,139,926,971	0	213,436,947,812
Domestic	178,552,394,332	171,600,159,961	1,139,926,971	0	172,740,086,932
FX-Reg	4,209,735,524	4,475,265,345	0	0	4,475,265,345
FCDU	34,730,893,795	36,221,595,535	0	0	36,221,595,535
Equity Securities	3,988,495,960	15,615,137,720	0	0	15,615,137,720
Domestic	3,988,495,960	15,615,137,720	0	0	15,615,137,720
FX-Reg	0	0	0	0	0
FCDU	0	0	0	0	0
INMES (Net of VR)	7,341,084,176	0	0	5,688,703,995	5,688,703,995
HTC	**317,123,977,928**	**303,887,735,013**	**4,606,239,447**	**0**	**308,493,974,460**
Debt Securities	317,123,977,928	303,887,735,013	4,606,239,447	0	308,493,974,460
Domestic	309,021,890,200	294,651,418,445	4,606,239,447	0	299,257,657,892
FX-Reg	756,319,782	888,208,265	0	0	888,208,265
FCDU	7,345,767,946	8,348,108,303	0	0	8,348,108,303
UDSCL	**10,724,049,656**	**0**	**440,882,366**	**13,641,639,872**	**14,082,522,238**
Debt Securities	10,358,923,058	0	440,882,366	13,276,513,274	13,717,395,640
Domestic	434,596,528	0	440,882,366	0	440,882,366
FX-Reg	7,153,965,015	0	0	9,486,217,377	9,486,217,377
FCDU	2,770,361,515	0	0	3,790,295,897	3,790,295,897
Equity Securities	365,126,598	0	0	365,126,598	365,126,598
Domestic	365,126,598	0	0	365,126,598	365,126,598
FX-Reg	0	0	0	0	0
FCDU	0	0	0	0	0
Total	570,036,896,100	543,073,437,135	8,279,769,952	19,330,343,867	570,683,550,954
FINANCIAL LIABILITIES					
Bills Payable	**24,570,643,333**	**0**	**24,304,845,380**	**265,797,953**	**24,570,643,333**
BSP Rehabilitation Program	62,381,800	0	0	62,381,800	62,381,800
Domestic Borrowings (ODA thru BTr)	203,416,153	0	0	203,416,153	203,416,153
Foreign Borrowings (ODA)	24,304,845,380	0	24,304,845,380	0	24,304,845,380
Total	24,570,643,333	0	24,304,845,380	265,797,953	24,570,643,333

5. Cash and Other Cash Items

This account consists of:

	Group		Parent	
	2018	2017	2018	2017
Cash on hand	36,907,669,455	31,202,307,803	36,805,705,609	31,202,262,803
Checks and other cash items	51,101,841	102,351,901	51,003,136	102,351,901
Returned checks and other cash items	98,890,550	42,674,041	98,599,507	42,674,041
Miscellaneous checks and other cash items	0	68,445	0	68,445
Petty cash fund	9,944,000	8,236,000	8,892,000	7,646,000
Revolving fund	442,011	442,011	235,508	235,508
Payroll fund	3,829,729	29,245,995	3,829,729	29,245,995
	37,071,877,586	31,385,326,196	36,968,265,489	31,384,484,693

6. 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.

7. Due from Other Banks

This account consists of:

	Group		Parent	
	2018	2017	2018	2017
Deposit with local banks	539,066,945	264,150,453	1,357,696,336	185,845,776
Deposit with foreign banks	4,352,750,210	4,920,640,933	4,352,750,210	4,920,640,933
Allowance for Credit Losses	(2,600,060)	0	(2,600,060)	0
Accrued Interest Receivable	1,745	0	1,605,556	0
	4,889,218,840	5,184,791,386	5,709,452,042	5,106,486,709

The Group maintains nostro accounts on global basis with 23 foreign depository banks totaling 27 and 28 bank accounts in 2018 and 2017, respectively, the most significant of which are as follows:

2018	2017
1. Standard Chartered Bank, N.Y.	1. Wells Fargo Bank, N.A.
2. Wells Fargo Bank, N.A.	2. Standard Chartered Bank, N.Y.
3. The Bank of New York	3. The Bank of New York
4. JP Morgan Chase Bank	4. Standard Chartered Bank, Frankfurt
5. Citibank N.Y.	5. LandesBank Baden-Wurttemberg

8. 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:

	2018			2017		
Domestic	3.03%	to	4.97%	2.55%	to	2.75%
Foreign	0.95%	to	2.60%	0.55%	to	1.90%

9. Securities Purchased under Agreements to Resell

This account consists of:

	Group		Parent	
	2018	2017	2018	2017
Domestic				
Government Securities Purchased under Reverse Repurchase Agreement				
BSP	50,529,000,000	50,390,420,809	50,000,000,000	50,390,420,809
Private Corporation	0	1,832,343,520	0	1,832,343,520
Accrued Interest Receivable	20,159,021	10,160,782	19,791,667	10,160,782
	50,549,159,021	**52,232,925,111**	**50,019,791,667**	**52,232,925,111**

Securities Purchased under Agreements to Resell with BSP carry interest rate at 4.75 per cent and 3.00 per cent as at December 31, 2018 and 2017, respectively. While Repo with Private Corporation carry interest rate at 3.50 per cent as at December 31, 2017.

10. Fair Value Thru Profit or Loss (FVTPL)

This consists of:

	Group		Parent	
	2018 Under FVTPL	2017 Under HFT	2018 Under FVTPL	2017 Under HFT
Government Securities – Domestic	5,874,464,812	11,273,543,561	5,829,803,946	11,273,543,561
Government Securities – Foreign	326,644,020	0	326,644,020	0
Private Securities – Domestic	937,930,444	4,318,924	937,930,444	4,318,924
Derivative with positive fair value	3,496,912,080	2,088,402,244	3,496,912,080	2,088,402,244
Accrued Interest Receivable	9,643,972	19,871,763	9,370,895	19,871,763
	10,645,595,328	**13,386,136,492**	**10,600,661,385**	**13,386,136,492**

The FVTPL financial assets of the Group carry interest rates at December 31 as follows:

	2018			2017		
Domestic	3.875%	to	5.50%	1.120%	to	10.50%
Foreign	3.0%	to	10.65%	0%	to	0%

FVTPL includes the foreign exchange (FX) risk cover of the Parent's borrowings from multilateral agencies amounting to P3,289,615,516 and P1,481,384,331 in 2018 and 2017, respectively, which is treated as a derivative financial instrument per BSP Monetary Board Resolution No. 1063 dated August 14, 2008.

Under a Memorandum of Agreement between the National Government (thru the Department of Finance) and the Parent, the former shall guarantee and assume the FX risk relating to foreign currency denominated borrowings from multilateral agencies (i.e. World Bank, Asian Development Bank, JICA, etc.) which are relent in local currencies. The fair value changes on the FX risk cover are reported immediately in the statement of comprehensive income. As of December 31, 2018, the outstanding notional amount of the FX risk cover amounted to JPY16,310,675,873 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 P1,808,231,186 in 2018 and P267,623,325 in 2017.

The derivative with positive fair value comprise of the following:

	2018	2017
Foreign Exchange Risk Cover	3,289,615,516	1,481,384,331
Debt Warrants	97,984,776	93,046,402
Forward Contracts	109,311,788	513,971,511
	3,496,912,080	**2,088,402,244**

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.

11. Fair Value Through Other Comprehensive Income (FVOCI)

This account consists of:

	Group		Parent	
	2018 Under FVOCI	2017 Under AFS	2018 Under FVOCI	2017 Under AFS
Domestic				
Government	46,751,087,568	171,600,159,961	46,274,200,044	171,600,159,961
Private	18,367,074,148	16,755,064,692	18,367,074,148	16,755,064,692
Foreign				
Government	41,279,288,626	38,498,020,707	41,279,288,626	38,498,020,707
Private securities	4,077,491,718	2,198,840,173	4,077,491,718	2,198,840,173
Investment in non-marketable securities, net of allowance for probable losses of P1,409,212,337 in 2017	0	7,341,084,176	0	7,341,084,176
Accrued Interest Receivable	793,834,976	1,832,677,170	788,699,559	1,832,677,170
	111,268,777,036	238,225,846,879	110,786,754,095	238,225,846,879

FVOCI of the Group carry interest rates at December 31 as follows:

	2018			2017		
Domestic	3.875%	to	6.38%	2.12%	to	12.88%
Foreign	2.00%	to	11.63%	1.50%	to	10.63%

- FVOCI investments-Domestic Private include 42,002,750 MERALCO shares of stocks 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 with market value of P1,279,384,000, plus accrued cash dividends thereon, amounting to P403,480,679 and P358,446,362 as of December 31, 2018 and 2017, 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.

On June 22, 2018, the Bank's Legal Services Group and the Office of the Government Corporate Counsel filed LandBank's Memorandum, in compliance with the Honorable Supreme Court's Resolution dated March 5, 2018. Likewise, on July 2, 2018, we received a copy of the respondent's Memorandum dated June 20, 2018.

After the submission of the parties' respective Memoranda, the Supreme Court issued a resolution which merely noted the filing of the said pleadings. To date, we have not received a Decision on the unrecovered shares of stocks.

- The Parent's Accumulated market gains/losses on FVOCI government and private issues as of December 31, 2018 amounted to P11,908,549,439.

- Total Fair Value Through Profit/ Loss and Fair Value Through Other Comprehensive Income accounts of the Parent include investment of US$16,109,290 (P847,026,485) in Metro Rail Transit Corporation's (MRTC) preference shares and US$77,547,518 (P4,077,448,522) in Unsecuritized Equity Rental Payments, respectively.

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, 2018 (In US Dollars)	Book Value As of December 31, 2018 (In US Dollars)	Percentage in MRTC
▪ MRT III Bonds	78,905,963	181,394,379	
▪ MRT III Preferred Shares	54,000,000	16,109,290	
Securitized ERPs	132,905,963	197,503,669	26.65%
Unsecuritized ERPs	90,579,859	77,547,519	11.12%
	223,485,822	275,051,188	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.

12. Hold to Collect (HTC)

This account consists of:

	Group		Parent	
	2018 Under HTC	2017 Under HTM As restated	2018 Under HTC	2017 Under HTM
Government				
Domestic	453,805,532,225	305,504,222,949	452,657,665,521	304,414,216,748
Foreign	20,284,152,756	7,483,993,748	20,284,152,756	7,483,993,748
Private				
Domestic	6,892,613,333	4,635,366,937	6,840,015,414	4,607,673,453
Foreign	13,079,180,455	618,093,979	13,079,180,455	618,093,979
Allow. For Credit Losses	(407,001,319)	0	(407,001,319)	0
Accrued Interest Receivable	4,074,087,033	2,849,953,836	4,074,087,033	2,849,953,836
Allow. For Credit Losses	(8,740,571)	0	(8,740,571)	0
	497,719,823,912	321,091,631,449	496,519,359,289	319,973,931,764

HTC investments of the Group carry interest rates at December 31 as follows:

	2018			2017		
Domestic	3.25%	to	18.25%	2.12%	to	18.25%
Foreign	5.25%	to	11.63%	1.50%	to	10.63%

13. Loans and Receivables

This account consists of:

	Group		Parent	
	2018	2017 As restated	2018	2017
Interbank loans receivable	30,676,329,585	23,381,523,497	30,676,329,585	23,381,523,497
Allowance for credit losses	(513,043,978)	(494,034,413)	(513,043,978)	(494,034,413)
	30,163,285,607	22,887,489,084	30,163,285,607	22,887,489,084
Loans to Government	96,285,348,642	85,003,110,577	97,628,514,921	86,610,312,991
Allowance for credit losses	(16,324,559)	(58,695,811)	(16,324,559)	(58,695,811)
	96,269,024,083	84,944,414,766	97,612,190,362	86,551,617,180
Agrarian Reform and other Agriculture Loans	118,857,535,711	94,308,830,739	118,475,275,248	94,296,074,627
Allowance for credit losses	(1,232,041,287)	(501,725,947)	(1,192,578,485)	(492,406,326)
	117,625,494,424	93,807,104,792	117,282,696,763	93,803,668,301
Microfinance Loans	24,857,874,336	16,711,201,915	24,845,496,416	16,711,201,915
Allowance for credit losses	(350,619,101)	(304,605,896)	(347,280,354)	(304,605,896)
	24,507,255,235	16,406,596,019	24,498,216,062	16,406,596,019
SME/MSE Loans	66,391,846,173	62,161,803,998	65,294,070,772	61,535,264,304
Allowance for credit losses	(1,557,267,631)	(1,546,538,791)	(1,430,757,268)	(1,476,935,402)
	64,834,578,542	60,615,265,207	63,863,313,504	60,058,328,902
Contract to Sell	1,297,038,637	1,086,890,095	890,538,032	1,086,890,095
Allowance for credit losses	(256,142,934)	(95,852,304)	(203,695,236)	(95,852,304)
	1,040,895,703	991,037,791	686,842,796	991,037,791
Loans to Private Corporation	427,896,778,130	287,616,688,319	424,512,701,072	286,699,962,153
Allowance for credit losses	(5,443,995,844)	(1,503,731,587)	(5,046,256,197)	(1,413,436,875)
	422,452,782,286	286,112,956,732	419,466,444,875	285,286,525,278
Loans to Individuals for Housing Purposes	5,897,009,007	5,298,893,903	5,840,863,258	5,298,893,903
Allowance for credit losses	(136,107,284)	(143,956,974)	(133,209,616)	(143,956,974)
	5,760,901,723	5,154,936,929	5,707,653,642	5,154,936,929
Loans to Individual for Consumption	30,066,089,544	23,590,846,852	29,628,271,012	23,590,846,852
Allowance for credit losses	(762,611,204)	(664,885,163)	(621,822,808)	(664,885,163)
	29,303,478,340	22,925,961,689	29,006,448,204	22,925,961,689
Loans to Individual for Other Purposes	1,559,307,250	2,163,769,452	1,337,768,352	1,955,862,989
Allowance for credit losses	(37,293,821)	(27,766,950)	(20,855,212)	(23,887,146)
	1,522,013,429	2,136,002,502	1,316,913,140	1,931,975,843
General loan loss provision	(5,239,759,885)	(14,405,608)	(5,191,145,085)	0
	788,239,949,487	595,967,359,903	784,412,859,870	595,998,137,016
Accrued interest receivable	7,026,333,612	4,316,194,489	6,976,914,603	4,312,242,942
Allowance for credit losses	(242,498,037)	(207,689,259)	(222,661,040)	(207,661,804)
	6,783,835,575	4,108,505,230	6,754,253,563	4,104,581,138
Accounts receivable	2,222,330,653	1,577,848,430	1,573,259,447	1,386,156,007
Allowance for credit losses	(1,348,944,562)	(840,614,254)	(1,290,616,035)	(800,117,462)
	873,386,091	737,234,176	282,643,412	586,038,545
Sales contract receivable	928,752,212	1,106,403,155	899,038,278	1,170,706,548
Allowance for credit losses	(39,295,323)	(23,618,359)	(39,295,323)	(23,536,124)
	889,456,889	1,082,784,796	859,742,955	1,147,170,424
Due from ARF	81,372,579	107,546,452	81,372,579	107,546,452
Unquoted debt securities	0	11,489,212,785	0	11,489,212,785
Allowance for credit losses	0	(717,276,758)	0	(717,276,758)
	0	10,771,936,027	0	10,771,936,027
Lease contract receivable	1,901,732,803	1,686,688,619	0	0
Allowance for credit losses	(29,638,520)	(25,559,852)	0	0
	1,872,094,283	1,661,128,767	0	0
	798,740,094,904	614,436,495,351	792,390,872,379	612,715,409,602

Interest rates on loans in 2018 range from 1.00 per cent to 15.00 per cent for peso denominated loans and from zero per cent to 9.50 per cent for foreign currency denominated loans.

Allowance for credit losses

The details of allowance for credit losses on loans of the Parent are:

	2018	2017
Balance, January 1	5,168,696,310	5,077,435,761
Provision	3,718,467,212	1,097,966,193
Write-offs	(193,233,393)	(518,577,316)
Transfers and other adjustments	6,023,038,669	(488,128,328)
Balance, December 31	**14,716,968,798**	**5,168,696,310**

As of December 31, 2018 and 2017, the breakdown of Gross Loans as to secured and unsecured follows:

	Parent			
	2018		2017	
	Amount	%	Amount	%
Secured loans:				
Guarantee of the Republic of the Philippines	89,339,776,349	11.18	74,009,347,617	12.31
Various guarantees	206,480,595,081	25.84	171,630,612,724	28.55
Various mortgages	247,732,936,587	31.00	201,152,010,569	33.46
	543,553,308,017	68.02	446,791,970,910	74.32
Unsecured loans	255,576,520,651	31.98	154,374,862,416	25.68
Gross loan at amortized cost	**799,129,828,668**	**100.00**	**601,166,833,326**	**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.

	2018	2017
Total NPLs	9,134,879,593	6,599,423,133
Allowance for credit losses	(5,419,467,970)	(4,409,334,072)
Net NPLs	**3,715,411,623**	**2,190,089,061**

14. 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	2018	2017
Overseas Filipino Bank, Inc.	1,021,758,876	0
LBP Leasing and Finance Corporation (formerly LBP Leasing Corporation)	310,252,630	310,252,630
LBP Insurance Brokerage, Inc.	52,500,000	52,500,000
LBP Resources and Development Corporation	51,467,436	51,467,436
Masaganang Sakahan, Inc.	24,554,940	24,554,941
	1,460,533,882	**438,775,007**

Pursuant to the directive of Malacañang Executive Order (EO) No. 44 dated September 28, 2017, the Parent through Investment and Loan Committee Resolution No. 18-088 and Board Resolution No. 18-119 approved the capital infusion of up to P1.701 Billion into Overseas Filipino Bank (OFBank). The initial infusion in the amount of P428,992,000.00 was released on July 06, 2018. Further, the OFBank per Board Resolution No. 2018-73 has approved the increase in Authorized Capital Stock (ACS) amounting to P3.5 Billion where P3 Billion is allocated as common shares. Pending approval by the proposed increase of ACS by BSP and the Securities and Exchange Commission (SEC), the second tranche of the Parent's capital infusion amounting to P500,000,000.00 was released to OFBank on January 04, 2019 as Deposit for Stock Subscription (DSS). The same EO directed the Philippine Postal Corporation (PPC) and Bureau of Treasury (BTr) to transfer their respective OFBI shares to the Parent at zero value. The shares were transferred in March 2018 and the investment was recorded at provisional value since the fair value of the net assets on acquisition date has not yet been established.

15. Investment in Associates

This account represents the Parent's 20.50 per cent ownership of the capital stock of Small Business Corporation.

16. Investment Property

This account consists of:

	Group						
	2018				2017		
	Land	Building	Others	Total	Land	Building	Total
At Cost							
At January 1	4,645,667,587	2,625,360,056	0	7,271,027,643	5,324,096,900	2,751,086,499	8,075,183,399
Additions/(Disposals)	(209,693,295)	280,886,659	19,393,890	90,587,254	(671,694,313)	(116,272,443)	(787,966,756)
Transfers/Adjustment	0	0	0	0	(6,735,000)	(9,454,000)	(16,189,000)
At December 31	4,435,974,292	2,906,246,715	19,393,890	7,361,614,897	4,645,667,587	2,625,360,056	7,271,027,643
Accumulated depreciation and impairment							
At January 1	550,223,525	1,036,804,551		1,587,028,076	719,348,362	1,067,699,132	1,787,047,494
Depreciation	0	144,515,074	2,895,296	147,410,370	0	125,027,255	125,027,255
Transfers/Adjustment	926,344	(123,151,522)	12,651,300	(109,573,878)	0	(213,147,246)	(213,147,246)
Impairment	(127,242,090)	80,632,166	3,847,293	(42,762,631)	(169,124,837)	57,225,410	(111,899,427)
At December 31	423,907,779	1,138,800,269	19,393,889	1,582,101,937	550,223,525	1,036,804,551	1,587,028,076
Net book value	**4,012,066,513**	**1,767,446,446**	**1**	**5,779,512,960**	**4,095,444,062**	**1,588,555,505**	**5,683,999,567**

	Parent					
	2018			2017		
	Land	Building	Total	Land	Building	Total
At Cost						
At January 1	4,561,363,317	2,540,275,283	7,101,638,600	5,227,972,998	2,667,188,503	7,895,161,501
Additions/(Disposals)	(336,424,752)	94,230,527	(242,194,225)	(666,609,681)	(126,913,220)	(793,522,901)
At December 31	4,224,938,565	2,634,505,810	6,859,444,375	4,561,363,317	2,540,275,283	7,101,638,600
Accumulated depreciation and impairment						
At January 1	539,601,581	990,426,016	1,530,027,597	713,010,845	1,022,242,560	1,735,253,405
Depreciation	0	126,686,428	126,686,428	0	123,455,943	123,455,943
Transfers/Adjustment	0	(138,613,592)	(138,613,592)	0	(212,367,291)	(212,367,291)
Impairment	(136,072,319)	80,632,166	(55,440,153)	(173,409,264)	57,094,804	(116,314,460)
At December 31	403,529,262	1,059,131,018	1,462,660,280	539,601,581	990,426,016	1,530,027,597
Net book value	**3,821,409,303**	**1,575,374,792**	**5,396,784,095**	**4,021,761,736**	**1,549,849,267**	**5,571,611,003**

Investment properties include real estate properties acquired in settlement of loans and receivables.

As of December 31, 2018 and 2017, the carrying value of investment properties still subject to redemption amounted to P181,110,058 and P148,055,156 , respectively, for the Parent Company. Investment properties with on-going cases amounted to P685,985,377 and P1,297,840,959 as of December 31, 2018 and 2017, respectively. Properties amounting to P45,795,824 and P44,392,431 as of December 31, 2018 and 2017, respectively, are agricultural lands covered by the government's agrarian reform program.

In 2018, and 2017, rental income (included under 'Rent' in the statements of income) on investment properties, which are leased out under operating leases, amounted to P9,789,590 and P14,883,828, respectively, for the Parent Company. In 2018 and 2017, direct operating expenses, consisting of depreciation and amortization and repairs and maintenance (included in the statements of comprehensive income) pertaining to investment properties amounted to P126,686,428 and P123,455,943, respectively.

17. 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 2018	Total 2017 As restated
At Cost										
At January 1,as restated	615,866,513	178,330,312	4,749,151,532	949,901,436	60,444,761	7,915,570,171	772,239,543	99,617,946	15,341,122,214	14,468,237,465
Additions	877,720,127	70,160,332	297,831,104	207,698,686	30,953,833	660,866,227	71,886,554	88,790,148	2,305,907,011	1,612,246,122
Disposals	0	0	(833,310)	(20,186,362)	(5,248,421)	(269,781,599)	(313,165,914)	(18,369,901)	(627,585,507)	(507,917,489)
Transfers	(600,000)	(100,165,757)	(118,976,907)	28,376,400	28,504,933	151,802,697	(5,455,331)	(50,632,745)	(67,146,710)	(231,443,884)
At December 31	1,492,986,640	148,324,887	4,927,172,419	1,165,790,160	114,655,106	8,458,457,496	525,504,852	119,405,448	16,952,297,008	15,341,122,214
Accumulated Depreciation, Amortization & Impairment loss										
At January 1	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
Depreciation & amortization	0	0	120,382,485	87,214,551	2,412,102	720,192,373	24,389,172	22,365,337	976,956,020	814,761,450
Disposals	0	0	(31,058,043)	(3,189,484)	(4,067,893)	(253,700,107)	(2,354,401)	(16,530,631)	(310,900,559)	(371,895,152)
Transfers/Adjustments	0	0	203,831,105	8,011,772	52,519,287	214,654,204	(1,630,495)	(42,719,381)	434,666,492	(131,278,075)
At December 31	0	0	2,268,839,213	477,763,909	91,410,847	5,479,636,448	344,321,411	49,410,377	8,711,382,205	7,610,660,252
Allow for Losses	0	0	34,503,790	1,248,985	7,987,971	18,968,972	0	(5,491,007)	57,218,711	25,798,863
Net book value	**1,492,986,640**	**148,324,887**	**2,623,829,416**	**686,777,266**	**15,256,288**	**2,959,852,076**	**181,183,441**	**75,486,078**	**8,183,696,092**	**7,704,663,099**

Parent	Land	Building Under Construction	Buildings	Leasehold Rights and Improvements	Transportation and Equipment	Furniture and Office Equipment	Transportation Equipment Under Lease	Others	Total 2018	Total 2017
At Cost										
At January 1	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
Additions	746,712,127	70,160,332	256,329,204	207,691,047	30,953,833	645,388,746	71,886,554	88,163,367	2,117,285,210	1,551,645,287
Disposals			(833,310)	(19,457,249)	(2,903,693)	(269,781,581)	(1,811,662)	(18,369,901)	(313,157,396)	(439,357,831)
Transfers	(600,000)	(179,643,035)	75,119,409	2,130,655	14,682,285	(34,256,263)	0	(50,612,816)	(173,179,765)	(229,516,087)
At December 31	1,351,196,640	70,086,597	4,981,218,702	1,138,284,613	82,950,259	8,223,220,596	407,062,231	99,415,850	16,353,435,488	14,722,487,439
Accumulated Depreciation & Amortization										
At January 1	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
Depreciation & amortization	0	0	113,864,760	85,840,045	446,749	711,174,888	16,170,312	21,157,126	948,653,880	797,772,106
Disposals	0	0	(31,058,043)	(3,189,484)	(1,931,556)	(253,700,107)	0	(16,530,631)	(306,409,821)	(364,595,252)
Transfers/Adjustments	0	0	189,725,969	(12,549,737)	39,906,569	47,016,008	(1,630,495)	(42,719,381)	219,748,933	(130,268,365)
At December 31	0	0	2,203,322,780	455,822,943	66,559,761	5,280,654,706	295,600,267	34,088,655	8,336,049,112	7,474,056,120
Allow for Losses	0	0	34,503,790	1,248,985	7,987,971	18,968,972	0	(5,491,007)	57,218,711	25,798,863
Net book value	**1,351,196,640**	**70,086,597**	**2,743,392,132**	**681,212,685**	**8,402,527**	**2,923,596,918**	**111,461,964**	**70,818,202**	**7,960,167,665**	**7,222,632,456**

Depreciation and amortization of the Group amounting to P976,956,020 and P814,761,450 and of the Parent amounting to P948,653,880 and P797,772,106 in 2018 and 2017, respectively, are included in depreciation and amortization expense in the statement of comprehensive income.

Office equipment, furniture and vehicles with carrying amount of P218,628,267 and P125,586,902 in 2018 and 2017, respectively, are temporarily idle. The carrying amounts of properties which are held for disposal are P46,026,465 and P45,737,950 in 2018 and 2017, respectively.

18. Other Intangible Assets

This account consists of:

	Group 2018	Group 2017	Parent 2018	Parent 2017
Cost				
At January 1	2,335,318,875	1,923,488,547	2,307,297,599	1,916,129,516
Additions	296,003,302	391,738,401	292,824,447	391,168,083
Deduction:Reclassification to Office Equipment	0	(35,000)	0	0
At December 31	2,631,322,177	2,315,191,948	2,600,122,046	2,307,297,599
Accumulated Depreciation and Amortization				
At January 1	1,040,801,162	928,414,397	1,037,542,894	925,479,859
Additions	417,742,899	112,386,765	407,357,703	112,063,035
At December 31	1,458,544,061	1,040,801,162	1,444,900,597	1,037,542,894
Net Book Value	**1,172,778,116**	**1,274,390,786**	**1,155,221,449**	**1,269,754,705**

19. Other Assets

This account consists of:

	Group		Parent	
	2018	2017 As restated	2018	2017
Sundry debits	1,278,286,491	3,300,224,422	1,278,231,690	3,300,224,422
Prepaid expenses	237,576,331	849,626,810	247,477,751	863,054,159
Documentary stamps	620,493,947	50,995,687	615,212,716	50,995,687
Stationery & supplies on hand	120,953,546	87,296,290	114,202,442	85,706,112
Accounts receivable-net	98,623,887	142,106,131	96,104,355	110,683,017
Inter-office float items	145,851	1,849,331	145,851	1,849,331
Others	2,714,788,265	2,541,632,826	2,772,875,214	2,472,228,495
Allowance for credit losses	(58,034,681)	(36,948,489)	(28,034,681)	(36,948,489)
	5,012,833,637	**6,936,783,008**	**5,096,215,338**	**6,847,792,734**

20. Allowance for Credit Losses and Impairment Losses

Changes in the allowance for credit losses and impairment losses of the Parent are as follows:

	2018	2017
Balance at beginning of year:		
Loan portfolio	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
Provisions charged to operations	3,852,491,480	1,109,626,624
Accounts charged off and others	(216,269,860)	(518,577,316)
Transfer/adjustments	4,499,694,229	(540,724,100)
	8,135,915,849	50,325,208
Balance December 31	**17,419,935,415**	**9,284,019,566**
Balance at end of year:		
Loan portfolio (Note 13)	14,716,968,798	5,168,696,310
Receivables from customers and other assets	2,702,966,617	4,115,323,256
	17,419,935,415	**9,284,019,566**

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:

	2018	2017
Loans and receivables	3,718,467,212	1,097,966,193
Other loans and receivables	8,967,360	3,939,242
Property and equipment	31,882,888	2,123,622
Others	93,174,020	5,597,567
	3,852,491,480	**1,109,626,624**

21. Deposit Liabilities

This account consists of:

	Group		Parent	
	2018	2017	2018	2017
Domestic				
Demand deposits	798,178,666,838	709,255,131,727	798,036,465,982	709,508,966,307
Savings deposits	758,183,038,776	629,561,441,753	751,240,612,971	629,561,456,064
Time certificate of deposits	617,284,897	639,712,721	582,649,579	639,712,721
Long Term Negotiable Certificate of Deposits	11,000,000,000	11,000,000,000	11,000,000,000	11,000,000,000
	1,567,978,990,511	1,350,456,286,201	1,560,859,728,532	1,350,710,135,092
Foreign				
Demand deposits –FCDU/EFCDU	0	0	0	0
Savings deposit –FCDU/EFCDU	19,489,379,305	16,209,512,264	19,488,220,995	16,209,512,264
Time certificate of deposit-FCDU/EFCDU	75,793,870,608	58,553,708,641	75,793,327,845	58,553,708,641
	95,283,249,913	74,763,220,905	95,281,548,840	74,763,220,905
	1,663,262,240,424	**1,425,219,507,106**	**1,656,141,277,372**	**1,425,473,355,997**

Domestic deposit liabilities earn annual fixed interest rates ranging from 0.100 to 6.50 per cent and 0.25 to 3.75 per cent in 2018 and 2017, respectively. Foreign deposit rates range from 0.15 to 2.05 per cent and from 0.31 to 1.12 per cent in 2018 and 2017, respectively. In 2018 and 2017, P1,217,823,862,578 or 74 per cent and P1,046,327,990,132 or 73 per cent, respectively, of the Parent's deposit portfolio came from the government while the rest came from private depositors.

22. Bills Payable

This account consists of:

	Group		Parent	
	2018	2017	2018	2017
Bangko Sentral ng Pilipinas	62,154,642	62,381,800	62,154,642	62,381,800
Domestic borrowings	1,369,156,992	998,416,153	195,156,992	203,416,153
Foreign borrowings	26,793,125,399	24,314,309,706	26,793,125,399	24,314,309,706
Foreign interbank borrowings	4,206,400,000	0	4,206,400,000	0
	32,430,837,033	25,375,107,659	31,256,837,033	24,580,107,659

The breakdown of Bills payable (foreign borrowings) is as follows:

Creditor/Funder	2018	2017
World Bank/IBRD	12,530,950,113	11,251,244,042
Asian Development Bank (ADB)	492,587,972	526,700,409
Japan International Cooperation Agency (JICA)	12,266,376,573	10,990,095,259
Kreditanstalt fur Wiederaufbau (KfW)	1,503,210,741	1,546,269,996
	26,793,125,399	24,314,309,706

The total foreign borrowings of P26,793,125,399 is guaranteed by the National Government. Foreign borrowings relent in local currency amounting to P14,323,526,049 are provided with foreign exchange risk cover (FXRC) by the National Government. This has historical value of P13,146,716,329. 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 2018 range from 0.01 to 2.70 per cent and 4.75 per cent, respectively, while for 2017, the rates range from 0.01 to 2.70 per cent and 0.75 to 4.75 per cent, for foreign and domestic borrowings, respectively.

23. Other Liabilities

This account consists of:

	Group		Parent	
	2018	2017 As restated	2018	2017 As restated
Accrued interest, fringe benefits, taxes and other expense payable	6,175,795,214	5,795,025,725	6,120,705,590	6,311,144,395
Accounts payable	22,844,729,311	21,393,744,012	22,683,310,064	21,190,391,391
Due to Agrarian Reform Fund	171,130,728	200,709,929	171,130,728	200,709,929
Sundry credits	750,917,089	1,180,757,638	750,917,089	1,180,757,638
Unearned income	48,446,223	29,963,772	15,622,034	32,984,303
Withholding tax payable	315,183,924	237,128,397	311,520,042	234,805,308
Miscellaneous liabilities	2,942,108,580	4,766,310,850	2,908,723,167	4,735,230,233
Provision for estimated credit losses	431,529,554	0	431,529,554	0
Others	2,264,451,019	1,574,771,145	1,839,216,314	1,121,567,976
	35,944,291,642	35,178,411,468	35,232,674,582	35,007,591,173

24. 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 as 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 foreign currency loans under the Expanded Foreign Currency Deposit System 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 15 per cent final tax.

The provision for/(benefit from) income tax consists of:

	Group		Parent	
	2018	2017	2018	2017
Current:				
Normal income tax (NIT)	985,466,889	903,386,491	898,463,001	805,019,191
Income tax-final	0	1,503,541	0	0
	985,466,889	904,890,032	898,463,001	805,019,191
Deferred	(729,480,019)	(493,046,526)	(736,988,242)	(485,406,737)
	255,986,870	**411,843,506**	**161,474,759**	**319,612,454**

The reconciliation of the provision for income tax computed at the statutory tax rate and actual provision is as follows:

	Group		Parent	
	2018	2017	2018	2017
Statutory income tax	5,135,156,762	4,803,421,108	5,025,429,122	4,747,493,247
Additions to (reductions in) income taxes arising from:				
Non-deductible interest expense	2,615,323,963	2,178,034,747	2,615,305,510	2,178,021,352
Other deductible/Non-deductible expense	556,567,426	392,325,701	562,183,730	390,061,416
FCDU income	(1,194,716,408)	(989,519,824)	(1,194,716,408)	(989,519,824)
Tax exempt & tax paid income	(6,866,452,263)	(5,622,687,915)	(6,855,274,323)	(5,610,414,044)
Others	10,107,390	(349,730,311)	8,547,128	(396,029,693)
	255,986,870	**411,843,506**	**161,474,759**	**319,612,454**

The net deferred income tax asset reported by the Parent amounted to P3,418,973,804 and P2,808,807,996 for CY 2018 and 2017, respectively while the subsidiaries recognized deferred tax assets of P64,618,884 and P69,977,925 for CY 2018 and 2017, 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	
	2018	2017
Deferred tax asset:		
Allowance for credit losses	3,515,380,405	2,681,985,562
Accrued expenses	651,465,894	200,112,888
Unrealized loss on foreign exchange/financial assets & liabilities-held for trading	0	149,709,634
	4,166,846,299	3,031,808,084
Deferred tax liability:		
Unrealized gain on financial assets and liabilities-held for trading	188,370,835	223,000,088
Unrealized gain on foreign exchange	559,501,660	0
	747,872,495	223,000,088
	3,418,973,804	**2,808,807,996**

25. 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, 2018, the Parent Company reported the following revenues and expenses for income tax purposes:

Revenues	
Services/operations	34,751,215,531
Non-operating and taxable other income:	
Service charges, fees and commissions	1,664,212,047
Profit from assets sold	553,884,992
Income from trust operations	160,331,621
Others	253,959,207
Total Revenues	37,383,603,398
Expenses	
Cost of services:	
Compensation and fringe benefits	8,824,944,758
Others	10,179,020,208
	19,003,964,966
Itemized deductions:	
Compensation and fringe benefits	2,124,052,943
Taxes and licenses	4,106,808,746
Documentary stamps used	3,840,206,896
Security, messengerial and janitorial	892,211,152
Bad debts	215,961,880
Information technology expenses	608,727,101
Communications, light and water	528,806,861
Depreciation and amortization	633,518,094
Management and professional fees	400,904,686
Fees and commission	258,113,083
Advertising	176,649,948
Transportation and travel	216,144,498
Rent	427,208,952
Trainings and seminars	63,046,058
Representation and entertainment	182,075,610
Insurance	98,832,649
Repairs and maintenance	107,170,214
Others	504,322,391
	15,384,761,762
Total expenses	34,388,726,728
Net taxable income	**2,994,876,670**

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.

In compliance with the requirements of the Bureau of Internal Revenue hereunder are the information on taxes 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 2018 are as follows:

Documents / transactions	DST Paid
Debt instruments, bonds, certificate of time deposits	6,258,420,685
Mortgages, pledges, deed of assignments/trust	606,079,950
Foreign bills of exchange, letters of credit	185,033,105
Acceptance of bills of exchange payable in the Philippines	63,214,481
Bank, checks, drafts and telegraphic transfer/others	2,287,479
On assignments and renewal of certain instruments	982,471
Certificates	272,980
Bills of exchange or drafts	94,897
Leases and other hiring agreements	28,206
Sales, agreements to sell, memoranda of sales	2,095
Policies on insurance upon property	586
	7,116,416,935

II. All other taxes, local and national, paid for 2018:

National	
Percentage taxes (GRT)	3,579,457,332
Fringe benefits tax	13,675,680
National taxes	694,730
	3,593,827,742
Local	
Real estate tax	56,807,810
Local business tax	41,934,658
Mayor's Permit/Municipal License/Other Regulatory Fees/License Permit	92,201,244
Other local taxes	10,575,379
	201,519,091
	3,795,346,833

III. The amount of withholding taxes paid/accrued for the year amounted to:

Tax on Compensation and benefits	1,308,743,627
Creditable withholding taxes	168,707,819
Final withholding taxes	2,302,458,983
	3,779,910,429

IV. Taxes withheld by client on their income payments to the Bank were claimed as tax credits:

Tax Credits against Income Tax	2,627,869,959
Tax Credits against Gross Receipts Tax	240,648,841
	2,868,518,800

26. 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 2018 and 2017 amounted to P1,061,178,663 and P595,744,261, respectively.

27. Lease Contracts

Operating lease commitments – as lessee

The Parent Company leases the premises occupied by some of its branches (about 84% of the total branches lease their office sites). The terms of these contracts are renewable at the Parent Company's option under certain terms and conditions. Various lease contracts contain escalation clauses. In 2018 and 2017, rent expense (included in the statement of income) of the Parent amounted to P1,558,253,666 and P1,002,226,002, respectively.

Future minimum rentals payable under non-cancellable operating leases as at December 31 are as follows:

	Parent	
	2018	2017
Within one year	499,178,091	432,634,240
After one year but not more than five years	1,200,237,594	1,030,923,809
More than five years	578,415,256	583,407,886
	2,277,830,941	**2,046,965,935**

Operating lease commitments – as lessor

The Group has entered into commercial property leases with various tenants on its investment property portfolio and part of its bank premises, consisting of the Group's offices and acquired real properties. Various lease contracts include escalation clauses. Rent income from leases (included in the statements of income) of the Parent amounted to P26,280,770 in 2018 and P21,593,777 in 2017.

Future minimum rentals receivable under non-cancellable operating leases as at December 31 are as follows:

	Parent	
	2018	2017
Within one year	4,462,188	7,403,215
After one year but not more than five years	11,699,081	10,135,869
More than five years	1,473,983	0
	17,635,252	**17,539,084**

28. 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, 2018 amounted to P93,043,217,629 of which P92,737,508,407 are government borrowings covered by BSP Circular No. 547.

The following are the significant transactions of the Parent with related parties:

	2018				2017			
	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	30,053,992	1,699,472,695	93,013,163,638	94,742,690,325	21,617,258	1,736,964,454	77,805,962,709	79,564,544,421
Deposit liabilities		195,279,965	0	195,279,965		253,848,891	0	253,848,891
Other liabilities		987,539,196	0	987,539,196		791,071,980	0	791,071,980
	30,053,992	**2,882,291,856**	**93,013,163,638**	**95,925,509,486**	**21,617,258**	**2,781,885,325**	**77,805,962,709**	**80,609,465,292**

The following are the percentage of DOSRI loans:

	2018	2017
DOSRI to Total Loans	11.64%	12.95%
Unsecured DOSRI to Total DOSRI	1.04%	1.64%
Past due DOSRI to Total DOSRI	0	0
Non-performing DOSRI to Total DOSRI	0	0

The following are the significant transactions with subsidiaries:

	2018	2017
Sales/(Purchases)	(23,167,006)	(56,764,955)
Interest income	63,281,558	58,169,133
Interest expense	(35,713,976)	(114,685,640)
Lease expense	(296,059,599)	(50,932,708)
Other income	912,464	10,249,108
Other expenses	(418,499,956)	(180,283,148)

Transactions with other related parties:

Compensation of key management personnel:

	Group		Parent	
	2018	2017 As restated	2018	2017
Short-term employee benefits	171,011,639	112,170,407	138,954,834	92,988,227
Post-employment benefits	34,172,458	26,712,442	32,599,167	25,372,307
Other long-term benefits	49,470,685	38,992,197	49,470,685	38,992,197
	254,654,782	**177,875,046**	**221,024,686**	**157,352,731**

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, 2018 and 2017, 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.

29. 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 P305,691,511,509 and P232,391,242,067 as at December 31, 2018 and 2017, respectively.

Summary of Assets under Management is as follows:

	2018 (Unaudited)	2017 (Unaudited)
Special Purpose Trust	452,844,171	470,422,546
Other Fiduciary Accounts	266,885,917,999	187,518,284,717
Agency	31,718,083,091	33,600,066,906
Trust	6,634,666,248	10,802,467,898
	305,691,511,509	**232,391,242,067**

In compliance with the requirements of the General Banking Law, government securities with total face value of P850,000,000 in 2018 and 2017 are deposited with BSP as security for the Parent's faithful performance of its fiduciary obligation.

30. 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, 2018, the outstanding notional amount of the currency sell forward/swap agreements with maturity of less than six months amounted to P12,389,921,699 with market value of P12,283,670,903.

Over the Counter Interest Rate Option Contract Bought

As of December 31, 2018, the outstanding notional amount of the debt warrants bought to mature on November 29, 2032 amounted to P81,025,872 with market value of P97,984,775.

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, 2018, the outstanding notional amount of the FX risk cover amounted to JPY16,310,675,873 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.

31. 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	
	2018	**2017**
Trust Department accounts	305,691,511,509	232,391,242,067
Commitments	118,472,200,701	92,695,411,258
Standby/commercial letters of credit	27,154,664,872	31,880,361,020
Derivatives	20,645,529,081	27,574,406,990
Outstanding guarantees	1,034,961,286	805,133,223
Spot exchange contracts	1,840,300,000	1,497,900,000
Late deposits received	659,251,689	529,930,060
Outward bills for collection	60,362,867	98,516,034
Liability Indemnity Fund	80,042,571	43,481,662
Others	2,354,614,597	132,685,499
	477,993,439,173	**387,649,067,813**

32. Financial Performance

The following basic ratios measure the financial performance of the Parent:

	2018	2017 As restated
Net interest margin ratio	3.04%	3.31%
Return on average assets	0.96%	1.04%
Return on average equity	14.05%	15.57%

33. Equity

As of December 31, 2018, the Parent's authorized capital stock consisted of 2 billion common shares with par value of P100 per share totaling P200 billion.

As of December 31, 2018, the Parent's Paid-up capital increased to P26.29 billion equivalent to 262,907,777 shares with par value of P100 per share due to the capital infusion of P5.310 billion in June 2018 by the National Government representing the transferred net assets of NLDC and PCFC pursuant to EO No. 85 series of 2015.

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 per share. With the increase in par value per share from P10 to P100, 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). The Parent has remitted a total of P1.96B cash dividends to the National Government on its 2017 net income on May 30, 2019.

The Retained Earnings- reserves of the Group and the Parent consist of:

	Group		Parent	
	2018	2017	2018	2017
		(Amounts in Millions)		
Reserve for trust business	5,058.99	5,000.00	5,058.99	5,000.00
Reserve for contingencies	5,032.50	2,532.50	5,002.50	2,502.50
Reserve for PPE and software acquisition	190.60	294.00	0	0
Reserve for retirement fund and insurance	20.00	98.00	0	0
Reserve for business expansion	935.00	600.00	0	0
Reserve for others	43,460.59	33,786.95	43,351.04	33,768.95
	54,697.68	**42,311.45**	**53,412.53**	**41,271.45**

The following table shows the components of Other Comprehensive Income of the Group and Parent:

	Group			
	Re-measurement of retirement benefit obligation	Net Unrealized Gain/(loss) on AFS securities	Translation Adjustment and Others	Total
Balances, as of January 1, 2017	(111,524)	3,536,033,144	0	3,535,921,620
Increase/(decrease) in CY 2017	(5,176,642)	1,875,908,234	0	1,870,731,592
Balances, as of December 31, 2017, as restated	(5,288,166)	5,411,941,378	0	5,406,653,212
Effect of PFRS 9 adoption		6,555,190,215		6,555,190,215
Beginning balance under PFRS 9	(5,288,166)	11,967,131,593	0	11,961,843,427
Increase/decrease in CY 2018	1,142,828	(106,340,459)	231,756,287	126,558,656
Balance, as of December 31, 2018	**(4,145,338)**	**11,860,791,134**	**231,756,287**	**12,088,402,083**

	Parent		
	Net Unrealized Gain/(loss) on AFS securities	Translation Adjustment and Others	Total
Balances, as of January 1, 2017	3,536,033,144	0	3,536,033,144
Increase/(decrease) in CY 2017	1,875,908,234	0	1,875,908,234
Balances, as of December 31, 2017, as restated	5,411,941,378	0	5,411,941,378
Effect of PFRS 9 adoption	6,555,190,215		6,555,190,215
Beginning balance under PFRS 9	11,967,131,593	0	11,967,131,593
Increase/decrease in CY 2018	(58,582,154)	231,756,287	173,174,133
Balance, as of December 31, 2018	**11,908,549,439**	**231,756,287**	**12,140,305,726**

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. FVOCI and FVTPL Equity were included as regulatory adjustments/deduction to Tier 1 capital.

	Group		Parent	
	2018	2017	2018	2017
	(Amounts in Millions)			
Tier 1 Capital	131,593	104,397	131,617	104,596
Tier 2 Capital	7,522	5,807	7,490	5,790
Less: Required Deductions	24,213	28,285	25,645	28,999
Total Qualifying Capital	114,902	81,919	113,462	81,387
Risk Weighted Assets	905,541	696,236	596,620	693,497
Common Equity Tier 1 Ratio (CET1)	11.86%	10.93%	11.82%	10.90%
Total Capital Adequacy Ratio (CAR)	12.69%	11.77%	12.65%	11.74%

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. Tier 2 (supplementary) capital includes general loan loss provision.

The Bangko Sentral ng Pilipinas (BSP) thru its letter dated October 26, 2018 granted the Bank regulatory relief in the form of non-deduction of the Bank's equity investment in MRTC in the computation of its Common Equity Tier 1 (CET1), Capital Adequacy Ratio (CAR) and Basel 3 Leverage Ratio (BLR) until December 31, 2020.

LBP Group has fully complied with the CAR requirement of the BSP.

BASEL 3 Leverage Ratio

The Bank adopted the Basel 3 Leverage Ratio (BLR) pursuant to BSP Circular No. 881 and 990 dated May 2015 and January 5, 2018, respectively.

LAND BANK OF THE PHILIPPINES
Summary Comparison of Accounting Assets vs. Leverage Ratio Exposure
As of December 31, 2018
(Amounts in Millions)

	Item	**Leverage Ratio Framework**	
		Group	**Parent**
1.	Total consolidated assets as per published financial statements	1,885,619.829	1,876,258.34
2.	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation		
3.	Adjustment for fiduciary assets recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure		
4.	Adjustments for derivative financial instruments	726.100	726.100
5.	Adjustments for securities financial transactions (i.e., repos and similar secured lending)	529.000	0.000
6.	Adjustments for off-balance sheet items (i.e., conversion to credit equivalent amounts of off-balance sheet exposures)	67,579.078	66,545.332
7.	Other adjustments	(18,764.716)	(19,700.522)
8.	**Leverage ratio exposure**	**1,935,689.291**	**1,923,829.247**

LAND BANK OF THE PHILIPPINES
Basel III Leverage Ratio Common Disclosure Template
As of December 31, 2018
(Amounts in Millions; Ratios in Percent)

	Item	**Leverage Ratio Framework**	
		Group	**Parent**
	On-balance sheet exposures		
1.	On-balance sheet items [1/]	1,889,116.007	1,880,251.425
2.	Asset amounts deducted in determining Basel III Tier 1 Capital	(24,212.613)	(25,645.328)
3.	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	1,864,903.394	1,854,606.097
	Derivative exposures		
4.	Replacement cost associated with all derivatives transactions	1,951.719	1,951.719
5.	Add-on amounts for Potential Future Exposure associated with all derivative transactions	726.100	726.100
6.	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework [2/]		
7.	Deductions of receivables assets for cash variation margin provided in derivatives transactions [2/]		
8.	Exempted CCP leg of client-cleared trade exposures		
9.	Adjusted effective notional amount of written credit derivatives	0.000	0.000
10.	Adjusted effective offsets and add-on deductions for written credit derivatives[2/]	0.000	0.000
11.	**Total derivative exposures (sum of lines 4 to 10)**	**2,677.819**	**2,677.819**
	Securities financing transaction exposures		
12.	Gross SFT assets (with no recognition of netting)	0.000	0.000
13.	Netted amounts of cash payables and cash receivables of gross SFT assets [2/]		
14.	CCR exposures for SFT assets	529.000	0.000
15.	Agent transaction exposures [3/]	0.000	0.000
16.	**Total securities financing transaction exposures (sum of lines 12 to 15)**	**529.000**	**0.000**
	Other off-balance sheet exposures		
17.	Off-balance sheet exposure at gross notional amount	141,857.789	139,723.738
18.	Adjustments for conversion to credit equivalent amounts	0.000	0.000
19.	**Off-balance sheet items**	**67,579.078**	**66,545.332**
	Capital and total exposures		
20.	**Tier 1 capital**	**107,380.273**	**105,972.164**
21.	**Total exposures (sum of lines 3, 11, 16 and 19)**	**1,935,689.291**	**1,923,829.247**
	Leverage ratio		
22.	**Basel III leverage ratio**	**5.55%**	**5.51%**

[1/] Gross of General Loan Loss Provision (GLLP) and excluding derivatives and SFTs
[2/] Not included under the framework
[3/] When a bank/non-bank acting as an agent in an SFT provides an indemnity or guarantee to a customer or counterparty for any difference between the value of the security or cash the customer has lent and the value of the collateral the borrower has provided

34. Prior Period Adjustments

In 2018 the Parent made adjustments to its financial statements as of and for the year ended December 31, 2017 as a result of the set up of accrual for GRT.

The effects of these restatements in the financial statements as of and for the year ended December 31, 2017 are summarized below:

	As Previously Reported	Effects of Restatement	As Restated
Parent			
Changes in the Statement of Financial Position			
Liabilities			
Other liabilities	34,677,450,701	330,140,472	35,007,591,173
Equity			
Undivided Profit	15,505,365,035	(330,140,472)	15,175,224,563
Changes in the Statement of Comprehensive Income			
Other operating expenses			
Taxes and licenses	3,097,464,757	330,140,472	3,427,605,229

35. Miscellaneous Income

This account is composed of:

	Group		Parent	
	2018	2017 As restated	2018	2017
Gain from sale/derecognition of non-financial assets	748,550,585	678,729,147	732,926,956	666,394,383
Rent income	46,050,513	89,901,851	26,280,771	21,562,277
Miscellaneous income	1,929,859,798	576,729,419	1,742,018,600	361,329,446
Recovery on charged-off assets	56,530,727	73,489,717	41,966,691	73,489,717
	2,780,991,623	**1,418,850,134**	**2,543,193,018**	**1,122,775,823**

36 Miscellaneous Expenses

This account is composed of:

	Group		Parent	
	2018	2017	2018	2017
Finance Charges	80,342	0	0	0
Management and other professional fees	334,187,893	322,051,029	306,146,738	319,669,363
Supervision fees	414,144,350	407,083,016	411,319,527	406,633,016
Fines, penalties and other charges	1,172,474	8,157,911	537,466	8,150,157
Insurance	3,211,880,100	2,989,640,362	3,185,223,420	2,980,602,579
Fees and commission expense	266,981,077	298,229,270	271,575,956	298,229,270
Litigation/asset acquired expenses	182,041,589	110,563,820	121,320,950	108,361,349
Bad debts written-off	184,193	193,140	184,193	193,140
Other Expenses	8,749,931,962	6,514,038,772	8,238,847,726	6,237,041,139
	13,160,603,980	**10,649,957,320**	**12,535,155,976**	**10,358,880,013**

37. Events After the End of Reporting Period

- **Cash Dividend Declaration**

  On May 8, 2019, the Board of Directors of the Parent, through its Board Resolution No. 19-301, approved the declaration of cash dividends on CY 2017 net income amounting to P1,960,000,000.00 and remitted the same to the National Government on May 30, 2019.

38. 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	2018 (In Millions)							
	Net Exposures	0%	20%	50%	75%	100%	150%	Credit RWA
Cash on Hand	36,941	36,941	0	0	0	0	0	0
Checks and Other Cash Items (COCI)	51	0	51	0	0	0	0	10
Due from Bangko Sentral ng Pilipinas (BSP)	334,804	334,804	0	0	0	0	0	0
Due from Other Banks	4,718	0	67	4,563	0	88	0	2,383
Financial Assets Designated at FVTPL	912	0	0	0	0	912	0	912
Available-for-Sale (AFS) Financial Assets	92,902	65,926	0	22,898	0	4,078	0	15,527
Held-to-Maturity (HTM) Financial Assets	496,134	462,778	0	15,075	0	18,281	0	25,819
Loans and Receivables	723,222	0	7,652	16,295	87,501	606,498	5,276	689,716
1. Interbank Loans Receivables	48,449	0	7,364	10,732	0	30,323	30	37,207
2. Loans & Receivables - Others								
a. LGUs & Public Sector Entities	33,044	0	0	0	0	33,044	0	33,044
b. Government Corporation	1,988	0	0	0	0	1,988	0	1,988
c. Corporates	511,703	0	0	0	0	511,703	0	511,703
d. Micro/Small & Medium Enterprise	87,995	0	288	0	87,501	206	0	65,889
e. Loans to individuals	34,574	0	0	5,563	0	29,011	0	31,793
3. Defaulted Exposures	5,469	0	0	0	0	223	5,246	8,092
Other Loans and Receivables [1/]	50,549	50,549	0	0	0	0	0	0
Sales Contract Receivable (SCR)	890	0	0	0	0	425	465	1,123
Real and Other Properties Acquired	4,855	0	0	0	0	0	4,855	7,283
Total Exposures Excluding Other Assets	1,745,978	950,998	7,770	58,831	87,501	630,282	10,596	742,773
Other Assets	17,511	17	0	0	0	17,494	0	17,494
Total On-BS RWA not covered by CRM	0	0	0	0	0	0	0	72
Total On-Balance Sheet Exposures	**1,763,489**	**951,015**	**7,770**	**58,831**	**87,501**	**647,776**	**10,596**	**760,339**

[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	4,810	0	0	158	0	4,652	0	4,731
B. Transaction-related contingencies	59,888	0	0	0	0	59,888	0	59,888
C. Trade-related contingencies	2,308	0	0	1,126	0	1,182	0	1,745
D. Other commitments	0	0	0	0	0	0	0	0
Total Off-Balance Sheet Exposures	**67,006**	**0**	**0**	**1,284**	**0**	**65,722**	**0**	**66,364**
Counterparty RWA In The Trading Book	**Credit Equivalent Amount**	**0%**	**20%**	**50%**	**75%**	**100%**	**150%**	**Credit RWA**
Derivative Exposures	231	0	10	85	0	136	0	181
Total Exposures	**1,830,726**	**951,015**	**7,780**	**60,200**	**87,501**	**713,634**	**10,596**	**826,884**

CEA: Credit Equivalent Amount
RWA: Risk Weighted Assets
CRM: Credit Risk Mitigant
CRWA: Credit Risk Weighted Assets

Credit Exposures and Credit-Related Commitments

As of 31 December 2018, the Group's Gross Loans & Receivables amounted to P723,222 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, Corporates stood at P511,703 million (70.75%), followed by Micro, Small & Medium Enterprise (MSMEs) at P87,995 million (12.17%), Government Corporation/Entities at P35,032 million (4.84%) and Loans to Individuals at P34,574 million (4.78%). The Group also holds substantial receivables arising from Repurchase Agreements aggregating P50,549 million. The P66,364 million credit risk weighted asset of net Off-balance Sheet exposures of P67,006 million is computed based on respective Credit Conversion Factors. 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 foreign exchange option contracts.

The Group's Gross Loans & Receivables reflected a Credit Risk Weighted Assets (RWA) of P689,716 million following the Standardized Approach. This represents 83.41% of the Total Credit RWA of P826,884 million. The Total Credit RWA increased by P198,523 million or 31.59%, from P628,361 million in 2017 to P826,884 million in 2018. The Total Credit RWA represents 91.31% of the Group's Aggregate RWA of P905,541 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 2018, the Parent's net Non-Performing Loan (NPL) stood at P3,715 million or 0.428% of the total loan portfolio of P867,217 million.

Credit Risk Rating

LANDBANK's Credit Risk Engine System (CRES) serves as the main platform for the development of statistically-based credit rating models which will be used to conduct 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 said credit ratings are also needed for the eventual adoption of the advance approaches in credit RM under the Basel Committee on Banking Supervision principles on sound credit RM.

Toward this end, the Bank has developed the following statistically-based credit scoring models and their corresponding rating guidelines in 2018:

- Application Scoring Model for Individual Home Buyers
- Application Scoring Model for Salary Loan Availers
- Behavioral Scoring Model for Existing Salary Loan Availers[1]
- 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[1]
- Application Scoring Model for Livelihood Mobile Loan Saver[1]
- Behavioral Scoring Model for Countryside Financial Institutions[1]

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

Credit Risk Monitoring

LANDBANK has continuously adopted a formal reporting system for the 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

The Bank adopts a cash flow lending principles 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 and Chattel Mortgage. 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 Common Equity Tier 1 (CET1) Ratio. The stress testing also includes prescribed regulatory tests such as uniform stress test and REST. 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 2018, the Parent's qualifying capital covering credit risk is P113.46 billion.

On the other hand, the Parent's Single Borrower's Limit (SBL) is pegged at P32.552 billion for direct lending.

[1]*Credit Scoring Models Only*

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 2018 and 2017, the Bank does not have credit concentration in any particular industry.

As of December 31, 2018 and 2017, information on the concentration of credit as to industry based on carrying amount is shown below:

	Parent			
	2018		2017	
	Amount	%	Amount	%
Financial intermediation	114,310,426,882	14	71,713,093,339	12
Agriculture, hunting and forestry	67,602,346,878	8	51,536,263,324	8
Real estate, renting and business activities	68,426,309,747	9	58,048,731,998	10
Public administration and defense	80,850,276,420	10	76,784,032,439	13
Manufacturing	56,021,690,692	7	51,985,570,951	9
Community, social and personal services	21,725,073,913	3	13,346,062,576	2
Electricity, gas and water	116,484,048,169	15	93,537,592,974	15
Wholesale & retail trade, repair of motor vehicles, motorcycles & personal and household goods	76,255,818,839	9	57,639,838,178	10
Transport, storage and communication	73,669,726,711	9	43,994,810,674	7
Construction	53,828,241,433	7	37,899,953,536	6
Private households	29,699,897,529	4	23,646,244,827	4
Hotel and restaurant	12,601,992,410	2	4,637,321,925	1
Others	27,653,979,045	3	16,397,316,585	3
	799,129,828,668	**100**	**601,166,833,326**	**100**
Allowance for losses	**(9,525,823,713)**		**(5,168,696,310)**	
	789,604,004,955		**595,998,137,016**	

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, Foreign Exchange (FX) and other securities, as well as, in derivatives or financial instruments that derive their values from price, price fluctuations and price expectations of an underlying instrument (e.g., share, bond, FX or index). 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, Capital Adequacy Ratio (CAR) and capital metrics to manage market risks and establish limits. The LANDBANK BoD, RiskCom and the Asset and Liability Committee (ALCO), 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 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 2018, the Group's Total Market RWA stood at P9,302 million, broken down as follows:

PARTICULARS	Amount (In Millions)
Interest Rate Exposure	858
Equity Exposure	0
FX Exposure	138
Options	8,306
Total Market RWA	**9,302**

The Total Market RWA represents 1.03% of the Group's Aggregate RWA of P905,541 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 (FS) 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	P200.00
Foreign Securities	$20.00	$0.20	Group Target	$0.64

YTD: Year-to-Date

   The Foreign Exchange Risk in FS is 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. 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 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 2018:

In $ Thousands

Particular	USD	JPY	EUR	AUD	Others	Total
ASSETS						
Fx Currency Notes & Coins on Hand (FCNCH)/ Cash and Other Cash Items (COCI)	31,162	155	110	23	194	31,644
Due from banks	78,419	1,761	6,567	208	1,130	88,085
Held for Trading	8,076	0	0	0	0	8,076
Available For Sale Investment	867,096	0	1	0	0	867,097
Investments in Bonds and Other Debt Instruments (IBODI)	636,840	0	0	0	0	636,840
Interbank Loans Receivable	344,000	0	0	0	0	344,000
Loans & Receivables	427,314	49,074	0	0	0	476,388
Other Assets	32,467	785	0	174	710	34,136
Gross Fx Assets	**2,425,374**	**51,775**	**6,678**	**405**	**2,034**	**2,486,266**
LIABILITIES						
Deposit Liabilities	1,805,536	1,649	3,915	0	0	1,811,100
Bills Payable	268,081	292,899	28,589	0	0	589,569
Others	130,273	1,565	1,680	174	710	134,402
Gross Fx Liabilities	**2,203,890**	**296,113**	**34,184**	**174**	**710**	**2,535,071**

Market Risk Measurement and Validation Tools

1. Value-at-Risk (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, 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 its processes. 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 2018. 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 Common Equity Tier (CET) 1 ratio set at 10.17% by BSP for LANDBANK as Domestic Systemically Important Banks (DSIB) for 2018.

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 (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 Parent has also engaged the services of a third party to conduct 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'.

   Furthermore, to enhance the process of forecasting cash flows from prepayment of loans and come up with a more accurate analysis of risk associated to interest rate in the banking book, a portion of the loan balance originally distributed across time bands is deducted representing loan prepayment and slotted in the nearest tenor "1 to 7-day bucket" based on the result of the behavioral analysis of prepayment of loans.

   Excluded at the moment in the analysis of actual maturity or re-pricing behavior for the determination of Re-pricing Gap are the term deposits subject to early redemption risk. Early withdrawal of maturing deposits is considered an isolated case which will have minimal effect in the Bank's interest rate risk estimation.

The following table sets the Re-pricing Gap position of the Parent as of 31 December 2018 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	51,500	0	0	0
Total Investments	4,531	5,268	6,731	30,783
Total Loans	226,238	252,277	85,078	49,207
Other Assets	10	4	3	5
Total Financial Assets	**282,279**	**257,549**	**91,812**	**79,995**
Financial Liabilities				
Deposits	438,550	152,076	40,953	12,195
Bills Payable	4,206	493	12,531	0
Others	0	0	0	0
Total Financial Liabilities	**442,756**	**152,569**	**53,484**	**12,195**
Off-Balance Sheet				
Commitments	0	0	0	(59,521)
Total Off-Balance Sheet	0	0	0	(59,521)
Re-pricing Gap	**(160,477)**	**104,980**	**38,328**	**8,279**

Change in Interest Rates - in basis points (bps)

In Millions

EaR	-300	-200	-100	-50	+50	+100	+200	+300
	1,208	806	403	201	(201)	(403)	(806)	(1,208)

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.

Basis	Change in Interest Rates - in bps **Interest Rate Scenario** **Peso**	 **Dollar**	 **EVE-at-Risk (In Millions)**
Hypothetical	+300	+200	1,662
BIS-IRRBB Calculation	+271	+200	1,330
5-year Historical Data (Year-on-Year Change on Average Rates at 99% Level Confidence Level)	+251	+153	1,631
5-year Historical Data (Year-on-Year Change on Average Rates at 95% Level Confidence Level)	+178	+108	1,252
Market Sentiment	+100	+50	903
Market Sentiment	+50	+50	136
Market Sentiment	-50	-50	(151)
Market Sentiment	-100	-50	(1,099)
5-year Historical Data (Year-on-Year Change on Average Rates at 95% Level Confidence Level)	-178	-108	(1,811)
5-year Historical Data (Year-on-Year Change on Average Rates at 99% Level Confidence Level)	-251	-153	(2,749)
BIS-IRRBB Calculation	-271	-200	(2,404)
Hypothetical	-300	-200	(3,153)

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, recommends measures to promote diversification of its liabilities according to source, instrument and currency to minimize liquidity risks resulting from concentration in funding sources.

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

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. This risk measurement tool is 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.

   TRMD prepares RBU (Peso and FX Regular), FCDU, Consolidated (Solo-Parent) LGR on a monthly basis. Parent and Subsidiary LGR is prepared in a quarterly basis. ALCO reviews the Bank's assets and liabilities position on a regular basis and recommends measures to promote diversification of its liabilities according to sources, instruments, and currencies to minimize liquidity risks resulting from concentration in funding sources.

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

	Parent					
	In Thousands					
	2018			2017 As restated		
Particulars	Due within 1 year	Due > 1 year	Total	Due within 1 year	Due > 1 year	Total
ASSETS						
Cash & Other Cash Items	36,968,265	0	36,968,265	31,384,485	0	31,384,485
Due from BSP	331,197,576	0	331,197,576	305,349,912	0	305,349,912
Due from Other Banks	5,707,747	1,705	5,709,452	5,104,789	1,698	5,106,487
Interbank Loan Receivable	18,096,177	0	18,096,177	20,981,027	0	20,981,027
Security Purchased Under Agreement to Resell	50,019,792	0	50,019,792	52,232,925	0	52,232,925
Loans & Receivables	354,791,109	437,599,763	792,390,872	266,386,189	346,329,221	612,715,410
Investments	80,551,059	539,397,877	619,948,936	36,584,475	535,440,215	572,024,690
Other Assets	4,784,696	18,577,569	23,362,265	4,537,445	19,505,134	24,042,579
Total Assets	**882,116,421**	**995,576,914**	**1,877,693,335**	**722,561,247**	**901,276,268**	**1,623,837,515**
LIABILITIES						
Deposits						
Demand	798,036,466	0	798,036,466	709,508,966	0	709,508,966
Savings	770,728,834	0	770,728,834	645,770,968	0	645,770,968
Time	73,336,620	3,039,357	76,375,977	57,114,142	2,079,279	59,193,421
LTNCD	5,000,000	6,000,000	11,000,000		11,000,000	11,000,000
Bills Payable	5,953,285	25,303,552	31,256,837	1,998,296	22,581,812	24,580,108
Due to BTr, BSP, & MCs/PCIC	1,473,410	305,976	1,779,386	1,650,798	299,984	1,950,782
Other Liabilities & Payable	955,909	52,601,640	53,557,549	258,523	57,880,960	58,139,483
Total Liabilities	**1,655,484,524**	**87,250,525**	**1,742,735,049**	**1,416,301,693**	**93,842,035**	**1,510,143,728**

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 2018 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	323,533	0	50,340	0	2	373,875
Total Loans	257,773	93,884	71,250	176,883	260,717	860,507
Total Investments	19,241	6,731	54,579	219,817	319,581	619,949
Other Assets	3,118	0	1,666	114	18,464	23,362
Total Assets	**603,665**	**100,615**	**177,835**	**396,814**	**598,764**	**1,877,693**
FINANCIAL LIABILITIES						
Deposits	30,121	972	1,603	451	1,622,994	1,656,141
Borrowings	4,651	224	1,078	8,044	17,260	31,257
Other Liabilities & Unsecured Subordinated Debt	1,473	0	956	0	52,908	55,337
Total Capital					134,958	134,958
Total Liabilities & Capital	**36,245**	**1,196**	**3,637**	**8,495**	**1,828,120**	**1,877,693**
Gap Position	**567,420**	**99,419**	**174,198**	**388,319**	**(1,229,356)**	**0**

As of 31 December 2018, 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	**2018 (Unaudited)**	**2017 (Audited)**	**2016 (Audited)**	**2015 (Audited)**
Liquid Assets (*)	P1,032,595	P972,283	P867,250	P722,850
Financial Ratios:				
Liquid Assets to Total Assets	54.99%	59.88%	61.83%	60.08%
Liquid Assets to Total Deposits	62.35%	68.21%	70.17%	69.09%

*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

Moreover, the Parent has adopted a more granular approach in analyzing funding sources against the resulting gaps for each liquidity stress test scenario. Instead of matching directly the entire funding source to the resulting funding gap for each liquidity stress event, an additional simulation is conducted which considers a more detailed analysis by excluding fund sources that will no longer be available in some stress scenario or risk events.

4. Liquidity Coverage Ratio (LCR)

The LCR is reported monthly to BSP 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 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:

HQLA - Refer to assets that can be converted easily and immediately into cash at little or no loss of value in private markets to meet the Bank's liquidity needs during times of stress.
Total Net Cash Outflows - Pertains to the sum of the stressed outflow amounts less the sum of the stressed inflow amounts, with the inflow amounts limited to seventy-five percent (75%) of outflow amounts.

As of 31 December 2018, 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)

   To ensure that the Parent has sufficient liquidity at all times, it formulated LCP using extreme scenarios of adverse conditions to evaluate the Parent's ability to withstand these scenarios. The contingency plan focuses on the Parent's strategy for coordinating managerial action during a crisis and includes 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 Financial Assets at Fair Value through Other Comprehensive Income (FVOCI) 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 FVOCI and Hold-to-Collect (HTC) 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.

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Aquileo Columnas
Gabriel Espejo
Rey Laguitao
Teodoro Lomod

Laconon 100 Multi-purpose Cooperative
Pacifico Cordada, Jr.
Jovem G. Palencia

LANDBANK

WE HELP YOU GROW.

LANDBANK Plaza 1598 M.H. del Pilar corner
Dr. J. Quintos Streets, Malate, Manila, Philippines
Tel. Nos.: (02) 8405-7000; 1-800-10-405-7000 (PLDT Domestic Toll-Free outside NCR)
www.landbank.com