Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Ave., Quezon City

ANNUAL AUDIT REPORT

on the

LAND BANK OF THE PHILIPPINES

For the years ended December 31, 2024 and 2023

EXECUTIVE SUMMARY

INTRODUCTION

The Land Bank of the Philippines (LANDBANK or the Parent) was established on August 8, 1963 under the Agricultural Land Reform Code (Republic Act No. 3844) to finance the acquisition and distribution of agricultural estates for division and re-sale to small landholders and the purchase of landholdings by agricultural land tenants.

In July 1973, under Presidential Decree (PD) No. 251, the LANDBANK became the first universal bank by charter and was granted expanded commercial banking powers to sustain its social mission of spurring countryside development. PD No. 251 empowered the LANDBANK to grant loans to agricultural, industrial, home-building or home financing projects and other productive enterprises and enabled it to extend credit assistance to farmers' cooperatives and associations to facilitate the production and marketing of crops and the acquisition of essential commodities.

In 1988, following the enactment of the Comprehensive Agrarian Reform Law (Republic Act No. 6657), the LANDBANK became the financial intermediary of the government's Comprehensive Agrarian Reform Program (CARP). The government established an Agrarian Reform Fund for payment, in cash and bonds, of land compulsorily or voluntarily acquired from landowners.

In 1990, the government transferred to the LANDBANK the primary responsibility of determining land valuation and compensation for land acquisition, which was previously the function of the Department of Agrarian Reform.

The Parent and its subsidiaries (the 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.

On June 25, 2021, Executive Order No. 142 was issued approving the merger of the LANDBANK and the United Coconut Planters Bank (UCPB), and the acquisition by the LANDBANK of the Special Preferred Shares of the Philippine Deposit Insurance Corporation (PDIC) in the UCPB." On September 24, 2021, the LANDBANK acquired 12 Billion Special Preferred Shares of UCPB held by the PDIC by issuing a 20-year Certificate of Indebtedness (COI) with face value and fair value at the time of acquisition amounting to P12 Billion and P4,038,227,868.42, respectively. The issuance of the COI represented 88.91 per cent of the total voting rights in UCPB.

The LANDBANK is headed by its President and Chief Executive Officer. Its Board of Directors is composed of nine members and chaired by the Secretary of the Department of Finance.

The LANDBANK has a total manpower of 11,863 consisting of 3,361 officers and 8,502 operating staff as of December 31, 2024, deployed as follows:

	Officers	Staff	Total
Head Office	591	2,770	3,361
Branches/Field Units	870	7,632	8,502
	1,461	10,402	11,863

SCOPE OF AUDIT

The audit covered the examination, on a test basis, of the Group and of the Parent transactions and accounts for the period January 1 to December 31, 2024 to enable us to express an opinion on the fairness of presentation of the financial statements of the Group and of the Parent for the years ended December 31, 2024 and 2023 in accordance with the International Standards of Supreme Audit Institutions. Also, we conducted our audit to assess compliance with pertinent laws, rules and regulations, as well as adherence to prescribed policies and procedures.

FINANCIAL HIGHLIGHTS

(In thousand pesos)

I. Financial Position

	Group			Parent		
	2024	2023 As Restated	Increase	2024	2023 As Restated	Increase
Assets	3,464,105,379	3,301,493,797	162,611,582	3,439,318,359	3,278,810,951	160,507,408
Liabilities	3,167,139,469	3,019,584,728	147,554,741	3,146,186,076	3,000,656,092	145,529,984
Equity	296,965,910	281,909,070	15,056,840	293,132,283	278,154,859	14,977,424

II. Results of Operations

	Group			Parent		
	2024	2023 As Restated	Increase/ (Decrease)	2024	2023 As Restated	Increase/ (Decrease)
Income	159,535,151	138,514,293	21,020,858	156,074,310	135,312,570	20,761,740
Personal Services	20,273,788	22,840,214	(2,566,426)	19,579,925	21,586,010	(2,006,085)
MOOE	35,235,372	31,424,521	3,810,851	33,583,340	30,354,850	3,228,490
Financial Expenses	64,936,099	42,174,095	22,762,004	64,267,354	41,673,895	22,593,459
Net Income	39,089,892	42,075,463	(2,985,571)	38,643,691	41,697,815	(3,054,124)
Other Comprehensive Income	5,162,427	14,237,455	(9,075,028)	5,160,604	14,248,605	(9,088,001)
Total Comprehensive Income	44,252,319	56,312,918	(12,056,849)	43,804,295	55,946,420	(12,142,125)

III. Budget and Utilization

Parent	Budget 2024	Budget 2023	Utilization 2024	Utilization 2023
Personnel Services	26,020,690	23,087,208	19,577,927	19,845,911
Maintenance and Other Operating Expenses	33,376,704	37,677,672	30,454,719	31,524,643
Financial Expenses	52,133,296	16,582,000	43,919,497	34,527,504
Capital Outlay	266,209,615	7,584,169	231,019,807	2,461,717
	377,740,305	**84,931,049**	**324,971,950**	**88,359,775**

AUDITOR'S OPINION

The Auditor rendered an unmodified opinion on the fairness of presentation of the financial statements of the Group and of the Parent for the years ended December 31, 2024 and 2023.

SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

1. The accuracy of intragroup transactions eliminated in the LANDBANK's consolidated financial statements as at December 31, 2024, totaling P26.203 billion could not be established due to incomplete reconciliation and differences in the accounting policies between the Parent and its subsidiaries, contrary to Paragraphs 19 and B86-B87 of PFRS 10, thus resulting in the incomplete elimination of intragroup transactions in the LANDBANK's consolidated financial statements.

We recommended and Management agreed that the:

a. Administrative Accounting Department (AAD) establish the balances of receivables from and payables to the subsidiaries of various concerned LANDBANK departments/units to reconcile the variances as at December 31, 2024;

b. Financial Accounting Department (FAD) coordinate with the subsidiaries to identify discrepancies between the accounting policies being used and agree on a uniform accounting policy for intragroup transactions to ensure full elimination during the year-end;

c. Systems and Method Department (SMD) include in the revision of the internal policy the elimination of intragroup balances between LANDBANK subsidiaries; and

d. SMD include in Sector Order No. 81 s. 2024 or in an internal issuance on the adoption of accounting policies to be applied uniformly by the LANDBANK and its subsidiaries in the consolidation of the financial statements.

2. Detailed and complete information supporting the accruals amounting to P7.189 billion outstanding as of December 31, 2024 could not be provided, casting doubt on the accuracy, validity, and completeness of the recorded accrued obligations, thus, affecting the faithful representation of the Accrued and Other Expenses Payable (AOEP) amounting to P9.315 billion as at year end.

We recommended and Management agreed that the AAD:

a. Review the outstanding AOEP balances as of December 31, 2024 to determine which amounts are still valid obligations and which have already been reversed as a prior period adjustment in the CY 2024 financial statements;

b. Maintain complete subsidiary records and supporting documents that serve as the basis for the recording of the AOEP entries and ensure these records are maintained until the related accruals are reversed and regularly update these records to facilitate verification; and

c. Establish a formal guideline for the year-end accrual which should include, among others, the assignment of specific responsibilities for the consolidation of accruals at year-end and, as well as periodic review and monitoring of these accruals to ensure their proper disposition.

3. Loans and Receivables account totaling P1.143 billion, consisting of 1,124 borrowers accounts transferred from UCPB to LANDBANK was not supported with promissory notes and other relevant documents or information that would establish the existence and validity of loans, contrary to Paragraph 2.12 of the 2018 Conceptual Framework for Financial Reporting, thus, affecting the faithful representation of the Loans and Receivables balance of P1.143 billion as at December 31, 2024.

We recommended and Management, through the Loan Operations Management Department (LOMD), Loan Administration Department (LAD) and Loan Recovery Department (LRD), agreed to complete accounting for the 1,124 accounts, including sending demand letters and/or filing the necessary action for collection of sums of money as one of the LANDBANK's legal remedies for accounts with missing PNs.

STATUS OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

The total audit suspensions and disallowances as of December 31, 2024 was P2.851 billion, broken down as follows:

Parent	Suspensions	Disallowances	Total
Head Office	0	2,813,197,815.27	2,813,197,815.27
Regional Offices/Branches	24,006,022.34	13,576,826.98	37,582,849.32
	24,006,022.34	**2,826,774,642.25**	**2,850,780,664.59**

There were audit charges amounting to P174,528.38 issued prior to the effectivity of the 2009 Revised Rules on the Settlement of Accounts as of December 31, 2024.

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 18 audit recommendations embodied in the prior years' Annual Audit Reports, 8 were implemented and 10 were not implemented.

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Acronyms

A/P-GE	Accounts Payable - Government Entities
A/R-BOE	Accounts Receivable-Bank Officers/Employee
AAD	Administrative Accounting Department
AAPSI	Agency Action Plan and Status of Implementation
AC	Amortized Cost
ACA	Agricultural Credit Administration
ACEF	Agricultural Competitiveness Enhancement Fund
ACL	Allowance for Credit Losses
ACPC	Agricultural Credit Policy Council
AGDBs	Authorized Government Depository Banks
AI/ML	Artificial Intelligence/Machine Learning
ALCO	Asset and Liability Committee
ALERT ARBOs	Accelerated Loans Empowered, Resilient and Transformed Agrarian Reform Beneficiary Organizations
AMLS	Anti-Money Laundering System
AO	Administrative Order
AOEP	Accrued & Other Expense Payable
AP	Accounts Payable
AR	Accounts Receivable
ARISE ARBs	Assistance to Restore and Install Sustainable Enterprises for Agrarian Reform Beneficiaries and Small Farm Holders
ATM	Automated Teller Machine
BAC	Bids and Awards Committee
BAP	Bankers Association of the Philippines
BBSD	Branch Banking Support Department
BCM	Business Continuity Management
BFARs	Budget and Financial Accountability Reports
BH	Branch Head
BIR	Bureau of Internal Revenue
BLR	Basel III Leverage Ratio
BLSD	Banking Legal Services Department
BLT	Build, Lease and Transfer
BOFB	Benefits and Other Fringe Benefits - Others
BOO	Branch Operations Officer
BPFFE	Bank Premises, Furniture, Fixture and Equipment
BSFI	Bangko Sentral-Supervised Financial Institution
BSO	Branch Service Officers
BSP	Bangko Sentral ng Pilipinas
BTr	Bureau of Treasury
BU	Bank Unit
CA	Current Account
CAR	Certificate Authorizing Registration

CARP	Comprehensive Agrarian Reform Program
CASA	Codified Approving and Signing Authorities
CDM	Cash Deposit Machine
CET1	Common Equity Tier 1
CFI	Countryside Financial Institutions
CFID	Coconut Farmers and Industry Development Fund
CFITF	Coconut Farmers and Industry Trust Fund
CG	Comptrollership Group
CGT	Capital Gains Tax
CIOC	Capitalized Interest and Other Charges
CMG	Compliance Management Group
COA	Commission on Audit
COI	Certificate of Indebtedness
COM	Certificate of Management
COS	Certificate of Sale
CPCS	Compensation and Position Classification System
CPRMS	Consumer Protection Risk Management System
CREATE	Corporate Recovery and Tax Incentives for Enterprises
CRES	Credit Risk Engine System
CT	Covered Transactions
CTR	Currency Transaction Report
CY	Calendar Year
DA	Department of Agriculture
DAR	Department of Agrarian Reform
DBM	Department of Budget and Management
DBP	Development Bank of the Philippines
DBP-DCI	DBP Data Center, Inc.
DCMD	Data Center Management Department
DE	Document Examiner
DLS	Digital Lending System
DO	Disbursement Order
DOJ	Department of Justice
DOSRI	Directors, Officers, Stockholders and Related Interests
DOST-TAPI	Department of Science and Technology – Technology and Promotion Institute
DOTr	Department of Transportation
DOU	Deed of Undertaking
DPMD	Digital Product Marketing Department
DRR	Deliveries Receiving Report
DST	Documentary Stamp Tax
DSWD	Department of Social Welfare and Development
DTI	Department of Trade and Industry
EAD	Exposure at Default
EaR	Earning-at-Risk

eCAR	Electronic Certificate Authorizing Registration
ECL	Expected Credit Loss
EFMS	Enterprise Fraud Management System
EJ	Electronic Journal
EO	Executive Order
EPMS	Enterprise Procurement Management System
EPS	Express Payment System
ERCA-ARCEF	Expanded Rice Credit Assistance under the Rice Competitiveness Enhancement Fund
ERD	Employee Relations Department
ERP	Equity Rental Payment
ERIP	Early Retirement Incentive Program
ETPS	Electronic Tax Payment System
EVEaR	Economic Value of Equity-at-Risk
FAD	Financial Accounting Department
FAR	Financial Accountability Reports
FAsD	Fixed Assets Division
FAU	Field Accounting Unit
FCCM	Financial Crime and Compliance Management
FCDU	Foreign Currency Deposit Unit
FCP	Financial Consumer Protection
FCPA	Financial Products and Services Consumer Protection Act
FDRD	Foreign and Domestic Remittance Department
FIAS	Financial Information Access System
FLS	Field Legal Services
FMD	Facilities Management Department
FMS	Fraud Monitoring Systems
FMU	Financial Management Unit
FRP	Financial Reporting Package
FTD	Financial Transaction Division
FU	Field Units
FVOCI	Financial Assets at Fair Value Through Other Comprehensive Income
FVTPL	Financial Assets at Fair Value Through Profit or Loss
FX	Foreign Exchange
GAD	Gender and Development
GAU	General Accounting Unit
GCG	Governance Commission for GOCCs
GFPS-TWG	GAD Focal Point System-Technical Working Group
GHDI	Green Homes Development, Inc.
GOCC	Government-Owned and Controlled Corporation
GPB	GAD Plan and Budget
GSIS	Government Service Insurance System
HO	Head Office

HQLA	High Quality Liquid Assets
HRIS	Human Resource Information System
HRMG	Human Resource Management Group
IA	Implementing Agency
IAG	Internal Audit Group
IAS	International Accounting Standards
IBR	Incremental Borrowing Rate
IDRARS	Integrated Documents and Reports Archival and Retrieval System
ILC	Investment & Loan Committee
IOA	Inter Office Advice
IP	Investment Property
IRRs	Implementing Rules and Regulations
IRRBB	Interest Rate Risk in the Banking Book
I-Tech	Innovation and Technology Lending Program
IT-PMD	IT-Project Management Department
JC	Joint Circular
LAD	Loan Administration Department
LANDBANK	Landbank of the Philippines
LARS	Land Bank ATM Reconciliation System
LBCS	LANDBANK Bulk Credit System
LBRDC	LBP Resources and Development Corporation
LBRS	LANDBANK Remittance System
LBTS	LANDBANK Tellering System
LC	Lending Center
LCR	Liquidity Coverage Ratio
LD	Litigation Department
LGD	Loss Given Default
LGR	Liquidity Gap Report
LGU	Local Government Unit
LGU MDF	Local Government Unit Multi-Developmental Financing Support Program
LIBI	LANDBANK Insurance Brokerage, Inc.
LITS	Loan Impairment Testing Sheet
LLFC	LANDBANK Leasing and Financing Corporation
LOFU	Loan Operations Field Units
LOFUs	Loan Operation Field Units
LOMD	Loan Operations Management Department
LPMG	Lending Program Management Group
LRD	Loan Recovery Department
LRTS	Light Rail Transit System
LSD	Lending Support Department
LSG	Legal Services Group
LSI	LANDBANK Securities, Inc.
LU	Lending Unit

MAT	Management Action Trigger
MB	Monetary Board
MBA	Mobile Banking Application
MCIT	Minimum Corporate Income Tax
MCO	Maximum Cumulative Outflow
MCOCI	Miscellaneous Cash and Other Cash Items
MDF	Municipal Development Fund
MDFO	Municipal Development Fund Office
MDS	Modified Disbursement System
MERALCO	Manila Electric Company
MLRMD	Market and Liquidity Risk Management Department
MOA	Memorandum of Agreement
MOOE	Maintenance and Other Operating Expenses
MORB	Manual of Regulations for Banks
MORNBFI	Manual of Regulations for Non-Bank Financial Institutions
MRTC	Metro Rail Transit Corporation
MSI	Masaganang Sakahan, Inc.
NCA	Notice of Cash Allocation
NCAHS	Non-Current Asset Held for Sale
NCIT	Normal Income Tax
NCR	National Capital Region
NDLS	National Development Lending Sector
NFAS	New Fixed Assets System
NFC	Northern Foods Corporation
NG	National Government
NLDC	National Livelihood Development Corporation
NOLCO	Net Operating Loss Carry Over
NPL	Non-performing loan
NSERP	Notice of Sale on Execution of Real Property
NTP	Notice to Proceed
NTVs	Notices to Vacate
O/S	Outstanding Balance
ODA	Official Development Assistance
ODC	Other Deferred Credits
OFB	OFW LANDBANK
OFBank	Overseas Filipino Bank
OGCC	Office of Government Corporate Counsel
OGH	Office of the Group Head
ORM	Operational Risk Management
ORWA	Operational Risk Weighted Assets
PAD	Personnel Administration Department
PAPs	Programs, Activities and Projects
PAS	Philippine Accounting Standard

PC	Permanent Committee
PCA	Philippine Coconut Authority
PCFC	People's Credit and Finance Corporation
PCW	Philippine Commission on Women
PD	Presidential Decree
PFI	Partner Financial Institutions
PFRS	Philippine Financial Reporting Standards
PMC	Property Management Contract
PMD	Program Management Department
PMED	Procurement Management and Engineering Department
PN	Promissory Note
PO	Purchase Order
PPE	Property, Plant and Equipment
ProcD	Procurement Department
PS	Personnel Services
PSO	Property Supply Officer
PTS	Property Transfer Slip
RA	Republic Act
RAPID	Rural Agro-Enterprise Partnership for Inclusive Development
RARS	Remote ATM Reading System
RBU	Regular Banking Unit
RCI	Reports of Checks Issued
RCOCI	Returned Cash and Other Cash Items
RD	Registry of Deeds
REST	Real Estate Stress Test
RiskCom	Risk Oversight Committee
RM	Risk Management
RMG	Risk Management Group
RMQAU	Risk Modeling and Quantitative Analytics Unit
ROP	Republic of the Philippines
ROPA	Real and Other Properties Acquired
ROPA MS	Real and Other Properties Acquired Manager System
ROPOA	Real and Other Properties Owned or Acquired
ROU	Right of Use
RR	Revenue Regulations
RWA	Risk-Weighted Assets
SA	Savings Account
SC	Supreme Court
SCP- SIDA	Socialized Credit Program under the Sugarcane Industry Development Act
SICR	Significant Increase in Credit Risk
SID	Systems Implementation Department
SL	Subsidiary Ledgers
SLA	Service Level Agreement

SLD	Subsidiary Ledger Division
SMD	Systems and Method Department
SO	Sector Order
SPA	Share Purchase Agreement
SPAD	Special Assets Department
SPPI	Solely Payments of Principal and Interest
SPO	Stop Payment Order
SRA	Sugar Regulatory Administration
SSIT	Schedule of Subsidiary's Intragroup Transactions
SSUB	Sworn Statement of Unclaimed Balances
STR	Suspicious Transaction Report
SUBA	Statements of Unclaimed Balances Accounts
SURE Aid	Survival and Recovery Assistance
TCT	Transfer Certificate of Title
TD	Tax Declaration
TIBS	Treasury and Investment Banking Sector
TMG	Technology Management Group
TOR	Terms of Reference
TR	Terminal Reading
TWG	Technical Working Group
UAT	User Acceptance Testing
UCPB	United Coconut Planters Bank
UFEC	United Foreign Exchange Corporation
ULFC	UCPB Leasing and Financing Corporation
USB	UCPB Savings LANDBANK
USD	United States Dollar
VaR	Value-at-Risk
WOPs	Writs of Possession

PART I

AUDITED FINANCIAL STATEMENTS

REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Land Bank of the Philippines
Manila City

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of the Land Bank of the Philippines and its subsidiaries (the Group), and of Land Bank of the Philippines (the Parent), which comprise the statements of financial position as at December 31, 2024 and 2023, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Group and of the Parent as at December 31, 2024 and 2023, and their financial performance and their cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with International Standards of Supreme Audit Institutions (ISSAIs). 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 of the Parent Bank in accordance with the Revised Code of Conduct and Ethical Standards for Commission on Audit Officials and Employees (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. 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 2.1 of the Notes to the Financial Statements, which states that the financial statements have been prepared in accordance with the PFRSs/Philippine Accounting Standards (PAS), except for the specific provision of PFRS 9 on recognition of modification gain/loss in profit or loss when modification does not result in the derecognition of a financial asset, in adherence with the Bangko Sentral ng Pilipinas (BSP)

Financial Reporting Package. The impact on the financial statements of the Parent's approach to amortize rather than recognize outright gain or loss is discussed in Note 2.5.1a. Our opinion is not modified in respect of this matter.

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 the 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 ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, 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 Bank's internal control.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Bank'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 Bank 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.

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 audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under the Revenue Regulations No. 15-2010 in Note 22 and BSP Circular No. 1074 in Note 35 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and the BSP, respectively, and is not a required part of the basic financial statements. Such supplementary information is the responsibility of the Parent and has been subjected to the auditing procedures applied in our audits 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

MARIE FRANCES HAZEL S. ACEBEDO
Supervising Auditor

June 23, 2025

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 and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2024 and 2023 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, disclosing, as applicable matters related to 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 schedules 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.

RALPH G. RECTO
Chairman of the Board

MA. LYNETTE V. ORTIZ
President and Chief Executive Officer

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

Signed this 23rd day of June 2025

(632) 8522-0000 | 8551-2200 | 8450-7001
www.landbank.com

LANDBANK Plaza, 1598 M.H. Del Pilar corner
Dr. J. Quintos Sts. Malate, Manila, Philippines 1004

LAND BANK OF THE PHILIPPINES
STATEMENTS OF FINANCIAL POSITION
As at December 31, 2024 and 2023
(In Philippine Peso)

	NOTE	GROUP		PARENT	
		2024	2023 As Restated	2024	2023 As Restated
ASSETS					
Cash and Cash Equivalents	6	417,189,770,200	467,706,715,771	415,885,025,009	466,668,651,209
Trading and Investment Securities	7	1,319,660,262,500	1,254,722,411,635	1,314,216,390,255	1,249,785,127,978
Loans and Other Receivables	8, 16	1,585,754,835,412	1,463,178,803,149	1,566,310,242,774	1,444,423,276,715
Investment in Subsidiaries	9	0	0	5,654,367,708	5,654,367,708
Investment in Associates	10	50,000,000,000	0	50,000,000,000	0
Inventories		386,724,784	342,053,219	297,082,544	285,490,696
Investment Property	11	17,220,431,767	14,212,036,694	16,140,421,515	13,046,580,412
Property and equipment	12	13,004,698,194	11,379,341,237	11,841,727,580	10,466,497,954
Right-of-Use Assets	13	3,105,594,774	2,941,545,933	2,393,198,496	2,261,330,481
Non-current assets held for sale		927,469,427	944,813,733	876,176,232	930,784,098
Other intangible assets	14	1,269,739,405	1,471,934,316	1,213,877,706	1,409,317,016
Other assets	15	36,865,066,133	67,077,918,322	36,725,911,605	67,324,710,906
Deferred Tax Assets	21	18,720,787,140	17,516,223,159	17,763,938,066	16,554,816,270
TOTAL ASSETS		**3,464,105,379,736**	**3,301,493,797,168**	**3,439,318,359,490**	**3,278,810,951,443**
LIABILITIES AND EQUITY					
Liabilities					
Deposit liabilities	17	3,013,468,585,980	2,896,748,397,914	2,998,889,744,152	2,882,399,391,632
Financial Liabilities	18	69,735,646,612	58,854,477,450	64,848,010,983	55,518,170,519
Inter-Agency Payables	19	10,195,657,455	7,442,986,359	10,807,032,409	8,165,827,747
Deferred Credits/Unearned Income		6,705,608,728	5,341,132,610	4,991,543,716	3,870,794,829
Provisions		716,344,142	677,279,202	651,956,146	588,860,175
Other Payables	20	66,317,626,499	50,520,454,038	65,997,789,000	50,113,047,067
Total Liabilities		**3,167,139,469,416**	**3,019,584,727,573**	**3,146,186,076,406**	**3,000,656,091,969**
Equity	29				
Common stock		163,787,711,308	163,787,711,308	163,787,711,308	163,787,711,308
Paid-in Surplus		101,098,220	101,098,220	101,098,220	101,098,220
Retained earnings free		70,908,462,669	58,188,683,026	69,651,769,268	56,780,824,653
Retained earnings reserve		15,510,744,397	15,351,295,444	13,541,374,740	13,541,374,740
Undivided profits		39,088,346,839	42,074,646,450	38,643,690,591	41,697,815,954
Revaluation Increment		61,200,000	61,200,000	0	0
Other Comprehensive Income					
Net unrealized gains on securities available for sale		7,746,466,965	2,312,396,446	7,668,582,484	2,237,276,268
Remeasurement of retirement benefit obligation		(37,587,477)	(38,918,257)	0	0
Translation Difference and Others		(261,943,527)	11,030,705	(261,943,527)	8,758,331
Minority Interest		61,410,926	59,926,253	0	0
Total Equity		**296,965,910,320**	**281,909,069,595**	**293,132,283,084**	**278,154,859,474**
TOTAL LIABILITIES AND EQUITY		**3,464,105,379,736**	**3,301,493,797,168**	**3,439,318,359,490**	**3,278,810,951,443**

The Notes on pages 11 to 105 form part of these financial statements.

LAND BANK OF THE PHILIPPINES
STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2024 and 2023
(In Philippine Peso)

	NOTE	GROUP		PARENT	
		2024	2023 As Restated	2024	2023 As Restated
INTEREST INCOME					
Loans		85,770,504,369	76,202,803,048	84,518,372,349	74,947,148,058
Investments	(a)	50,911,487,669	44,024,864,302	50,620,950,475	43,821,401,428
Due from Bangko Sentral ng Pilipinas		5,178,724,585	5,020,206,992	5,101,671,954	4,945,755,318
Deposit in banks		162,167,942	240,068,331	240,139,619	293,076,877
Others		532,640,773	312,013,679	126,697,017	139,492,957
		142,555,525,338	125,799,956,352	140,607,831,414	124,146,874,638
INTEREST EXPENSE					
Deposit liabilities		42,086,329,966	32,965,773,110	41,777,269,816	32,739,615,027
Borrowed funds		934,697,385	1,084,796,561	765,352,371	949,545,327
Bonds payable		700,187,322	679,313,029	700,187,322	679,313,029
Finance Lease Payment Payable		170,139,300	61,293,237	181,067,173	177,438,022
Others		359,982	0	359,982	0
		43,891,713,955	34,791,175,937	43,424,236,664	34,545,911,405
NET INTEREST INCOME		98,663,811,383	91,008,780,415	97,183,594,750	89,600,963,233
PROVISION FOR CREDIT AND IMPAIRMENT LOSSES	16, 21	20,564,928,475	7,760,095,965	20,518,811,264	7,626,454,679
NET INTEREST INCOME AFTER PROVISION FOR CREDIT AND IMPAIRMENT LOSSES		78,098,882,908	83,248,684,450	76,664,783,486	81,974,508,554
OTHER OPERATING INCOME					
Dividends		1,335,653,982	1,112,340,311	1,328,364,167	1,103,857,293
Rent		24,331,113	144,191,288	14,577,285	19,557,070
Fees and commission		5,405,463,482	4,471,923,734	4,668,560,690	3,961,665,576
Gain on Sale/Redemption/Transfer of Investment	(b)	883,077,778	1,349,317,514	890,340,077	1,345,635,662
Gain on Foreign Exchange		2,599,508,379	953,925,617	2,599,508,362	953,925,621
Gain on Sale/Derecognition of Non-FA Assets		3,483,522,943	1,781,282,263	3,424,714,214	1,733,717,239
Miscellaneous income	30	3,248,068,259	2,901,355,729	2,340,414,186	2,047,337,315
		16,979,625,936	12,714,336,456	15,466,478,981	11,165,695,776
OTHER OPERATING EXPENSES					
Compensation and fringe benefits		20,273,787,643	22,840,213,596	19,579,925,051	21,586,009,663
Financial Expenses		592,896,559	924,470,247	574,259,717	900,396,623
Depreciation and Amortization		3,309,333,687	3,780,914,495	3,112,325,371	3,636,463,915
Maintenance and Other Operating Expenses	32	31,926,038,665	27,643,606,081	30,471,015,073	26,718,386,055
		56,102,056,554	55,189,204,419	53,737,525,212	52,841,256,256
INCOME BEFORE INCOME TAX		38,976,452,290	40,773,816,487	38,393,737,255	40,298,948,074
PROVISION FOR INCOME TAX	21	1,091,931,658	2,525,072,168	955,418,460	2,400,591,183
INCOME TAX BENEFIT	21	(1,205,371,796)	(3,826,719,401)	(1,205,371,796)	(3,799,459,063)
NET INCOME		39,089,892,428	42,075,463,720	38,643,690,591	41,697,815,954
Attributable to:					
Equity of the Parent Bank		39,088,346,839	42,074,646,450		
Non Controlling Interests		1,545,589	817,270		
		39,089,892,428	42,075,463,720		
NET INCOME		39,089,892,428	42,075,463,720	38,643,690,591	41,697,815,954
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	29				
Items that may not be reclassified to Profit or Loss:					
Change in net unrealized gain/(loss) on equity securities at FVOCI		3,706,820,566	4,377,059,498	3,699,495,494	4,377,016,209
Remeasurement of retirement benefit obligation		1,330,780	(23,925,704)		
Translation adjustment and Others		(272,974,232)	(226,702,380)	(270,701,858)	(228,757,809)
		3,435,177,114	4,126,431,414	3,428,793,636	4,148,258,400
Items that may be reclassified to Profit or Loss:					
Change in net unrealized gain/(loss) on debt securities at FVOCI		1,727,249,953	10,111,023,300	1,731,810,722	10,100,346,514
		1,727,249,953	10,111,023,300	1,731,810,722	10,100,346,514
		5,162,427,067	14,237,454,714	5,160,604,358	14,248,604,914
Attributable to:					
Equity of the Parent Bank		5,163,076,231	14,238,022,756		
Non Controlling Interests		(649,164)	(568,042)		
		5,162,427,067	14,237,454,714		
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**44,252,319,495**	**56,312,918,434**	**43,804,294,949**	**55,946,420,868**

The Notes on pages 11 to 105 form part of these financial statements.

LAND BANK OF THE PHILIPPINES
STATEMENTS OF CHANGES IN EQUITY - GROUP
For the years ended December 31, 2024 and 2023
(In Philippine Peso)

	Common Stock (Note 32) Shares	Common Stock (Note 32) Amount	Paid-In Surplus	Retained Earnings Free	Retained Earnings Reserve (Note 29)	Undivided Profits	Revaluation Increment	Other Comprehensive Income (Loss) (Note 29)	Minority Interest	TOTAL
Balance, December 31, 2022, as restated	1,637,877,113	163,787,711,308	101,098,220	29,947,894,645	15,483,642,214	26,332,148,035	61,200,000	(11,952,945,820)	59,356,137	223,820,104,739
Net income for CY 2023						42,074,646,450			570,116	42,075,216,566
Transfer of 2022 net income to retained earnings-free				26,332,148,035		(26,332,148,035)				0
Payment of Dividend				(244,281,641)						(244,281,641)
Transferred from Retained Earnings Reserve				132,414,436	(132,346,770)					67,666
Revised capitalization threshold for Bank Premises, Furnitures, Fixtures & Equipment per Bd. Res 22-924				(41,759,183)						(41,759,183)
Fx currency translation for the accrual of ERP payments				95,387,884				(95,387,884)		0
Gain on sale of Equity Investment per BSP Cir. 708 s. 2011				28,390,437				(28,390,437)		0
Prior Period Adjustments on Accounting for Leases of former UCPB Branches per Bd Res. 23-352				(3,969,096)						(3,969,096)
Prior period adjustments on recomputation of former UCPB Leases as required by PFRS 3 per Bd. Res 23-745				(260,253,019)						(260,253,019)
Net unrealized gain/(loss) on securities								14,611,861,118		14,611,861,118
Miscellaneous Liability transferred from former UCPB various legal cases				31,587,187						31,587,187
Remeasurement of retirement benefit obligation								(23,925,704)		(23,925,704)
Prior Period Adjustments				2,096,593,438						2,096,593,438
Currency translation difference				74,529,903				(226,702,379)		(152,172,476)
Balance, December 31, 2023	1,637,877,113	163,787,711,308	101,098,220	58,188,683,026	15,351,295,444	42,074,646,450	61,200,000	2,284,508,894	59,926,253	281,909,069,595
Net income for CY 2024						39,088,346,839				39,088,346,839
Transfer of 2023 net income to retained earnings-free				42,074,646,450		(42,074,646,450)				0
Revised capitalization threshold for Bank Premises, Furnitures, Fixtures & Equipment per Bd. Res 22-924				24,022,688						24,022,688
Fx currency translation for the accrual of ERP payments				147,882,741				(147,882,741)		0
Gain on sale of Equity Investment per BSP Cir. 708 s. 2011				75,369,726				(75,369,726)		0
Prior period adjustments on recomputation of former UCPB Leases as required by PFRS 3 per Bd. Res 23-745				4,169,909						4,169,909
Cash dividend to the National Government based on CY 2023 Net Income in compliance with R.A. 7656				(32,119,045,158)						(32,119,045,158)
Proportional residual share of Land Bank of the Philippines to PISO Development Bank				33,037,786						33,037,786
Partial redemption of Advent Capital and Finance Corporation				11,231,063						11,231,063
Net unrealized gain/(loss) on securities								5,657,322,986		5,657,322,986
Amortization of Intangible Assets				(236,954,025)						(236,954,025)
Cash dividends				(351,362,392)						(351,362,392)
Remeasurement of retirement benefit obligation								1,330,780		1,330,780
Transferred to LLFC Retained Earnings Reserve				(100,000,000)	100,000,000					0
Transferred to/from LIBI Retained Earnings Reserve				(5,683,416)	5,683,416					0
Transferred to LBRDC Retained Earnings Reserve				(58,227,393)	58,227,393					0
Transferred from LSI Bank Retained Earnings Free				(130,000,000)						(130,000,000)
Transferred from UCPB Savings Bank Retained Earnings Reserve				4,573,917	(4,573,917)					0
Minority Interest - UCPB Savings Bank					112,081				1,484,673	1,596,734
LSI additional stock subscription										0
Prior Period Adjustments				3,349,253,767						3,349,253,767
Currency translation difference and others				(3,136,020)				(272,974,232)		(276,110,252)
Balance, December 31, 2024	1,637,877,113	163,787,711,308	101,098,220	70,908,462,669	15,510,744,397	39,088,346,839	61,200,000	7,446,935,961	61,410,926	296,965,910,320

The Notes on pages 11 to 105 form part of these financial statements.

LAND BANK OF THE PHILIPPINES
STATEMENTS OF CHANGES IN EQUITY - PARENT
For the years ended December 31, 2024 and 2023
(In Philippine Peso)

	Common Stock (Note 33) Shares	Amount	Paid-in Surplus	Retained Earnings Free	Retained Earnings Reserve (Note 29)	Undivided Profits	Other Comprehensive Income (Loss) (Note 29)	TOTAL
Balance, December 31, 2022, as restated	**1,637,877,113**	**163,787,711,308**	**101,098,220**	**25,425,089,320**	**13,541,374,740**	**29,304,684,759**	**(12,002,570,315)**	**220,157,388,032**
Net income for CY 2023						41,697,815,954		41,697,815,954
Transfer of 2022 net income to retained earnings-free				29,304,684,759		(29,304,684,759)		0
Revised capitalization threshold for Bank Premises, Furnitures, Fixtures & Equipment per Bd. Res 22-924				(41,759,183)				(41,759,183)
Fx currency translation for the accrual of ERP payments				95,387,884			(95,387,884)	0
Gain on sale of Equity Investment per BSP Cir. 708 s. 2011				28,390,437			(28,390,437)	0
Prior Period Adjustments on Accounting for Leases of former UCPB Branches per Bd Res. 23-352				(3,969,096)				(3,969,096)
Prior period adjustments on recomputation of former UCPB Leases as required by PFRS 3 per Bd. Res 23-745				(260,253,019)				(260,253,019)
Net unrealized gain/(loss) on securities							14,601,141,043	14,601,141,043
Miscellaneous Liability transferred from former UCPB various legal cases				31,587,187				31,587,187
Prior Period Adjustments				2,118,725,109				2,118,725,109
Currency translation difference				82,941,255			(228,757,808)	(145,816,553)
Balance, December 31, 2023	**1,637,877,113**	**163,787,711,308**	**101,098,220**	**56,780,824,653**	**13,541,374,740**	**41,697,815,954**	**2,246,034,599**	**278,154,859,474**
Net income for CY 2024						38,643,690,591		38,643,690,591
Transfer of 2023 net income to retained earnings-free				41,697,815,954		(41,697,815,954)		0
Revised capitalization threshold for Bank Premises, Furnitures, Fixtures & Equipment per Bd. Res 22-924				24,022,688				24,022,688
Fx currency translation for the accrual of ERP payments				147,882,741			(147,882,741)	0
Gain on sale of Equity Investment per BSP Cir. 708 s. 2011				75,235,700			(75,235,700)	0
Prior period adjustments on recomputation of former UCPB Leases as required by PFRS 3 per Bd. Res 23-745				4,169,909				4,169,909
Cash dividend to the National Government based on CY 2023 Net Income in compliance with R.A. 7656				(32,119,045,158)				(32,119,045,158)
Proportional residual share of Land Bank of the Philippines to PISO Development Bank				33,037,786				33,037,786
Partial redemption of Advent Capital and Finance Corporation				11,231,063				11,231,063
Net unrealized gain/(loss) on securities							5,654,424,657	5,654,424,657
Amortization of Intangible Assets				(236,954,025)				(236,954,025)
Prior Period Adjustments				3,236,683,977				3,236,683,977
Currency translation difference				(3,136,020)			(270,701,858)	(273,837,878)
Balance, December 31, 2024	**1,637,877,113**	**163,787,711,308**	**101,098,220**	**69,651,769,268**	**13,541,374,740**	**38,643,690,591**	**7,406,638,957**	**293,132,283,084**

The Notes on pages 11 to 105 form part of these financial statements.

LAND BANK OF THE PHILIPPINES
STATEMENTS OF CASH FLOWS
For the year ended December 31, 2024
(In Philippine Peso)

	Group		Parent	
	2024	2023 As restated	2024	2023 As restated
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest received	138,981,198,592	122,989,257,302	137,091,489,323	121,308,501,637
Interest paid	(44,298,752,785)	(32,560,038,609)	(43,822,358,284)	(32,367,079,821)
Fees and commission	5,405,463,482	4,471,923,734	4,868,560,690	3,961,665,576
Gains on Financial Assets & Liab - Fair Value Through Profit or Loss	(935,498,841)	1,322,380,256	(928,236,542)	1,318,736,329
Gains on Financial Assets & Liabilities Designated at FV Thru P/L	0	26,937,258	0	26,899,333
Gain on Other Financial Assets Mandatory Measured at FV Thru P/L	52,229,885	0	52,229,885	0
Gain from dealings in foreign currency	819,807,882	703,592,766	819,807,865	703,592,766
Miscellaneous Income	6,755,922,315	4,826,222,411	5,779,705,685	3,800,611,624
General and administrative expenses	(50,327,895,453)	(47,005,454,023)	(48,486,348,060)	(45,037,378,412)
Operating income/(loss) before changes in operating assets and liabilities	**56,452,475,077**	**54,774,821,095**	**55,374,850,562**	**53,715,549,032**
Changes in operating assets and liabilities				
(Increase) Decrease in operating assets				
Interbank Loans Receivable	34,513,812,611	(8,757,986,625)	12,044,867,087	(8,757,986,625)
Securities purchased under agreements to resell	(37,432,933,261)	(221,122,558,542)	(38,019,064,138)	(220,988,894,553)
Loans and Receivable	(134,593,865,241)	(80,208,758,483)	(110,861,830,761)	(79,747,785,576)
Fair Value Through Profit or Loss	491,280,371	(1,524,376,094)	646,584,088	(1,469,210,759)
Right-Of-Use Assets	(191,159,171)	510,241,775	(131,868,015)	518,221,667
Other Intangible Assets	(299,785,588)	(211,709,149)	(303,479,095)	(199,869,200)
Other Assets	29,299,717,136	(49,871,704,790)	29,723,920,000	(50,155,807,813)
Deferred Income Tax	(1,204,563,981)	(3,885,190,850)	(1,209,121,796)	(3,800,396,563)
Increase (Decrease) in operating liabilities				
Deposit liabilities	116,720,188,066	129,427,348,775	116,490,352,520	128,780,611,653
Derivative Liabilities	64,288,611	3,365,385	64,288,611	3,365,385
Deposits from Other Banks	0	0	0	0
Payment Order Payable	8,184,671	(181,423,723)	8,184,671	(181,423,723)
Marginal Deposits	(396,179,753)	587,716,871	(396,179,753)	587,716,871
Cash Letters of Credit	3,260,616,701	2,347,683,715	3,260,616,701	2,347,683,715
Treasurer's, Manager's & Cashier's Checks	882,719,903	(1,001,394,382)	888,400,422	(1,003,205,546)
Other liabilities	22,888,779,255	(37,909,938,810)	22,766,157,888	(37,729,440,232)
Net cash generated from (used in) operations	**90,463,575,407**	**(217,023,863,832)**	**90,346,678,992**	**(218,080,872,267)**
Income taxes paid	(88,250,930)	(86,300,427)	0	0
Net cash generated from (used in) operating activities	**90,375,324,477**	**(217,110,164,259)**	**90,346,678,992**	**(218,080,872,267)**
CASH FLOWS FROM INVESTING ACTIVITIES				
(Additions to)/Disposals of property and equipment	(3,559,173,450)	(2,694,626,272)	(3,284,553,013)	(2,362,814,106)
(Additions to)/Disposals of investment property	(5,040,006,051)	(1,543,750,043)	(4,988,044,649)	(1,440,084,627)
(Additions to)/Disposal of Non-Current Assets Held for Sale	17,344,306	(6,431,657)	54,607,866	(15,258,561)
Dividends received	1,335,653,982	1,112,340,311	1,328,364,167	1,103,857,293
Gain from investment securities	1,766,346,734	606,869	1,766,346,734	0
Decrease (increase) in:				
Fair Value Through Other Comprehensive Income	(108,703,665,566)	(22,331,342,539)	(108,494,055,482)	(21,514,962,429)
Hold to Collect	48,715,104,849	84,226,760,436	48,847,515,333	84,090,543,753
Investment in Subsidiaries	0	0	0	0
Investment in associates	(50,000,000,000)	0	(50,000,000,000)	0
Net cash generated from/(used in) investing activities	**(115,468,395,196)**	**58,763,557,105**	**(114,769,819,044)**	**59,861,281,323**
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash dividends paid	(32,454,131,385)	(240,728,096)	(32,119,045,158)	0
Capital infusion from National Government	0	0	0	0
Other charges to capital	4,185,880,959	5,599,365,835	4,226,843,757	5,621,751,828
Increase (decrease) in:				
Bills and acceptances payable	669,126,490	(17,750,601,975)	(515,206,844)	(18,070,285,308)
Bonds payable	155,056,698	128,797,613	155,056,698	128,797,613
Finance lease payment payable	240,491,889	(561,029,483)	112,164,902	(624,015,910)
Net cash generated from/ (used in) financing activities	**(27,203,575,349)**	**(12,824,196,106)**	**(28,140,186,645)**	**(12,943,751,777)**
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	1,779,700,497	250,332,851	1,779,700,497	250,332,855
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(50,516,945,571)**	**(170,920,470,409)**	**(50,783,626,200)**	**(170,913,009,866)**

The Notes on pages 11 to 105 form part of these financial statements.

LAND BANK OF THE PHILIPPINES
STATEMENTS OF CASH FLOWS
For the year ended December 31, 2024
(In Philippine Peso)

	Group		Parent	
	2024	2023 As restated	2024	2023 As restated
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
Cash and other cash items	48,670,213,204	51,093,909,679	47,764,985,343	50,440,553,932
Due from Bangko Sentral ng Pilipinas	411,298,247,642	568,924,698,774	409,379,718,847	566,640,049,889
Due from other banks	7,738,254,925	18,608,577,727	9,523,947,019	20,501,057,254
	467,706,715,771	**638,627,186,180**	**466,668,651,209**	**637,581,661,075**
CASH AND EQUIVALENTS AT END OF YEAR				
Cash and other cash items	45,278,936,081	48,670,213,204	44,829,391,130	47,764,985,343
Due from Bangko Sentral ng Pilipinas	368,961,132,259	411,298,247,642	366,564,508,801	409,379,718,847
Due from other banks	2,949,701,860	7,738,254,925	4,491,125,078	9,523,947,019
	417,189,770,200	**467,706,715,771**	**415,885,025,009**	**466,668,651,209**

The Notes on pages 11 to 105 form part of these financial statements.

LAND BANK OF THE PHILIPPINES
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(All amounts in Philippine Peso unless otherwise stated)

1. Corporate Information

The Land Bank of the Philippines (LANDBANK or Parent) is a financial institution wholly-owned by the NG. 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 NG, Local Government Units and GOCCs. As of December 31, 2024, 59 per cent 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.

2. Summary of Material 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 PFRSs except for the specific provisions of PFRS 9 on the recognition of modification gain or loss in profit or loss when modification does not result in the derecognition of a financial asset in adherence with the BSP Financial Reporting Package.

The accompanying comparative financial statements of the Parent were authorized for issue by the Parent's Board of Directors on June 18, 2025 while those of the subsidiaries were approved for issue by their respective Board of Directors on various dates.

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 RBU and 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 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 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 subsidiaries:

Name	Country of Incorporation	Principal Activity	% of Ownership 2024	2023	Functional Currency
LBP Leasing and Finance Corporation	Philippines	Leasing	100%	100%	Philippine peso
LBP Insurance Brokerage, Inc.	Philippines	Insurance brokerage	100%	100%	Philippine peso
LBP Resources and Development Corporation	Philippines	Real estate	100%	100%	Philippine peso
Masaganang Sakahan, Inc.	Philippines	Trading	100%	100%	Philippine peso
Oversees Filipino Bank, Inc.	Philippines	Banking	100%	100%	Philippine peso
UCPB Leasing and Finance Corporation	Philippines	Leasing	100%	100%	Philippine peso
United Foreign Exchange Corporation	Philippines	Trading	100%	100%	Philippine peso
LBP Securities, Inc.	Philippines	Trading	100%	100%	Philippine peso
Green Homes Development, Inc.	Philippines	Real estate	100%	100%	Philippine peso
UCPB Savings Bank, Inc.	Philippines	Banking	97.55%	97.55%	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 Adoption of New and Amended PFRS

The Group and the Parent adopted for the first time the following new PFRS, amendments to PAS or PFRS, interpretation and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2024.

Amendment to PAS 1, Presentation of Financial Statements – Classification of liabilities as current or non-current

The amendments clarify paragraphs 69 to 76 of PAS 1, Presentation of Financial Statements, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The application of these amendments had no significant impact on the Group and the Parent Bank's financial statement.

Amendment to PAS 1, Presentation of Financial Statements – Non-Current Liabilities with Covenants

The amendments clarify that if an entity's right to defer settlement of a liability for at least 12 months after the reporting period is conditional on meeting certain criteria after the reporting date, those conditions do not impact the assessment of whether the right exists as of the reporting date when determining if a liability should be classified as current or non-current.

For non-current liabilities that are subject to such conditions, the entity is required to disclose details of the conditions, whether it would meet those conditions based on its situation as of the reporting date, and whether and how it expects to meet the conditions by the date they are contractually required to be tested.

The application of these amendments had no significant impact on the Group and the Parent Bank's financial statement.

Amendment to PFRS 16, Leases, Lease Liability in a Sale and Leaseback

The amendment to PFRS 16 Leases specifies requirements for seller-lessees to measure the lease liability in a sale and leaseback transaction.

The amendment does not change the accounting for leases unrelated to sale and leaseback transactions.

The application of these amendments had no significant impact on the Group and the Parent Bank's financial statement.

Amendment to PAS 7 and PFRS 7, Statement of Cash Flows, Financial Instruments: Disclosures – Supplier Finance Agreement

The amendments introduce a new disclosure objective in PAS 7, requiring entities to provide information about their supplier finance arrangements that enables users of financial statements to understand the impact of these arrangements on the entity's liabilities and cash flows.

Additionally, the amendments to PFRS 7 include supplier finance arrangements as an example under the existing requirements to disclose information regarding an entity's exposure to liquidity risk concentrations.

The application of these amendments had no significant impact on the Group and the Parent Bank's financial statement.

<u>Standards issued but not yet effective</u>

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group and the Parent does not expect that the future adoption of the said pronouncements to have a material impact on its consolidated financial statements. The

Group and the Parent intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2025

PAS 21 (Amendments), Lack of Exchangeability

The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

The amendments are effective for annual reporting periods beginning on or after January 1, 2025. Earlier adoption is permitted and that fact must be disclosed. When applying the amendments, an entity cannot restate comparative information.

Effective beginning on or after January 1, 2026

PFRS 9 and PFRS 7 (Amendments), Classification and Measurement of Financial Instruments *(effective on or after January 1, 2026)*

The amendments clarify that a financial liability is derecognized on the 'settlement date', i.e., when the related obligation is discharged, cancelled, expires or the liability otherwise qualifies for derecognition. They also introduce an accounting policy option to derecognize financial liabilities that are settled through an electronic payment system before settlement date if certain conditions are met.

The amendments also clarify how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance-linked features and other similar contingent features. Furthermore, the amendments clarify the treatment of non-recourse assets and contractually linked instruments.

PFRS 17 – Insurance Contracts *(effective on or after January 1, 2027)*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, Insurance Contracts. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

On December 15, 2021, the Financial and Sustainability Reporting Standards Council amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025, with comparative figures required. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two years after its effective date as decided by the International Accounting Standards Board. Early application is permitted.

PFRS 18, Presentation and Disclosure in Financial Statements *(effective on or after January 1, 2027)*

The standard replaces PAS 1 Presentation of Financial Statements and responds to investors' demand for better information about companies' financial performance. The new requirements include:

- Required totals, subtotals and new categories in the statement of profit or loss
- Disclosure of management-defined performance measures
- Guidance on aggregation and disaggregation

PFRS 19, Subsidiaries without Public Accountability *(effective on or after January 1, 2027)*

The standard allows eligible entities to elect to apply PFRS 19's reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other PFRS accounting standards. The application of the standard is optional for eligible entities.

PFRS 10 (Amendments), Consolidated Financial Statements, and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture *(effective date deferred indefinitely)*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

2.5 Material Accounting Policies

2.5.1 Financial Assets and Financial Liabilities

The Group adopted the classification and measurement, impairment and hedge accounting requirements of the *PFRS 9 - Financial Instruments.*

2.5.1.a Financial Assets

I. Classification, Measurement and Reclassification of Financial Assets

The classification of financial assets depends on the contractual terms and the business model for managing them. Subsequent to initial recognition, the Group may reclassify its financial assets only when there is a change in in its business model for managing these assets. The classification and measurement of financial assets are described below.

a. *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 principal amount outstanding.

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 arrangement 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.

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 effective interest rate. The amortization is included in 'Interest Income' in the Statement of Comprehensive Income. Losses arising from credit losses are recognized in 'Provision for impairment, credit and other losses' in the Statement of Comprehensive Income.

Loans and receivables, amounts due from BSP and other banks, interbank loans receivable and securities purchased under resale agreements are measured at amortized cost. 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.

b. *FVOCI*

Financial assets at FVOCI 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 'Net unrealized gains/(losses) 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 Comprehensive 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 Comprehensive Income as 'Dividends' when:

a. the Group's right to receive payment of the dividend is established;
b. it is probable that the economic benefits associated with the dividend will flow to the entity; and
c. the amount of the dividend can be measured reliably.

c. 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 comprehensive income.

II. Impairment of Financial Assets

On a quarterly basis, the Parent applies an ECL parameter-based estimation model and assesses ECL on a forward-looking basis associated with its financial assets measured at amortized cost and FVOCI including the following:

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 FVOCI;
d. Due from BSP and Due from Other Banks;
e. Credit commitments and financial guarantee contracts that are not measured at FVTPL; and
f. Other Financial Assets measured at amortized cost (Accounts Receivables, etc.)

To measure the ECL, for financial assets initial assessment is first done on a per security basis to assess its level of credit risk. The estimated ECL per instrument is based on credit losses that result from possible default events within the next 12 months if there is no SICR since initial recognition or with low credit risk. Otherwise, credit losses that result from all possible default events over the expected life of a financial instrument is considered in the ECL calculation.

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 SICR 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 SICR since initial recognition	Lifetime
Stage 3	credit exposures with objective evidence of impairment, these are considered as "non-performing"	Lifetime

The Parent's definition of credit risk and information, how credit risk is mitigated, and the detailed ECL assessment and measurement are disclosed in Note 36.

III. Derecognition of Financial Assets and Modification of Loans

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.

As practiced, the specific identification method or the "matched deal close-out" is applied in the measurement of realized and unrealized gain or loss on sale of debt securities wherein the book value of the specific deal in the inventory is allocated for the sale.

Modification of Contractual Cash flows of Financial Assets - Restructured loans

These are loans and other credit accommodations whose original prescribed terms and conditions have been modified in accordance with a formal restructuring agreement that sets a revised schedule of payments for the purpose of lessening the financial difficulty of the borrower and maximizing collection and realizable economic value on an obligation within a reasonable period of time. The amendment may include, but is not limited to, change in principal due, maturity date, interest rate and other charges, collateral, or other terms and conditions.

The Parent recalculates the gross carrying amount of the financial asset which shall include amount of the principal loan and CIOC. The increase in the face value of the loan resulting from the CIOC is recognized as ODC which shall be amortized/credited to income in compliance with the BSP Financial Reporting Package. While, PFRS 9 – *Financial Instruments* provides that when the contractual cash flows of a financial assets are renegotiated or otherwise modified and renegotiation or modification does not result in the derecognition of that financial asset in accordance with this Standard, an entity shall recalculate the gross carrying amount of the financial asset and shall recognize a modification gain or loss in profit or loss. However, considering the historical probability of collecting restructured loans, and adhering to the accounting principle of revenue recognition and conservatism, the Parent prudently amortizes ODC and credit to income when earned and considerations are received, rather than recognizing it outright which might not accurately reflect the economic reality of the transaction. Furthermore, this will also prevent eventual reversals of previously recognized gain if the borrower defaulted.

The Parent's approach appears to deviate from PFRS 9 regarding the outright recognition of modification gain or loss in the Statement of Comprehensive Income, nevertheless, the Parent ensures that the financial statements were fairly presented and compliant with the applicable PFRSs. As of December 31, 2024, the outstanding balance of ODC is P4.9 billion which is equivalent to 0.4 per cent of the total loan portfolio of the Parent. To ensure alignment with regulatory expectations and consistency in financial reporting, the Parent has sought formal guidance from the BSP and is currently awaiting a response.

2.5.1.b Classification and Measurement of Financial Liabilities

Financial liabilities are initially recognized on the date when the Group becomes a party to the contractual provisions of the instrument. At initial recognition, financial liabilities are measured at fair value, and in the case of financial liabilities at amortized cost, plus directly attributable transactions costs. The Group classifies its financial liabilities at initial recognition as:

- Financial liabilities at amortized cost; or
- FVTPL

Financial liabilities at amortized cost are subsequently measured at amortized cost using the effective interest method. Interest expense is recognized in profit or loss over the term of the liability. Financial liabilities at FVTPL are measured at fair value, and any gains or losses arising from changes in fair value are recognized in profit or loss.

As of reporting date, the Group's financial liabilities measured at amortized cost include deposit liabilities, bills payable, bonds payable, and other liabilities such as finance lease payment, accrued interest, and accounts payable. Finance liabilities measured at FVTPL are finance liabilities held for trading related to derivatives with negative fair value (see Note 2.5.1d).

Derecognition of a financial liability of the Group happens when the obligation under the liability is discharged, cancelled or expires. 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.

2.5.1.c Offsetting of financial assets and financial liabilities

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.

2.5.1.d Derivative Financial 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.

2.5.2 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.

2.5.3 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.

2.5.4 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.

2.5.5 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.

2.5.6 Property and Equipment

Property and equipment of the Parent 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, other expenditures incurred incident to the acquisition 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.

Subsequent costs pertaining to additions (extensions, enlargement or expansion made to an existing asset) shall be capitalized if it is probable that future economic benefits will flow to the Parent for more than one year, and the costs of such additions, replacements and betterments is at least five per cent of the initial cost but should not be less that the set threshold which is P50,000.00 *(per COA Circular No 2022-004).*

Depreciation shall start on the month following the date that the asset is ready for use (even if not actually being used), which is when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Parent, as certified by the Property Supply Officer and Department/Unit Head. Depreciation and amortization are calculated on a straight-line basis over the estimated useful life 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

**Estimated Useful Life shall depend on the length of the lease. It shall be the period of the lease or the Estimated Useful Life 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.

2.5.7 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.

The Parent applies the cost model in accounting for investment properties. Investment properties are measured initially at cost including transaction costs incurred upon acquisition. An investment property is recognized upon:

- entry of judgment in case of judicial foreclosure;
- execution of the Sheriff's Certificate of Sale in case of extra-judicial foreclosure; or
- notarization of the Deed of Dacion in case of payment in kind (dacion en pago).

The initial cost of the investment property acquired is determined based on the following order:

1st - Fair value of the asset received;
2nd - Fair value of the asset given up;
3rd - Carrying amount of the asset given up, if the fair values of the assets received and asset given up cannot be determined.

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.

A ten per cent residual value shall be deducted from the initial cost of the investment property before computing the depreciation. Depreciation shall start the month following the date the asset is required or classified as Investment Property.

<u>Non-Current Assets Held for Sale</u>

NCAHS 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. The sale is to be expected to qualify as completed sale within one year from date of reclassification to NCAHS; that, a minimum ten per cent refundable earnest money based on the purchase price must be paid by the prospected buyer. 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.

2.5.8 Intangible Assets

Computer software

The acquired computer software licenses of the Parent 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.

2.5.10 Income Taxes

Current taxes of the Parent

The 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 of the Parent

The 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 MCIT over the regular income tax, and unused 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 Comprehensive 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.

2.5.11 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 Parent maintains a defined contribution plan which provides for estimated pension benefits on its contributory retirement plan covering all regular employees under R.A. 8291, "*GSIS Act of 1997*". As of December 31, 2024, the total Parent's contribution to GSIS amounted to P1.16 billion.

Early Retirement Incentive Program

A one-time retirement program approved by the GCG which aims to incentivize the early retirement of tenured employees or those suffering from incapacitating, debilitating and critical diseases or ailments with known actual or potential adverse impact on productivity and effectivity at work. The effectivity period of ERIP shall be from January 1, 2024 to December 31, 2025 only. As of December 31, 2024, the Parent's actual expenses for ERIP amounted to P3,025,316,240 and has remaining accrued expenses of P2,948,116,055.

2.5.12 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of total lease payments of the entire lease term. The Group uses the incremental borrowing rate at the lease commencement date in calculating for the present value of lease payments because the interest rate implicit in the lease is not determinable. After the commencement date, the amount of lease liabilities is increased to reflect the interest accretion and reduced for the lease payments made. The carrying amount of lease liabilities is accordingly re-measured if there is a modification, a change in the lease term or a change in the lease payments. The lease liability is classified and presented under the Financial Liabilities, as disclosed in Note 18.

Group is the lessee

The Group applies a single measurement approach for all leases, except for short-term leases which pertains to a lease term of 12 months or less, and leases of low-value assets amounting to P300,000.00 or less which shall be booked as "Rent Expense" and recognized on a straight-line basis or another systematic basis over the lease term which includes short-term leases of office spaces, transportation, photocopier and other equipment.

The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Group is the lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

2.5.13 Provisions

Provisions are recognized when the following criteria were met:

- The Group has a present obligation (legal or constructive) as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- Any of the following circumstances are present:
  a. The Group has already filed a Motion for Reconsideration of an adverse decision of the SC;
  b. A decision has been rendered against the Group in a case governed by the Rule of Procedure for Small Claims Cases;
  c. A decision has been rendered against the Group in a case where the governing law or rules expressly provide that the decision is immediately final, executory and unappealable;

d. An award has been issued against the Group in a case submitted to arbitration or other alternative modes of dispute resolution where the law, rules and/or submission agreement provide that the award is immediately final, executory and unappealable; and
e. Other similar or analogous circumstances.

- A reliable estimate can be made of the amount of the obligation.

2.5.14 Contingent Liabilities and Contingent Assets

Contingent liabilities are not recognized in the financial statements but are disclosed in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable.

2.5.15 Revenue Recognition

A Revenue from Contract with Customers is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The consideration promised in a contract with a customer may include fixed amounts, variable amounts, or both.

PFRS 15 provides a five-step model framework for revenue arising from contracts with customers.

This five-step model is as follows:

1. Identify the contract(s) with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligation in the contract; and
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

Under PFRS 15, revenue is recognized when (or as) the entity satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset. If an entity transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognizes revenue over time by measuring the progress towards complete satisfaction of that performance obligation. PFRS 15 requires the Group to exercise judgement, taking into account all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

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

Revenues within the scope of PFRS 15

Service charges and penalties

Service charges and penalties of the Parent 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 of the Group 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 'Gain/(Loss) on Sale/Derecognition of Asset' in the Statement of Comprehensive Income.

Rewards Program

The Parent's Credit Card Rewards Program is a point-based loyalty program automatically computed by the system and credited to Cardholder's account based on card usage or purchases made by a Cardholder. As approved by the Parent, one point is earned for every P50 pesos purchase charged on the credit card. The points will accumulate and have no expiry however, in accordance with PFRS 15, the peso equivalent of all outstanding Rewards points, net of points allocated to cancelled cards, is booked as Miscellaneous Liability on a monthly basis. The accrued amount for Rewards Program is adjusted when rewards points are redeemed. Currently, redemption is done in the form of rebate to be applied as credit/payment to Cardholder's account based on computed peso equivalent.

The peso value of total Rewards points credited to Cardholders for the month is recognized as Miscellaneous Expense in the Statement of Comprehensive Income while the outstanding balance of contra account is reflected in the Statement of Financial Position under Miscellaneous Liability.

Fees received in connection with the issuance of credit cards are deferred and amortized on a straight-line basis over the period the cardholder is entitled to use the card. Fees are booked to 'Fees and Commission Income – Others' account when they are charged to cardholders.

Revenues outside the scope of PFRS 15

Interest income

The Parent's Interest on interest-bearing financial assets at FVTPL investments are recognized based on the contractual rate. Interest on financial instruments measured at amortized cost and FVOCI 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

The Parent's 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 in profit or loss when:

a. the Group's right to receive payment of the dividend is established;
b. it is probable that the economic benefits associated with the dividend will flow to the entity; and
c. the amount of the dividend can be measured reliably.

Rental income

The Parent's rental income arising on leased premises is accounted for on a straight-line basis over the lease terms on ongoing leases.

2.5.16 Borrowing Costs

Borrowing costs refer to the interest and other costs that the Parent incurred in connection with the borrowing of funds. These costs include interest in bonds payable, bills payable and finance leases which are expensed when incurred.

2.5.17 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision-maker. The chief operating decision maker is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, the Parent generally follows the Group's products and service lines as disclosed in Note 5, which represent the main products and services provided by the Group.

Each of these operating segments is managed separately as each of these service lines requires different technologies and other resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8, Operating Segments, are the same as those used in its consolidated financial statements.

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, the following are the critical judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

<u>Leases</u>

Group as Lessor

The Group has entered into commercial property leases on its investment property portfolio and over various owned fixed assets. The Group has determined, based on an evaluation of the terms and conditions of the arrangements (i.e., the lease does not transfer ownership of the asset to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable and the lease term is not for the major part of the asset's economic life), 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 determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Extension and termination options

The Group has several lease contracts that include extension and termination options. The Group applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors such as leasehold improvements and location that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

Estimating the Incremental Borrowing Rate for lease liabilities

The Group uses the IBR at the lease commencement date in calculating for the present value of lease payments because the interest rate implicit in the lease is not determinable. The IBR for lease liabilities is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment.

The carrying values of the Parent's ROU assets and lease liability are disclosed in Note 18.

Impairment of Financial Assets

The Parent adopted ECL model in measuring credit impairment of financial assets in accordance with the provisions of PFRS 9. These financial assets are booked as amortized cost/FVOCI such as:

1. Loans and receivables that are measured at amortized costs;
2. Investments in debt instruments that are measured at amortized cost;
3. Investments in debt instruments that are measured at FVOCI;
4. Credit commitments and financial guarantee contracts that are not measured at FVTPL;
5. Due from BSP and Due from Other Banks; and
6. Other financial assets measured at amortized costs.

To measure the ECL, for financial assets initial assessment is first done on a per security basis to assess its level of credit risk. The estimated ECL per instrument is based on credit losses that result from possible default events within the next 12 months if there is no SICR since initial recognition or with low credit risk. Otherwise, credit losses that result from all possible default events over the expected life of a financial instrument is considered in the ECL calculation.

Estimates

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) of the Parent*

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 Parent 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 determines the estimated useful lives and related depreciation charges for its property and equipment. The Parent 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 P13,004,698,194 and P11,841,727,580 as at December 31, 2024 and P11,379,341,237 and P10,466,497,954 as at December 31, 2023.

c. *Allowance for Credit Loss*

The measurement of the allowance for ECL on debt financial assets at amortized cost and at FVOCI is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses).

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

For assets and liabilities not listed in an active market, the Group uses valuation techniques such as net asset value and investment multiple that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Valuation Techniques:

1. Government debt securities

Government debt securities are financial instruments issued by sovereign governments and include both long-term bonds and short-term bills with fixed or floating rate interest payments. These instruments are generally highly liquid and traded in active markets resulting in a Level 1 classification. When active market prices are not available, the Parent uses discounted cash flow using bootstrapped rates, in which the Parent classifies those securities as Level 2. The Parent does not have Level 3 government securities where valuation inputs would be unobservable.

2. Corporate Bonds

The Parent uses active market prices when available, or other observable inputs in discounted cash flow models to estimate the corresponding fair value Corporate bonds are generally Level 2 instruments where usually there is no active market to justify Level 1 classification. Par curves are bootstrapped to effectively value the debt security. Reference rates/curves include BVAL for Philippine peso-denominated debt securities and US Treasury Curves for US dollar-denominated debt securities. Level 3 instruments are those where significant inputs cannot be referenced to observable data and, therefore, inputs are adjusted for relative tenor and issuer quality.

3. Equity Securities

The majority of equity instruments are actively traded in the Philippine Stock Exchange with readily available active prices on a regular basis. Such instruments are classified as Level 1. Unlisted equity instruments are initially recognized at transaction price and re-measured (to the extent information is available) and valued on a case-to-case and classified as Level 2. Choice of method involves professional judgment and consideration of the facts and circumstances surrounding the measurement. Valuation methodologies used include Net Asset Value, Income Approaches and Valuation Multiples. Equity investments that lack reliable information are valued at cost. Crucial information needed for valuation includes the investee's Audited Financial Statements and other relevant market data.

4. Loans and receivables at fair value through profit or loss

For loans and receivables designated at FVTPL and mandatorily required to be measured at FTVPL (those that did not meet the SPPI criteria), a discounted cash flow model is used based on various assumptions, including current and expected future credit losses, market rates of interest, prepayment rates and assumptions regarding market liquidity, where relevant. The element of fair value attributable to the credit risk is calculated by determining the changes in credit spread implicit in the fair value of bonds issued by entities with similar credit characteristics. Classification between Level 2 and Level 3 is determined based on whether the assessment of credit quality is based on observable or unobservable data.

5. Foreign exchange contracts

Foreign exchange contracts include open spot contracts, foreign exchange forward and swap contracts and over-the-counter foreign exchange options. These instruments are valued by either observable foreign exchange rates, observable or calculated forward points and option valuation models. With the exception of contracts where a directly observable rate is available which are disclosed as Level 1, the Parent classifies foreign exchange contracts as Level 2 financial instruments when no unobservable inputs are used for their valuation or the unobservable inputs used are not significant to the measurement (as a whole).

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Parent determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each statement of financial position date. The Parent also determines the policies and procedures for both recurring fair value measurement, such as financial assets and liabilities at FVTPL, and for non-recurring measurement, such as investment properties.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Assets and Liabilities are valued based on quotes in an active market. In absence of active market quote, the Parent uses various valuation methodologies that maximizes reliance to observable market inputs. Relevant inputs may include the relevant yield curves, industry benchmarks, financial performance and condition of issuer, and other available information.

Valuation methodology to be used shall be agreed upon by the Front, Middle, and Back Office. In some cases, valuation methodology is also agreed upon by other holders of the same asset/liability.

As at December 31, 2024 and 2023, the fair value hierarchy of the Parent's assets and liabilities are presented below:

	As at December 31, 2024				
	Book Value	Level 1 a/	Level 2 b/	Level 3 c/	Total Fair Value
FINANCIAL ASSETS:					
FVTPL	**19,724,628,130**	**16,662,758,799**	**1,820,507,986**	**1,241,361,345**	**19,724,628,130**
Debt Securities	**15,734,607,828**	**15,674,558,180**	**60,049,648**	**0**	**15,734,607,828**
Domestic	14,601,238,082	14,546,715,994	54,522,088	0	14,601,238,082
FCDU	1,133,369,746	1,127,842,186	5,527,560	0	1,133,369,746
Equity Securities	**2,229,561,964**	**988,200,619**	**0**	**1,241,361,345**	**2,229,561,964**
Domestic	1,016,101,373	988,200,619	0	27,900,754	1,016,101,373
FX-Reg	1,213,460,591	0	0	1,213,460,591	1,213,460,591
Derivative w/ positive FV	**1,760,458,338**	0	**1,760,458,338**	0	**1,760,458,338**
Domestic	1,074,708,115	0	1,074,708,115	0	1,074,708,115
FX-Reg	536,774,070	0	536,774,070	0	536,774,070
FCDU	148,976,153	0	148,976,153	0	148,976,153
FVOCI	**588,158,430,938**	**567,100,001,675**	**20,207,639,271**	**850,789,992**	**588,158,430,938**
Debt Securities	**562,021,348,616**	**541,813,709,345**	**20,207,639,271**	**0**	**562,021,348,616**
Domestic	453,745,336,752	439,811,544,592	13,933,792,160	0	453,745,336,752
FX-Reg	38,401,889,572	36,049,736,422	2,352,153,150	0	38,401,889,572
FCDU	69,874,122,292	65,952,428,331	3,921,693,961	0	69,874,122,292
Equity Securities	**26,137,082,322**	**25,286,292,330**	**0**	**850,789,992**	**26,137,082,322**
Domestic	25,069,917,855	24,296,707,861	0	773,209,994	25,069,917,855
FX-Reg	1,067,164,467	989,584,469	0	77,579,998	1,067,164,467
HTC	**707,047,528,143**	**675,477,313,886**	**7,903,086,899**	**405,927,396**	**683,786,328,181**
Debt Securities	**707,047,528,143**	**675,477,313,886**	**7,903,086,899**	**405,927,396**	**683,786,328,181**
Domestic	680,577,034,066	654,897,260,193	3,424,174,706	15,893,226	658,337,328,125
FX-Reg	11,060,111,323	5,746,848,346	4,224,840,598	278,734,290	10,250,423,234
FCDU	15,410,382,754	14,833,205,347	254,071,595	111,299,880	15,198,576,822
Total	**1,314,930,587,211**	**1,259,240,074,360**	**29,931,234,156**	**2,498,078,733**	**1,291,669,387,249**

FINANCIAL LIABILITIES:					
Bills Payable	**13,016,787,311**	**0**	**12,875,253,035**	**141,534,276**	**13,016,787,311**
BSP Rehabilitation Programs	23,400,825	0	0	23,400,825	23,400,825
Domestic Borrowings (ODA thru BTr)	118,133,451	0	0	118,133,451	118,133,451
Repurchase Agreement	826,313,457	0	826,313,457	0	826,313,457
Foreign Borrowings/ODA	12,048,939,578	0	12,048,939,578	0	12,048,939,578
Bonds Payable	**4,827,778,186**	**0**	**4,827,778,186**	**0**	**4,827,778,186**
Derivative Liabilities	**76,224,931**	**0**	**76,224,931**	**0**	**76,224,931**
	17,920,790,428	**0**	**17,779,256,152**	**141,534,276**	**17,920,790,428**

	As at December 31, 2023				
	Book Value	**Level 1 a/**	**Level 2 b/**	**Level 3 c/**	**Total Fair Value**
FINANCIAL ASSETS:					
FVTPL	**20,371,212,218**	**17,205,190,097**	**2,026,913,176**	**1,139,108,945**	**20,371,212,218**
Debt Securities	**16,248,618,327**	**16,248,618,327**	**0**	**0**	**16,248,618,327**
Domestic	14,262,168,171	14,262,168,171	0	0	14,262,168,171
FCDU	1,986,450,156	1,986,450,156	0	0	1,986,450,156
Equity Securities	**2,095,680,715**	**956,571,770**	**0**	**1,139,108,945**	**2,095,680,715**
Domestic	984,472,524	956,571,770	0	27,900,754	984,472,524
FX-Reg	1,111,208,191	0	0	1,111,208,191	1,111,208,191
Derivative w/ positive FV	**2,026,913,176**	0	**2,026,913,176**	0	**2,026,913,176**
FX-Reg	210,164,968	0	210,164,968	0	210,164,968
PLFD	1,674,146,261	0	1,674,146,261	0	1,674,146,261
FCDU	142,601,947	0	142,601,947	0	142,601,947
FVOCI	**474,233,069,240**	**462,469,670,142**	**10,038,131,641**	**1,725,267,457**	**474,233,069,240**
Debt Securities	**450,995,042,684**	**440,956,911,043**	**10,038131,641**	**0**	**450,995,042,684**
Domestic	375,219,031,969	371,886,612,394	3,332,419,575	0	375,219,031,969
FX-Reg	14,371,447,839	11,792,013,374	2,579,434,465	0	14,371,447,839
FCDU	61,404,562,876	57,278,285,275	4,126,277,601	0	61,404,562,876
Equity Securities	**23,238,026,556**	**21,512,759,099**	**0**	**1,725,267,457**	**23,238,026,556**
Domestic	21,491,506,617	20,718,539,865	0	772,966,752	21,491,506,617
FX-Reg	1,746,591,939	794,219,234	0	952,300,705	1,746,591,939
HTC	**756,187,946,219**	**725,263,311,038**	**4,112,770,176**	**2,498,257,047**	**731,874,338,261**
Debt Securities	**756,187,946,219**	**725,263,311,038**	**4,112,770,176**	**2,498,257,047**	**731,874,338,261**
Domestic	723,109,106,404	695,048,898,045	4,112,770,176	22,593,657	699,184,261,878
FX-Reg	14,560,143,343	12,332,736,306	0	1,771,726,785	14,104,463,091
FCDU	18,518,696,472	17,881,676,687	0	703,936,605	18,585,613,292
Total	**1,250,792,227,677**	**1,204,938,171,277**	**16,177,814,993**	**5,362,633,449**	**1,226,478,619,719**
FINANCIAL LIABILITIES:					
Bills Payable	**13,614,450,450**	**0**	**13,460,078,917**	**154,371,533**	**13,614,450,450**
BSP Rehabilitation Programs	23,400,825	0	0	23,400,825	23,400,825
Domestic Borrowings (ODA thru BTr)	130,970,708	0	0	130,970,708	130,970,708
Foreign Borrowings/ODA	13,460,078,917	0	13,460,078,917	0	13,460,078,917
Bonds Payable	**4,672,721,488**	**0**	**4,672,721,488**	**0**	**4,672,721,488**
Derivative Liabilities	**11,936,320**	**0**	**11,936,320**	**0**	**11,936,320**
	18,299,108,258	**0**	**18,144,736,725**	**154,371,533**	**18,299,108,258**

a/ Level 1 - quoted market price in active markets for identical assets or liabilities
b/ Level 2 - those involving 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)
c/ Level 3 - those with inputs for the asset or liability that are not based on observable market data (unobservable inputs)

		2024	2023
Financial Assets:			
FVTPL			
Equity Securities			
Domestic	Beginning Balance	27,900,754	31,262,235
Add/ (Deduct):			
Redemption/Payment		0	(1,636,516)
Write-Off		0	(1,724,959)
Adjustment/Reconciliation		0	(6)
Domestic	Ending Balance	27,900,754	27,900,754
Fx-Reg	Beginning Balance	1,111,208,191	1,091,940,689
Add/ (Deduct):			
Valuation		102,252,400	19,267,502
Fx-Reg	Ending Balance	1,213,460,591	1,111,208,191
FVOCI			
Equity Securities			
Domestic	Beginning Balance	772,966,752	884,934,335
Add/ (Deduct):			
Valuation		(99,069,830)	(111,967,531)
Adjustment/Reconciliation			(52)
Redemption/Payment		(8,249,799)	0
Write-Off		0	0
Domestic	Ending Balance	665,647,123	772,966,752
Fx-Reg	Beginning Balance	952,300,705	1,772,448,206
Add/ (Deduct):			
Valuation		(874,720,706)	(820,147,501)
Fx-Reg	Ending Balance	77,579,999	952,300,705

The Parent follows the Fair Value Hierarchy provided by PFRS 13. As a general rule, Assets and Liabilities are valued using Level 1 Inputs. However, for the following cases, a Level 2 or 3 Inputs are used in determining the fair value:

1. No available quote in the market/not traded in market
2. Traded in a market but is not active

The choice of Level 2 or 3 inputs will depend on the next best available data, or if there is any agreement between holders of the same asset/liability as to what fair valuation methodology to be used.

5. Segment Information

Business Segments

The Parent's operating businesses are recognized and managed separately according to the nature of services provided and the different markets served by each segment representing a strategic business unit. The Parent derives revenues from the following main operating business segments:

(a) Branch Banking Sector and Digital Banking Sector

These two sectors oversee the operation of the Parent's branches and ATM networks, which are the primary sales and distribution platforms for products and services. Its primary tasks are to: solicit deposits; cross-sell and distribute all of the Parent's products and services, as allowed by regulation; generate sales leads for specialized products; and manage customer relationships.

(b) National Development Lending Sector

The NDLS manages the growth of the largest asset of the Parent which is the loan portfolio targeting both consumer loan market and the corporate and institutional loan markets.

(c) Treasury and Investment Banking Sector

The TIBS manages the Parent's assets and liabilities. TIBS leads the ALCO, it recommends the pricing strategy for deposits and loans to ensure that deposit-taking units offer competitive yields to generate the funding requirements of the Parent, and the lending units, in turn, offer rates that will attract the targeted borrowers. In addition, TIBS manages the regulatory reserve requirements of the Parent as well as ensures compliance to required liquidity position. The TIBS also engages in trading of fixed income securities and foreign exchange.

(d) Other Segments

This segment includes other segments that provide support to its core activities. The Parent monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net income before income tax, which is measured in a manner consistent with that in the statement of comprehensive income. The Parent's assets producing revenues are located in the Philippines (i.e., one geographical location), therefore, geographical segment information is no longer presented. The Parent has no significant customers which contribute ten per cent or more of the consolidated revenue, net of interest expense. Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in operating income. Interest charged for these funds is based on the Parent's cost of capital. There are no other material items of income or expense between business segments.

PARENT'S	2024					2023
STATEMENT OF PERFORMANCE	BBS	NDLS	TIBS	OTHERS	TOTAL	
Income						
Loans	32,602,703,003	45,438,287,885	6,477,378,315	3,146	84,518,372,349	74,947,148,058
Investments	0	0	53,438,338,316	0	53,438,338,316	47,190,311,964
FX Profit/(Loss)	392,071,745	44,802,312	1,742,003,219	420,631,086	2,599,508,362	953,925,621
Others	3,718,891,185	5,942,503,166	5,618,707,235	237,989,782	15,518,091,368	12,221,184,771
Total Income	**36,713,665,933**	**51,425,593,363**	**67,276,427,085**	**658,624,014**	**156,074,310,395**	**135,312,570,414**
Expenses:						
Interest Expenses						
Interest on Deposits	41,777,269,816	0	0	0	41,777,269,816	32,739,615,027
Interest on Borrowed Funds	0	33,656,549	5,252,078	726,443,742	765,352,369	949,545,327
Other Interest Expenses	169,972,416	3,499,653	237,893	707,904,515	881,614,477	856,751,051
Total Interest Expenses	**41,947,242,232**	**37,156,202**	**5,489,971**	**1,434,348,257**	**43,424,236,662**	**34,545,911,405**

Other Operating Expenses						
Basic	6,429,621,811	1,489,731,998	169,921,179	3,953,937,832	12,043,212,820	14,173,130,586
Contractual	60,147,743	25,107,173	344,188	181,652,121	267,251,225	234,573,049
Fringe Benefits	2,312,169,445	528,001,591	55,392,392	4,413,652,883	7,309,216,311	7,241,264,290
Overtime	170,852,009	7,188,588	544,689	80,187,673	258,772,959	204,783,936
Seminars and Trainings	44,304,338	10,865,504	2,733,874	38,872,086	96,775,802	53,849,582
Taxes & Insurances	11,968,416,222	4,460,265,730	4,662,334,209	555,215,188	21,646,231,349	18,896,442,140
Fees & Other Charges	1,196,468,831	13,663,415	146,226,708	855,698,393	2,212,057,347	2,160,646,682
Utilities	3,152,807,968	161,209,081	4,597,385	778,318,600	4,096,933,034	3,951,748,415
Business Development	171,940,790	54,771,267	1,461,321	193,051,420	421,224,798	438,764,627
Information Technology Expenses	160,405,794	348,116	10,912	1,423,429,587	1,584,194,409	1,221,806,729
Litigation/Asset Acquired Expenses	77,684,100	389,489,870	0	10,132,479	477,306,449	434,438,311
Miscellaneous Expenses	154,574,189	28,499,651	45,012	28,904,488	212,023,340	193,343,995
Provision/Depreciation/Amortization	1,473,207,514	6,950,065,770	673,790	14,957,236,225	23,381,183,299	9,864,050,713
Total Other Operating Expenses	**27,372,600,754**	**14,119,207,754**	**5,044,285,659**	**27,470,288,975**	**74,006,383,142**	**59,068,843,055**
TOTAL COSTS	**69,319,842,986**	**14,156,363,956**	**5,049,775,630**	**28,904,637,232**	**117,430,619,804**	**93,614,754,460**
TOTAL BANK NET INCOME/LOSS	**(32,606,177,053)**	**37,269,229,407**	**62,226,651,455**	**(28,246,013,218)**	**38,643,690,591**	**41,697,815,954**

6. Cash and Cash Equivalents

	Group		Parent	
	2024	2023 Restated	2024	2023 Restated
Cash and Other Cash Items	45,278,936,081	48,670,213,204	44,829,391,130	47,764,985,343
Due from Bangko Sentral ng Pilipinas	368,961,132,259	411,298,247,642	366,564,508,801	409,379,718,847
Due from Other Banks	2,949,701,860	7,738,254,925	4,491,125,078	9,523,947,019
	417,189,770,200	**467,706,715,771**	**415,885,025,009**	**466,668,651,209**

a. Cash and Other Cash Items

This account consists of:

	Group		Parent	
	2024	2023 Restated	2024	2023 Restated
Cash on hand	45,258,879,989	48,641,569,654	44,809,390,038	47,736,341,793
Checks and other cash items	8,121,248	16,644,854	8,121,248	16,644,854
Petty cash fund	11,934,844	11,998,696	11,879,844	11,998,696
	45,278,936,081	**48,670,213,204**	**44,829,391,130**	**47,764,985,343**

Cash on hand represents total amount of cash in bank's vault under the custody of the cashier or cash custodian, including notes in the possession of tellers and those kept ATM and the like. Checks and other cash items refers to the total amount of checks and other cash items received after the selected clearing cut-off time until the close of the regular banking hours.

b. Due from Bangko Sentral ng Pilipinas

This account represents the Group'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.

This account consists of:

	Group		Parent	
	2024	2023 Restated	2024	2023 Restated
Due from BSP- Regular-DDA	305,758,295,947	315,613,538,185	305,454,672,489	315,078,968,654
Due from BSP- Regular-ODA	51,993,000,000	50,400,000,000	51,100,000,000	50,000,000,000
Due from BSP- Regular-TDA	11,200,000,000	45,273,924,176	10,000,000,000	44,289,964,912
Due from BSP- Small Enterprises	2,136,312	2,136,312	2,136,312	2,136,312
Due from BSP- Others	7,700,000	8,648,969	7,700,000	8,648,969
	368,961,132,259	**411,298,247,642**	**366,564,508,801**	**409,379,718,847**

c. Due from Other Banks

This account consists of:

	Group		Parent	
	2024	2023 Restated	2024	2023 Restated
Deposit with local banks	227,551,759	359,158,930	1,769,347,733	2,145,540,135
Deposit with foreign banks	2,723,519,555	7,384,134,364	2,723,519,555	7,384,134,364
Allowance for Credit Losses	(1,369,454)	(5,038,369)	(1,742,210)	(5,727,480)
	2,949,701,860	**7,738,254,925**	**4,491,125,078**	**9,523,947,019**

The Group maintains nostro accounts on global basis with 20 foreign depository banks totaling 22 bank accounts in 2024 and 2023, the most significant of which are as follows:

2024	2023
1. JP Morgan Chase Bank	1. JP Morgan Chase Bank
2. Wells Fargo	2. Wells Fargo
3. Bank of America N.Y.	3. Standard Chartered Bank, N.Y.
4. Citibank Manila	4. Bank of New York
5. Citibank, N.Y.	5. Bank of America N.Y.

7. Trading and Investment Securities

	Group		Parent	
	2024	2023 Restated	2024	2023 Restated
FVTPL	20,078,529,832	20,569,810,203	19,724,628,130	20,371,212,218
FVOCI	589,958,943,026	475,814,706,941	588,158,430,938	474,233,069,240
Hold to Collect	709,622,789,642	758,337,894,491	706,333,331,187	755,180,846,520
	1,319,660,262,500	**1,254,722,411,635**	**1,314,216,390,255**	**1,249,785,127,978**

a. FVTPL

This consists of:

	Group		Parent	
	2024	2023 Restated	2024	2023 Restated
Government Securities – Domestic	14,899,553,396	14,460,766,156	14,546,715,994	14,262,168,171
Government Securities – Foreign	1,133,369,746	1,986,450,156	1,133,369,746	1,986,450,156
Private Securities – Domestic	1,071,687,761	984,472,524	1,070,623,461	984,472,524
Private Securities – Foreign	1,213,460,591	1,111,208,191	1,213,460,591	1,111,208,191
Derivative with positive fair value	1,760,458,338	2,026,913,176	1,760,458,338	2,026,913,176
	20,078,529,832	**20,569,810,203**	**19,724,628,130**	**20,371,212,218**

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

	2024			2023		
Domestic	5.25%	To	6.24%	2.38%	To	6.88%
Foreign	4.00%	To	5.75%	0.25%	To	5.95%

FVTPL includes the FX Risk Cover of the Parent's borrowings from multilateral agencies amounting to P1,074,708,114 and P1,674,146,261 in 2024 and 2023, 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 NG (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, 2024, the outstanding notional amount of the FX Risk Cover amounted to JPY14,342,932,628 and EUR19,944,730.

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 Parent applied the standard option valuation model approach which resulted in an increase in the derivative asset amounting to P599,438,147 in 2024 and P919,417,581 in 2023.

The derivative with positive fair value comprise of the following:

	2024	2023
FX Risk Cover	1,074,708,115	1,674,146,261
Forward Contracts	536,774,070	142,601,947
Debt Warrants	148,976,153	210,164,968
	1,760,458,338	**2,026,913,176**

The Garman-Kohlhagen valuation model used in pricing the derivative FX Risk Cover was found acceptable by the BSP during the conduct of their on-site validation in 2009.

Financial assets representing the Parent's equity infusions in countryside financial institutions and preference shares in MRTC that are assessed as debt securities but failed the SPPI test are classified as designated at FVTPL.

b. FVOCI

This account consists of:

	Group		Parent	
	2024	2023 Restated	2024	2023 Restated
Government				
Domestic	441,483,373,403	373,347,686,506	439,811,544,592	371,886,612,394
Foreign	106,040,718,738	73,626,625,392	106,040,718,738	73,626,625,392
Private				
Domestic	39,162,393,292	24,944,489,782	39,003,710,015	24,823,926,193
Foreign	3,302,457,593	3,895,905,261	3,302,457,593	3,895,905,261
Allowance for Credit Losses	(30,000,000)	0	0	0
	589,958,943,026	**475,814,706,941**	**588,158,430,938**	**474,233,069,240**

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

	2024			2023		
Domestic	2.50%	To	6.98%	2.38%	To	9.25%
Foreign	0.50%	To	10.63%	0.13%	To	10.63%

In 2024, the Parent disposed equity securities at FVOCI with total carrying value of P567,199,785 and recognized a gain on disposal charged against Retained Earnings of P39,288,507. The Parent sold its investments in equity securities as the target fair value of the listed stocks based on discounted cash flow model has been reached. Likewise, disposition of equity investment in countryside financial institution was made to recover the Parent's matured principal investment.

The net gains or losses on FVOCI equity securities classified as FVOCI amounted to P17,307,035,559 and P12,773,367,141 as at December 31, 2024 and 2023, respectively.

Domestic – Private securities

i. MERALCO shares

LANDBANK entered into a SPA with SMC Global in December 2008 for the sale of 46.6 million MERALCO shares at P90/share. The SPA was not implemented due to a levy on the shares related to a just compensation case. Only 38.6 million shares were recovered by LANDBANK following a 2011 SC ruling.

In 2014, SMC Global filed a case for specific performance and damages. The RTC ruled in 2021 in favor of SMC Global, directing the implementation of the SPA and awarding damages. This decision was affirmed by the Court of Appeals in 2022. LANDBANK's appeal to the SC was denied on December 11, 2023. A Motion for Reconsideration was filed on December 27, 2023 and remains pending.

Department of Agrarian Reform denied LANDBANK's request for the refund of the monetary equivalent of the unrestored 3.37 million shares from the Agrarian Reform Fund, citing lack of legal basis, as LANDBANK is not considered a landowner under CARP. Thereafter, LANDBANK filed a Complaint for Revival of Judgment on 8 September 2022, which is now pending with the SC.

ii. Private securities include investment in equity securities which are irrevocably designated at FVOCI as these are held for long-term strategic purpose rather than for trading. These equity securities include listed stocks, shares in recreational clubs, investment in CFI and other non-marketable equity securities.

Foreign – Private securities

MRTC preference shares

Total FVTPL accounts of the Parent include investment of US$20,977,796.00 (P1,213,460,591.11) in MRTC preference shares and the Unsecuritized Equity Rental Payments, totaling US$1,527,089.00 (P88,334,459.74) are classified under FVOCI.

In 2008, the NG, as confirmed through Executive Order No. 855 dated January 18, 2010, instructed LANDBANK and the 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 LANDBANK Board of Directors approved the purchase of MRTC interests in the form of unsecuritized portion of the ERP, MRT Bonds, and Preference Shares issued by MRT III Funding Corporation. LANDBANK together with DBP completed its acquisition in May 2009, collectively owning around 80 per cent of MRTC interests. LANDBANK owns approximately 37.77 per cent economic interest in MRTC.

The rental fees are structured in such a way that the initial investment in the MRT III project along with a 15 per cent rate of return is paid to MRTC for 25 years. In other words, the rental fees contain both an income and a return of the initial equity investment in the MRT III project. This is consistent with the definition of Net Economic Return in the BLT Agreement between the DOTC (now, DOTr) and MRTC. According to the BLT Agreement, Net Economic Return is defined as "the return to be realized by Metro Rail over the life of this Agreement of the amount of its equity investments into LRTS Phase I together with 15 per cent per annum thereon, such returns to be computed using standard "internal rate of return" methodology and the same assumptions as were utilized in determining the Rental Fees set forth in table 2 of Annex A-1 on the date hereof…".

The fact that ownership over the MRT3 project will be transferred to DOTr at a nominal amount of just U.S. $1.00 at the end of 25 years likewise confirms that the ERPs represent full payment by the DOTr of the investment along with its economic return. As stated in the BLT Agreement, "At the end of the Revenue Period and after Metro Rail and any other intended recipient shall have received from DOTC full payment of all Rental Fees and all other amounts payable by DOTC pursuant to this Agreement, Metro Rail shall transfer to DOTC, free from any lien or encumbrance created by Metro Rail or existing as a result of Metro Rail's actions, all its title to, and rights and interest in, LRTS Phase I in return for DOTC's payment to Metro Rail of U.S.$1.00."

Following the principle that the ERP's represent the return of principal and interest, the amortization schedules of LANDBANK for its MRTC investments are computed based on the internal rates of return that would equate the present values of the future ERPs to be received to the purchase costs of these investments.

The acquisition cost, book value and percentage of economic interest in MRTC are as follows:

	Acquisition Cost As of December 31, 2024 (In US Dollars)	Book Value As of December 31, 2024 (In US Dollars)	Percentage in MRTC
▪ MRT III Bonds	2,283,227	6,741,177	
▪ MRT III Preferred Shares	54,000,000	20,977,796	
Securitized ERPs	56,283,227	27,718,973	26.65%
Unsecuritized ERPs	1,372,353	1,527,089	11.12%
	57,655,580	**29,246,062**	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 Parent 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 LANDBANK's percentage of economic interest in MRTC. Another refund of US$1,381,747 was received by the Parent and DBP in early 2011 representing Accrued ERPs.

The Parent's Accumulated market gains/ (losses) on FVOCI government and private issues amounted to P7,517,122,919 and P2,295,754,799 as of December 31, 2024 and 2023, respectively.

Outstanding equity securities at FVOCI as of December 31, 2024 and 2023 generated dividends amounting to P1.33 billion and P1.10 billion, respectively for the Parent. Dividends amounting to P16.77 million and P0.05 million were recognized in 2024 and 2023, respectively, for the disposed securities at FVOCI.

Fair Value of FVOCI-Equity Securities as of December 31, 2024, as follows:

FVOCI Equity Securities	**Fair Value**
Listed Stocks	24,901,242,330
Shares in Sports Clubs	385,050,000
Rural Banks	3,457,007
INMES	847,332,985
	26,137,082,322

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (a) the Parent transfers substantially all the risks and rewards of ownership, or (b) the Parent neither transfers nor retains substantially all the risks and rewards of ownership and the Parent has not retained control.

The Parent enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Parent:

• Has no obligation to make payments unless it collects equivalent amounts from the assets;
• Is prohibited from selling or pledging the assets; and
• Has an obligation to remit any cash it collects from the assets without material delay.

Debt securities furnished by the Parent under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Parent retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

As at December 31, 2024, government securities amounting to P1,007,686,148 were used as security for bills payable of the LANDBANK relative of the outstanding repurchase agreement with Standard Chartered Bank London amounting P826,313,457 while there was no outstanding repurchase transaction as of December 31, 2023.

For debt instruments measured at FVOCI, the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset in the statement of financial position.

Loss allowance on FVOCI that has accumulated in the net unrealized gain/(loss) account amounted to P47,597,132 and P53,320,192 as of December 31, 2024 and 2023, respectively.

c. Hold to Collect

This account consists of:

	Group		Parent	
	2024	2023 Restated	2024	2023 Restated
Government				
Domestic	679,790,969,272	721,342,226,008	676,628,490,817	718,335,563,155
Foreign	4,075,573,249	29,217,225,485	25,212,021,469	29,217,225,485
Private				
Domestic	25,212,021,469	4,923,978,367	3,948,543,249	4,773,543,249
Foreign	1,258,472,608	3,584,764,330	1,258,472,608	3,584,764,330
Allow. For Credit Losses	(714,246,956)	(730,299,699)	(714,196,956)	(730,249,699)
	709,622,789,642	**758,337,894,491**	**706,333,331,187**	**755,180,846,520**

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

	2024			2023		
Domestic	2.88%	To	12.50%	2.38%	To	18.25%
Foreign	1.38%	To	10.63%	0.25%	To	10.63%

8. Loans and Other Receivables

This account consists of:

	Group		Parent	
	2024	2023 Restated	2024	2023 Restated
Interbank loans receivable	61,961,680,656	74,146,184,862	61,961,454,430	74,146,184,862
Allowance for credit losses	(142,717,263)	(282,580,608)	(142,717,263)	(282,580,608)
	61,818,963,393	73,863,604,254	61,818,737,167	73,863,604,254
Loans to Government	175,048,365,618	207,559,012,374	175,969,786,301	208,909,166,786
Allowance for credit losses	(117,251,517)	(226,308,550)	(117,251,517)	(226,308,550)
	174,931,114,101	207,332,703,824	175,852,534,784	208,682,858,236
Agrarian Reform and other Agriculture Loans	276,292,921,549	50,072,135,894	275,874,469,816	49,310,488,142
Allowance for credit losses	(717,918,530)	(103,206,601)	(717,838,828)	(8,837,189)
	275,575,003,019	49,968,929,293	275,156,630,988	49,301,650,953
Microfinance Loans	18,473,254,267	19,567,938,188	18,473,254,188	19,567,938,109
Allowance for credit losses	(1,674,655,468)	(1,024,837,727)	(1,674,655,389)	(1,024,837,648)
	16,798,598,799	18,543,100,461	16,798,598,799	18,543,100,461
SME/MSE Loans	62,755,029,685	64,427,476,964	61,581,195,924	62,825,404,137
Allowance for credit losses	(5,827,074,168)	(4,960,601,521)	(5,517,020,300)	(4,459,866,742)
	56,927,955,517	59,466,875,443	56,064,175,624	58,365,537,395
Contract to Sell	17,604,357,716	19,812,594,326	16,949,708,991	19,076,210,367
Allowance for credit losses	(3,741,138,747)	(3,605,810,974)	(3,652,976,092)	(3,424,898,318)
	13,863,218,969	16,206,783,352	13,296,732,899	15,651,312,049
Loans to Private Corporation	620,883,354,804	706,168,763,297	614,014,870,232	700,282,403,260
Allowance for credit losses	(37,508,446,881)	(27,089,239,098)	(35,765,399,936)	(25,659,081,244)
	583,374,907,923	679,079,524,199	578,249,470,296	674,623,322,016
Loans to Individuals for Housing Purposes	26,209,278,525	28,671,747,511	23,237,399,782	25,622,678,418
Allowance for credit losses	(4,374,908,561)	(3,998,117,602)	(4,334,404,192)	(3,907,355,647)
	21,834,369,964	24,673,629,909	18,902,995,590	21,715,322,771
Loans to Individual for Personal Use	70,764,855,958	64,526,865,291	66,178,405,466	60,311,832,455
Allowance for credit losses	(3,017,443,316)	(3,612,068,462)	(2,677,765,688)	(3,328,909,422)
	67,747,412,642	60,914,796,829	63,500,639,778	56,982,923,033
Loans to Individual for Other Purposes	7,489,460,877	7,816,429,372	5,746,620,598	6,025,748,731
Allowance for credit losses	(1,371,575,200)	(1,400,736,965)	(1,324,155,000)	(1,375,838,269)
	6,117,885,677	6,415,692,407	4,422,465,598	4,649,910,462
Loans-Non-Residents-FCDU	0	261,731,669	0	261,731,669
Allowance for credit losses	0	(48,554,573)	0	(48,554,573)
	0	213,177,096	0	213,177,096
Sec Purchased Under Repurchase Agreement	287,648,909,882	250,215,976,621	287,648,909,882	249,629,845,744
General loan loss provision	(14,383,327,125)	(13,707,093,477)	(14,298,986,190)	(13,604,196,188)
	1,552,255,012,761	**1,433,187,700,211**	**1,537,412,905,215**	**1,418,618,368,282**

Accrued Interest Receivable	28,751,431,241	24,664,526,164	28,454,007,008	24,419,344,674
Allowance for credit losses	(2,150,250,509)	(1,637,672,175)	(2,065,938,168)	(1,547,617,925)
	26,601,180,732	23,026,853,989	26,388,068,840	22,871,726,749
Accounts Receivable	3,273,791,777	3,112,323,712	2,297,717,071	2,652,082,518
Allowance for credit losses	(1,796,793,483)	(1,710,773,051)	(1,408,192,241)	(1,438,298,006)
	1,476,998,294	1,401,550,661	889,524,830	1,213,784,512
Sales Contract Receivable	1,765,053,225	1,902,918,746	1,499,715,168	1,683,863,790
Allowance for credit losses	(64,466,839)	(200,556,804)	(57,852,173)	(191,283,904)
	1,700,586,386	1,702,361,942	1,441,862,995	1,492,579,886
Dividend Receivable	56,192,265	63,818	56,192,265	0
Lease Receivable	3,564,326,156	3,675,730,377	0	0
Allowance for credit losses	(250,304,361)	(375,826,549)	0	0
	3,314,021,795	3,299,903,828	0	0
Inter-Agency Receivable	231,248,402	337,084,623	0	0
Allowance for credit losses	(2,439,531)	(4,109,314)	0	0
	228,808,871	332,975,309	0	0
Due from Operating/Field Units	19,554,535	94,357,507	19,554,535	94,357,507
Deficiency Judgement Receivable	20,785,264	20,785,263	20,785,264	20,785,263
Due from Officers and Employees	82,110,066	112,250,621	81,348,830	111,674,516
Allowance for credit losses	(415,557)	0	0	0
	81,694,509	112,250,621	81,348,830	111,674,516
	1,585,754,835,412	**1,463,178,803,149**	**1,566,310,242,774**	**1,444,423,276,715**

The Parent's interest rates on outstanding loans as of December 31, 2024 range from 0.05 to 27.00 per cent for peso denominated loans and from 2.25 to 8.54 per cent for foreign currency denominated loans.

Securities Purchased under Repurchased Agreement

This account consists of:

	Group		Parent	
	2024	**2023**	**2024**	**2023**
Domestic				
Reverse Repurchase-BSP	285,749,071,468	250,215,976,621	285,749,071,468	249,629,845,744
Repo Lending-Private	1,875,179,488	0	1,875,179,488	0
Foreign				
Margin Call	24,658,926		24,658,926	
	287,648,909,882	**250,215,976,621**	**287,648,909,882**	**249,629,845,774**

The Reverse Repurchase with BSP carrying an interest rate of 5.72 per cent and 6.39 per cent as of December 31, 2024 and 2023, respectively. Reverse Repurchase with Security Bank and Trust Corp. carries an interest rate at 6.135 per cent as of December 31, 2024 while no outstanding reverse repurchase transaction with private counterparty as of December 31, 2023.

Allowance for credit losses

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

	2024	2023
Balance, January 1	57,351,264,398	59,238,240,602
Provision	18,459,941,974	7,598,683,731
Write-offs	(3,524,165,378)	(577,581,109)
Transfers and other adjustments	(2,063,870,600)	(8,908,078,826)
Balance, December 31	**70,223,170,394**	**57,351,264,398**

As at December 31, 2024 and 2023, the breakdown of Gross Loans as to secured and unsecured follows:

	Parent			
	2024		2023 Restated	
	Amount	%	Amount	%
Secured loans:				
Guarantee of the Republic of the Philippines	145,545,024,546	9.05	103,609,749,018	7.02
Various guarantees	320,317,067,664	19.93	545,929,611,583	36.99
Various mortgages	366,026,934,405	22.77	344,829,439,868	23.36
	831,889,026,615	51.75	994,368,800,469	67.37
Unsecured loans	775,747,048,995	48.25	481,600,832,211	32.63
Gross loan at amortized cost	1,607,636,075,610	100.00	1,475,969,632,680	100.00

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.

	2024	2023
Total NPLs	90,817,859,858	68,663,266,849
Allowance for credit losses	(46,479,613,664)	(29,915,596,368)
Net NPLs	44,338,246,194	38,747,670,481

Accrued interest receivable consists of accrued interest on:

	Parent	
	2024	2023
Due from BSP	37,815,000	67,489,369
Due from Banks	6,095,833	38,444,444
Investments		
FVTPL	82,244,075	85,837,956
FVOCI	6,381,038,801	3,215,862,470
HTC	6,255,607,747	6,557,979,280
Loans and Receivable	15,685,643,119	14,448,361,529
Sales Contract Receivable	5,160,686	4,967,879
Other Assets	401,747	401,747
Allowance for Losses	(2,065,938,169)	(1,547,617,925)
	26,388,068,840	**22,871,726,749**

9. Investment in Subsidiaries

This account consists of the following investments in subsidiaries which are 100 per cent owned by the Parent except for UCPB Savings Bank which is 97.55 per cent owned and are accounted for at cost:

Name	2024	2023
Overseas Filipino Bank, Inc.	2,108,992,000	2,108,992,000
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.	24,554,941	24,554,941
UCPB Leasing & Finance Corp.	1,393,465,252	1,393,465,252
UCPB Savings Bank, Inc.	1,981,688,477	1,981,688,477
LBP Securities, Inc. (formerly UCPB Securities, Inc.)	237,550,439	237,550,439
Green Homes Development Inc.	334,831,317	334,831,317
Total	6,495,302,492	6,495,302,492
Allowance for credit losses	(840,934,784)	(840,934,784)
Net	**5,654,367,708**	**5,654,367,708**

NLDC Investment in NFC

NLDC was abolished in 2015 pursuant to Memorandum Order No. 85, with the transfer of its assets and liabilities to LANDBANK by 2018. However, the P84.91 million investments in NFC representing 81.21 per cent ownership was not included in the transfer due to its full provisioning for credit losses, resulting in a zero book value as of COA's terminal audit in 2017.

In 2020, COA recommended that LANDBANK recognize the investment in NFC along with the corresponding allowance for credit losses in its books. LANDBANK initially opposed the recommendation, citing the investment's zero value and regulatory ownership limitations, specifically the 35 per cent cap on equity holding in non-allied enterprises under BSP regulations. A regulatory consultation followed involving COA, GCG, and BSP.

In May 2023, BSP concurred with COA's recommendation, instructing LANDBANK to recognize the investment and related allowance in its books, disclose in financial statements, and ensure compliance with the prescribed ownership ceilings. The remaining 65 per cent of equity was referred to the TWG for resolution.

On April 5, 2024, the TWG has endorsed the dissolution of NFC in accordance with the Revised Corporation Code.

In response to GCG's inquiry, the DOF, through its NLDC-TWG representative, issued a letter dated November 19, 2024, clarifying that under Memorandum Order Nos. 85 and 58, only the NFC-TWG is authorized to resolve matters related to the transfer of NLDC's equity investment in NFC to LANDBANK. Therefore, any action taken by the NLDC-TWG in this regard would be beyond its delegated authority (*ultra vires*).

Subsequently, on December 5, 2024, the NFC-TWG formally recommended that LANDBANK waive its right to claim NLDC's equity investment in NFC in its entirety, in accordance with applicable laws, rules, and regulations.

10. Investment in Associates

Maharlika Investment Fund

Pursuant to the provision in RA 11954, also known as The Maharlika Investment Fund Act of 2023, and in accordance with Section 6, LANDBANK is one of the government financial institutions mandated to initially subscribe to the authorized capital stock of common shares of Maharlika Investment Corporation amounting to P50 billion representing 500 million shares.

11. Investment Property

This account consists of:

	Group					
	2024			2023		
	Land	Building	Total	Land	Building	Total
At Cost						
At January 1	8,952,826,888	10,551,101,828	19,503,928,716	8,693,525,805	10,453,304,050	19,146,829,855
Additions/(Disposals)	738,254,511	3,410,419,849	4,148,674,360	267,525,172	83,489,511	351,014,683
Transfers/Adjustment	(131,229,406)	(60,592,387)	(191,821,793)	(8,224,088)	14,308,267	6,084,179
At December 31	**9,559,851,993**	**13,900,929,290**	**23,460,781,283**	**8,952,826,889**	**10,551,101,828**	**19,503,928,716**
Accumulated depreciation						
At January 1	0	4,518,418,482	4,518,418,482	0	4,316,125,724	4,316,125,724
Depreciation	0	694,248,189	694,248,189	0	685,432,056	685,432,056
Transfers/Adjustment	0	(465,297,288)	(465,297,288)	0	(483,139,298)	(483,139,298)
At December 31	**0**	**4,747,369,383**	**4,747,369,383**	**0**	**4,518,418,482**	**4,518,418,482**
Allowance for Losses at December 31	**984,079,590**	**508,900,543**	**1,492,980,133**	**676,094,370**	**97,379,171**	**773,473,541**
Net book value	**8,575,772,403**	**8,644,659,364**	**17,220,431,767**	**8,276,732,519**	**5,935,304,175**	**14,212,036,694**

	Parent					
	2024			2023		
	Land	Building	Total	Land	Building	Total
At Cost						
At January 1	8,299,721,054	9,850,534,454	18,150,255,508	8,074,273,930	9,724,025,451	17,798,299,381
Additions/(Disposals)	646,739,345	3,388,805,989	4,035,545,334	232,163,713	112,200,736	344,364,449
Transfers/Adjustment	0	0	0	(6,716,589)	14,308,267	7,591,678
At December 31	**8,946,460,399**	**13,239,340,443**	**22,185,800,842**	**8,299,721,054**	**9,850,534,454**	**18,150,255,508**
Accumulated depreciation						
At January 1	0	4,353,752,165	4,353,752,165	0	4,161,923,573	4,161,923,573
Depreciation	0	666,975,951	666,975,951	0	656,881,060	656,881,060
Transfers/Adjustment	0	(449,967,792)	(449,967,792)	0	(465,052,468)	(465,052,468)
At December 31	**0**	**4,570,760,324**	**4,570,760,324**	**0**	**4,353,752,165**	**4,353,752,165**
Allowance for Losses at December 31	**965,718,460**	**508,900,543**	**1,474,619,003**	**655,765,477**	**94,157,454**	**749,922,931**
Net book value	**7,980,741,939**	**8,159,679,576**	**16,140,421,515**	**7,643,955,577**	**5,402,624,835**	**13,046,580,412**

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

As at December 31, 2024 and 2023, the carrying value of investment properties still subject to redemption amounted to P81,536,128 and P45,079,319, respectively, for the Parent. Investment properties with on-going cases amounted to P2,333,996,482 and P1,828,721,682 as at December 31, 2024 and 2023, respectively. Properties amounting to P59,116,060 and P34,947,412 as at December 31, 2024 and 2023, respectively, are agricultural lands covered by the government's agrarian reform program.

In 2024 and 2023, the rental income on investment properties, which are leased out under operating leases, amounted to P1,600 and P193,800, respectively, for the Parent. In 2024 and 2023, the Parent's direct operating expenses, consisting of depreciation and amortization and repairs and maintenance pertaining to investment properties amounted to P666,975,952 and P656,881,060, respectively.

12. Property and Equipment

This account consists of:

GROUP										
	LAND	BUILDING UNDER CONSTRUCTION	BUILDING	LEASEHOLD RIGHTS & IMPROVEMENT	TRANSPORTATION EQUIPMENT	FURNITURE & OFFICE EQUIPMENT	EQUIPMENT UNDER LEASE	OTHERS	2024	2023
At Cost										
At January 1	2,957,114,976	762,676,726	6,289,001,819	1,811,675,817	889,853,002	10,684,639,642	942,635,307	1,362,617,458	25,700,214,747	23,689,013,996
Additions	12,000	390,202,687	58,039,159	171,827,885	365,068,963	1,224,769,619	214,871,559	473,703,029	2,898,494,901	2,756,446,642
Disposal	(24,000,000)	0	(47,233,704)	(1,626,228)	(246,967,516)	(594,034,803)	0	(197,587,212)	(1,111,449,463)	(285,765,925)
Transfers / reclass	72,791,974	(217,376,898)	373,588,549	(178,153,725)	(41,954,694)	(253,778,515)	(4,783,967)	(405,551,371)	(655,218,647)	(459,479,966)
At December 31	3,005,918,950	935,502,515	6,673,395,823	1,803,723,749	965,999,755	11,061,595,943	1,152,722,899	1,233,181,904	26,832,041,538	25,700,214,747
Accumulated Depreciation/ Impairment Loss										
At January 1	0	967,839	4,495,335,001	1,013,766,764	404,817,469	7,359,721,518	386,050,954	537,231,997	14,197,891,542	12,902,058,512
Depreciation/ Amortization	0	548,964	262,126,279	134,811,192	118,345,978	894,053,126	9,600,460	162,952,863	1,582,438,862	1,447,157,052
Disposal	0	0	(23,987,206)	(1,517,532)	(67,559,262)	(394,379,201)	(2,532,004)	(98,450,146)	(588,425,351)	(270,364,406)
Transfers / reclass	0	0	(1,162,588,916)	(61,764,657)	(1,989,426)	(352,929,718)	(3,508,252)	(81,693,228)	(1,664,474,197)	119,040,384
Impairment Loss	0	0	0	0	0	0	0	0	0	0
At December 31	0	1,516,803	3,570,885,158	1,085,295,767	453,614,759	7,506,465,725	389,611,158	520,041,486	13,527,430,856	14,197,891,542
Allow for Losses	0	0	33,119,258	807,955	10,955,588	19,411,440	0	235,618,247	299,912,488	122,981,968
Net Book Value	3,005,918,950	933,985,712	3,069,391,407	717,620,027	501,429,408	3,535,718,778	763,111,741	477,522,171	13,004,698,194	11,379,341,237

PARENT										
	LAND	BUILDING UNDER CONSTRUCTION	BUILDING	LEASEHOLD RIGHTS & IMPROVEMENT	TRANSPORTATION EQUIPMENT	FURNITURE & OFFICE EQUIPMENT	EQUIPMENT UNDER LEASE	OTHERS	2024	2023
At Cost										
At January 1	2,815,831,265	756,897,602	6,073,676,437	1,630,193,838	838,500,362	10,341,819,962	411,846,198	1,296,406,228	24,165,171,892	22,476,592,772
Additions	12,000	390,202,687	44,508,105	136,435,939	358,929,052	1,196,381,723	0	470,968,029	2,597,437,535	2,380,893,724
Disposal	(24,000,000)	0	(47,233,704)	(1,626,228)	(246,967,516)	(592,103,026)	0	(195,589,212)	(1,107,519,686)	(251,838,576)
Transfers / reclass	72,791,974	(217,376,898)	373,588,549	(184,444,901)	(39,769,766)	(272,333,888)	(4,783,967)	(379,555,861)	(651,884,758)	(440,476,028)
At December 31	2,864,635,239	929,723,391	6,444,539,387	1,580,558,648	910,692,132	10,673,764,771	407,062,231	1,192,229,184	25,003,204,983	24,165,171,892
Accumulated Depreciation/ Impairment Loss										
At January 1	0	0	4,372,064,593	888,111,420	384,556,782	7,068,754,934	380,420,116	482,182,630	13,576,090,475	12,296,630,436
Depreciation/ Amortization	0	0	253,803,642	113,076,174	113,522,210	876,010,995	9,600,460	160,675,826	1,526,689,307	1,387,068,364
Disposal	0	0	(23,987,206)	(1,517,532)	(67,559,262)	(392,993,971)	0	(96,552,045)	(582,610,016)	(234,236,833)
Transfers / reclass	0	0	(1,162,588,912)	(61,731,622)	86,256	(364,194,886)	(3,508,252)	(66,165,049)	(1,658,102,465)	126,628,508
Impairment Loss	0	0	0	0	0	0	0	0	0	0
At December 31	0	0	3,439,292,117	937,938,440	430,605,986	7,187,577,072	386,512,324	480,141,362	12,862,067,301	13,576,090,475
Allow for Losses	0	0	33,119,258	807,955	10,955,588	18,981,641	0	235,545,660	299,410,102	122,583,463
Net Book Value	2,864,635,239	929,723,391	2,972,128,012	641,812,253	469,130,558	3,467,206,058	20,549,907	476,542,162	11,841,727,580	10,466,497,954

Depreciation and amortization of the Group amounting to P3,309,333,687 and P3,780,914,495 and of the Parent amounting to P3,112,325,371 and P3,636,463,915 in 2024 and 2023, respectively, are included in depreciation and amortization expense in the Statements of Comprehensive Income.

The Parent's office equipment, furniture and vehicles with carrying amount of P58,604,408 and P183,231,787 in 2024 and 2023, respectively, are temporarily idle. The carrying amounts of properties which are held for disposal are P30,432,510 and P157,225,958 in 2024 and 2023, respectively, while the carrying amount of fully depreciated assets still in use are P236,456,718 and P5,020,142,513 in 2024 and 2023, respectively.

13. Leases

Parent as lessee

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities as at December 31, 2024 for the Parent is as follows:

	Within 1 Year	After 1 Year but not more than 5 Years	More than 5 Years	Total
Finance Charge	188,504,729	292,908,795	90,095,616	571,509,140
Finance Lease Liability	820,053,221	1,601,220,019	367,218,644	2,788,491,884
Lease Payment	1,016,185,801	1,894,128,814	457,314,260	3,367,628,875

As at December 31, 2024, the Parent recognized interest expense on lease liabilities (included in the Statements of Comprehensive Income) amounting to P181,067,173 and rent expense from short-term leases and leases of low-value assets amounting to P227,434,428.

Right-of-use assets consist of the following:

GROUP						
	BUILDING	TRANSPORTATION EQUIPMENT	OFFICE EQUIPMENT	IT EQUIPMENT	2024	2023
At Cost						
At January 1	4,473,812,960	399,022,050	0	3,148,633	4,875,983,643	5,216,428,380
Additions	837,986,185	0	4,138,915	223,609,974	1,065,735,074	39,346,090
Disposal	(192,066)	0	0	0	(192,066)	0
Transfers / reclass	(640,175,722)	(20,383,107)	0	(3,148,633)	(663,707,462)	(379,790,827)
At December 31	**4,671,431,357**	**378,638,943**	**4,138,915**	**223,609,974**	**5,277,819,189**	**4,875,983,643**
Accumulated Depreciation/ Impairment Loss						
At January 1	1,823,089,940	110,707,825	0	639,945	1,934,437,710	1,740,020,956
Depreciation/Amortization	756,486,248	53,895,311	1,379,640	109,736	811,870,935	927,117,965
Disposal	(41,774,634)	0	0	0	(41,774,634)	(72,432)
Transfers / reclass	(515,739,614)	(16,510,121)	689,820	(749,681)	(532,309,596)	(732,628,779)
Impairment Loss	0	0	0	0	0	0
At December 31	**2,022,061,940**	**148,093,015**	**2,069,460**	**0**	**2,172,224,415**	**1,934,437,710**
Net Book Value	**2,649,369,417**	**230,545,928**	**2,069,455**	**223,609,974**	**3,105,594,774**	**2,941,545,933**

PARENT						
	BUILDING	TRANSPORTATION EQUIPMENT	OFFICE EQUIPMENT	IT EQUIPMENT	2024	2023
At Cost						
At January 1	3,722,479,911	399,022,050	0	3,148,633	4,124,650,594	4,461,624,181
Additions	728,169,140	0	4,138,915	223,609,974	955,918,029	0
Disposal	(192,066)	0	0	0	(192,066)	0
Transfers / reclass	(610,559,671)	(20,383,107)	0	(3,148,633)	(634,091,411)	(336,973,587)
At December 31	**3,839,897,314**	**378,638,943**	**4,138,915**	**223,609,974**	**4,446,285,146**	**4,124,650,594**
Accumulated Depreciation/ Impairment Loss						
At January 1	1,751,972,343	110,707,825	0	639,945	1,863,320,113	1,682,072,033
Depreciation/Amortization	678,845,950	53,895,311	1,379,640	109,736	734,230,637	871,149,640
Disposal	(41,774,634)	0	0	0	(41,774,634)	(72,432)
Transfers / reclass	(486,119,484)	(16,510,121)	689,820	(749,681)	(502,689,466)	(689,829,128)
Impairment Loss	0	0	0	0	0	0
At December 31	**1,902,924,175**	**148,093,015**	**2,069,460**	**0**	**2,053,086,650**	**1,863,320,113**
Net Book Value	**1,936,973,139**	**230,545,928**	**2,069,455**	**223,609,974**	**2,393,198,496**	**2,261,330,481**

Parent as lessor

The Parent has entered into commercial property leases with various tenants on its investment property portfolio and part of LANDBANK premises. Various lease contracts include escalation clauses. Rent income from leases is included in the Statements of Comprehensive Income.

The Parent retains ownership rights over assets subject to lease agreements. To manage the risks associated with these retained rights, the Parent employs a risk management strategy by requiring security deposits or guarantees.

Future minimum rentals receivable under non-cancellable operating leases as of December 31, 2024 are as follows:

	Within 1 Year	After 1 Year but not more than 5 Years	More than 5 Years	Total
Operating Lease	696,488	831,485	0	1,527,973

14. Other Intangible Assets

This account consists of:

	Group		Parent	
	2024	**2023 Restated**	**2024**	**2023**
Balance at the beg. of the year	4,021,212,096	4,653,566,177	3,861,338,742	4,538,252,897
Additions	507,317,855	299,736,474	478,182,083	290,455,522
Derecognition/Adjustments	(170,492,979)	(932,090,555)	(170,492,979)	(967,369,677)
Balance at the end of the year	4,358,036,972	4,021,212,096	4,169,027,846	3,861,338,742
Accumulated Amortization	(3,087,581,185)	(2,543,361,398)	(2,954,433,758)	(2,446,105,344)
Allow for Losses	(716,382)	(5,916,382)	(716,382)	(5,916,382)
Net book value at end of year	**1,269,739,405**	**1,471,934,316**	**1,213,877,706**	**1,409,317,016**

15. Other Assets

This account consists of:

	Group		Parent	
	2024	2023 Restated	2024	2023 Restated
Sundry debits	17,059,990,470	1,555,930,662	17,059,957,572	1,601,798,661
Prepayments	823,441,780	727,418,216	779,878,763	571,571,093
Documentary stamps	582,280,590	585,519,976	581,549,776	584,825,858
Other Deposits (net)	991,960	991,960	991,960	991,960
Miscellaneous Assets	17,769,271,619	63,576,085,482	17,696,960,199	63,969,257,060
Others	653,381,859	652,566,416	627,167,724	616,860,664
Allowance for credit losses	(24,292,145)	(20,594,390)	(20,594,389)	(20,594,390)
	36,865,066,133	**67,077,918,322**	**36,725,911,605**	**67,324,710,906**

The Others line item includes Postage Stamps, Shortages and Returned Checks and Other Cash Items, Due from ARF and Other Assets - Subsidiaries accounts.

16. Allowance for Credit Losses and Impairment Losses

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

	2024	2023 Restated
Balance at beginning of year:	63,718,959,172	64,934,234,739
Provisions charged to operations	19,373,944,771	7,626,454,679
Accounts charged off and others	(3,734,869,613)	(597,533,069)
Transfer/adjustments	(1,415,068,468)	(8,244,197,177)
Balance December 31	**77,942,965,862**	**63,718,959,172**
Balance at end of year:		
Loans (Note 8)	70,223,170,394	57,351,264,398
Investments (Note 7 & 9)	1,555,131,740	1,571,184,483
Receivables & Other assets (Note 6, 11, 12, 14 & 15)	5,512,707,582	4,207,650,116
Contingent (Note 36)	651,956,146	588,860,175
	77,942,965,862	**63,718,959,172**

With the foregoing level of allowance for credit losses, the Parent believes that it 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:

	2024	2023
Loans (Note 8)	18,459,941,974	7,598,683,731
Investments	36,978,811	0
Receivables and other assets	877,023,986	27,770,948
	19,373,944,771	**7,626,454,679**

The calculated ECL for Treasury Exposures as of September 2024 decreased from P801.70 million to P771.37million. The table shows the computed ECL for 2024 and 2023:

INVESTMENTS (In Thousand P)	TOTAL		STAGE 1		STAGE 2		STAGE 3	
	2024	2023	2024	2023	2024	2023	2024	2023
Due from BSP and SPURA	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Due from Other Banks & IBLR	**1,737.16**	**5,775.61**	**1,737.16**	**5,772.94**	**0**	**2.67**	**0**	**0**
Due from Foreign Banks	1,281.94	4,902.85	1,281.94	4,902.85	0	0	0	0
Due from Local Banks and FIs	420.58	830.83	420.58	828.16	0	2.67	0	0
Inter-bank loan and receivables	34.64	41.93	34.64	41.93	0	0	0	0
FVOCI debt investments	**47,006.76**	**56,137.53**	**47,006.76**	**53,570.65**	**0**	**2,566.88**	**0**	**0**
Local Debt Securities	0	0	0	0	0	0	0	0
Foreign Debt Securities	39,939.28	44,485.94	39,939.28	44,485.94	0	0	0	0
Private Securities	7,067.48	11,651.59	7,067.48	9,084.71	0	2,566.88	0	0
HTC investments	**722,629.95**	**739,788.71**	**28,086.13**	**45,244.89**	**0**	**0**	**694,543.82**	**694,543.82**
Local Debt Securities	0	0	0	0	0	0	0	0
Foreign Debt Securities	18,814.75	16,379.54	18,814.75	16,379.54	0	0	0	0
Private Securities								
Local	703,002.60	721,688.07	8,458.78	27,144.25	0	0	694,543.82	694,543.82
Foreign	812.60	1,721.10	812.60	1,721.10	0	0	0	0
TOTAL	**771,373.87**	**801,701.85**	**76,830.05**	**104,588.48**	**0**	**2,569.55**	**694,543.82**	**694,543.82**

The calculated ECL for Loans, Other Exposures and Off-Balance Sheet increased from P60,903.61 million to P78,371.53 million. The table shows the computed ECL for 2024 and 2023:

EXPOSURES (In Millions PHP)	TOTAL		STAGE 1		STAGE 2		STAGE 3	
	2024	2023	2024	2023	2024	2023	2024	2023
LOANS	**75,573.64**	**57,551.94**	**13,754.62**	**12,942.63**	**7,576.50**	**11,633.01**	**54,242.52**	**32,976.30**
Corporates	49,336.28	34,894.31	7,987.66	7,469.95	6,496.81	8,462.46	34,851.81	18,961.90
Financial Institutions	8,840.47	6,716.79	3,538.07	3,568.91	465.83	299.65	4,836.57	2,848.23
Government	1,382.52	1,215.74	1,255.79	1,047.09	7.84	-	118.89	168.65
Retail Loans	10,590.52	2,244.45	905.89	539.34	255.08	62.90	9,429.55	1,642.21
Others	5,423.85	12,480.65	67.21	317.34	350.94	2,808.00	5,005.70	9,355.31
INVESTMENTS	**771.37**	**801.69**	**76.83**	**104.58**	**-**	**2.57**	**694.54**	**694.54**
Due from BSP and SPURA	-	-	-	-	-	-	-	-
Due from other banks	1.70	5.73	1.70	5.73	-	-	-	-
Inter-bank loan and receivables	0.03	0.04	0.03	0.04	-	-	-	-
FA at FVOCI debt investments	47.01	56.14	47.01	53.57	-	2.57	-	-
FA at amortized cost	722.63	739.78	28.09	45.24	-	-	694.54	694.54
OTHER EXPOSURES	**1,310.29**	**1,980.42**	**8.01**	**15.46**	**44.22**	**89.82**	**1,258.06**	**1,875.14**
Sales Contract	66.42	397.57	3.82	6.69	-	12.30	62.60	378.58
Accounts Receivables	1,243.87	1,582.85	4.19	8.77	44.22	77.52	1,195.46	1,496.56
OFF-BALANCE SHEET ITEMS	**716.23**	**569.56**	**716.23**	**569.56**	**-**	**-**	**-**	**-**
Loan commitments	646.54	523.14	646.54	523.14	-	-	-	-

Trade and trust receipts	31.02	24.98	31.02	24.98	-	-	-	-
Financial guarantees	38.67	21.44	38.67	21.44	-	-	-	-
TOTAL	**78,371.53**	**60,903.61**	**14,555.69**	**13,632.23**	**7,620.72**	**11,725.40**	**56,195.12**	**35,545.98**

The increase in the loss allowance during the period was primarily attributed to the expansion of the loan portfolio.

17. Deposit Liabilities

This account consists of:

	Group		Parent	
	2024	2023	2024	2023
Domestic				
Demand deposits	1,474,925,968,662	1,388,726,395,982	1,472,858,217,201	1,386,348,122,451
Savings deposits	1,417,504,885,610	1,390,366,943,698	1,410,459,960,078	1,383,789,894,612
Time certificate of deposits	13,503,718,095	9,056,095,929	8,013,850,101	3,645,152,965
	2,905,934,572,367	2,788,149,435,609	2,891,332,027,380	2,773,783,170,028
Foreign				
Savings deposit	31,947,327,106	32,908,187,663	31,950,534,466	32,922,475,819
Time certificate of deposit	75,586,686,507	75,690,774,642	75,607,182,306	75,693,745,785
	107,534,013,613	108,598,962,305	107,557,716,772	108,616,221,604
	3,013,468,585,980	**2,896,748,397,914**	**2,998,889,744,152**	**2,882,399,391,632**

The Parent's domestic deposit liabilities earn annual fixed interest rates ranging from 0.05 to 4 per cent in 2024 and 2023. Foreign deposit rates range from 0.05 to 0.50 per cent and 0.03 to 0.50 per cent in 2024 and 2023, respectively. In 2024 and 2023, P1,783,890,419,908 or 59 per cent and P1,860,554,986,870 or 65 per cent, respectively, of the Parent's deposit portfolio came from the government while the rest came from private depositors.

18. Financial Liabilities

	Group		Parent	
	2024	2023	2024	2023
Bills Payable	16,415,703,978	15,829,033,783	13,016,787,311	13,614,450,450
Bond Payable	4,827,778,186	4,672,721,488	4,827,778,186	4,672,721,488
Financial Liabilities Held for Trading	76,224,931	11,936,320	76,224,931	11,936,320
Payables	48,415,939,517	38,340,785,859	46,927,220,555	37,219,062,261
	69,735,646,612	**58,854,477,450**	**64,848,010,983**	**55,518,170,519**

a. Bills Payable

This account consists of:

	Group		Parent	
	2024	2023	2024	2023
Bangko Sentral ng Pilipinas	23,400,825	23,400,825	23,400,825	23,400,825
Domestic borrowings	3,517,050,118	2,345,554,041	118,133,451	130,970,708
Deposit Substitute-Repurchase Agreement	826,313,457	0	826,313,457	0
Foreign Borrowings ODA	12,048,939,578	13,460,078,917	12,048,939,578	13,460,078,917
	16,415,703,978	**15,829,033,783**	**13,016,787,311**	**13,614,450,450**

The breakdown of Parent's ODA foreign borrowings are as follows:

Creditor/Funder	2024	2023
World Bank/IBRD	5,901,663,402	6,340,418,876
Asian Development Bank	50,781,512	105,517,898
Japan International Cooperation Agency	4,901,489,177	5,740,221,549
Kreditanstalt fur Wiederaufbau	1,195,005,487	1,273,920,594
	12,048,939,578	13,460,078,917

The total ODA foreign borrowings of P12,048,939,578 is guaranteed by the NG. Foreign borrowings relent in local currency amounting to P6,470,782,411 are provided with FX Risk Cover by the NG. This has historical value of P7,815,426,959. The Parent's foreign borrowings from multilateral and bilateral agencies have maturities ranging from 15 to 40 years.

Interest rates on foreign and domestic borrowings in 2024 range from 0.01 per cent to 5.72 per cent and 4.75 per cent, respectively.

The Parent's Bills Payable is as follows:

	Bills Payable	
Balance, Jan 01, 2024		13,614,450,450
Availments	826,313,457	
Payments	(1,423,976,596)	(597,663,139)
Balance, Dec 31, 2024		**13,016,787,311**

b. Bonds Payable

The Parent issued the following COI to former owners of the UCPB:

- 20-year P12 billion face value COI with interest at a fixed rate of 1.75 per cent per annum based on outstanding balance issued to the PDIC on September 24, 2021, payable annually to mature in 2041, with fair value at the time of acquisition amounting to P4.04 billion computed based on the present value of the instrument discounted using the effective interest rate of 14.93 per cent.

  The issuer may, at its sole discretion, make a prepayment on the principal on any payment date beginning on the 3rd year from the date of issuance of the COI, and every three years thereafter.

  The Issuer warrants and represents that, upon its issuance and until maturity, the COI shall be fully assignable and negotiable, and shall continue to possess the features and terms provided under the Deed of Absolute Sale.

  In the event of default in the payment of principal and/or interest in the payment date, all the remaining unpaid obligations under the COI, regardless of payment schedule, shall be declared to be forthwith due and payable, whereupon all such amounts shall become and be forthwith due and payable without presentment, demand and protest or further notice of any kind, all of which are hereby expressly waived by the Issuer. The total outstanding obligation shall be subject to a penalty of 10 per cent per annum from payment date until the said obligation shall have been paid in full.

As of December 31, 2024, the principal has an outstanding balance of P11.10 billion.

- 20-year P1.12 billion face value COI with interest at a fixed rate of 1.75 per cent per annum based on outstanding balance issued to the Republic of the Philippines, as represented by the Trust Fund Management Committee on May 25, 2022, payable annually to mature in 2042, with fair value at the time of acquisition amounting to P0.38 billion computed based on the present value of the instrument discounted using the effective interest rate of 14.93 per cent.

  The Issuer warrants and represents that, upon its issuance and until maturity, the Certificate shall be fully assignable and negotiable, and shall continue to possess the features and terms provided under the Deed of Absolute Sale.

  In the event of default in the payment of principal and/or interest in the payment date, all the remaining unpaid obligations under the Certificate, regardless of payment schedule, shall be declared to be forthwith due and payable, whereupon all such amounts shall become and be forthwith due and payable without presentment, demand and protest or further notice of any kind, all of which are hereby expressly waived by the Issuer. The total outstanding obligation shall be subject to a penalty of 10 per cent per annum from payment date until the said obligation shall have been paid in full.

As of December 31, 2024, the principal has an outstanding balance of P1.07 billion.

The Parent's Bonds Payable is as follows:

	2024	2023
Balance, Jan. 01 (Net of Unamortized Discount)	4,672,721,488	4,543,923,875
Issuance to ROP (Net of Unamortized Discount)	0	
Amortization payment	(328,028,530)	(328,028,531)
Amortization of discount	483,085,228	456,826,144
Balance, Dec. 31	4,827,778,186	4,672,721,488

c. Financial Liabilities Held for Trading

This account consists of Parent's derivative financial liability held for trading with a negative fair value:

	2024	2023
Derivatives - Negative Fair Value	76,224,931	11,936,320

d. Payables

This account consists of:

	Group		Parent	
	2024	2023 Restated	2024	2023 Restated
Accounts payable	40,835,826,727	30,594,132,733	39,849,720,585	29,855,605,573
Accrued Interest Payable	4,330,624,419	4,737,656,644	4,289,008,086	4,687,129,706
Finance Lease Payable	3,249,488,371	3,008,996,482	2,788,491,884	2,676,326,982
	48,415,939,517	**38,340,785,859**	**46,927,220,555**	**37,219,062,261**

Accounts Payable includes issuance of e-money by authorized Electronic Money Issuer-Banks and conditional cash transfer to DSWD.

The classification of the finance lease payable account as of December 31, 2024 is as follows, which the Parent has entered into for the use of office spaces and equipment (Note 13):

	Current	Non-Current	Total
Finance Lease Payable	820,053,221	1,968,438,663	2,788,491,884

19. Inter-Agency Payables

This account consists of:

	Group		Parent	
	2024	2023	2024	2023
Due to BIR	854,040,231	826,428,078	798,558,479	797,967,984
Due to GSIS	231,836,497	242,455,794	230,290,417	231,865,553
Due to Pag-IBIG	9,120,968	5,200,507	6,451,649	3,979,780
Due to PhilHealth	41,068,824	40,062,419	36,767,716	40,062,419
Due to Other Government Corp	6,690,628,723	2,866,213,043	6,690,628,723	2,866,213,044
Due to Treasurer of the Philippines	2,013,960,626	2,022,131,003	1,984,461,261	1,992,511,982
Due to Subsidiaries	47,137,882	0	770,320,486	818,255,925
Due to SSS	7,010,026	0	0	0
Income Tax Payable	288,176,103	1,438,799,377	288,176,103	1,413,274,922
Due to Philippine Deposit Insurance Corporation	11,300,000	0	0	0
Due to Philippine Crop Insurance Corporation	1,377,575	1,696,138	1,377,575	1,696,138
	10,195,657,455	**7,442,986,359**	**10,807,032,409**	**8,165,827,747**

20. Other Payables

This account consists of:

	Group		Parent	
	2024	2023 Restated	2024	2023 Restated
Accrued Other Expenses	11,789,850,128	14,117,874,822	11,651,642,436	13,813,287,227
Margin Deposits	369,510,881	765,690,634	369,510,881	765,690,634
Manager's/Gift Checks	3,551,123,378	2,668,403,475	3,503,024,799	2,614,624,377
Payment Order Payable	107,280,915	99,096,244	107,280,915	99,096,244
Unclaimed Balances	1,200,579,430	468,588,502	1,192,191,174	465,892,078
Cash Letter of Credits	23,800,635,867	20,540,019,166	23,800,635,867	20,540,019,166
Outstanding Acceptances	112,643,566	30,187,271	112,643,566	30,187,271
Others	25,386,002,334	11,830,593,924	25,260,859,362	11,784,250,070
	66,317,626,499	**50,520,454,038**	**65,997,789,000**	**50,113,047,067**

The Others line item includes Sundry Credit, Dividends Payable, Due to ARF, Other taxes and licenses payable, Overages, Deposit for keys of Safe Deposit Boxes and Miscellaneous Liabilities accounts.

21. Income and Other Taxes

Under Philippine tax laws, the Regular Banking Unit of the Parent is subject to percentage and other taxes (presented as Taxes and Licenses in the statement of comprehensive income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax and documentary stamp taxes. Income taxes include the corporate income tax and final withholding tax on gross interest income from government securities, deposits and other deposit substitutes. These income taxes and deferred tax benefits are presented in the statement of comprehensive income either Provision for or (Benefit from) Income Tax.

On March 26, 2021, Republic Act No. 11534, or the CREATE Law, was signed into law and amended certain provisions of the National Internal Revenue Code of 1997 effective July 1, 2020. Among major changes brought about by the CREATE Law that are relevant to and considered by the Group and its subsidiaries includes reduced NCIT rate from 30 per cent to 25 per cent, MCIT rate from two per cent to one per cent and allowable deduction for interest expense is reduced from 33 per cent to 20 per cent of the interest income subjected to final tax. However effective July 1, 2023, the MCIT shall revert to its old rate of two per cent based on the gross income. In computing the MCIT, the gross income shall be divided by 12 months to get the average monthly gross income and apply the rate of one per cent for the period January 1 to June 30, 2023 and two per cent for the period July 1 to December 31, 2023.

Under the Tax Code, as amended, the income tax to be paid by a taxpayer is the higher between the rate at NCIT or the rate at MCIT. For taxable year 2021, the Parent paid its income tax based on NCIT computation since it resulted to a higher tax payable than MCIT computation.

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 interest income (income from residents) from foreign currency loans under the Expanded Foreign Currency Deposit System is subject to ten per cent final tax. Interest income derived by resident individual or corporation on deposits with other FCDUs and Offshore Banking Units are subject to 15 per cent final tax.

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

	Group		Parent	
	2024	2023	2024	2023
Current:				
Normal/MCIT	1,088,181,658	2,525,072,168	951,668,460	2,400,591,183
Deferred	(1,205,371,796)	(3,826,719,401)	(1,205,371,796)	(3,799,459,063)
Provision for Income Tax	**(117,190,138)**	**(1,301,647,233)**	**(253,703,336)**	**(1,398,867,880)**

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

	Group		Parent	
	2024	2023	2024	2023
Statutory income tax	9,790,552,475	10,176,826,095	9,770,916,613	10,067,075,831
Additions to (reductions in) income taxes arising from:				
Non-deductible interest expense	3,574,258,558	3,079,876,854	3,574,256,657	3,079,876,854
Other Deductible/Non-deductible Expense	1,448,746,061	1,437,466,994	1,424,145,773	1,425,662,049
FCDU Income	(1,244,147,449)	(1,291,733,476)	(1,244,147,449)	(1,291,733,476)
Tax exempt & tax paid income	(15,131,297,050)	(13,540,320,248)	(15,106,996,057)	(13,514,657,187)
Others	1,444,697,267	(1,163,763,452)	1,328,121,127	(1,165,091,951)
	(117,190,138)	**(1,301,647,233)**	**(253,703,336)**	**(1,398,867,880)**

The net deferred income tax asset reported by the Parent amounted to P17,763,938,066 and P16,554,816,270 for CY 2024 and 2023, respectively while the subsidiaries recognized deferred tax assets of P956,849,074 and P961,406,889 for CY 2024 and 2023, respectively.

Below are the temporary differences for which deferred tax asset (net of deferred tax liabilities) recognized by the Parent because LANDBANK believes that it is probable that future taxable profits will be available against which the asset can be utilized.

	Parent	
	2024	2023
Deferred tax asset:		
Provision for credit and impairment losses	18,553,847,129	16,190,507,467
Accrued expenses	(353,971,904)	276,122,536
Loss on fair value thru profit and loss	9,020,850	157,916,353
	18,208,896,075	16,624,546,356
Deferred tax liability:		
Foreign exchange gain from revaluation	444,958,009	69,730,085
	444,958,009	69,730,085
Net Deferred Tax Asset	17,763,938,066	16,554,816,270

22. Supplementary Information Required Under 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, 2024, the Parent reported the following revenues and expenses for income tax purposes:

Services/operations	73,848,843,991
Non-operating and taxable other income:	
Trading and securities gain	6,323,739,909
Service charges, fees and commissions	4,680,851,297
Income from trust operations	276,556,625
Others	2,565,700,120
Total Revenues	**87,695,691,942**
Expenses	
Cost of Services:	
Compensation and fringe benefits	13,167,595,046
Others	35,944,454,266
Total Cost of Services	49,112,049,312
Itemized deductions:	
Compensation and fringe benefits	7,531,992,047
Taxes and Licenses	9,216,969,697
Documentary Stamps Used	5,570,916,680
Depreciation and amortizations	1,074,301,121
Security, messengerial and janitorial	1,947,623,673
Information Technology Expenses	1,585,118,533
Bad Debts	3,853,669,601
Fees and Commission	1,430,534,327
Communications, Light and Water	602,686,486
Litigation/Asset Acquired Expenses	445,335,345
Miscellaneous	230,082,124
Management and professional fees	175,355,649
Office Supplies	66,382,233
Rent	27,927,371
Representation and entertainment	97,110,002
Transportation and Travel	172,080,504
Insurance	156,065,542
Repairs and Maintenance	157,086,861
Donations and Charitable Contributions	80,817,467
Advertising	102,753,304
Fuel and Oil	70,009,989
Freight Expense	67,089,824
Trainings and seminars	42,948,451

Membership Fees and Dues	10,133,693
Directors Fee	5,616,000
Fines, Penalties & Other Charges	41,348,423
Periodicals and Magazines	13,843
Total Itemized Deductions/Expenses	34,761,968,790
Total Expenses	**83,874,018,102**
Net Taxable Income	**3,821,673,840**

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 BIR hereunder are the information on taxes and license fees paid or accrued during the taxable year.

I. The DST on loan instruments and other transactions subject thereto for the tax period 2024 are as follows:

Documents / transactions	DST Paid
Debt instruments, bonds, certificate of time deposits	8,170,892,432
Original issue of shares of stocks	929,068
Mortgages, pledges, deed of assignments/trust	861,492,220
Foreign bills of exchange, letters of credit	127,411,958
Banks, checks, drafts and telegraphic transfer/others	133,461,044
Acceptance of bills of exchange	88,044,998
On Assignments and renewal of certain instruments	23,177,836
Others	516,823
Total DST Paid	**9,405,926,379**

II. All other taxes, local and national, paid for the tax period 2024:

National	
Percentage taxes	8,824,329,565
Fringe benefits tax	0
National taxes	101,149,625
Total National Taxes	8,925,479,190
Local	
Real estate tax	76,774,559
Local business tax	129,098,336
Mayor's Permit/Municipal License/Other Regulatory Fees/License Permit	249,618,446
Other local taxes	7,568,991
Total Local Taxes	463,060,332
Total National and Local Taxes	**9,388,539,522**

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

Tax on Compensation and benefits	1,631,993,190
Creditable withholding taxes	648,234,555
Final withholding taxes	6,547,169,728
	8,827,397,473

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

Tax Credits against Income Tax	4,576,656,098
Tax Credits against Gross Receipts Tax	347,554,893
	4,924,210,991

23. Retirement Cost

The Parent has separate funded contributory defined contribution retirement plans covering all its officers and regular employees. Under the retirement plans, all concerned officers and employees are entitled to cash benefit after satisfying certain age and service requirements. Total expenses charged against operations in 2024 and 2023 amounted to P566,967,192 and P581,236,932, respectively.

24. Related Party Transactions

In the ordinary course of business, the Parent has loan transactions with certain 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 ROP, loans, other credit accommodations and guarantees to: (a) 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, 2024 amounted to P141,568,443,666 of which P141,463,589,391 are government borrowings covered by BSP Circular No. 547.

The following are the percentage of DOSRI loans:

	2024	2023
Total DOSRI Loans	141,568,443,666	103,784,548,218
Unsecured DOSRI Loans	900,124	4,872,473
% of DOSRI Loans to Total Loans	8.81%	7.03%
% Unsecured DOSRI to Total DOSRI	0.001%	0.005%
% of Past due DOSRI to Total DOSRI	0.002%	0
% Non-performing DOSRI to Total DOSRI	0.001%	0.002%

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

	2024				2023			
	Key Management Personnel	Subsidiaries	Others (GOCCs, Provident Fund and Rural Banks)	Total	Key Management Personnel	Subsidiaries	Others (GOCCs, Provident Fund and Rural Banks)	Total
Receivable from customers	8,873,493	933,441,034	143,572,997,720	144,515,312,247	15,264,281	1,516,768,535	105,316,481,346	106,848,514,162
Other Assets		1,995,207,368		1,995,207,368	0	2,137,310,940	0	2,137,310,940
Deposit liabilities		1,632,484,028		1,632,484,028	0	1,454,278,892	0	1,454,278,892
Other liabilities		1,049,974,410		1,049,974,410	0	1,256,601,537	0	1,256,601,537
	8,873,493	**5,611,106,840**	**143,572,997,720**	**149,192,978,053**	**15,264,281**	**6,364,959,904**	**105,316,481,346**	**111,696,705,531**

The following are the related party transactions of the Parent with its subsidiaries:

	LLFC	LIBI	LBRDC	MSI	OFBI	ULFC	UFEC	LSI	GHDI	USBI	Total 2024	2023
Due from Other Bank					1,749,627,244						**1,749,627,244**	**2,000,000,000**
Loans & Receivable	734,692,559		192,652,683		6,095,792						**933,441,034**	**1,516,768,535**
Other Assets	72,852,930		60,136,914		83,147,216	10,312,307				19,130,757	**245,580,124**	**137,310,940**
Deposit Liabilities	108,600,278	203,297,490	76,282,276	25,235,541	63,707,036	458,406,776	6,964,108	78,497,572	326,385,560	285,107,391	**1,632,484,028**	**1,454,278,892**
Other Liabilities	547,391,104		498,279,806		4,303,500						**1,049,974,410**	**1,256,601,537**

	2024	2023
Interest income	165,778,538	139,804,979
Interest expense	(36,721,928)	(128,775,348)
Other income	2,682,659	4,387,356
Other expenses	(148,060,421)	(165,377,090)

Compensation of key management personnel:

	Group		Parent	
	2024	2023	2024	2023
Short-term employee benefits	332,440,446	399,190,225	264,879,288	316,554,159
Post-employment benefits	44,547,572	49,433,684	42,749,202	47,635,314
Other long-term benefits	100,215,782	121,888,114	100,215,782	121,888,114
	477,203,800	**570,512,023**	**407,844,272**	**486,077,587**

Terms and conditions of transactions with related parties:

The Parent's related party transactions as of December 31, 2024 and December 31, 2023 amounted to P149,192,978,053 and to P111,696,705,531, respectively. There have been no guarantees provided or received for any related party receivables or payables. For the years ended December 31, 2024 and 2023, the Group has not made any provision for doubtful accounts relating to amounts owed by related parties. This assessment is undertaken each financial year through examination of the financial position of the related party and the market in which the related party operates.

25. Trust Operations

The Parent is authorized under its Charter to offer trust services and administer trust funds through its Trust Banking Group. The Parent accepts funds entrusted by clients and undertakes as trustee to invest such funds in acceptable securities or other investment outlets. Trust funds or assets under Management of the Parent under its trust operations amounted to P577,147,334,503 and P571,511,959,260 as of December 31, 2024 and 2023, respectively.

Summary of Assets under Management is as follows:

	2024 (Unaudited)	2023 (Unaudited)
Special Purpose Trust	58,651,091,610	56,164,144,197
Other Fiduciary Accounts	467,814,032,268	462,670,965,436
Agency	33,977,916,522	35,804,958,531
Trust	16,704,294,103	16,871,891,096
	577,147,334,503	**571,511,959,260**

In compliance with the requirements of the General Banking Law, government securities with total face value of P1,900,000,000 in 2024 and 2023 are deposited with BSP as security for the Parent's faithful performance of its fiduciary obligation.

26. Derivative Financial Instruments

For Derivative instruments, fair values are estimated based on quoted market prices, prices provided by independent parties or values determined using accepted valuation models with observable inputs.

Freestanding Derivatives

Currency Forwards

As of December 31, 2024, the Parent's outstanding notional amount of the currency sell forward/swap agreements with maturity of less than nine months amounted to P52,387,719,253 with market value of P51,535,252,710 while currency bought forward amounted to P826,313,457 with a market value of P895,040,491.

Over the Counter Interest Rate Option Contract Bought

As of December 31, 2024, the Parent's outstanding notional amount of the debt warrants bought to mature on November 29, 2032 amounted to P131,299,574 with market value of P148,976,153.

FX Risk Cover

The FX 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, 2024, the Parent's outstanding notional amount of the FX Risk Cover amounted to JPY14,342,932,628 and EUR19,944,730

Embedded Derivatives

Embedded Credit Derivatives

For the Parent, this includes credit default swaps embedded in host debt instruments and with credit linkages to reference entities.

Embedded Optionalities in Debt Investments

For the Parent, this includes call, put, extension, and conversion options in debt securities and loan receivables. The embedded call, put and extension options are deemed to be closely related to their host contracts, while the put option embedded in a debt investment is not deemed to be significant.

Embedded Currency Derivatives

The Group has currency derivatives embedded in host non-financial contracts such as lease agreements and purchase orders.

27. Commitments and Contingent Liabilities

In the normal course of business, the Group makes various commitments and incurs certain contingent liabilities which are not presented in the financial statements. The Group does not anticipate material losses from these commitments and contingent liabilities.

The Group is contingently liable for lawsuits or claims filed by third parties which are either pending decision by the courts or under negotiation, the outcome of which is not presently determinable. In the opinion of the Parent 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	
	2024	2023
Trust Department accounts	577,147,334,503	571,511,959,260
Commitments	172,153,238,136	191,500,935,522
Standby/commercial letters of credit	28,853,029,369	25,655,319,482
Derivatives	59,829,466,293	42,995,560,841
Outstanding guarantees	6,715,568,053	2,869,885,338
Spot exchange contracts	13,481,013,834	5,703,110,000
Late deposits received	214,586,869	701,755,727
Outward bills for collection	1,052,031,918	3,550,499,424
Liability Indemnity Fund	74,950,227	74,950,227
Others	18,271,845,618	21,326,653,659
	877,793,064,820	865,890,629,480

Other contingent accounts include miscellaneous contingent accounts representing possible obligations of the parent arising from pending court cases.

Municipal Development Fund

Created through Presidential Decree No. 1914 on 29 March 1984, the MDF is a special revolving fund for re-lending to LGUs. It became an effective mechanism that enabled LGUs to avail of financial assistance from local and international sources for the implementation of various social and economic development projects. The MDF is administered by the DOF - Bureau of Local Government Finance and the Department of Public Works and Highways - Central Project Office.

In order to simplify credit administration and tighten managerial control of the MDF, Executive Order No. 41 was issued on 20 November 1998 creating the MDFO under DOF.

Section 4 (ttt) of the Republic Act (RA) No. 11494 provides that any unutilized or unreleased balance of the MDF, including investments and undrawn portions of all loans shall be considered to have their purpose abandoned and the remaining assets of MDFO shall be immediately transferred to Parent. These Funds shall be utilized and are hereby automatically appropriated to LGU loans and borrowings from the Government Financial Institutions.

Transfer of the funds was assigned by MDFO to LANDBANK through the executed Deed of Assignment dated December 15, 2020, as follows:

Assets		Amount *(in Peso)*
Cash in Bank (LANDBANK Account Nos:1772-1007-91 and 1772-1008-05)		1,711,657,604.51
Loan Balances assigned to LANDBANK		
Loans Receivable	9,426,900,233.47	
Interest Receivable	84,203,942.90	
Other Receivables	79,293,457.57	9,590,397,633.94
Government Securities (GS)		
Treasury Bills (ISIN PIBL1220B052)	84,615,000.00	
Treasury Bonds (ISIN PIID10261057)	73,407,000.00	158,022,000.00
		11,460,077,238.45

Total Loan Balances assigned to LANDBANK amounting 9,590,397,633.94 were booked as Miscellaneous Contingent Asset Account.

Breakdown of MDF balance amounting to P12,454,508,594.88 as of December 31, 2024 is shown below:

Assets	Amount *(in Peso)*	Recorded as
Funds in LANDBANK Trust	3,729,411,102.31	
Operating Fund	892,431,608.99	Accounts Payable – Government Entities
Net Loan Balance		
Loans Receivables	7,713,441,685.75	MCA
Interest Receivables	21,660,959.13	MCA
Other Receivables (Penalty)	27,634,415.46	MCA
Other Payables (Excess Payment of LGUs)	(3,478,176.76)	MCA
Government Securities		
Treasury Bonds	73,407,000.00	
	12,454,508,594.88	

LANDBANK collects a Management Fee of three per cent per annum for the administration of the Fund which is booked under Miscellaneous Income. Management Fee is computed every end of semester based on the quarterly average loan balance.

28. Financial Performance

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

	2024	2023
Net interest margin ratio	3.37%	3.14%
Return on average assets	1.15%	1.30%
Return on average equity	13.53%	16.74%

29. Equity

As at December 31, 2024, the Parent's authorized capital stock consisted of 8 billion common shares with par value of P100 per share totaling P800 billion.

In accordance with the Office of the President Memorandum from the Executive Secretary dated February 14, 2022, the Parent's authorized capital stock was increased from P200 billion to P800 billion, to be divided into 8 billion common shares priced with a par value of P100 per share.

The Parent's Paid-up capital stood at P163.79 billion equivalents to 1,637,877,113 shares with par value of P100 per share.

	Number of Shares		Amount	
	2024	2023	2024	2023
Common Stock - P100 par value				
Authorized	8,000,000,000	8,000,000,000	800,000,000,000	800,000,000,000
Issued and outstanding	1,637,877,113	1,637,877,113	163,787,711,308	163,787,711,308
Balance at the beginning and end of the period	1,637,877,113	1,637,877,113	163,787,711,308	163,787,711,308

On February 28, 2022 and March 9, 2022 the Unrestricted Retained Earnings was converted into Paid-up Capital amounting to P42.82 billion and P67.18 billion, respectively as approved by the LANDBANK Board of Directors per Bd. Res. No. 22-124 and 22-165 dated February 14, 2022 and March 9, 2022, respectively. This is in compliance with Section 42 of RA No. 11232, otherwise known as the Revised Corporation Code of the Philippines, stock corporations are prohibited from retaining surplus profits in excess of 100 per cent of their paid-in capital stock.

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

	Group		Parent	
	2024	2023	2024	2023
	(Amounts in millions)			
Reserve for trust business	5,045.00	5,045.00	5,045.00	5,045.00
Reserve for contingencies	5,158.45	5,102.50	5,002.50	5,002.50
Reserve for PPE and software acquisition	80.50	64.98	0.00	0.00
Reserve for retirement fund and insurance	0	33.36	0.00	0.00
Reserve for business expansion	1,460.00	1,330.00	0.00	0.00
Reserve for others	3,766.79	3,775.45	3,493.87	3,493.87
	15,510.74	**15,351.29**	**13,541.37**	**13,541.37**

Retained Earnings Reserve-Others consists of reserve for automation, expansion and retirement.

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**
Balance, as at January 1, 2024	(38,918,257)	2,312,396,446	11,030,705	2,284,508,894
Increase/(Decrease) in CY 2024	1,330,780	5,434,070,519	(272,974,232)	5,162,427,067
Balance, as at December 31, 2024	**(37,587,477)**	**7,746,466,965**	**(261,943,527)**	**7,446,935,961**

	Group			
	Re-measurement of retirement benefit obligation	**Net Unrealized Gain/(loss) on AFS securities**	**Translation Adjustment and Others**	**Total**
Balance, as at January 1, 2023	(14,992,553)	(12,175,686,352)	237,733,085	(11,952,945,820)
Increase/(Decrease) in CY 2023	(23,925,704)	14,488,082,798	(226,702,380)	14,237,454,714
Balance, as at December 31, 2023 (Restated)	**(38,918,257)**	**2,312,396,446**	**11,030,705**	**2,284,508,894**

	Parent		
	Net Unrealized Gain/(loss) on AFS securities	Translation Adjustment and Others	Total
Balance, as at January 1, 2024	2,237,276,268	8,758,331	2,246,034,599
Increase/(Decrease) in CY 2024	5,431,306,216	(270,701,858)	5,160,604,358
Balance, as at December 31, 2024	**7,668,582,484**	**(261,943,527)**	**7,406,638,957**

	Parent		
	Net Unrealized Gain/(loss) on AFS securities	Translation Adjustment and Others	Total
Balance, as at January 1, 2023	(12,240,086,455)	237,516,140	(12,002,570,315)
Increase/(Decrease) in CY 2023	14,477,362,723	(228,757,809)	14,248,604,914
Balance, as at December 31, 2023	**2,237,276,268**	**8,758,331**	**2,246,034,599**

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. All Business Unit of the Group are aware of the corresponding capital charge for the losses that could arise from any transaction or business they undertake.

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.

The Parent's capital was strong and sufficient to deliver its mandated services and to cover the risks inherent in its operations. The Parent maintains a strong capital base at all times to boost customer confidence, enhance competitiveness, ensure stability and sustain long-term growth and viability. The Parent's policy on Capital Planning was enhanced to establish capital levels that will adequately support the Parent's vision and its strategic plans and ensure continued compliance with the evolving capital and capital ratio requirements of BSP. Given that internal capital generation through earnings remains as the principal source of the Parent's capital accumulation, the primary thrust of LANDBANK's capital planning activities is to maximize its profitability and consequently, attain higher retained earnings.

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 Parent, 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 MB of the BSP.

The Parent adopted BASEL III Capital Adequacy Ratio 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	
	2024	2023	2024	2023
	(Amounts in millions)			
Tier 1 Capital	276,202	267,249	275,741	266,768
Tier 2 Capital	13,986	13,346	13,764	13,144
Less: Required Deductions	35,701	32,669	42,167	39,417
Total Qualifying Capital	254,487	247,926	247,338	240,495
Risk Weighted Assets	1,591,561	1,509,177	1,550,847	1,470,773
CET1	15.11%	15.54%	15.06%	15.46%
Total Capital Adequacy Ratio	15.99%	16.43%	15.95%	16.35%

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 BSP, through its letter dated December 23, 2020 granted the Parent regulatory relief in the form of non-deduction of the Parent's equity investment in MRTC in the computation of its CET1, Capital Adequacy Ratio and BLR until the maturity of the equity securities on August 14, 2025.

The Group has fully complied with the Capital Adequacy Ratio requirement of the BSP.

BASEL III Leverage Ratio

The Parent adopted the BLR pursuant to BSP Circular No. 881 and 990 dated May 2015 and January 5, 2018, respectively.

Basel III Leverage Ratio Common Disclosure Template
Summary Comparison of Accounting Assets vs. Leverage Ratio Exposure
As of December 31, 2024
(Amounts in millions)

Item		Leverage Ratio Framework	
		Group	Parent
1.	Total consolidated assets as per published financial statements	3,450,064.840	3,428,775.204
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	993.377	993.377

5.	Adjustments for securities financial transactions (i.e., repos and similar secured lending)	169.191	169.191
6.	Adjustments for off-balance sheet items (i.e., conversion to credit equivalent amounts of off-balance sheet exposures)	101,514.824	101,436.391
7.	Other adjustments	-21,287.596	-27,881.423
8.	**Leverage ratio exposure**	**3,531,454.636**	**3,503,492.740**

Basel III Leverage Ratio Common Disclosure Template
As of December 31, 2024
(Amounts in millions; Ratios in per cent)

	Item	Leverage Ratio Framework	
		Group	Parent
	On-balance sheet exposures		
1	On-balance sheet items [1/]	3,462,880.361	3,441,462.708
2	Asset amounts deducted in determining Basel III Tier 1 Capital	-35,701.386	-42,167.196
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	**3,427,178.975**	**3,399,295.512**
	Derivative exposures		
4	Replacement Cost associated with all derivatives transactions	1,598.269	1,598.269
5	Add-on amounts for Potential Future Exposure associated with all derivative transactions	993.377	993.377
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) [2/]		
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)		
11	**Total derivative exposures (sum of lines 4 to 10)**	**2,591.646**	**2,591.646**
	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	169.191	169.191
15	Agent transaction exposures [3/]		
16	**Total securities financing transaction exposures (sum of lines 12 to 15)**	**169.191**	**169.191**
	Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	241,611.065	240,488.096
18	(Adjustments for conversion to credit equivalent amounts)		
19	**Off-balance sheet items**	**101,514.824**	**101,436.391**
	Capital and total exposures		
20	**Tier 1 capital**	**240,500.674**	**233,574.268**
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	**3,531,454.636**	**3,503,492.740**
	Leverage ratio		
22	**Basel III leverage ratio**	**6.81%**	**6.67%**

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

Non-controlling Interests

These represent the portion of the net assets and profit or loss not attributable to the Group and are presented separately in the statements of income and comprehensive income and within equity in the statements of financial position and changes in equity.

30. Miscellaneous Income

This account is composed of:

	Group		Parent	
	2024	2023	2024	2023
Miscellaneous income	3,178,303,812	2,839,166,131	2,273,342,701	1,988,155,095
Recovery on charged-off assets	69,764,447	62,189,598	67,071,485	59,182,220
	3,248,068,259	**2,901,355,729**	**2,340,414,186**	**2,047,337,315**

31. Investment Income

The Investment Income of the Parent consists of:

a. Interest Income

	2024	2023
FVOCI	20,807,584,655	13,189,578,490
FVTPL	702,006,367	568,769,718
HTC	29,111,359,453	30,063,053,220
	50,620,950,475	**43,821,401,428**

Interest Income using the effective interest rate method.

b. Gain on Sale/Redemption/Transfer of Investment

	2024	2023
FVOCI	1,766,346,734	0
FVTPL		
Realized Gain/(Loss) from Sale/Derecognition	(1,064,910,374)	1,654,750,328
Unrealized Gain/(Loss)-Mark to Market	(50,271,968)	(601,089,071)
Realized Gain/(Loss) from Foreign Exchange Transactions-Derivative	186,945,800	265,075,072
Gain/(Loss)-Designated FVTPL	0	26,899,333
Unrealized Gain/(Loss)-Mark to Market-Mandatory Measured-FVTPL	52,229,885	0
	890,340,077	**1,345,635,662**

Fees earned from securities brokering, advisory, underwriting, arranging and asset management activities amounted to P379,388,140 and P170,798,219, in 2024 and 2023, respectively. On the other hand, expenses incurred relative to BTr maintenance fees, RTGS and PHILPASS fees amounted to P33,742,043 and P28,355,463 in 2024 and 2023, respectively.

32. Maintenance and Other Operating Expenses

This account is composed of:

	Group		Parent	
	2024	2023	2024	2023
Taxes and licenses	10,272,576,433	8,653,783,187	10,087,503,352	8,487,658,809
Advertising and Publicity	109,897,838	172,362,051	102,753,304	169,659,519
Insurance Expense	6,040,216,867	5,509,604,276	5,987,470,267	5,456,224,469
Litigation Expense	502,299,678	462,014,187	477,306,450	434,438,312
Fees and Commission Expense	1,467,443,180	1,094,588,396	1,451,876,458	1,085,198,333
Rent Expense	163,646,673	378,163,511	227,434,428	466,261,910
Documentation Stamps Used	5,614,791,120	5,014,129,263	5,571,257,730	4,952,558,861
Other Maintenance and Operating Expenses	7,755,166,876	6,358,961,210	6,565,413,084	5,666,385,842
	31,926,038,665	**27,643,606,081**	**30,471,015,073**	**26,718,386,055**

Other Maintenance and Operating Expenses mainly include security, clerical, messengerial and janitorial services, information technology expenses, utility expenses used and other miscellaneous expenses.

33. Financial Statement Presentation

Reclassification of Accounts

In 2024, the Group and the Parent adopted the Commission on Audit – Revised Chart of Accounts to align our accounts with the government's chart of accounts. Accordingly, reclassifications were made to the following accounts in 2023 to present comparative balances.

Cash and Cash Equivalents

RCOCI, MCOCI and Payroll Fund were reclassified from Cash and Other Cash Items to Other Assets line item.

Accrued Interest Receivable and its corresponding Allowance for Credit Loss from Due from Bangko Sentral ng Pilipinas and Due from Other Banks accounts were reclassified to Loans and Other Receivable line item.

Securities purchased under agreements to resell were reclassified to Loans and Other Receivable line item.

Trading and Investment Securities

Accrued Interest Receivable and its corresponding Allowance for Credit Loss from the Trading and Investment Securities were reclassified to Loans and Other Receivable line item.

Interbank loans receivable

This account was reclassified to the Loans and Other Receivable line item.

Loans and Other Receivables

The following accounts were reclassified to this line item:

- Securities purchased under agreements – from Cash and Cash Equivalents.
- Accrued Interest Receivable – from Cash and Cash Equivalents and Trading and Investment Securities.
- Inter-Office Float Items, Accounts Receivable-Officers and Employees, Deficiency Judgment Receivable and Dividend Receivable – from Other Assets.

Additionally, the Due from ARF accounts was reclassified to Other Asset line item.

Inventories

Stationery and Supplies on Hand, previously classified under Other Assets line item was reclassified as Inventories.

Other Assets

The following accounts were reclassified to this line item:

- RCOCI, MCOCI and Payroll Fund – from Cash and Cash Equivalents.
- Due from ARF – from Loans and Other Receivable.

The following accounts were reclassified from this line item:

- Inter-Office Float Items, Accounts Receivable-Officers and Employees, Deficiency Judgment Receivable and Dividend Receivable – to Loan and Other Receivables
- Stationery and Supplies on Hand – to Inventories.

Financial Liabilities

The following accounts were reclassified under Payables

- Finance Lease Payment Payable – from a separate liability line item.
- Accrued Interest Payable and Accounts Payable – from Other Payables.

Inter-Agency Payable

This consist of inter-agency payables reclassified from the Other Payables line item.

Deferred Credits/Unearned Income

Unearned Income and Other Deferred Credits accounts previously classified under Other Payables were reclassified to this line item.

Provisions

The Provision account under Other Payables was reclassified as a separate liability line item.

Other Payables

The following line items from the previously stated financial positions were reclassified under the Other Payables line item:

- Treasurer's, Manager's and Cashier's checks
- Payment order payable
- Marginal deposits
- Cash letters of credit

The following accounts were reclassified from Other Payables to other liability line items:

- Accrued Interest Payable and Accounts Payable – to Financial Liabilities
- Due to Other Agencies, Accounts Payable-Government Entity, Accounts Payable-Subsidiaries, and Accrued Other Expense Payable-Subsidiaries – to Inter-Agency Payable.
- Unearned Income and Other Deferred Credits – to Deferred Credits/Unearned Income
- Provisions – to a separate liability line item

	PARENT		
	As Previously Stated	**Reclassifications**	**As Restated**
ASSETS			
Cash and Cash Equivalents			
Cash and other cash items	48,115,983,089	(350,997,746)	47,764,985,343
Due from Bangko Sentral ng Pilipinas	409,447,208,215	(67,489,368)	409,379,718,847
Due from other banks	9,562,385,261	(38,438,242)	9,523,947,019
Securities purchased under agreements to resell	249,736,154,774	(249,736,154,774)	0
	716,861,731,339		466,668,651,209
Trading and Investment Securities			
Fair value thru profit or loss	20,457,050,174	(85,837,956)	20,371,212,218
Fair value thru other comprehensive income	477,448,302,967	(3,215,233,727)	474,233,069,240
Hold to collect - net	761,729,696,422	(6,548,849,902)	755,180,846,520
	1,259,635,049,563		1,249,785,127,978
Interbank loans receivable	23,441,446,813	(23,441,446,813)	0
Loans and Other Receivables	1,161,240,746,144	283,182,530,571	1,444,423,276,715
Inventories	-	285,490,696	285,490,696
Other Assets	67,308,283,645	16,427,261	67,324,710,906
LIABILITIES			
Financial Liabilities			
Bills payable	13,614,450,450	0	13,614,450,450
Bonds payable	4,672,721,488	0	4,672,721,488
Derivative liabilities	11,936,320	0	11,936,320
Finance Lease Payment Payable	2,676,326,982	(2,676,326,982)	0
Payables	0	37,219,062,261	37,219,062,261
	20,975,435,240		55,518,170,519

Inter-Agency Payable	0	8,165,827,747	8,165,827,747
Deferred Credits/Unearned Income	0	3,870,794,829	3,870,794,829
Provisions	0	588,860,175	588,860,175
Other Payables			
Treasurer's, Manager's and Cashier's checks	2,614,624,377	(2,614,624,377)	0
Payment order payable	99,096,244	(99,096,244)	0
Marginal deposits	765,690,633	(765,690,633)	0
Cash letters of credit	20,540,019,166	(20,540,019,166)	0
Other liabilities/payables	73,261,834,677	(23,148,787,610)	50,113,047,067
	97,281,265,097		50,113,047,067
Net effect		**0**	

	GROUP		
	As Previously Stated	**Reclassifications**	**As Restated**
ASSETS			
Cash and Cash Equivalents			
Cash and other cash items	49,021,210,950	(350,997,746)	48,670,213,204
Due from Bangko Sentral ng Pilipinas	411,367,040,708	(68,793,066)	411,298,247,642
Due from other banks	7,738,260,460	(5,535)	7,738,254,925
Securities purchased under agreements to resell	250,322,322,646	(250,322,322,646)	0
	718,448,834,764		467,706,715,771
Trading and Investment Securities			
Fair value thru profit or loss	20,656,974,270	(87,164,067)	20,569,810,203
Fair value thru other comprehensive income	479,034,781,224	(3,220,074,283)	475,814,706,941
Hold to collect - net	764,892,685,505	(6,554,791,014)	758,337,894,491
	1,264,584,440,999		1,254,722,411,635
Interbank loans receivable	23,441,446,813	(23,441,446,813)	0
Loans and Other Receivables	1,179,434,486,013	283,744,317,136	1,463,178,803,149
Inventories	0	342,053,219	342,053,219
Other Assets	67,113,654,272	(40,775,185)	67,072,879,087
LIABILITIES			
Financial Liabilities			
Bills payable	15,829,033,783	0	15,829,033,783
Bonds payable	4,672,721,488	0	4,672,721,488
Derivative liabilities	11,936,320	0	11,936,320
Finance Lease Payment Payable	3,008,996,482	(3,008,996,482)	0
Payables		38,340,785,859	38,340,785,859
	23,522,688,073		58,854,477,450

Inter-Agency Payable	0	7,442,986,359	7,442,986,359
Deferred Credits/Unearned Income	0	5,341,132,610	5,341,132,610
Provisions	0	677,279,202	677,279,202
Other Payables			
Treasurer's, Manager's and Cashier's checks	2,668,403,475	(2,668,403,475)	0
Payment order payable	99,096,244	(99,096,244)	0
Marginal deposits	765,690,633	(765,690,633)	0
Cash letters of credit	20,540,019,166	(20,540,019,166)	0
Other liabilities/payables	75,240,432,068	(24,719,978,030)	50,520,454,038
	99,313,641,586		50,520,454,038
Net effect		**0**	

These reclassifications had no effect on the net assets reported in the 2023 Statement of Financial Position or on the Statement of Changes in Equity.

34. Events after Reporting Period

Cash Dividend

On April 30, 2025, the LANDBANK Board of Directors approved the declaration and remittance of cash dividends to the NG equivalent to up to 50% of the Parent's 2024 net earnings, amounting to P33.53 billion, as stated in LANDBANK Board Resolution No. 25-255.

Subsequently, on May 14, 2025, the Board approved the remittance of the declared dividends in two tranches. The first tranche, amounting to P26 billion, was remitted on the same date, while the second and final tranche, covering the remaining amount, is scheduled for remittance in the last quarter of 2025, in accordance with LANDBANK Board Resolution No. 25-281.

Merger of LLFC and ULFC

The merger requirements for LLFC and ULFC were submitted to the GCG for evaluation and endorsement. The GCG En Banc deliberated on the proposed merger during its March 26, 2024 meeting and subsequently endorsed it to the Office of the President for the issuance of an Executive Order.

On August 8, 2024, the Office of the President issued Executive Order No. 65, s. 2024, approving the merger with LLFC as the surviving entity. Following this, all necessary documents were finalized and submitted to the SEC on October 30, 2024. On February 28, 2025, the SEC issued the Certificate of Filing of Articles and Plan of Merger, Certificate of Increase in Capital Stock, Amended Articles of Incorporation, and Amended By-Laws.

A joint Technical Working Group, composed of representatives from LANDBANK, LLFC, and ULFC, continues to meet regularly to carry out approved pre-merger activities and ensure a smooth implementation of the merger.

35. Report on the Supplementary Information

Supplementary Information Under BSP Circular No. 1074

On January 8, 2020, the Monetary Board approved the amendments to the relevant provisions of the Manual of Regulations for Banks and Manual of Regulations for Foreign Exchange Transactions. Among the provisions is the requirement to include the following additional information to the Audited Financial Statements.

(1) Basic quantitative indicators of financial performance (Note 28)
(2) Description of capital instrument issued (Note 29)
(3) Significant credit exposure as to industry/economic sector (Note 36)
(4) Breakdown of total loans as to: (i) security (secured, including type of security, and unsecured), and (ii) status (performing and non-performing per product line) (Note 8)
(5) Information on related party loans (Note 24)
(6) Secured Liabilities and Assets Pledged as Security
The following are the carrying values of government debt securities pledged and transferred under Securities Sold Under Repurchase Agreement transactions of the Parent:

	2024		2023	
Particulars	**Transferred Securities**	**SSURA**	**Transferred Securities**	**SSURA**
Investment securities at FVOCI	FXTN	999,073,746	0	0

(7) Nature and amount of contingencies and commitments arising from off-balance sheet items (Note 27)

Supplementary Information Under SEC Memorandum Circular No. 18

The SEC in the Philippines, in its Resolution dated December 26, 2024, has resolved to enhance transparency by requiring the disclosure of fee-related information of external auditors. This decision aims to align the SEC's rules with the Code of Ethics for Professional Accountants in the Philippines and to strengthen the independence of external auditors.

	PARENT	
	2024	**2023**
Total Audit Fee *(Section 2.1a)*	156,922,897	134,887,992

36. Financial Risk Management

CREDIT RISK MANAGEMENT

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

Maximum Credit Risk Exposure

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

On-Balance Sheet (BS) Items	2024 (In ₱ Millions)							
	CEA	0%	20%	50%	75%	100%	150%	TOTAL
Cash on Hand	58,378	58,378	-	-	-	-	-	58,378
Checks & Other Cash Items (COCI)	8	-	8	-	-	-	-	8
Due from Bangko Sentral ng Pilipinas (BSP)	365,761	365,761	-	-	-	-	-	365,761
Due from Other Banks	2,856	-	586	2,173	-	97	-	2,856
Debt Securities Designated at FVTPL	16	-	-	-	-	16	-	16
Other Financial Assets Mandatorily Measured at FVPL	1,213	-	-	-	-	1,213	-	1,213
Financial Assets at FVOCI	570,189	501,065	7,288	51,987	-	9,849	-	570,189
Debt Securities at Amortized Cost	714,410	691,157	3,794	18,576	-	882	-	714,410
Loans & Receivables	1,140,781	-	3,381	35,615	66,964	992,317	42,504	1,140,781
1. Interbank Loans Receivables	62,070	-	3,026	19,461	-	39,550	32	62,070
2. Loans & Receivables - Others	1,078,712	-	355	16,155	66,964	952,767	42,472	1,078,712
a. Non-defaulted exposures								-
a.1. Sovereign Exposures	-	-	-	-	-	-	-	-
a.2. LGUs and Public Sector Entities	106,370	-	-	-	-	106,370	-	106,370
a.3. Government Corporation	1,753	-	-	-	-	1,753	-	1,753
a.4. Corporates	768,542	-	-	-	-	768,542	-	768,542
a.5. Microfinance/Small and Medium Enterprises	68,371	-	355	-	66,964	631	421	68,371
a.6. Loans to individuals for Housing Purposes	16,765	-	-	16,155	-	610	-	16,765
a.7 Loans to Individuals	69,641	-	-	-	-	69,641	-	69,641
b. Defaulted Exposures	47,271	-	-	-	-	5,221	42,051	47,271

b.1. Housing Loans	5,221	-	-	-	-	5,221	-	5,221
b.2. Other than Housing Loans	42,051	-	-	-	-	-	42,051	42,051
Other Loans and Receivables 1/	287,835	285,931	-	1,904	-	-	-	287,835
Sales Contract Receivable (SCR)	1,710	-	-	-	-	526	1,184	1,710
Real & Other Properties Acquired (ROPA)	13,752	-	-	-	-	-	13,752	13,752
Total Exposures Excluding Other Assets	3,156,911	1,902,292	15,058	110,255	66,964	1,004,901	57,440	3,156,911
Other Assets	106,334	367	-	-	-	105,967	-	106,334
Total Exposures, Including Other Assets	3,263,245	1,902,659	15,058	110,255	66,964	1,110,869	57,440	3,263,245
Total On-BS RWA not covered by CRM	-	-	3,012	55,128	50,223	1,110,869	86,161	1,305,391
Total On-BS RWA covered by CRM	-	-	12	-	-	-	-	12
Total On-BS RWA	-	-	3,024	55,128	50,223	1,110,869	86,161	1,305,403

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

Off-BS Items	2024 (In ₱ Millions)							
	CEA	0%	20%	50%	75%	100%	150%	TOTAL
A. Direct credit substitutes	6,841	-	-	13	-	6,828	-	6,841
Risk-weighted amount	-	-	-	6	-	6,828	-	6,834
B. Transaction-related contingencies	85,166	3,927	-	-	-	81,239	-	85,166
Risk-weighted amount	-	-	-	-	-	81,239	-	81,239
C. Trade-related contingencies	6,128	-	-	4,745	-	1,383	-	6,128
Risk-weighted amount	-	-	-	2,373	-	1,383	-	3,755
D. Other commitments	-	-	-	-	-	-	-	-
Risk-weighted amount	-	-	-	-	-	-	-	-
Total Off-BS Exposures	-	-	-	2,379	-	89,450	-	91,829
Counterparty RWA in the Trading Book	CEA	0%	20%	50%	75%	100%	150%	TOTAL
Exchange Rate Contracts	2,601	1,545	28	204	-	824	-	2,601
Risk-weighted amount	-	-	6	102	-	824	-	932
TOTAL	-	-	6	102	-	824	-	932
Less: General Loan Loss Provision (in excess of the amount permitted to be included in Tier 2)								440
TOTAL	-	-	3,029	57,609	50,223	1,201,142	86,161	1,397,723

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

Credit Exposures and Credit-Related Commitments

As of December 31, 2024, LANDBANK's Gross Loans and Receivables based on the Consolidated Capital Adequacy Ratio amounted to P1,140,781 million, net of credit risk mitigation, which consists mainly of prime collaterals such as deposit holdouts, government securities, and sovereign guarantees. The majority of the exposures are Corporates, followed by LGUs/Public Sector Entities/Government Corporations and Small & Medium Enterprises, which stood at P 768,542 million (67.37%), P108,123 million (9.47%) and P68,371 million (5.99%), respectively. The Parent also holds substantial receivables from Repurchase Agreements, Certificates of Assignment/Participation with Recourse, and Securities Lending and Borrowing Transactions amounting to P287,835 million.

On the other hand, the Parent has P91,829 million outstanding Off-Balance Sheet Exposures. These exposures are primarily composed of general guarantees of indebtedness (e.g., financial standby letters of credit, both domestic and foreign), performance bonds, and warranties related to specific transactions, as well as contingencies arising from the movement of goods and trust transactions. Outstanding derivative exposures are mainly over-the-counter foreign exchange option contracts.

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 Parent's risk appetite or the acceptable level of credit risk that it is willing to accept in pursuit of its lending plans and programs.

The Parent also 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 Parent.

The Parent 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, a Management-level Committee, the Investment & Loan Committee and up to the LANDBANK Board, whenever applicable. The approval process also covers proposed remedial actions aimed at helping problem accounts regain normal operations. The Parent has put in place a comprehensive set of credit policies through the issuance of Credit Manuals, Credit Policy Issuances and Credit Bulletins. As the Parent's middle office for credit risk, the Credit Risk Management Department handles credit risk oversight, risk measurement and risk rating of borrowers.

To effectively monitor and maintain the quality of its loan portfolio, the Parent conducts annual qualitative and impairment reviews to assure proper loan classification and setting-up of valuation reserves. As of December 31, 2024, the Parent's net NPL stood at P44,338.25 million or 2.88 per cent of the total net loan portfolio of P1,537,412.91 million.

Credit Risk Rating

LANDBANK's CRES serves as the main platform for the automated development of statistically-based credit rating models which will be used to conduct credit ratings of borrowers to help determine their creditworthiness. The Parent undertakes continuing development and implementation of the 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 Parent has developed and implemented the following statistical-based credit scoring models using CRES:

- Application Scoring Model for Individual Home Buyers
- Application Scoring Model for Salary Loan Availers
- Behavioral Scoring Model for LGUs
- Behavioral Scoring Model for Small & Medium Enterprises
- Behavioral Scoring Model for Large Enterprise
- Behavioral Scoring Model for Cooperatives
- Application Scoring Model for Credit Card
- Behavioral Scoring Model for PFIs

On the other hand, the Parent uses an internally developed expert-based credit rating system for Universal Banks, Commercial Banks, and Offshore Banks.

Credit Risk Monitoring

The Parent has continuously adopted a formal reporting system for the LANDBANK Board and Senior Management to be able to monitor the credit quality of individual and loan portfolios using asset quality indicators such as past-due ratio, NPL ratio, level of non-performing assets, coverage ratio, top 100 past due accounts, concentration risk. Clean large exposures, breaches in regulatory and internal limits, potential credit risk, restructured loans, government accounts, exposures to the real estate sector, adverse news, credit migration, large exposure/single borrowers limit, DOSRI Loans, Related Party Transactions, Expected ECL calculation, ROPA, PFIs, and compliance with Uniform Stress Testing and REST are intensively monitored by the ALCO, ILC and the RiskCom. The recovery of written-off accounts is also on the radar of the LANDBANK Board, RiskCom and Senior Management.

Collateral and Other Credit Enhancements

The Parent adopts 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 Parent diligently evaluates the enforceability, realizable value, and marketability of offered collaterals. The Parent's Credit Manual and CPIs provide guidelines on the acceptability of loan collateral and maximum valuation for each type of collateral.

The primary collaterals accepted are Holdout on Deposits, Government Securities, Real Estate Mortgage and Chattel Mortgage. The Parent also accepts government guarantees, cross suretyship from corporations and 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 a high probability of occurrence. Utilizing such scenarios with documented assumptions, tests are done to determine the magnitude of impact on the Parent's loan portfolio, on the Credit Risk-weighted assets, and finally on the CET1 Ratio. Stress testing also includes prescribed regulatory tests such as Uniform Stress Testing and REST. Likewise, various loan portfolio assessments and reviews are conducted to determine the impact of a certain event and government regulation on the Parent's loan portfolio, past due ratio and CET 1. Results of the stress testing, together with the action 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 Parent has established concrete guidelines and procedures relative to managing, monitoring and reporting large exposures and credit risk concentrations in accordance with the rules and regulations issued by the BSP.

As of December 31, 2024, the Parent's qualifying capital covering credit risk is P247.339 billion.

On the other hand, the Parent's Single Borrower's Limit is pegged at P65.617 billion for direct lending.

Overall credit risk management oversight is a function of the Board of Directors -level RM Committee. In general, mitigation measures on credit risks are implemented at various levels. However, oversight on credit risk management is vested on the RM Group which is independent from the business function. This is critical in ensuring the integrity and objectivity of the credit risk assessment, pricing, and management process.

The Parent ensures that the credit risks undertaken are commensurate with the risk appetite and the Parent's capacity to manage such risks. Thus, regular monitoring of both the level of risk and equity capital is undertaken to ensure that even in instances of major credit surprises, the Parent could sustain its operations in spite of the losses incurred and continue to be an efficient financial intermediary for development and institutional financing.

The BSP considers that credit concentration exists when total loan exposure to a particular industry exceeds 30 per cent of total loan portfolio. As of December 31, 2024, and 2023, the Parent does not have credit concentration in any particular industry.

As of December 31, 2024 and 2023, information on the concentration of credit as to industry based on carrying amount is shown below:

	Parent			
	2024		**2023 Restated**	
	Amount	%	Amount	%
Financial intermediation	415,863,041,235	26	399,440,155,381	27
Agriculture, hunting and forestry	81,482,990,133	5	67,303,973,138	5
Real estate, renting and business activities	172,320,699,362	11	163,668,078,624	11
Public administration and defense	118,912,294,062	7	107,577,893,790	7
Manufacturing	89,530,615,893	6	85,161,401,365	6
Community, social and personal services	24,495,414,574	2	12,648,892,552	1
Electricity, gas and water	221,526,370,665	14	164,040,245,280	11
Wholesale & retail trade, repair of motor vehicles, motorcycles & personal and household goods	103,473,673,394	6	105,401,592,018	7
Transport, storage and communication	41,443,215,921	2	41,355,079,332	3
Construction	114,728,342,641	7	103,734,209,939	7
Private households	66,193,151,213	4	60,333,932,854	4
Hotel and restaurant	24,485,363,979	2	19,854,887,578	1
Others	133,180,902,538	8	145,449,290,829	10
	1,607,636,075,610	100	**1,475,969,632,680**	**100**
Allowance for losses	**(70,223,170,394)**		**(57,351,264,398)**	
	1,537,412,905,216		**1,418,618,368,282**	

Assessment on SICR since Initial Recognition

ECL assessment/provisioning shall cover all financial assets booked as AC/HTC and FVOCI such as:

1. Loans and receivables, and other financial assets that are measured at AC;
2. Investments in debt instruments that are measured at AC/HTC and FVOCI;
3. Credit commitments and financial guarantee contracts (e.g., unutilized credit lines, undrawn approved term loans, etc.) that are not measured at FVPL; and
4. Due from BSP and Due from Other Banks.

The Parent's exposures shall be classified into three stages as follows:

Stage 1	Credit Exposures that are considered "performing" and with no significant increase in credit risk since initial recognition or with low credit risk
Stage 2	Credit Exposures that are considered "under-performing" or not yet non-performing but with significant increase in credit risk since initial recognition
Stage 3	Credit Exposures with objective evidence of impairment, thus considered as "non-performing"

As a general rule, Staging Assessment and Account Classification for Loans, Sales Contract Receivable and Accounts Receivable (Loan and Non-Loan Related) shall be based on missed payments as follows:

Individually Assessed Loans (for loans with outstanding balance of P10 million and above)

Number of Days Unpaid/with Missed Payment	Account Classification	Stage
For Unsecured Loans and Other Credit Exposures		
31-90 days	Substandard (Underperforming)	2
91-120 days	Substandard (Non-Performing)	3
121-180 days	Doubtful	3
181 days and over	Loss	3
For Secured Loans and Other Credit Exposures		
31-90 days	Substandard (Underperforming)	2
91-365 days	Substandard (Non-Performing)	3
Over a year – 5 years	Doubtful	3
Over 5 years	Loss	3

Collectively Assessed Loans (for exposures other than those subject to individual assessment)

This includes microfinance loans, micro enterprises and small business loans and consumer loans such as salary loans, credit card receivables, auto loans, housing loans, and other consumption loans, and other loan types which fall below P10 million threshold for individual assessment.

Number of Days Unpaid/with Missed Payment	Account Classification	Stage
For Unsecured Loans and Other Credit Exposures		
1-30 days	Especially Mentioned	2
31-60 days/ 1st restructuring	Substandard	2 (Underperforming) 3 (Non-Performing)
61-90 days	Doubtful	3
91 days and over/ 2nd restructuring	Loss	3
For Secured Loans and Other Credit Exposures		
31-90 days	Substandard (Underperforming)	2
91-120 days	Substandard (Non-Performing)	3
121-360 days	Doubtful	3
Over 360 days	Loss	3

Staging Assessment for Non-Loan Related A/R shall be as follows:

STAGE	SECURED	UNSECURED
1	0-30 Days Outstanding/Missed Payment	
2	31-360 days Outstanding/ Missed Payment	31-90 Days Outstanding/ Missed Payment
3	More than 360 Days Outstanding/ Missed Payment	More than 90 Days Outstanding/ Missed Payment

NOTES:

a. *Secured Non-Loan Related A/Rs shall refer to Cash Advance, Agrarian Reform Fund Proclamation # 131, Bank Officers and Employees, Government Entities and Domestic Loan Program*

b. *Unsecured Non-Loan A/Rs shall refer to Various Receivables, and FCDU/Expanded FCDU.*

ACL Adjustment

1. LUs/Treasury Units/Branches shall assess the ACL provided and may propose ACL adjustment, under the following cases:

   a. There is an objective evidence of impairment; or
   b. There is an objective evidence of recovery.

2. ACL Adjustments shall be made through Specific Impairment Testing by calculating the Present Value of Future Cash Flows of the financial asset/investment.

3. For Credit Exposures, Account Staging Upgrade to "Pass" shall have one per cent ECL Rate (for GLLP booking) and use of LITS shall be no longer required. Minimum ECL rates for Stage 2 (EM & Substandard) and Stage 3 (Doubtful & Loss) are five per cent and 50 per cent, respectively.

Definition of Default

Under BSP Circular 941, s. 2017, credit obligations are considered non-performing if:

- Loans, investments, receivables, or any financial asset shall be considered non-performing, even without any missed contractual payments, when it is considered impaired under existing accounting standards (i.e., PAS 39/PFRS 9), and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, if any;
- Classified as doubtful or loss, in litigation;
- All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than 90 days from contractual due date (excluding cure period not exceeding 30 days), or accrued interests for more than 90 days have been capitalized, refinanced, or delayed by agreement;
- Microfinance and other small loans with similar credit characteristics shall be considered non-performing after contractual due date or after it has become past due (or on the 11th day if with cure period not exceeding 10 days); and,
- Restructured loans shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained.

The Parent defined default as:

- If credit obligation is considered non-performing under existing rules and regulations
- If a borrower/obligor has sought or has been placed in bankruptcy, has been found insolvent, of has ceased operations in the case of business
- If the Parent sells a credit obligation at a material credit related loss; i.e., excluding gains and losses due to interest rate movements
- if a credit obligation of a borrower/obligor is considered to be in a default, all credit obligations of the borrower/obligor with the same bank shall also be considered to be in default.

Policy in Writing-Off of Accounts

Accounts shall be written-off from the books only when such accounts have been classified as loss and are justified to be uncollectible after all the efforts have been exerted to collect/recover payment.

Account has become uncollectible due to any of the following reasons:

1. Death of the debtor
2. Debtor's whereabouts is unknown
3. Insolvency, bankruptcy or permanent impairment of debtor's earning capacity; and
4. The Parent's right to collect has legally prescribed

Write-off shall be booked only after approval by the Parent's Board of Directors for Non-DOSRI accounts and by the BSP Monetary Board for DOSRI accounts.

A nominal value of P1.00 for each account written-off shall be retained for monitoring purposes. The Parent shall continue to pursue efforts to collect written-off accounts.

CREDIT RISK ON INVESTMENTS

The Parent adopts a forward-looking ECL parameter-based estimation approach as an impairment approach, as prescribed by PFRS 9. ECL Assessment shall be applied to the following treasury exposures:

a. Investments in debt instruments that are measured at AC;
b. Investments in debt instruments that are measured at FVOCI; and
c. Due from Bangko Sentral ng Pilipinas and Due from Other Banks.

To measure the ECL, initial assessment is first done on a per security basis to assess its level of credit risk. The estimated ECL per instrument is based on credit losses that result from possible default events within the next twelve months if there is no significant increase of credit risk since initial recognition or with low credit risk. Otherwise, credit losses that result from all possible default events over the expected life of a financial instrument is considered in the ECL calculation.

Assessment of ECL for Treasury Exposures

The Parent segmented its credit exposures for purposes of ECL calculation according to groups that share similar credit risk characteristics with the objective of facilitating an analysis that is designed to identify significant increases in credit risk on a timely basis. The segmentation is by instrument type, product terms and conditions, and industry/market segment. Treasury exposures are segmented into Due from BSP and Securities Purchased under Resell Agreements, Due from Other Banks, FVOCI Debt Investments, and Financial Assets at AC. Assessment is conducted on a per security basis to determine its level of credit risk.

Moreover, the Parent conducts an assessment to determine whether a financial instrument is subject to 12-Month or Lifetime ECL. Financial instruments under treasury is deemed to have a significant increase on credit risk if 1) Rating downgraded from investment grade to speculative/non-investment grade or 2) Rating downgraded by at least two rating grades.

Treasury Exposures are considered in default upon occurrence of the following:

a. If a credit obligation is considered non-performing;
b. If a borrower has been placed in bankruptcy, has been found insolvent, or has ceased operations;
c. If the bank sells a credit obligation at a material credit-related loss; or
d. If a credit obligation of a borrower/obligor is considered to be in default, all credit obligations of the borrower/obligor with the same bank shall also be considered to be in default.

A. Staging Assessment

Treasury exposures shall be classified into the following stages:

STAGE	CHARACTERISTICS	ECL ASSESSMENT
Stage 1	Credit exposures with no significant increase in credit risk since initial recognition, with low credit risk, or with external credit rating of investment grade	12-MONTH
Stage 2	Credit exposures with significant increase in credit risk since initial recognition as follows: 1. exposures with external credit rating downgraded from investment grade to speculative/non-investment grade; or 2. exposures with risk ratings downgraded by at least two rating grades	LIFETIME
Stage 3	Credit exposures with objective evidence of impairment or has defaulted	LIFETIME

B. ECL Parameters and Methodologies

The ECL is determined by the following parameters:

1. EAD is defined as the total credit exposure to a counterparty at the time of default. LANDBANK used outstanding balances of credit exposures as of cut-off date plus accrued interest receivables.

2. Probability of Default is the likelihood that the counterparty will default over a certain time horizon. It does not depend on the transaction but on the counterparty's characteristics. The Parent follows the following hierarchy to estimate the Probability of Default:

   a. Internal Credit Risk Rating - Probability of Default is estimated based on issuer/borrower rating grade produced by internal rating models.

   b. External Credit Risk Rating - Probability of Default is based on issue/issuer rating grade provided by external ratings agencies such as Moody's, Standard & Poor, and Fitch. Probability of Default Estimation already incorporates any Forward-Looking Overlays.

   c. External Credit Rating for Benchmark/Comparable Companies - Probability of Default is based on issuer rating grade of benchmark or comparable companies. The methodology used in determining the ratings of benchmark companies is either based on Bloomberg peers or industry average.

   d. Credit Default Swaps Spread Curves

3. LGD is the assigned loss estimate when a counterparty has defaulted, after all recoveries are considered. It depends on the transaction, not on the counterparty. It is computed as one less recovery rate. LGD estimation for treasury exposures follows the same hierarchy used for Probability of Default estimation.

Investments in peso-denominated debt securities issued by the Philippine Government or BSP are considered to have low credit risk and carries zero ECL.

Concentration of Credit Risk

The table shows the concentration of the Parent's treasury exposures by location:

In Million Pesos

Location	2024	2023
Philippines	1,915,271.92	1,684,303.55
USA	44,406.69	28,654.90
Indonesia	18,462.28	22,325.53
Asia	30,700.69	15,686.24
Europe	688.55	6,670.25
Others	30.62	6.75
Total	**2,009,560.75**	**1,757,647.22**

Credit Risk Exposures

The Parent is guided by its investment policy in its treasury activities. The Parent uses credit ratings provided by external rating agencies like Moody's, Standard & Poor, Fitch, or other reputable rating agencies. The following indicates the level of credit quality for each rating agencies and its relevant external rating:

Rating Agency	Rating Grade	External Rating									
Moody's	Investment	Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3
	Speculative	Ba1	Ba2	Ba3	B1	B2	B3	Caa1	Caa2	Caa3	Ca-C
	Default	SD	D								
Standard & Poor	Investment	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-
	Speculative	BB+	BB	BB-	B+	B	B-	CCC+	CCC	CCC-	CC
	Default	SD	D								
Fitch	Investment	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-
	Speculative	BB+	BB	BB-	B+	B	B-	CCC+	CCC	CCC-	CC
	Default	SD	D								

LANDBANK considers instruments that are rated 'investment grade' to have low credit risk. The tables below present the credit quality of the Parent's treasury exposure:

INVESTMENTS (As of September 2024)	**EXPOSURE-AT-DEFAULT** *(In Million P)*			
	TOTAL	**STAGE 1**	**STAGE 2**	**STAGE 3**
Due from BSP and SPURA				
External Credit Rating				
Baa2 or equivalent	692,570.78	692,570.78	0	0
Due from Other Banks & IBLR				
Internal Credit Rating				
Prime	7.38	7.38	0	0
External Credit Rating				
Aaa or equivalent	38.27	38.27	0	0
Aa1 or equivalent	1,740.57	1,740.57	0	0
Aa2 or equivalent	12,937.60	12,937.60	0	0
Aa3 or equivalent	3,869.86	3,869.86	0	0
A1 or equivalent	14,028.76	14,028.76	0	0
A3 or equivalent	19.67	19.67	0	0
Baa1 or equivalent	0.65	0.65	0	0
Baa2 or equivalent	5.03	5.03	0	0
Baa3 or equivalent	2.05	2.05	0	0
Benchmarking				
Baa2 or equivalent	1,850.21	1,850.21	0	0
Unrated	0.87	0.87	0	0
FVOCI debt investments				
Internal Credit Rating				
Prime	1,527.14	1,527.14	0	0
High Grade	981.85	981.85	0	0

External Credit Rating				
Aaa or equivalent	39,721.97	39,721.97	0	0
Aa2 or equivalent	275.70	275.70	0	0
A1 or equivalent	1,441.13	1,441.13	0	0
A2 or equivalent	567.35	567.35	0	0
Baa1 or equivalent	568.17	568.17	0	0
Baa2 or equivalent	518,651.97	518,651.97	0	0
Benchmarking				
A1 or equivalent	111.62	111.62	0	0
Baa1 or equivalent	3,046.44	3,046.44	0	0
HTC investments				
Internal Credit Rating				
Prime	712.07	712.07	0	0
Good	1,457.73	1,457.73	0	0
Loss	83.74	0	0	83.74
External Credit Rating				
Aaa or equivalent	790.07	790.07	0	0
Baa2 or equivalent	708,847.11	708,847.11	0	0
Benchmarking				
A1 or equivalent	556.60	556.50	0	0
A2 or equivalent	931.61	931.61	0	0
Baa1 or equivalent	1,397.11	1,397.11	0	0
Baa2 or equivalent	208.96	208.96	0	0
Unrated	610.80	0	0	610.80
TOTAL	**2,009,560.75**	**2,008,866.21**	**0**	**694.54**

INVESTMENTS
(As of September 2023)

EXPOSURE-AT-DEFAULT
(in P Million)

	TOTAL	STAGE 1	STAGE 2	STAGE 3
Due from BSP and SPURA				
External Credit Rating				
Baa2 or equivalent	527,994.56	527,994.56	0	0
Due from Other Banks & IBLR				
Internal Credit Rating				
Prime	4.83	4.83		
High Grade	0.25	0.25		
Watchlist	0.50	0.50		
External Credit Rating				
Aaa or equivalent	5,911.47	5,911.47	0	0
Aa1 or equivalent	150.48	150.48	0	0
Aa2 or equivalent	5,383.81	5,383.81	0	0
Aa3 or equivalent	7,619.72	7,619.72	0	0

A1 or equivalent	12,879.93	12,879.93	0	0
Baal or equivalent	0.01	0.01	0	0
Baa2 or equivalent	55.91	55.91	0	0
Baa3 or equivalent	20.22	20.22	0	0
Ba2 or equivalent				
Benchmarking	0.65	0	0.65	0
Baa2 or equivalent	2,018.00	2,018.00	0	0
Unrated	2.30	2.30	0	0
FVOCI debt investments				
Internal Credit Rating				
Prime	1,391.10	1,391.10	0	0
High Grade	507.48	507.48	0	0
Watchlist	471.50	471.50	0	0
External Credit Rating				
Aaa or equivalent	4,288.56	4,288.56	0	0
Aa2 or equivalent	265.44	265.44	0	0
A1 or equivalent	274.31	274.31	0	0
A2 or equivalent	552.29	552.29	0	0
Baal or equivalent	563.69	563.69		
Baa2 or equivalent	426,782.52	426,782.52	0	0
Benchmarking				
A3 or equivalent	413.67	413.67	0	0
Baal or equivalent	1,910.74	1,154.89	755.85	0
HTC investments				
Internal Credit Rating				
Prime	712.07	712.07	0	0
High Grade	731.03	731.03	0	0
Good	1,457.73	1,457.73	0	0
Loss	83.74	0	0	83.74
External Credit Rating				
Aaa or equivalent	12,146.73	12,146.73	0	0
Aa2 or equivalent	224.52	224.52	0	0
Aa3 or equivalent	936.92	936.92	0	0
Baa1 or equivalent	553.74	553.74	0	0
Baa2 or equivalent	735,788.61	735,788.61		
Benchmarking				
A3 or equivalent	3,687.84	3,687.84	0	0
Baa1 or equivalent	1,249.55	1,249.55	0	0
Unrated	610.80	0	0	610.80
TOTAL	**1,757,647.22**	**1,756,196.18**	**756.50**	**694.54**

As of September 30, 2024, the Parent's total treasury exposure is at P2,009.56 billion. Due from BSP and SPURA increased from P527.99 billion to P692.57 billion while Due from Other Banks decreased from P14.12 billion to P5.34 billion. The Parent's FVOCI debt investments grew from P437.21 billion to P566.89 billion while HTC investments decreased from P758.18 billion to P715.60 billion.

The Parent exposure classified as Stage 1 and Stage 3 amounted to P2,008.87 billion and P0.69 billion, respectively. The table below presents the Parent exposure for 2024 and 2023:

INVESTMENTS *(In Million P)*	**TOTAL**		**STAGE 1**		**STAGE 2**		**STAGE 3**	
	2024	**2023**	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**
Due from BSP and SPURA	692,570.78	527,994.56	692,570.78	527,994.56	0	0	0	0
Due from Other Banks	5,344.47	14,122.22	5,344.47	14,121.57	0	0.65	0	0
Interbank Loans and Receivables	29,156.45	19,925.86	29,156.45	19,925.86	0	0	0	0
FVOCI debt investments	566,893.35	437,421.30	566,893.35	436,665.45	0	755.85	0	0
HTC investments	715,595.69	758,183.28	714,901.15	757,488.74	0	0	694.54	694.54
TOTAL	**2,009,560.74**	**1,757,647.22**	**2,008,866.20**	**1,756,196.18**	**0**	**756.50**	**694.54**	**694.54**

MARKET RISK MANAGEMENT

Market Risk Management Framework

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

The Parent uses a combination of risk sensitivities, VaR, stress testing, CET1 ratio and capital metrics to manage market risks and establish limits. The LANDBANK Board, RiskCom and the ALCO, define and set the various market risk limits for each trading portfolio. The TIBS, particularly the Financial Markets Group which manages the Parent's trading units as well as the Asset and Liability Management Group 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 Parent controls and minimizes the losses that may be incurred in daily trading activities through the VaR, 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 Parent. In the same way, certain subsidiaries of the Parent independently quantify and manage their respective market risk exposures by maintaining their respective RM system and processes in place.

Market Risk Weighted Assets

As of Dec. 31, 2024, the LANDBANK's Total Market RWA stood at P12,529 million, broken down as follows:

PARTICULARS	AMOUNT (IN MILLIONS)
Interest Rate Exposure	2,068
Equity Exposure	1,976
FX Exposure	1,901
Options	6,584
Total Market RWA	12,529

The Total Market RWA represents 0.79 per cent of the Parent's Aggregate RWA of P1,591,561 million.

Managing Market Risk Components

Market Risk is associated to earnings arising from changes in interest rate, FX rates, equity and in their implied volatilities. Market risk arises in trading as well as non-trading portfolios. The Parent manages the following key market risk components using its internal risk mitigation techniques:

1. Interest Rate Risk in the Trading Book

   Interest Rate Risk represents exposures to instruments whose values vary with the level or volatility of interest rates as a result of market making and portfolio taking. LANDBANK continues to manage interest rate risk in trading activities through factor sensitivities and the use of VaR and stress testing. Government Securities and Foreign Securities are subject to daily mark-to-market and controlled through risk limits such as position, VaR, MATs and Stop Loss.

2. Equity Price Risk Management

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

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.

Market Risk Measurement and Validation Tools

1. VaR

   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 per cent confidence level, assuming a static portfolio.

   The Parent uses the Historical Simulation Model in computing VaR of Equities, Foreign Securities, Government Securities and FX trading portfolios as well as FX Net Open Position which is acceptable to BSP. Moreover, the Parent continuously pursues initiatives to improve its processes.

   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 the Parent. The Parent also determines Diversified VaR that takes into account the diversification effect in which all losses in all securities in a portfolio are imperfectly correlated.

2. Stress Test

   RM models have recently become the main focus of RM efforts in the banking industry where banking activities are exposed to changes in fair value of financial instruments. However, the Parent 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 Parent utilizes Stress Tests to estimate possible losses which the VaR does not capture.

   The Parent's Market Risk Stress Test 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 Parent can absorb certain levels of stress, to explore the events that could cause a significant impact to the Parent and to assess its vulnerabilities and capability to deal with shocks such as price risk, interest rate risk, and FX risk.

   Results are also simulated in the CET1 Ratio computation to be able to assess its impact said ratio set at 10.25 per cent by BSP for LANDBANK as Domestic Systemically Important Banks for 2022.

3. Model Validation

Back-Test

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

Under the back-testing process, exception occurs if mark-to-market 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	zero to four exceptions
non-conclusive/yellow zone	five to nine 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.

Model Review

Risk models used in managing market risk are subjected to model review being done by RMQAU of MLRMD. On the other hand, IAG is tasked to do model audit of RM models.

LIQUIDITY RISK MANAGEMENT

Liquidity Risk Management Framework

The Parent's liquidity RM process is consistent with its general RM framework covering risk identification, measurement, monitoring and control. The policies and procedures that govern liquidity RM are reviewed and endorsed on a regular basis by ALCO and RiskCom for approval of the LANDBANK Board of Directors. The liquidity policy of the Parent is to always maintain fund availability 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.

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. 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 LGR.

The LANDBANK 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 the Parent's liquidity position. The ALCO review 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 RMG, through the MLRMD 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 the LGR, covering the bank-wide balance sheet, as a tool. Risk models used in liquidity RM are subjected to independent model validation as conducted by MLRMD - RMQAU and model audit by the IAG.

Liquidity Risk Measurement

The Parent manages the liquidity risk using the following tools:

1. Liquidity Gap Report

   The Parent conducts 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 to determine any future mismatch such as long-term assets growing faster than long term liabilities.

   MLRMD reports RBU (Peso and FX Regular), FCDU, Solo (Parent) LGR on a weekly and monthly basis to ALCO and RiskCom, respectively. Parent and Subsidiary LGR is reported on a quarterly basis.

   The following behavioral assumptions are used in measuring the Parent's liquidity gap:

   - Non-Maturing Deposits: Using historical balances of Non-Maturing Deposits accounts, a behavioral analysis is conducted to determine the rate of deposit outflow per time bucket. The calculated deposit run-off rates are the basis for the withdrawal pattern or actual behavior of Non-Maturing Deposits.

   - Term Deposits: Term Deposits were bucketed based on maturity with run-off assumption on the balance sheet. A behavioral analysis is conducted to approximate the early termination rate and the percentage of deposits that is likely to roll-over based on a historical deposit data. The early termination rate is used to estimate the amount of deposit that will be withdrawn before its maturity.

   - Fixed Rate Loans: A behavioral analysis is conducted to estimate the percentage of loan balance that is likely to repay before the due date.

- Drawing Pattern of Credit Lines and Credit Cards: A behavioral model to capture and estimate the drawing pattern for credit cards and credit line products.

As of December 31, 2024, the Parent has in its possession a comfortable level of highly liquid assets and identified fund sources to cover for liquidity risk that may arise in the earlier tenor buckets. Most assets (particularly loans and investments) have long term maturities.

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 LANDBANK Board is one of the tools used to manage and control the liquidity risk in the Parent's gap report. MCO limits put a cap on the total amount of negative gaps in the '1 day to 1 year' time buckets.

2. 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 LANDBANK. The following are the stress testing conducted by the Parent:

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

3. LCR

The LCR is reported monthly to BSP to ensure that the Parent maintains an adequate level of unencumbered HQLA to meet liquidity needs for a 30 calendar-day liquidity stress scenario.

The Parent computes the LCR using the BSP prescribed formula:

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

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 Parent'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 75 per cent of outflow amounts.

a. LCR – Solo Basis

PARTICULARS	31 December (In Million Pesos)	
	2024	2023
High Quality Liquid Assets	1,930,406	1,888,272
Total Net Cash Outflows	1,051,114	983,301
LCR	183.65%	192.03%

As of December 31, 2024, the Parent's LCR is higher than the 100 per cent minimum requirement for the CY 2024.

b. LCR – Consolidated Basis

PARTICULARS	31 December (In Million Pesos)	
	2024	2023
High Quality Liquid Assets	1,936,731	1,894,836
Total Net Cash Outflows	1,056,197	987,509
LCR	183.37%	191.88%

As of December 31, 2024, the Bank's LCR is higher than the 100 per cent minimum requirement for the CY 2024.

BASEL III LIQUIDITY COVERAGE RATIO DISCLOSURE (In Single Currency, Absolute Amount)
As of December 31, 2024

Nature of Item	Weighted Amount	
	Group	Parent
A. Total Stock of High-Quality Liquid Assets (After Cap)	**1,936,731,154,168.00**	**1,930,405,899,998.85**
A.1 Stock of Level 1 Assets	1,925,147,282,064.87	1,918,826,235,395.72
A.2 Stock of Level 2 Assets	11,583,872,103.13	11,579,664,603.13
A.3 Total Stock of High-Quality Liquid Assets (Before Cap)	**1,936,731,154,168.00**	**1,930,405,899,998.85**
A.4 Adjustment for 40% Cap on Level 2 Assets		
B. Total Net Cash Outflows	**1,056,196,679,360.85**	**1,051,114,223,135.78**
B.1 Total Expected Cash Outflows	1,184,063,869,762.52	1,180,349,718,462.52
B.2 Total Expected Cash Inflows Before Ceiling	127,867,190,401.67	129,235,495,326.74
B.3 Adjustment for 75% Ceiling on Cash Inflows		
B.4 Total Expected Cash Inflows After Ceiling	**127,867,190,401.67**	**129,235,495,326.74**
C. Liquidity Coverage Ratio	**183.37%**	**183.65%**

BASEL III NET STABLE FUNDING RATIO DISCLOSURE (In Single Currency, Absolute Amount)
As of December 31, 2024

Nature of Item	Weighted Amount	
	Group	Parent
A. Available Stable Funding	**1,849,149,703,089.78**	**1,835,257,890,937.58**
Capital	290,132,859,982.07	289,505,864,234.79
Retail Deposits	479,377,187,102.80	468,610,133,480.32

Wholesale Deposits	1,062,512,083,387.18	1,060,933,863,121.07
Secured and Unsecured Funding	17,068,071,768.11	16,208,030,101.40
Other Liabilities and Equities	59,500,849.62	
B. Required Stable Funding	**1,319,278,275,684.77**	**1,307,325,701,819.68**
NSFR High-Quality Liquid Assets (HQLA)	107,363,276,794.60	107,187,467,223.41
Deposits Held at Other Financial Institutions	2,151,292,382.17	2,098,746,277.33
Performing Loans and Non-HQLA Securities	913,753,327,497.76	905,239,602,569.22
Other Assets	287,683,970,871.52	284,484,707,846.59
Off-Balance Sheet Exposures	8,326,408,138.72	8,315,177,903.13
C. Net Stable Funding Ratio	**140.16%**	**140.38%**

MATURITY OF ASSETS AND LIABILITIES

The table below presents an analysis of Parent's assets and liabilities based on their expected recovery or settlement periods.

		2024	
	Within One Year	**Over One Year**	**Total**
FINANCIAL ASSETS			
Cash and Cash Equivalents	415,885,025,009	0	415,885,025,009
Trading and Investment Securities			
FVTPL	19,724,628,130	0	19,724,628,130
FVOCI	211,485,268,408	376,673,162,530	588,158,430,938
HTC	54,253,627,885	652,079,703,302	706,333,331,187
Loans and Other Receivables	702,497,546,387	863,812,696,387	1,566,310,242,774
Investment in Subsidiaries	0	5,654,367,708	5,654,367,708
Investment in Associates	0	50,000,000,000	50,000,000,000
Total	**1,403,846,095,819**	**1,948,219,929,927**	**3,352,066,025,746**
NON-FINANCIAL ASSETS			
Inventories	0	297,082,544	297,082,544
Investment Property	0	16,140,421,515	16,140,421,515
Property and Equipment	0	11,841,727,580	11,841,727,580
Right-of-Use Assets	2,393,198,496	0	2,393,198,496
Non-current assets held for sale	876,176,232		876,176,232
Other intangible assets		1,213,877,706	1,213,877,706
Other assets	36,717,769,337	8,142,268	36,725,911,605
Deferred Tax Assets	17,763,938,066		17,763,938,066
Total	**57,751,082,131**	**29,501,251,613**	**87,252,333,744**
TOTAL ASSETS	**1,461,597,177,950**	**1,977,721,181,540**	**3,439,318,359,490**
FINANCIAL LIABILITIES			
Deposit Liabilities	2,974,686,999,917	24,202,744,235	2,998,889,744,152
Financial Liabilities			
Payables	44,946,115,235	1,981,105,320	46,927,220,555
Bonds Payable	328,028,531	4,499,749,655	4,827,778,186
Bills Payable	2,095,327,978	10,921,459,333	13,016,787,311
Financial Liabilities Held for Trading	76,224,931	0	76,224,931
Inter-Agency Payables	10,807,032,409	0	10,807,032,409
Other Payables	39,728,633,429	1,192,191,174	40,920,824,603
Total	**3,072,668,362,430**	**42,797,249,717**	**3,115,465,612,147**

NON-FINANCIAL LIABILITIES			
Provisions	0	651,956,146	651,956,146
Deferred Credits/Unearned Income	4,991,543,716	0	4,991,543,716
Other Payables	25,070,494,971	6,469,426	25,076,964,397
Total	**30,062,038,687**	**658,425,572**	**30,720,464,259**
TOTAL LIABILITIES	**3,102,730,401,117**	**43,455,675,289**	**3,146,186,076,406**

		2023	
	Within One Year	**Over One Year**	**Total**
FINANCIAL ASSETS			
Cash and Cash Equivalents	466,668,651,209	0	466,668,651,209
Trading and Investment Securities			
FVTPL	20,371,212,218	0	20,371,212,218
FVOCI	198,828,540,825	275,404,528,415	474,233,069,240
HTC	62,027,907,621	693,152,938,899	755,180,846,520
Loans and Other Receivables	639,193,402,749	805,407,611,464	1,444,601,014,213
Investment in Subsidiaries	0	5,654,367,708	5,654,367,708
Total	**1,387,089,714,622**	**1,779,619,446,486**	**3,166,709,161,108**
NON-FINANCIAL ASSETS			
Inventories	285,490,696	0	285,490,696
Investment Property	0	13,046,580,412	13,046,580,412
Property and Equipment	0	10,466,497,954	10,466,497,954
Right-of-Use Assets	0	2,261,330,481	2,261,330,481
Non-current assets held for sale	930,784,098	0	930,784,098
Other intangible assets		1,409,317,016	1,409,317,016
Other assets	66,205,130,621	941,842,787	67,146,973,408
Deferred Tax Assets	16,554,816,270	0	16,554,816,270
Total	**83,976,221,685**	**28,125,568,650**	**112,101,790,335**
TOTAL ASSETS	**1,471,065,936,307**	**1,807,745,015,136**	**3,278,810,951,443**
FINANCIAL LIABILITIES			
Deposit Liabilities	2,881,966,736,030	432,655,602	2,882,399,391,632
Financial Liabilities			
Payables	35,373,512,736	1,845,549,525	37,219,062,261
Bonds Payable	0	4,672,721,488	4,672,721,488
Bills Payable	1,377,883,413	12,236,567,037	13,614,450,450
Financial Liabilities Held for Trading	11,936,320	0	11,936,320
Inter-Agency Payables	7,680,904,835	484,922,912	8,165,827,747
Other Payables	38,026,655,394	465,892,078	38,492,547,472
Total	**2,964,437,628,728**	**20,138,308,642**	**2,984,575,937,370**
NON-FINANCIAL LIABILITIES			
Provisions	0	588,860,175	588,860,175
Deferred Credits/Unearned Income	3,800,135,412	70,659,417	3,870,794,829
Other Payables	11,603,958,527	16,541,068	11,620,499,595
Total	**15,404,093,939**	**676,060,660**	**16,080,154,599**
TOTAL LIABILITIES	**2,979,841,722,667**	**20,814,369,302**	**3,000,656,091,969**

INTEREST RATE RISK IN THE BANKING BOOK

Interest Rate Risk in the Banking Book Management Framework

IRRBB is the current and prospective risk to earnings and capital arising from adverse movements in interest rates that affect banking book positions. LANDBANK's IRRBB arises from the core banking activities. The main source of this type of IRRBB is gap risk which arises from timing differences in the maturity (for fixed rate) and re-pricing (for floating rate) of the Parent assets, liabilities and off-balance-sheet positions.

The Parent manages IRRBB based on approved policies and procedures. LANDBANK uses Re-pricing Gap/EaR and EVEaR to analyze the impact of changes in interest rates to both future earnings and net worth.

The Parent has established guidelines for IRRBB limit setting. To control re-pricing risk, a limit has been set on the EaR, putting a cap on the magnitude of re-pricing gap in the balance sheet. The EaR limit defines the maximum level of loss in net interest income (NII) due to changes in interest rates. Breaching this limit would require adjustments to be made in the balance sheet profile of the Parent. RMG-MLRMD recommends interest rate limits in coordination with ALMG and is approved by the ALCO, ROC and the LANDBANK Board. On the economic value-based measure, the Parent compares the Equity level under various rate scenarios to the Equity at a base (or current) level to track change from base scenario.

The LANDBANK Board defines the Parent's risk appetite and approves business strategies relative to the management of IRRBB. It delegates to ALCO the establishment and management of the Parents's IRRBB position. The ALCO decides and allocates resources to manage IRRBB within the risk appetite set by the Parent. The TIBS ensures that ALCO's decisions pertaining to the management of structural IRRBB are implemented.

IAG is tasked to do model audit of RM models. The conduct involves the review and evaluation of the effectiveness of the system and, where necessary, ensures that appropriate revisions or enhancements to internal controls are made.

In addition, model validation is also being done by the RMQAU of MLRMD to check for any enhancements or calibrations needed to the models.

To date, the Parent does not engage in hedging transactions.

Interest Rate Risk in the Banking Book Measurement Models

The two complementary measures of the potential impact of IRRBB are as follows:

1. Earnings-Based Measure: The Parent uses the EaR to estimate changes in net interest income under a variety of interest rate scenarios over a 12-month horizon. As of December 31, 2024, the NII impact of 100 Bps upward shift in interest rates amounted to P4,205.77 million.

2. Economic Value-Based Measure: The Parent uses the EVEaR to assess the impact of changes in interest rates over the remaining life of its assets, liabilities and off-balance sheet items. As of December 31, 2024, the EVEaR impact of 100 bps upward shift in interest rates amounted to (P3,162.49) million.

The table below shows the increase (decline) in economic value for upward and downward rate shocks using the Economic Value Equity Model.

Both measures are assessed to determine the full scope of the Parent's IRRBB exposure. Moreover, IRRBB is not managed in isolation. IRRBB measurement systems are integrated into the Parent's general risk measurement system and results from models are interpreted in coordination with other risks.

The interest rate risk exposures of the Parent are measured and reported to the ALCO and RiskCom on a weekly and monthly basis. Parent and Subsidiary EaR and EVEaR are prepared on a quarterly basis.

Key Behavioral and Modelling Assumptions

Behavioral assumptions enable the Parent to analyze how an instrument's actual maturity or re-pricing may vary from its contractual terms because of behavioral options. LANDBANK has established the following behavioral and modeling assumptions in the quantification of IRRBB:

1. Current Account and Savings Account Repayment

   Behavioral assumptions for deposits that have no specific maturity/re-pricing date such as NMDs can be a major determinant of IRRBB exposures under the economic value and earnings-based measures. To determine the actual behavior of NMDs, the Parent analyzed its deposits for the past 10 years to estimate the proportion of core (stable) and non-core (non-stable) deposits.

2. Term Deposits subject to Early Termination

   A behavioral analysis to estimate the amount of term deposits that will be withdrawn before its maturity.

3. Fixed Rate Loans subject to Prepayment

   A behavioral analysis to estimate the percentage of loan balances that is likely to repay before the due date.

4. Drawing Pattern of Credit Lines and Credit Cards

   Behavioral methodology to capture and estimates the drawing pattern for credit cards and credit line products.

Interest Rate Shocks and Stress Scenarios

The Parent has a wide range of static interest rate shocks consisting of parallel and non-parallel shifts in the yield curve including but not limited to the Market Outlook of the LANDBANK Economist, interest rate volatility for the past 10 years and standardized rate shocks prescribed under Basel Committee on Banking Supervision framework on IRRBB.

The Parent conducts Interest Rate Stress Testing using EaR and EVEaR. Results of scenario analysis help the Parent focus on coming up with contingency measures to reduce impact of IRRBB.

OPERATIONAL RISK MANAGEMENT

The ORM system of the Parent underwent a thorough review and validation to ensure adherence with BSP MORB 146 (Circular 900) ORM, BSP MORB 149 (Circular 951) BCM, BSP MORB 148 (Circular 808) IT Risk Management, BSP MORB 153 (Circular 1085) Sustainable Finance Framework and other operational risk-related regulations.

The ORM frameworks aim to establish and implement risk management strategies and best practices to effectively address and manage operational risk that are embedded in the day-to-day operations of the Parent. These ORM frameworks were found to be substantially compliant to the minimum requirements of the BSP.

The risk management culture of the Parent is further reinforced with the conduct of risk awareness cascading and sharing sessions on Risk Governance Framework, ORM, BCM, IT and Information Security. Dissemination of operational risk management programs are clearly communicated through continued briefings and seminars using various channels and platforms available in the Parent. Intensive workshops and technical working group discussion reinforces the awareness and learning avenues conducted to all employees of the Parent and subsidiaries for them to effectively perform their duties in managing operational risks.

The ORM function is strengthened with the hiring, training, coaching, mentoring, movement, and promotion of ORM personnel. Major ORM programs for the year involved enhancement of ORM manuals, frameworks, policies, and tools.

The Parent has a BCM Program which is compliant with BSP MORB 149 and aligned with the ISO 22301:2012 (Business Continuity Management System). The BCM Framework emphasizes the Parent's BCM Governance and Process. BCM tools are continuously enhanced to conform to regulations and industry best practices.

As part of the Parent's BCM process, the Parent conducts annual Business Impact Analysis and Business Continuity Risk Assessment to prioritize risks and implement corresponding controls and identify and prioritize the Parent's most critical functions and IT systems in case of disruptions. Also, Business Continuity Plan components are being reviewed, updated and tested annually to ensure validity and effectiveness of the Plans.

The Parent ensure that business and risk management activities, including the operational risk management function, are carried out by adequate and qualified staff with the necessary experience, technical capabilities, and competence. The Parent supports the continuing education of officers and staff of RMG through the certification programs where employees were licensed as Certified Risk Analysts, Certified Risk Manager and Bank Risk Management certification exams of Asian Institute of Chartered Banks.

Embedding of ORM across the institution is manifested with the BUs and LANDBANK Subsidiaries becoming aware of the specific operational risks they are confronted with. Taking a proactive stance in managing and escalating breaches as soon as they occur strengthens governance and enhances the oversight of these risks. BUs and Landbank

Subsidiaries conduct risk self-assessment using various RM tools to quantify and qualitatively assess potential operational losses which serve as their dashboard in monitoring operational risk. RMG regularly monitors and escalates to Senior Management and RiskCom the results of ORM processes.

Operational Risk Exposure

LANDBANK currently uses the Basic Indicator Approach for calculating the capital charge for operational risk under Pillar 1. The formula is based on the average Gross Revenues of the Parent for the last three years multiplied by 15 per cent to calculate the ORWA. As of December 31, 2024, the Parent's Total ORWA using the Basic Indicator Approach was P180.81 billion or 11.36 per cent of the Parent's Aggregate Risk Weighted Assets of P1,591.56 billion. With the sustained Gross Revenues of the Parent relative to its expanding business operations, ORWA is expected to increase annually.

LANDBANK is firm in its resolve to fortify its operational risk management system including the development of an internal economic capital measurement model to better capture the Parent's operational vulnerabilities and be able to provide a more reliable support for the overall strategic objectives of the Parent.

CONSUMER PROTECTION RISK MANAGEMENT SYSTEM

In compliance with BSP Circular 1160 – "Regulations on FCP to Implement RA No. 11765, Otherwise Known as the "FCPA", LANDBANK continues to update the CPRMS as part of its enterprise-wide risk management system. It identifies, measures, monitors, and controls consumer protection risk inherent in the delivery of financial services to the general public. The Parent ensures to readily assist customers' needs and concerns across all channels and guarantee consumer protection practices, address and prevent or mitigate identified or associated risk of financial harm to the Parent and its clientele (depositors, borrowers, and other clients).

As part of oversight function on CPRMS, RMG ensures that board-approved CPRMS policies and procedures are in place, complaints management are strictly implemented, escalation of CPRMS-related issues is within the set timeline and training of Parent personnel are undertaken. Periodic reports are submitted to the Management Committee and the Risk Oversight Committee. RMG also conducts risk assessment of new, modified, or expanded products, programs, services, electronic banking channels, processes and other activities, including outsourcing from third party service providers to deliver quality service and protect LANDBANK's clients.

The CPRMS Oversight Framework is aligned with and adheres to the FCP Standards of Conduct prescribed under BSP Circular 11765, to cover (1) Disclosure and Transparency; (2) Protection of Client Information; (3) Fair Treatment; (4) Effective Recourse; and (5) Protection of Consumer Assets against Fraud and Misuse. LANDBANK understands that financial literacy and inclusion begins with responsive and excellent customer service. The Parent is committed to protect our customers' rights as consumers of financial products and services. To protect clients' information, RMG implements a bank-wide risk management program to manage information security risk and data privacy. The CPRMS is also subject to audit and compliance testing.

PART II

OBSERVATIONS AND RECOMMENDATIONS

OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL ISSUES

1. The accuracy of intragroup transactions eliminated in the LANDBANK's consolidated financial statements as at December 31, 2024, totaling P26.203 billion could not be established due to incomplete reconciliation and differences in the accounting policies between the Parent and its subsidiaries, contrary to Paragraphs 19 and B86-B87 of PFRS 10, thus resulting in the incomplete elimination of intragroup transactions in the LANDBANK's consolidated financial statements.

1.1 Paragraph 19 of PFRS 10 requires that a "parent shall prepare consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances."

1.2 On consolidation procedures, paragraphs B86 (c) of the Application Guidance of PFRS 10 prescribes to "Eliminate in full intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group (profits or losses resulting from intragroup transactions that are recognised in assets, such as inventory and fixed assets, are eliminated in full)."

1.3 On uniform accounting policies, paragraph B87 provides that "If a member of the group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that group member's financial statements in preparing the consolidated financial statements to ensure conformity with the group's accounting policies."

1.4 The reconciliation of the intragroup account balances between the LANDBANK (Parent) and its subsidiaries is necessary to ensure that transactions are properly recorded, and account balances are correctly presented in both financial statements of the Parent and the subsidiaries, and in the consolidated financial statements of the LANDBANK group.

1.5 The intragroup assets consist of AR, Accrued Interest Receivable, Miscellaneous Asset-Others, Contracts Receivable, Retention Receivable and Loans/Lease Receivable, while the intragroup liabilities consist of AP, Accrued and Other Expenses Payable (AOEP), Finance Lease Payable, Deposit on Lease Contracts, Miscellaneous Liabilities, Bills Payable, Accrued Interest Payable, Other Deposits, Advances from Clients, and Retention Payable in either LANDBANK or subsidiaries' books of accounts.

1.6 On May 31, 2024, the Operations Sector approved the guidelines for accounting of intragroup transactions through Sector Order No. 81 s. 2024. Under these guidelines, LANDBANK's subsidiaries are required to submit the Schedule of Subsidiary's Intragroup Transactions SSIT supported by copies of billing statements, to the booking units concerned by the 10th banking day after end of each reference month. The booking units are responsible for the reconciliation of intragroup balances recorded in their respective centers. The booking units are also responsible for submitting the reconciliation reports and supporting schedules to the Financial Accounting Department (FAD) Accounting

Standards Unit by the 15th banking day after the reference quarter for the preparation of quarterly eliminating entries. We noted, however, that the guidelines did not include the procedures for addressing differences in accounting policies between the Parent and Subsidiaries, and how eliminating entries among LANDBANK subsidiaries will be reconciled and eliminated. In addition, since the Sector Order was issued in CY 2024, its implementation will be applied on prospectively, and will not cover the CY 2024 transactions.

1.7 Review of the current year eliminating entries of intragroup transactions revealed that the eliminating entries did not fully eliminate the intragroup balances between the LANDBANK and its subsidiaries. In the group financial statements for CY 2024, submitted on May 8, 2025, LANDBANK recorded a total of P26,203,177,953.10 in eliminating entries related to the 10 subsidiaries of the LANDBANK, with summary as follows:

Table 1.1 Intragroup Eliminating Entries

Name of Subsidiary	Amount Eliminated (PhP) (both Parent and Subsidiary FS)
**entry to eliminate all investments in subsidiaries	14,272,985,992.00
OFB	3,981,002,546.06
LLFC	3,428,733,194.70
LBRDC	1,683,852,119.94
ULFC	942,210,879.46
GHDI	653,095,414.00
USB	608,527,673.60
LIBI	409,838,354.00
LSI	157,081,851.34
MSI	51,915,220.00
UFEC	13,934,708.00
TOTAL	**26,203,177,953.10**

1.8 We also reviewed the eliminating entries prepared by the FAD for LBRDC, OFB, USB, ULFC and LSI and compared these against the balances of the respective subsidiaries. We noted that the eliminating entries for LSI remained incomplete. The eliminating entries on the group FS only included entries to eliminate the deposit liabilities of the Parent with LSI. However, based on the schedules submitted by the AAD, LANDBANK has accounts receivable from LSI amounting to P17,449,998.23. These receivables pertain to manpower charges for LANDBANK personnel detailed to LSI, which should have been recorded as an liability by LSI as of December 31, 2024.

1.9 Further, we noted unresolved discrepancies totaling P220,717,215.04 in the intragroup accounts between LANDBANK and the subsidiaries LBRDC, OFB, USB and ULFC which were not eliminated in the consolidated FS, with details as follows:

Table 1.2 Intragroup Balance Discrepancies – Parent vs Subsidiaries

LBRDC vs AAD (LANDBANK)

Account	Receivable from LBRDC (LANDBANK Books)	Payable to LANDBANK (LBRDC Books)	Variance (in actual value)	Variance (in absolute value)
Misc. Assets - Others – LBRDC	61,336,638.72		1,199,724.56	1,199,724.56
AP		60,136,914.16		
AR - Various - LBRDC	514,059.71		514,059.71	514,059.71
AP		-		
Total	**61,850,698.43**	**60,136,914.16**	**1,713,784.27**	**1,713,784.27**

Account	Payable to LBRDC (LANDBANK Books)	Receivable from LANDBANK (LBRDC Books)	Variance (in actual value)	Variance (in absolute value)
AOEP - Subsidiaries – LBRDC	449,337,009.11		44,836,248.12	44,836,248.12
AR		404,500,760.99		
AP - Subsidiaries - LBRDC	17,530,651.82		-13,506,867.85	13,506,867.85
Contract Receivable		31,037,519.67		
AP - Various - Deposit	15,661,464.38		-52,776,881.87	52,776,881.87
Accrued Service Fee Receivable		68,438,346.25		
Total	**482,529,125.31**	**503,976,626.91**	**-21,447,501.60**	**111,119,997.83**

LBRDC vs FASU (LANDBANK)

Account	Payable to LBRDC (LANDBANK Books)	Receivable from LANDBANK (LBRDC Books)	Variance (in actual value)	Variance (in absolute value)
AOEP - LBRDC	59,344,018.19		-68,524,028.87	68,524,028.87
A/R - LANDBANK		127,868,047.06		
A/P - LBRDC	1,242,910.78		-3,799,715.48	3,799,715.48
A/R - LANDBANK		5,042,626.26		
TOTAL	**60,586,928.97**	**132,910,673.31**	**-72,323,744.35**	**72,323,744.35**

LBRDC vs LOMD (LANDBANK)

Account	Receivable from LBRDC (LANDBANK Books)	Payable to LANDBANK (LBRDC Books)	Variance (in actual value)	Variance (in absolute value)
Loans to Government Corporation	192,652,682.65			
Due to Parent Corporation - LANDBANK		192,652,682.65	0.00	0.00
Total	**192,652,682.65**	**192,652,682.65**	**-**	**-**

OFB vs AAD (LANDBANK)

Account	Receivable from OFB (LANDBANK Books)	Payable to LANDBANK (OFB Books)	Variance (in actual value)	Variance (in absolute value)
A/R- Subsidiaries-Others	88,355,647.59			
Accrued Other Expenses - Domestic		83,147,215.81	5,208,431.78	5,208,431.78
Total	**88,355,647.59**	**83,147,215.81**	**5,208,431.78**	**5,208,431.78**

Account	Payable to OFB (LANDBANK Books)	Receivable from LANDBANK (OFB Books)	Variance (in actual value)	Variance (in absolute value)
Finance Lease Payment Payable	4,303,499.78			
AR		9,700,486.28	-5,396,986.50	5,396,986.50
Total	**4,303,499.78**	**9,700,486.28**	**-5,396,986.50**	**5,396,986.50**

UCPB Savings Bank (USB) vs AAD (LANDBANK)

Account	Receivable from OFB (LANDBANK Books)	Payable to LANDBANK (USB Books)	Variance (in actual value)	Variance (in absolute value)
A/R- Subsidiaries-Others	26,555,477.48			
AOEP-Seconded Employee		19,130,756.64	7,424,720.84	7,424,720.84
Total	**26,555,477.48**	**19,130,756.64**	**7,424,720.84**	**7,424,720.84**

ULFC vs AAD (LANDBANK)

Account	Receivable from OFB (LANDBANK Book)	Payable to LANDBANK (ULFC Book)	Variance (in actual value)	Variance (in absolute value)
A/R-Res-Others-Various	10,391,858.52			
Accrued Other Expense - Domestic		10,312,307.28	79,551.24	79,551.24
Total	**10,391,858.52**	**10,312,307.28**	**79,551.24**	**79,551.24**

1.10 In addition to the discrepancies noted between LANDBANK and its subsidiaries, we also observed that transactions between two subsidiaries were neither identified, reconciled, and consequently, were not eliminated in the group financial statements. These transactions are considered intragroup transactions and should be fully eliminated in consolidation. The following are the sample transactions we reviewed and compared, but which were not included in elimination entries.

Table 1.3 Intragroup Balance Discrepancies – Subsidiaries vs Subsidiaries

LIBI				
Account	**Receivable from Subsidiary**	**Payable to LIBI**	**Variance (in actual value)**	**Variance (in absolute value)**
AR - LLFC	887,267.24	0.00	981,766.03	981,766.03
AR- LBRDC	94,498.79	0.00		
Total	**981,766.03**	**0.00**	**981,766.03**	**981,766.03**

LBRDC				
Account	**Receivable from Subsidiary**	**Payable to LBRDC**	**Variance (in actual value)**	**Variance (in absolute value)**
Accrued Service Fee Receivable - OFB	807,714.82	0.00	1,490,807.53	1,490,807.53
Accrued Service Fee Receivable - LIBI	637,568.68	0.00		
AR - OFB	45,524.03	0.00		
Total	**1,490,807.53**	**0.00**	**1,490,807.53**	**1,490,807.53**

1.11 In the 2023 audit, the following recommendations were made but remained unresolved:

a. The booking units should identify similar transactions with counterparties and reconcile intragroup balances recorded in their respective centers to eliminate in full the intragroup accounts in the consolidated financial statements at year end;

b. On a quarterly basis, the FAD - Accounting Standards Unit, monitor and prepare eliminating entries, resolve discrepancies and adjust for differences in accounting policies applied by the LANDBANK and the subsidiaries and fully eliminate intragroup accounts by year-end; and

c. Consider inclusion in the guidelines a requirement for uniform accounting policies to be adopted by LANDBANK and its subsidiaries.

1.12 The Administration Accounting Department (AAD) and FAD held meetings with concerned subsidiaries - LBRDC on July 18, 2024, and LLFC on August 7, 2024, considering that a significant portion of accounts involved relates to these entities. The following matters were discussed:

a. The detailed procedures and requirements outlined in SO Order No. 81, including the reconciliation of recorded receivables and payables between

LANDBANK (both Head Office and Branches) and its subsidiaries, as well as the process for retrieving unpaid billings or initiating rebilling if necessary.

b. The need for uniform accounting policies between the LANDBANK (as the Parent) and its subsidiaries, including:

b.1 Coordinated timing and amounts for accruals and related transactions; and

b.2 Joint inspections for construction projects and other relevant areas.

1.13 Following the assessment of inputs from the LBRDC and LLFC, Management determined that the primary difference in accounting policies pertained to the application of PFRS 16. In response, the FAD issued supplemental guidelines through an advisory on October 21, 2024.

1.14 Based on our validation of the LANDBANK's implementation of the CY 2023 audit recommendations, we noted that the submission of quarterly SSIT was not made consistently on a monthly basis and, certain items remained unreconciled as of December 31, 2024, despite the submission of the SSIT for the year ending December 31, 2024. Management explained that significant discrepancies in intragroup balances were also caused by the differences in the accounting policies between LANDBANK and its subsidiaries, which were not yet resolved. A specific example involves the accounting treatment for the construction and renovation projects of LANDBANK branches handled by LBRDC. LBRDC recognizes the receivables as soon as billing statements for the accomplished/completed constructions/renovation projects are issued to PMED. The billings are validated by PMED through inspections and determines the percentage of completion, which is reflected in the Project Inspection and Update Report. This assessed percentage of completion is used as the basis for recording and payment. As a result, discrepancies arise between the LANDBANK and LBRDC's books. Management stated that revisions to the Operations Sector Order will be made to adopt a uniform accounting policy and ensure complete identification of all intragroup transactions, and achieve full elimination of intragroup balances in the consolidated financial statements.

1.15 Due to the incomplete reconciliation efforts and ongoing differences in the accounting policies between LANDBANK and its subsidiaries, the accuracy of the eliminated intragroup transactions in the LANDBANKs consolidated financial statements as at December 31, 2024, totaling P26,203,177,953.10 could not be established, contrary to paragraphs 19 and B86-B87 of the PFRS 10, thus resulting in the incomplete elimination of intragroup transactions in the LANDBANK's consolidated financial statements.

1.16 **We recommended and Management agreed that the:**

a. AAD establish the balances of receivables from and payables to the subsidiaries of various concerned LANDBANK departments/units to reconcile the variances as at December 31, 2024;

b. FAD coordinate with the subsidiaries to identify discrepancies between the accounting policies being used and agree on a uniform

accounting policy for intragroup transactions to ensure full elimination during the year end;

c. SMD include in the revision of the internal policy the elimination of intragroup balances between LANDBANK subsidiaries; and

d. SMD include in Sector Order No. 81 s. 2024 or in an internal issuance adoption of accounting policies to be applied uniformly by the LANDBANK and its subsidiaries in the consolidation of the financial statements.

1.17 Management committed to continue discussions with the subsidiaries to resolve any previously unaddressed policy gaps. In addition, the current OS Order internal guidelines will be revised by Management and elevated to an EO, in coordination with the IAG and CMG, to establish comprehensive and uniform standards across the LANDBANK and its subsidiaries, which subsidiaries will be required to adopt in their internal policies, including but not limited to the following:

a. Adoption of a uniform accounting policy
b. Full identification and elimination of intragroup balances in the consolidated financial statements
c. Clear delineation of duties and responsibilities
d. Strengthened reporting and internal control mechanisms
e. Detailed procedures and, where necessary, imposition of sanctions

1.18 Management informed that they will explore the feasibility of automating the recognition, booking, and reconciliation of intragroup transactions.

1.19 We acknowledge Management's commitment to improve processes related to intragroup transactions and implementations of the recommendations above will be monitored in audit.

2. Detailed and complete information supporting the accruals amounting to P7.189 billion outstanding as of December 31, 2024 could not be provided, casting doubt on the accuracy, validity, and completeness of the recorded accrued obligations, thus, affecting the faithful representation of the Accrued and Other Expenses Payable amounting to P9.315 billion as at year end.

2.1 Paragraph 15 of PAS 1 on Presentation of Financial Statements provides that:

> Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expense set out in the Framework. x x x

2.2 In Paragraph 1.17 of the Conceptual Framework of Financial Reporting, accrual accounting depicts the effects of transactions and other events and circumstances on a reporting entity's economic resources and claims in the periods in which those effects occur, even if the resulting cash receipts and payments occur in a different period. This is important because information about a reporting entity's economic resources and claims and changes in its economic resources and claims during a period provides a better basis for assessing the entity's past and future performance than information solely about cash receipts and payments during that period.

2.3 The Conceptual Framework for Financial Reporting defines a liability and outlines the three conditions that must be satisfied for a liability to be recognized:

> A liability is a present obligation of the entity to transfer an economic resource as a result of past events.
>
> 4.27 For a liability to exist, three criteria must all be satisfied:
> a. the entity has an obligation (see paragraphs 4.28-44.35)
> b. the obligation is to transfer an economic resource (see paragraphs 4.36-4.41); and
> c. the obligation is a present obligation that exists as a result of past events.

2.4 On maintenance of subsidiary records, Section 114 of PD No. 1445 requires subsidiary records to be kept where necessary.

2.5 The subsidiary ledgers submitted by the AAD for the interim periods ending June and September 2024 do not fully report all the transactions recorded in the AOEP during the year, and only the following summary was provided:

Table 2.1 AOEP Balances as at June and September 2024

Particulars	As at June 30, 2024 (PhP)	As at September 30, 2024 (PhP)
General and Admin. Expenses	1,583,946,989.42	1,517,379,857.34
Manpower Costs	6,163,708,856.49	4,658,089,269.35
Provision for year-end Expenses	3,344,271,968.83	4,496,079,600.95
Total	**11,091,927,814.74**	**10,671,548,727.64**

2.6 As at December 31, 2024, the balance of the AOEP is reported as follows:

Table 2.2 AOEP Balance as at December 2024

Particulars	Amount (PhP)
General and Administrative Expenses	1,934,355,192.36
Manpower Costs	3,151,985,769.33
Provision for year-end Expenses	4,229,464,544.25
Total	**9,315,805,505.94**

2.7 For the year-end, the AAD initially made a partial submission of the schedule of accrued expenses totaling to P1,174,581,445.20, which covers the year-end accruals for 2024 including operating expenses, manpower expenses, fixed assets, other intangible assets, and construction projects. On a yearly basis, the AAD issues a memorandum on the guidelines/instructions for the year-end accruals and requires the submission of items for accrual and the following required supporting documents:

Table 2.3 AOEP Required Supporting Documents

Form	Covered transactions	Supporting Documents (as applicable)
2024 – 1A 2024 – 1B Schedule of Accruals – Maintenance & Other Operating Expenses	Operating Expenses • Utilities • Fuels & Lubricants • Office Supplies • Security, Janitorial & Messengerial • Chauffeuring Services • Rentals • Network and Leased Line Facilities • Maintenance Services (repair, etc.) • Business Development Expenses • Advertisements • Travelling Expenses • Information Technology Expenses • Other Obligations of the LANDBANK not listed there	• Purchase Order (PO) • Sales Invoice (SI) • PRF • Travel Order
2024 - 2 Schedule of Accruals – Manpower Expenses (For PAD only)	• Salaries and wages (including overtime, night differential, fringe benefits and other allowances) for ALL Regular LANDBANK employees and directly hired contractuals • LANDBANK's share for GSIS/PF/PHIC and HDMF contributions • Outsourced Manpower Services (OMS) for Head Office and Field Units	Statement of Account (SOA) / Billing Statement (BS) / SI
2024 – 3 Schedule of Accruals – Fixed Assets	• Office Equipment • Furniture & Fixtures • IT Equipment (delivered and accepted)	• SI/SOA • PO • PRF
2024 – 4 Schedule of Accruals – Other Intangible Assets (OIA)	OIA delivered and accepted	• SI/SOA • PO • PRF
2024 – 5 Schedule of Accruals – Construction Projects	• Civil works • Infrastructure Projects • Leasehold Improvements (delivered and accepted)	• SI/SOA • PO • PRF

2.8 On April 30, 2025, the AAD submitted to the Audit Team an updated schedule providing the complete breakdown of the P9,315,805,504.95 accrual in the AAD booking center. Our review revealed that P7,9191,218,871.76 or 85.01 per cent of the total lacked information regarding the dates when the items were accrued and with only the remarks "As of 31 Dec 2024" and "As of December 31, 2023". The schedule also did not indicate specific details such as PO or invoice numbers, the specific billing periods covered, and the concerned units for these billings. The breakdown of these amounts is as follows:

Table 2.4 AOEP Balances booked in AAD

Summary of Transactions (By Nature of Expense) Recorded in AOEP	AOEP Balance in AAD Booking Center as at December 31, 2024 (PhP)	AOEP without information Amount (PhP)
PS		
Basic Salary	8,894,126.49	8,072,241.56
LANDBANK Contribution TO Provident Fund/Housing Fund	1,189,708.70	1,107,520.19
Benefits and Other Fringe Benefits - Others	7,302,055,163.70	7,189,601,571.42
Fringe Benefits Directors	4,096,000.00	-
GSIS, Medicare, EC Prem & HDMF Contribution	1,122,034.19	1,023,408.04
Medical	207,729.15	142,329.15
Overtime	26,856,248.87	2,869,308.89
Representation Allowance	2,486,982.25	1,564,232.25
Sub-total, PS	**7,346,907,993.35**	**7,204,380,611.50**
MOOE		
Advertising and Publication	70,503,439.93	11,275,743.35
Representation Expense - Business Development Expense	9,305,948.67	1,865,132.95
Contractuals	34,080,101.54	33,653,077.77
Documentary Stamp Used	19,092.08	18,517.64
Donation	52,667,375.03	16,346,047.11
Representation Expense – Extraordinary and Miscellaneous Expenses Fund	7,200,460.12	1,966,400.90
Fees and Commission	175,848,955.67	31,427,223.06
Freight Expense	25,027,341.13	9,089,228.19
Fuel, Lubricant	15,378,176.56	8,187,463.72
Info Tech. Expense	586,560,954.19	133,229,551.26
Insurance	11,399,614.10	9,884,032.72
Interest Expense – Finance Lease Payment Payable	607,721.95	117,303.51
Janitorial	7,612,865.95	7,278,690.83
Litigation	982,922.52	968,325.52
Membership Fees & Dues	123,988.08	98,623.24
Miscellaneous Expense	42,640,582.84	35,535,270.70
Management and Other Professional Fees-COA	27,065,891.02	1,409,599.90
Management and Other Professional Fees-Others	27,138,769.10	20,868,769.10
Postage, Cables, Telephone & Telegram	544,032,367.30	280,040,190.42
Periodicals	205,257.00	205,257.00
Power, Light, Water	14,663,598.80	2,031,054.61
Rent	24,601,125.32	12,698,656.84
Repairs & Maintenance – LANDBANK Property	19,511,886.31	5,978,020.44
Repairs & Maintenance – Motor Vehicle	3,596,692.05	594,703.20
Repairs & Maintenance – Other Equipment	35,620,169.83	7,913,179.59

Summary of Transactions (By Nature of Expense) Recorded in AOEP	AOEP Balance in AAD Booking Center as at December 31, 2024 (PhP)	AOEP without information Amount (PhP)
Security, Clerical, Messengerial & Janitorial Service - Others	16,679,970.75	15,961,619.65
Security, Clerical, Messengerial & Janitorial Service - Security	85,690,032.31	13,846,286.95
Seminars & Trainings	22,100,314.13	1,982,670.00
Sports & Athletics	2,753,945.98	132,702.17
Stationery and Supplies Used	94,139,044.93	45,309,758.25
Taxes & Licenses	47,788.92	-
Travel Allowance	2,487,600.00	1,564,850.00
Travelling Expense	8,603,517.49	3,360,309.67
Sub-total, MOOE	**1,971,384,493.85**	**714,838,260.26**
GRAND TOTAL	**9,315,805,504.95**	**7,919,218,871.76**

2.9 Of the foregoing amount of P7,919,218,871.76, a total of 90.97 per cent or P7,204,380,611.50, pertains to PS, with P7,189,601,571.42 attributed to BOFB-Others. These amounts are reported to have been accrued in prior years. The BOFB-Others accrual is composed of the following:

Table 2.5 Breakdown of AOEP Benefits and Other Fringe Benefits - Others

PAYEE	PARTICULARS	PERIOD COVERED	GROSS AMOUNT (PhP)	BOFB – Others (PhP)
Various	VARIOUS BOFB	As of Dec.31, 2024	740,583,000.00	740,583,000.00
Various	VARIOUS BOFB	As of Dec.31, 2024	145,050,643.38	145,050,643.38
Various	VARIOUS BOFB OTHERS OFF/EMP	As of Dec 31, 2023	4,229,464,544.25	4,229,464,544.25
Various	VARIOUS BOFB OTHERS OFF/EMP	As of Dec 31, 2023	1,521,945,004.93	1,521,945,004.93
Various	BOFB OTHERS OFF/EMP - ERIP	As of Dec 31, 2023	552,558,378.86	552,558,378.86
Grand Total				**7,189,601,571.42**

2.10 Aside from the accrual for the ERIP of P552,558,378.86, the said amounts particularly show neither the purpose or the specific type of benefit being accrued nor any references/ source documents against which accruals can be verified, such as but not limited to board resolutions, approvals, billings, invoices and/or claims.

2.11 Of the accrued balances of P7,919,218,871.76, the Audit Team was able to verify source documents supporting P924,258,469.49 only. According to AAD, the supporting documents requested by the Audit Team for validation will be retrieved from the proponent/concerned units as the schedules initially provided did not have complete information. We noted in our review that the memo-guidelines on accruals issued by AAD, FAD and CG to the various units for the years 2017 to 2024 include the instructions for submission of documents to support the year-end accruals. However, only the memo-guidelines for the years CY 2022 to CY 2024 indicated that the basis for recording the accruals shall be the schedules submitted by the units supported by a billing or invoice, purchase order and purchase request form. We also observed that only memo-guidelines for CYs 2023 and 2024 provided instructions for the reversal of accruals, specifying that accruals without corresponding payments as of March for the following year must be reversed. While memo-guidelines were issued by AAD, FAD, CG, we noted the absence of a formal EO that specifically sets the standard procedures and the units/departments or responsible positions involved in the accrual consolidation process at year-end.

2.12 According also to AAD, the majority of the balances that were not cleared or remained outstanding, or not monitored in the AOEP account were due to the incomplete turnover of files from the employees who separated from service through resignation, retirement and early retirement brought about by the major changes in the LANDBANK's organizational structure during and after the acquisition of the OFW Bank and merger with the UCPB. AAD added that these schedules were not monitored until CY 2023, when it issued updated guidelines stating that accrued transactions not yet paid by a certain date should be reversed. The AAD committed to revalidate the AOEP balances and clear out entries that lack adequate support. The basis for the recording and updating of the transactions will be retrieved and revalidated from the proponent units that requested the accruals to determine the validity of the recorded liabilities.

2.13 The amounts accrued could not be verified against supporting documents evidencing receipt of goods or services or any proof of obligations from past events. In the absence of such information and the supporting documents establishing that LANDBANK has valid obligations, these accrued amounts do not meet the third criterion of a liability which is "present obligation" as defined in the Conceptual Framework, thus, casts doubt on the validity of P7,189,601,571.42 of the total P9,315,805,504.95.

2.14 **We recommended and Management agreed that the AAD:**

a. Review the outstanding AOEP balances as of December 31, 2024, to determine which amounts are still valid obligations and which have already been reversed as a prior period adjustment in the CY 2024 financial statements;

b. Maintain complete subsidiary records and supporting documents that serve as the basis for the recording the AOEP entries and ensure these records are maintained until the related accruals are reversed, and regularly update these records to facilitate verification; and

c. Establish a formal guideline for the year-end accrual which should include, among others, the assignment of specific responsibilities for the consolidation of accruals at year-end and, as well as periodic review and monitoring of these accruals to ensure their proper disposition.

3. Loans and Receivables account totaling P1.143 billion, consisting of 1,124 borrowers accounts transferred from UCPB to LANDBANK was not supported with promissory notes and other relevant documents or information that would establish the existence and validity of loans, contrary to Paragraph 2.12 of the 2018 Conceptual Framework for Financial Reporting, thus, affecting the faithful representation of the Loans and Receivables balance of P1.143 billion as at December 31, 2024.

3.1 Paragraphs 2.12 and 2.13 of the 2018 Conceptual Framework for Financial Reporting provides:

> 2.12 Financial reports represent economic phenomena in words and numbers. To be useful, financial information must not only represent relevant phenomena, but it must also faithfully represent the substance of the phenomena that it purports to represent. In many circumstances, the substance of an economic phenomenon and its legal form are the same. If they are not the same, providing information only about the legal form would not faithfully represent the economic phenomenon.
>
> 2.13 To be a perfectly faithful representation, a depiction would have three characteristics. It would be complete, neutral and free from error. Of course, perfection is seldom, if ever, achievable. The Board's objective is to maximize those qualities to the extent possible.

3.2 Pursuant to EO No. 142 dated June 25, 2021, directing the merger between LANDBANK and UCPB, LANDBANK acquired the majority shares of the UCPB, and the latter became the former's subsidiary in September 2021. Subsequently, on March 1, 2022, the merger took effect, with the LANDBANK as the surviving entity, hence, UCPB was dissolved, and its assets and liabilities were transferred to LANDBANK. Among the assets transferred to the LANDBANK were Loans and Receivables amounting to P142,929,577,710.47 as of February 28, 2022, consisting of 85,611 borrowers' accounts.

3.3 In CY 2023, issues were raised regarding the UCPB transferred loan accounts, specifically 8,112 accounts that were not supported with the required loan documents and 5,696 accounts that had not yet undergone physical inventory of their loan documents. Those procedures were essential and should have been completed prior to the merger. The Audit Team then recommended that Management conduct an inventory of the remaining transferred loan accounts from UCPB that have not yet been reviewed and coordinated with the Banking Legal Services Department (BLSD) to take necessary actions as to the possible legal remedies for the accounts without promissory notes (PNs).

3.4 In response, the Lending Support Department (LSD) sought a legal opinion from the BLSD regarding legal remedies for accounts with missing PNs. Based on BLSD's opinion, the following options are available:

a. LANDBANK to send demand letters and/or file the necessary action for collection of sums of money, with the referring unit coordinating with the Litigation Department (LD) for the preparation of necessary documents to support the case, which may include an Affidavit of Lost PN, stating among others, that the note has not been paid or settled, nor sold or otherwise transferred.

b. If the borrowers are updated in their obligation and/or cooperative with LANDBANK, request the said borrowers to simply re-execute the missing PN.

3.5 Also, in response to the audit recommendations then, LANDBANK conducted an inventory of 5,696 accounts that have not previously undergone documentation review, a process pre-requisite to the UCPB-LANDBANK merger. Of the 5,696, 2,236 accounts were found with missing PNs and/or supporting documents. When combined with the 8,112 accounts lacking the required documentation, the total number of undocumented accounts reached 10,348, for which the LANDBANK has committed to implement remedial actions as recommended by the BLSD.

3.6 As of December 31, 2024, Management provided an update on the status and actions taken on the 10,348 borrowers' loan accounts through the Agency Action Plan and Status of Implementation (AAPSI). The following are the details:

Table 3.1 Status of the 10,348 borrowers' loan accounts

No. of Accounts		Remarks
2,345		Closed/fully paid (not migrated in SYMBOLS)
	72	With Supporting PNs/Collaterals Documents
4,814		Written off when migrated to symbols
1,629		Accounts with history of payment transactions from March 2022 to December 2024 in the SYMBOLS system regardless of status.
388		With Supporting PNs/Collaterals Documents
1,172		The last payments recorded were beyond March 2022; Accounts are currently past due in status.
	760	Mostly are Personal loan accounts and managed by LAD 1; accordingly, some of these accounts have been referred to a collection agency.
	412	Mostly Real Estate, Auto loan and Trade accounts and managed by LRD 2; accordingly, collection/demand letters were already sent to some of these accounts.
10,348		**TOTAL**

3.7 Based on the Audit Team's validations, 1,172 accounts lacked supporting loan documents or showed no payment history following the merger. In line with the recommendation of BLSD, LANDBANK issued collection or demand letters to the borrowers. To verify this, the proof of issuance of these collection/demand letters was requested. LANDBANK provided transmittal slips of the collection letters sent and hardcopy memoranda for endorsement to the collecting agencies, which included lists of the accounts endorsed. Of those submissions, we have verified only 48 supported with transmittal letters as proof of sending of collection letters to clients. The others were not confirmed as the transmittal slips and memoranda appeared to reference broad account listings rather than those directly related to the receivables subject of the audit observations. We further recommended LANDBANK to provide lists specifically identifying accounts to whom collection letters were sent. Of the submissions made by RBG and LRD, the Audit Team was able to establish 292 accounts that remain unaccounted, that is, without documentations submitted to prove their existence.

3.8 While we acknowledge the Management's efforts and actions taken regarding the borrowers' accounts, including securing of PNs and collateral documents, and sending collection letters to certain borrowers, the lack of adequate support for the remaining 1,124 borrowers' accounts casts doubt on the validity and existence of those accounts. As a result, the faithful representation of the Loans and Receivable balance as of December 31, 2024, remains doubtful.

3.9 **We recommended and Management, through the LOMD, LAD and LRD, agreed to complete accounting for the 1,124 accounts, including sending demand letters and/or filing the necessary action for collection of sums of money as one of the LANDBANK's legal remedies for accounts with missing PNs.**

3.10 Management has committed to identify the units or departments responsible for the 1,124 accounts to ensure that all accounts are properly accounted for.

4. A total of 2,893 dormant deposit accounts, which include 2,450 private deposit and 443 Government, "With Hold Instruction" and pension dormant deposit accounts, comprising P105.406 million Domestic, $8,927.33 FCDU and ¥33.047 million Third Currency Deposits, that had been inactive for 10 to 30 years were not reclassified to the Other Credits – Unclaimed Balances account, contrary to the definition of Unclaimed Balances under the BSP's FRP and Section C.3.d of the Branch Operations Manual on Handling Dormant Deposit Accounts, thus, resulting in an overstatement of the Deposit Liabilities and an understatement of Other Credits – Unclaimed Balances accounts by the same amounts as at December 31, 2024.

4.1 RA No. 3936, as amended by PD No. 679 dated April 2, 1975, requires that banks, trust corporations and building and loan associations transfer unclaimed balances held by them to the Treasurer of the Philippines, as hereunder quoted:

> Section 1. "Unclaimed Balances", within the meaning of this Act, shall include credits or deposits of money, bullion, security or other evidence of indebtedness of any kind and interest thereon with banks, buildings and loan associations and trust corporations, as hereinafter defined, in favour of any person known to be dead or who has not made further deposits or withdrawals during the preceding ten years or more. Such unclaimed balances, together with the increase and proceeds thereof, shall be deposited with the Treasurer of the Philippines to the credit of the Government of the Republic of the Philippines. X x x.

4.2 On the other hand, the BSP FRP defines unclaimed balances as:

> (d) Unclaimed Balances – This refers to the other credits held by the bank in favor of persons known to be dead or unheard from during the preceding ten (10) years or more which have not been reported to the Treasurer of the Philippines pursuant to the provisions of the Unclaimed Balances Act (Act No. 3936, as amended).

4.3 Schedule 22.4 - Deposit Liabilities – Classified as to Type of Deposit of the FRP, BSP's chart of accounts for banks, defines Dormant Accounts as:

> Dormant Accounts – Xxx. Dormant accounts shall refer to deposit accounts which have no activity (deposits or withdrawals) for a period specified by the Board of Directors of the bank but which in no case shall be less than two (2) years or one (1) year for savings and demand deposits, respectively.

4.4 For guidance, the LANDBANK has issued its Branch Operations Manual. Section A.1 - Classification to Dormant Status outlines the handling of dormant accounts:

a. The following accounts shall be classified as dormant:

a.1 CA without financial transaction initiated by the depositor such as deposit, encashment or ICC negotiation for a period of one (1) year

a.2 SA without financial transaction initiated by the depositor such as deposit or withdrawal for a period of two (2) years

4.5 Section A - General Guidelines of Chapter 6 in the Special Instructions on Deposit Accounts of the LANDBANK Branch Operations Manual details the following procedures:

A. SPECIAL INSTRUCTIONS, ARRANGEMENTS OR AGREEMENTS

1. All special instructions, arrangements or agreements affecting deposit accounts shall always be covered by a written documentation from the requesting party.

2. Said documentation shall be:
   a. Stamped/noted with the date and time of receipt by the Branch;
   b. Signature verified and confirmed as authentic by the DE; and;
   c. Approved by the BH upon confirmation of relevant data such as details of instruction, duration of agreement.

3. Based on written instruction/document, the BOO/BSO shall tag the account in FIAS terminal as either Hold/with SPO or other special instruction taking into consideration the expiration date specified in the request.

4.6 On Handling of Dormant Deposit Accounts, Section C of Chapter 8 of the Branch Operations Manual prescribes:

1. Xxx

2. Every end of November, TMG shall generate Unclaimed Balances Report (with Report ID STUNCLMD for SA, and IMUNCLMD for CA) to identify the Peso and Dollar accounts which have no financial transaction initiated by/for the depositor for at least ten (10) years.

3. For Peso and Foreign Currency Accounts, the Branch of Account shall:

   a. Manually debit the balance of the dormant account;

   b. Zero out any interest accrued for the account through Interest Adjustment screen (ST60 for SA and IM60 for CA);

   c. Close the account through Change Status screen (ST23) for SA and DDA Maintenance screen (IM2A) for CA; and

d. Reclassify the account as "Other Credits - Unclaimed Balances" account, for both Peso and Foreign Currency Deposit accounts after ten (10) years from the date of last transaction every 1st banking day of December.

Note: Government Accounts shall be excluded from the reclassification of Dormant Accounts to "Other Credits – Unclaimed Balances" account.

4. The Branch of Account shall prepare the SUBA (Exhibit 8.10) every December to document the details of dormant accounts which have already been removed from the books of the Branch and are subject for escheatment.

Dormant Private Deposit Liabilities for Domestic, FCDU, and Third Currency Accounts

4.7 Review of the Schedule of Dormant Accounts for LANDBANK branches revealed that 2,450 dormant deposit accounts comprising Domestic, FCDU and Third Currency amounting to P79,575,039.71, $3,523.92 and ¥161,390.53, respectively, had not been reclassified from Deposit Liabilities account to Other Credits – Unclaimed Balances account despite remaining inactive for 10 to 30 years as of November 30, 2024.

Table 4.1 Dormant Deposits Liabilities

Region	No. of Branches	Domestic (Php)		FCDU ($)		Third Currency (¥)	
		No. of Accounts	Sum of Balances	No. of Accounts	Sum of Balances	No. of Accounts	Sum of Balances
NCR	37	1,534	27,105,830.20	2	254.62	1	161,390.53
1	2	67	2,534,319.88	2	2,959.56	0	0.00
3	1	152	4,480,931.59	0	0.00	0	0.00
4A	1	3	54,007.72	0	0.00	0	0.00
4B	2	23	1,742,974.69	0	0.00	0	0.00
5	4	210	4,951,381.14	2	196.31	0	0.00
7	1	2	20,557.09	0	0.00	0	0.00
8	5	65	8,407,967.50	0	0.00	0	0.00
9	8	349	10,814,812.32	0	0.00	0	0.00
10	9	37	19,462,257.58	1	113.43	0	0.00
Total	**70**	**2,442**	**79,575,039.71**	**7**	**3,523.92**	**1**	**161,390.53**

4.8 BSOs of the concerned branches disclosed that reclassification of the identified dormant accounts were not performed before year-end because those accounts were not included in the Unclaimed Balance Reports, which were generated by the Branches from IDRARS as of November 30, 2024. These Unclaimed Balance Reports contain the following information:

a. Account Number
b. Account Name
c. O/S Balance
d. Date Dormant

4.9 Further inquiries disclosed that the branches generate a monthly Schedule of Dormant Accounts report from the IDRARS. This includes the ST Dormant for Savings

Account (Peso and Dollar) and IM Dormant for Current Accounts. These reports are used to check and review the dormant accounts for reclassification to Other Credits-Unclaimed Balances account. The ST Dormant and IM Dormant reports contain the following information:

a. EACCTNO – Account Number
b. NAME – Name of the Depositor such as Government Agencies, Individual, etc.
c. CURBAL – Current Balance
d. DTEDRM – Dormant Date

4.10 Validation by the Audit Team disclosed that both the Unclaimed Balance Report and the Schedule of Dormant Accounts only reflect the date when an account was tagged as dormant. This classification is determined after two years of inactivity for savings accounts and one year for demand deposit accounts, in accordance with Schedule 22.4-Deposit Liabilities of BSP's FRP. However, the IDRARS does not capture the date of the last transaction or activity of the account when generating the Schedule of Dormant Accounts and Unclaimed Balance Report. As a result, Branches are required to manually verify the last transaction or activity date using the FIAS to identify dormant accounts that should be reclassified as Other Credits – Unclaimed Balances. This manual process is tedious due to the large number of transactions processed by the Branches. The date of the last transaction or activity is critical as it serves as the basis for both the dormancy period which is two years of inactivity for savings account and one year for demand deposit account, and the ten-year timeline for reclassification to Other Credits – Unclaimed Balances.

4.11 It was further noted that no reclassification was also made for dormant current accounts due to system issues encountered by the Branches within the LANDBANK Tellering System (LBTS).

4.12 The limitation in the information captured and provided by the IDRARS, specifically the date of the last transaction or activity of the account, affect the accuracy of the reports such as the Unclaimed Balance Report and Schedule of Dormant Accounts. These short comings contribute to the recurring issue of the non-reclassification of dormant deposit accounts from Deposit Liabilities account to the Other Credits-Unclaimed Balances account. As a result, there is an overstatement of the Deposit Liabilities account and an understatement of Other Credits – Unclaimed Balances account totaling P79,575,039.71 for Domestic accounts, \$3,523.92 for FCDU accounts and ¥161,390.53 for Third Currency Deposit accounts as of December 31, 2024, contrary to the definition of BSP's FRP definition of Unclaimed Balances and Section C.3.d of the Branch Operations Manual on Handling Dormant Deposit Accounts, which requires that all dormant accounts for both Peso and Foreign Currency Deposit accounts be reclassified to Other Credits - Unclaimed Balances" account after 10 years of inactivity, every 1st banking day of December.

Dormant Government, With Hold Instruction, and Pension Accounts

4.13 As validated by the Audit Team, a total of 443 government accounts, pension accounts and accounts tagged as "With Hold Instruction" were also not reclassified by the concerned LANDBANK Branches to the Other Credits-Unclaimed Balances account even if these accounts were already dormant for more than 10 years from the date of last transaction. The summary is as follows:

Table 4.2 Government Deposit Accounts

Region	No. of Branches	Domestic (Php)		FCDU ($)		Third Currency (¥)	
		No. of Accounts	Sum of Balances	No. of Accounts	Sum of Balances	No. of Accounts	Sum of Balances
NCR	22	92	12,472,810.66	2	5,273.41	1	32,885,533.95
8	2	9	834,868.25	0	0.00	0	0.00
Total	**24**	**101**	**13,307,678.91**	**2**	**5,273.41**	**1**	**32,885,533.95**

Table 4.3 With Hold Instruction Accounts

Region	No. of Branches	Domestic (Php)		FCDU ($)	
		No. of Accounts	Sum of Balances	No. of Accounts	Sum of Balances
NCR Central	7	56	8,125,977.03	1	130.00
NCR North	1	1	26,824.14	0	0.00
NCR South	6	18	1,118,917.47	0	0.00
Total	**18**	**75**	**9,271,718.64**	**1**	**130.00**

Table 4.4 Pension Accounts

Region	No. of Branches	Domestic (Php)	
		No. of Accounts	Sum of Balances
NCR Central	5	16	1,975,235.75
NCR South	2	247	1,276,577.65
Total	**7**	**263**	**3,251,813.40**

4.14 Branch personnel explained that they did not reclassify the accounts tagged as Government due to the guidance in LANDBANK EO No. 087 Series of 2017 and Chapter 8 of Branch Operations Manual (revised on June 2021), which both provide specific guidelines in handling dormant deposit of accounts and clearly state:

> Note: Government Accounts shall be excluded from the reclassification of Dormant Accounts to "Other Credits – Unclaimed Balances" account.

4.15 Moreover, a Memorandum dated June 13, 2022, from BBSD addressed to all Heads of Branches/Branch-Lite Units provides:

> c) Government Accounts, Garnished Accounts, Frozen Accounts, and those in Escrow are exempted from reclassification;

4.16 It is important to emphasize that neither the BSP's FRP nor Section 1 of PD No. 679 allows any exemptions for certain dormant deposits classified as unclaimed balances.

4.17 In its reply, the OGH of South NCR explained that according to a legal opinion from the BLSD, government deposit accounts are excluded from being reclassified to Other Credits-Unclaimed Balances account due to BLSD's Opinion dated February 7, 2013 which states that deposits of government offices and agencies that become dormant are not covered by Section 7 of Act No. 3936, as amended by PD No. 679, but rather governed by PD No. 1445 (Government Auditing Code of the Philippines), which serves as the basis for EO No. 431, series of 2005. The OGH also cited the following:

xxx Section 65 of PD 1445 provides for the creation of a PC to issue rules and regulations pertaining to the amounts received in trust and from business-type activities of government agencies.

Xxx As stated, the amounts received in trust and from business-type activities of government agencies shall be disbursed in accordance with the rules and regulations to be issued by the PC, which opined by BLSD that the disbursement of the said amounts necessarily includes the disposition of those maintained as government deposit accounts with AGDBs.

Xxx With the foregoing, there appears to be an overlap of the laws governing dormant government deposit accounts. BLSD opined that the apparent inconsistency between the two subject laws should resolved in favour of PD 1445, the law upon which the creation of the PC was based, as the law that governs the handling of dormant government deposit accounts.

4.18 Relevant provisions of EO No. 431 dated May 30, 2005, Directing the Reversion All Dormant Accounts, Unnecessary Special and Trust Funds to the General Fund and For Other Purposes, state:

Section 1. The Permanent Committee (PC), created pursuant to Sec. 45 Chapter 5, Book VI of the Administrative Code of 1987, consisting of the Secretary of Finance as Chairman, Secretary of Budget and Management, and the Chairman of the Commission of Audit as members, is hereby mandated to examine, look into and evaluate all existing cash deposits of whatever nature, whether foreign or local currency, maintained outside of the Bureau of Treasury with authorized government depository banks and other institutions by departments, bureaus and all other agencies of the National Government.

Section 2. The PC shall review and determine the legal basis for the maintenance of said funds with authorized government depository banks or other institutions where the funds are deposited. The PC shall prepare an inventory of the cash accounts of each and every department, bureau and agency of the National Government and shall recommend to the President the transfer thereof to the National Treasury where no legal impediment exists pursuant to the provisions of Sections 44 and 45 Chapter 5, Book VI of the Administrative Code of 1987.

Xxx

Section 4. The PC is hereby directed to issue the necessary rules and regulations for the proper and efficient implementation of this Order.

4.19 Pursuant to EO No. 431, the PC issued JC No. 4-2012 dated September 11, 2012, detailing the implementing rules and regulations. As stated in Item 5.5.1 of the Circular, the PC shall require the immediate transfer of the cash balances from authorized accounts maintained with AGDBs and other banks, to the National Treasury.

4.20 Relative to JC No. 4-2012 dated September 11, 2012, COA issued Circular No. 2015-001 dated January 29, 2015 directing the Heads of the Accounting Unit of National

Government Agencies to conduct thorough analysis of their cash accounts including accounts for collections deposited/maintained in AGDB that have remained inactive or no transactions other than periodic bank charges based on the existing regulation of the BSP. It also includes special and trust funds maintained by government agencies with AGDBs without valid claimants, no longer necessary for the purposes the accounts were established/received and/or relating to projects that have been completed, terminated, cancelled or abandoned.

4.21 Validation of the Audit Team disclosed that several accounts under the NCR Central Branches tagged in the FIAS terminal as "With Hold Instruction" or other special instructions, aggregating P8,125,977.03 in Peso and $130.00 in FCDU, lacked essential details such as expiry dates and instead are marked as '999' in the system, which is not in compliance with Chapter 6 of Branch Operations Manual. As of report date, the Branch has not received any written instructions from the account holders to untag the hold status in the FIAS terminal. Also, written documentations from clients requesting the hold status on these accounts were not presented to the Audit Team for verification.

4.22 For accounts tagged as Pension, these are governed by a SLA between LANDBANK and GSIS where it is provided that "Closing of member's and pensioner's account shall not be allowed unless a notice is received from GSIS through office email, personal delivery, or facsimile." This concern was referred by the LANDBANK GSIS Branch to BLSD on April 2, 2024, seeking legal opinion on whether the SLA can overrule the Escheatment Law under PD No. 679. However, no response has been received to date.

4.23 It is emphasized, however, that PD No. 679 holds greater legal authority and therefore overrides any conflicting provisions in a SLA, in accordance with the established hierarchy of legal authorities.

4.24 The non-reclassification of dormant deposit accounts tagged as Government, Pension and With Hold Instructions from Deposit Liabilities account to Other Credits-Unclaimed Balances account resulted in an overstatement of the Deposit Liabilities and an understatement of Other Credits – Unclaimed Balances accounts both by P25,831,210.95 for Domestic, $5,403.41 for FCDU and ¥323,885,533.95 for Third Currency Deposit, respectively, as of December 31, 2024, contrary to the BSP's FRP definition of Unclaimed Balances and Section C.3.d of the Branch Operations Manual on handling dormant deposit accounts.

4.25 Therefore, a total of 2,893 dormant deposit accounts, which include 2,450 private deposit and 443 Government, "With Hold Instruction" and pension dormant deposit accounts, comprising P105.406 million Domestic, $8,927.33 FCDU and ¥33.047 million Third Currency Deposits, that had been inactive for 10 to 30 years, were not reclassified to the Other Credits – Unclaimed Balances account, contrary to the definition of Unclaimed Balances under the BSP's of FRP and Section C.3.d of the Branch Operations Manual on Handling Dormant Deposit Accounts, thus resulting in an overstatement of the Deposit Liabilities and an understatement of Other Credits – Unclaimed Balances accounts by the same amounts as at December 31, 2024.

4.26 **We recommended and Management agreed that:**

a. **Branches concerned:**

a.1 reclassify private and untagged dormant deposit accounts amounting to P79,575,039.71 for Domestic, $3,523.92 for FCDU and ¥161,390.53 for Third Currency Deposit, that have been inactive for 10 years or more, to the Other Credits-Unclaimed Balances account, pursuant to the BSP's FRP definition of Unclaimed Balances and Section C.3.d of the Branch Operations Manual concerning handling dormant deposit accounts;

a.2 for dormant accounts tagged as Pension accounts, reclassify inactive balances amounting to P3,251,813.40 for Domestic, which have been inactive for 10 years or more, in accordance with the BSP's FRP definition of unclaimed balances and Section C.3.d of the Branch Operations Manual on Handling Dormant Deposit Accounts;

a.3 locate relevant documentations for Hold or other special instruction accounts and coordinate with the concerned departments to determine the status, including whether such arrangements have been cancelled or terminated; and

a.4 validate and coordinate with the concerned government agencies that own the accounts to confirm the purpose of the account opening and verify whether the existing Memorandum of Agreement include provisions regarding the return of unused dormant funds to the respective government agencies or departments.

b. **SID, the User Administrator of IDRARS:**

b.1 enhance the system *to* include features that capture the date of the last transaction or activity to ensure that all accounts eligible for reclassification to Other Credits-Unclaimed Balances account in accordance with the provisions in BSP's FRP and Section 1 of PD No. 679, are completely reported in the Unclaimed Balance Report;

b.2 implement tagging for Government and Hold accounts to ensure accurate and separate classification of dormant accounts that have been inactive for 10 years or more;

c. SMD revisit Section C of Chapter 8 of the Branch Operations Manual, which currently excludes Government Accounts from being reclassified to Other Credits – Unclaimed Balances account, to ensure compliance with the FRP of BSP and Section C.3.d of the manual;

5. The existence, accuracy, and completeness of Bank Premises, Furniture, Fixture and Equipment (BPFFE) account for the NCR and Regional Branches with a total carrying amount of P1.669 billion as at December 31, 2024, could not be ascertained due to the inclusion of properties that were unserviceable, cannot be located and certified ready for use by the Branches but not recorded in the books.

Unserviceable Properties

a. A total of 626 properties from 117 NCR and Regional Branches with acquisition cost amounting to P138.771 million were identified and validated as unserviceable, but remain recorded under the BPFFE account. This is contrary to LANDBANK EO No. 038, series of 2023 which require their reclassification to the Miscellaneous Assets-Others account, thus, resulted in misstatements of BPFFE and Miscellaneous Asset-Others account by P9.790 million and P6.633 million, respectively, as of December 31, 2024.

5.1 Pertinent provisions of LANDBANK EO No. 038, Series of 2023 on Revised Guidelines on Accounting for BPFFE states:

6. Assessment of Assets

All assets shall be assessed during the conduct of the annual physical inventory (done every 4th quarter of the year – Guidelines on Impairment of Assets) to review:

a. X x x
b. X x x

c. Status – whether the asset is unserviceable/obsolete awaiting final disposition or serviceable but no longer be used, in which case, the asset shall be reclassified to "Miscellaneous Assets – Others" account at its residual value. Any difference from the residual value and the carrying amount shall be booked as Impairment Loss – BPFFE. The annual inventory report of PSO (for FUs)/FMD (for HO and NCR Units) shall be provided to FAUs/AAD to serve as basis in the reclassification of assets.

X x x

5.2 Review and validation of the Schedule of Report on the Physical Count of Property, Plant and Equipment as of December 31, 2024 showed that 626 LANDBANK properties were indicated as unserviceable, with the following details:

Table 5.1 Unserviceable Properties

Regions	Branches	No. Of Properties	Acquisition Cost	Net Book Value	Residual Value
NCR Branches	33 Branches	85	14,295,781.27	909,339.33	586,713.98
Region I	9 Branches	41	10,709,494.96	781,134.89	525,044.06
Region II	10 Branches	75	16,554,727.84	1,011,699.85	816,651.18

Regions	Branches	No. Of Properties	Acquisition Cost	Net Book Value	Residual Value
Region III	18 Branches	133	33,395,552.70	2,494,226.89	1,866,301.05
Region IV	2 Branches	15	4,277,586.26	213,879.35	213,879.35
Region V	3 Branches	40	7,641,028.14	1,012,492.07	372,914.71
Region VI	4 Branches	26	5,843,349.10	506,792.89	265,723.77
Region VIII	7 Branches	31	6,125,476.96	328,618.15	302,999.86
Region IX	4 Branches	41	8,349,352.59	398,560.08	388,567.03
Region XI	10 Branches	55	16,313,355.99	809,925.58	603,664.20
Region XII	10 Branches	52	7,406,870.17	572,223.80	385,365.46
Region XIII	4 Branches	14	3,933,271.02	593,885.81	139,463.31
BARMM	3 Branches	18	3,924,817.94	156,990.07	165,840.90
GRAND TOTAL	117 BRANCHES	626	138,770,664.94	9,789,768.76	6,633,128.87

5.3 Despite being classified as unserviceable, these assets, with acquisition cost and net book value amounting to P138,770,664.94 and P9,789,768.76, respectively, had not been reclassified to the Miscellaneous Assets - Others account as at December 31, 2024, contrary to paragraph 6.c of LANDBANK Executive Order No. 038, Series of 2023, which outlines the Revised Guidelines on Accounting for BPFFE.

5.4 The continued recognition of these unserviceable properties under the BPFFE account, resulted in the net overstatement of the BPFFE account by P9,789,768.76 and an understatement of the Miscellaneous Assets - Others account by P6, 633,128.87 as at December 31, 2024.

Unlocated Properties

b. A total of 122 properties with an acquisition cost and net book value of P20.155 million and P0.919 million, respectively, that were categorized as "Unlocated" were still recorded as BPFFE instead of AR-BOE thus, resulting in a net overstatement of the FFE account and a net understatement of A/R-BOE account by P919,403.09 as at December 31, 2024.

5.5 Paragraphs 4.3 to 4.4 of the Conceptual Framework for Financial Reporting defines an asset as:

> 4.3 An asset is a present economic resource controlled by the entity as a result of past events.
>
> 4.4 An economic resource is a right that has the potential to produce economic benefits.

5.6 Paragraph 8 of LANDBANK EO No. 038, Series of 2023 also provides guidelines on derecognition as follows:

> a. The asset shall be derecognized or taken out from the books of the Bank:

X x x

3. When the asset is lost by the accountable officer/employee and shall be accounted as follows:

X x x

3. Upon knowledge/discovery of the loss, the cost of the asset and the related accumulated depreciation and impairment loss shall be derecognized, and an "A/R-BOE" account shall be booked using the current fair value of the lost asset. Any difference between the carrying amount and the current fair value shall be charged to 'Gains/(Losses) from Sale/Derecognition of Non-Financial Assets - Bank, Premises, Furniture, Fixture and Equipment" account.

5.7 Review of the Schedule of BPFFE and the list of unlocated assets submitted by LANDBANK Branches following the annual physical inventory mandated by LANDBANK EO No. 038, Series of 2023 identified a total of 122 unlocated LANDBANK properties with an aggregate acquisition cost of P20,154,818.77 and a net book value of P919,403.09, that have remained recorded under the BPFFE account as of December 31, 2024.

Table 5.2 Unlocated properties in BPFFE account

REGIONS	BRANCHES	NO. OF PROPERTIES	ACQUISITION COST	NET BOOK VALUE	RESIDUAL VALUE
NCR	España	1	130,691.02	6,534.55	6,534.55
	Malacañang	4	582,764.58	29,138.23	29,138.23
	Tayuman	3	275,304.56	13,765.22	13,765.22
	DOTC	3	961,533.10	48,076.66	48,076.66
	Pasig Capitol	19	1,681,774.41	64,195.32	64,195.32
REGION III	CAB Maharlika	1	264,751.35	13,237.57	13,237.57
	Iba	23	2,925,685.86	98,738.45	98,738.45
	Subic	4	3,335,685.83	73,237.05	73,237.05
REGION IV	Cainta	3	291,284.32	291,284.32	14,564.22
	Lucena	5	638,680.00	31,934.00	31,934.00
	San Jose	1	550,000.00	1.00	1.00
	Sto. Tomas	3	388,585.03	3.00	3.00
	Tanay	3	270,980.46	13,549.03	13,549.03
REGION IX	Basilan	10	833,398.10	41,669.91	41,669.91
	Jolo	15	1,477,780.78	56,206.88	56,206.89
	KCC Mall de Zamboanga	11	3,239,633.78	82,864.84	82,864.84
REGION XI	Bajada	6	1,406,585.03	41,580.25	41,580.25

REGIONS	BRANCHES	NO. OF PROPERTIES	ACQUISITION COST	NET BOOK VALUE	RESIDUAL VALUE
REGION XIII	Butuan	5	664,700.56	10,135.81	10,135.81
BARMM	Parang	2	235,000.00	3,251.00	3,250.00
GRAND TOTAL	**19 BRANCHES**	**122**	**20,154,818.77**	**919,403.09**	**642,682.00**

5.8 Inquiries with some of the designated PSOs disclosed that they could not locate the missing properties because these had already been missing even prior to their designation and no formal turnover of properties and related documents was conducted by the current PSOs. As a result, it was not possible to identify the employee accountable for the application of Paragraph 8.a.3 of LANDBANK EO No. 038, Series of 2023.

5.9 Section 102 of PD No. 1445, the Government Auditing Code of the Philippines, provides the Guidelines for Accountability and Responsibility for Government Funds and Properties. It states that the Head of any Agency of the government holds immediate and primary responsibility for all government funds and properties within their agency. In addition, the persons entrusted with the possession or custody of such funds or property are directly accountable to the agency head, without prejudice to the liability of either party to the government.

5.10 Consequently, in the absence of any accountability documentation, the Head of the Agency or, in this case, the Branch Heads at the time the property is found missing, as be deemed primarily accountable for any missing properties. It is within their authority to ensure the proper turnover of accountability for all funds and properties under their supervision, which the prevailing circumstances reasonably require.

5.11 The continuous inclusion of these assets as BPFFE has resulted in an overstatement of the BPFFE account by a net amount of P919,403.09, and a net understatement of the A/R-BOE account by the same amount as of December 31, 2024.

5.12 Also, unlocated assets, by their nature, are not considered present economic resources because they are neither accessible nor under the control of the branches, and lack the capacity to produce economic benefits. Without being utilized or derived benefits from, these assets do not meet the criteria for asset recognition outlined in paragraphs 4.3 to 4.4 of the Conceptual Framework for Financial Reporting.

Unrecorded Properties

c. A total of 315 properties with an acquisition cost of P22.120 million, certified ready for use in 12 Branches are not recorded in their books, contrary to the recognition criteria under LBP EO No. 038, thus, understating the FFE account by P22.120 million.

5.13 Paragraph B.2 – General Guidelines of the LANDBANK EO No. 038 Series of 2023 states:

2. Recognition

xxx

h. Recognition of assets in the books of the Bank (xxx) shall be made upon information that the asset is ready for use or upon actual delivery/occupancy per certification issued by the Property Supply Officer (PSO) and Department/Unit Head.

Said Certification shall be submitted to the Procurement Department/ AAD or to Field Accounting Units (FAU) within five (5) banking days.

Note: Existing rules on administrative disciplinary measures shall be observed in case of non-compliance

5.14 Review of the Schedule of BPFFE and the list of unrecorded assets submitted by LANDBANK Branches following the annual physical inventory mandated by LANDBANK EO No. 038, Series of 2023 identified 315 properties that were delivered and/or installed in LANDBANK premises and certified as ready for use but were not recognized under the BPFFE account as of December 31, 2024, in violation of Paragraph B.2 of LANDBANK EO No. 038, Series of 2023.

Table 5.3 FFE certified as in use but not recorded

Regions	Branches	No. of Properties	Acquisition Cost
NCR	Malacañang	1	239,324.00
NCR	T.M. Kalaw	1	56,475.00
NCR	Pasig C. Raymundo	1	640,886.96
Region I	Tagudin	1	200,000.00
Region III	Cabanatuan	4	317,600.00
Region IV	Cainta Junction	2	217,650.00
	Dasmariñas Pala Pala	1	110,000.00
	Odiongan	2	5,294,238.18
	Sablayan	1	388,595.00
	UP Los Baños	1	UNDETERMINED
Region IX	Jolo	6	UNDETERMINED
	KCC Mall de Zamboanga	8	UNDETERMINED
Region XI	Calinan	46	UNDETERMINED
	Monkayo	28	3,613,324.38
	Sto. Tomas **	189	6,849,474.10
Region XII	Koronadal Highway	1	UNDETERMINED
	Pioneer	20	3,355,861.59
Region XIII	Butuan	1	195,950.00
	Surigao San Nicolas	1	640,886.96
Grand Total	**19 Branches**	**315**	**22,120,266.17**

5.15 The PSOs explained that they were not able to submit to the Accounting Units the complete documentary requirements, including the Certification that the asset is ready for use for recording the said properties. This was partly due to the non-availability of the Invoice Receipt of Property from the IDRARS, IOA and PTS from the AAD and FMD. The delays in transmitting these necessary documents from the concerned units to the Branches caused the existence of unrecorded properties at year end.

5.16 Moreover, the lack of supporting documents during the turnover of property from the closed Tomas Mapua Branch to T.M. Kalaw Branch contributed to these properties not being recorded as of December 31, 2024.

5.17 Furthermore, the lack of clear and updated guidelines on property management particularly regarding the proper turnover of properties and related documents between outgoing and incoming accountable officers at the Branches contributed to the loss of documents related to the unrecorded properties.

5.18 The presence of unserviceable, unlocated, unrecorded properties affected the faithful representation of the balance of BPFFE account as at December 31, 2024.

5.19 **We recommended and Management through the LBP Branches agreed to:**

> **a. Reclassify the unserviceable assets to Miscellaneous Assets – Others account in accordance with Paragraph 6.c of LANDBANK EO No. 038;**
>
> **b. Identify the accountable persons for the missing/unlocated assets and require them to settle their accountabilities, and make the necessary reclassification entry from BPFFE to A/R-BOE. In the absence of any documentation regarding accountability, the Branch Head at the time the asset is discovered lost, and deemed primarily accountable for the missing properties;**
>
> **c. Request submission by the concerned units of the lacking/missing documents pertaining to the unrecorded properties, and prepare the necessary journal entries to record the unrecorded properties; and**
>
> **d. Update guidelines to include the proper turnover of properties and related documents from outgoing to incoming accountable officers ensuring a seamless transfer of properties and accountability for all documents related to the Branch/EO's property.**

B. NON-FINANCIAL ISSUES

6. The non-disposal of 626 unserviceable properties of 117 NCR and Regional Branches, with acquisition cost amounting to P138.771 million is contrary to Section 79 of PD No. 1445, thus exposing the properties to further deterioration that could reduce their residual values and result in undue risk of loss.

6.1 On disposition of unserviceable properties, Section 79 of PD No. 1445 on Destruction or Sale of Unserviceable Properties, states:

> When government property has become unserviceable for any cause, or is no longer needed, it shall, upon application of the officer accountable therefore, be inspected by the head of the agency or his duly authorized representative in the presence of the auditor concerned, and, if found to be valueless or unsalable, it may be destroyed in their presence. If found to be valuable, it may be sold at public auction to the highest bidder under the supervision of

the proper committee on award or similar body in the presence of the auditor concerned or other duly authorized representative of the Commission x x x.

6.2 Review and validation of the Schedule of Report on the Physical Count of Property, Plant and Equipment as of December 31, 2024, showed that 626 LANDBANK properties with acquisition cost of P138.771 million and net book value of P9.790 million were indicated as unserviceable.

6.3 No proceedings have been undertaken to dispose of the unserviceable properties in accordance with Section 79 of PD No. 1445. There has been no inspection to determine whether the properties are valueless or unsalable, nor any decision on whether they should be destroyed, sold at public auction, or otherwise disposed of through other means permitted by law. As a result, the continued storage of these items exposes them to further deterioration, reducing their residual value, which may result in undue risk of loss.

6.4 **We recommended and LBP Branches agreed to undertake the disposal of unserviceable properties in accordance with Section 79 of PD No. 1445, to maximize any realizable value from its disposal.**

7. The delayed submission of Delivery Receiving Reports by the procuring units as bases for the recording of furniture, fixtures and equipment (FFE), contrary to LBP EO No. 008, series 2013, resulted in the delayed recognition of FFE amounting to P85.280 million and the corresponding depreciation.

7.1 Paragraph 2.d, Part E, Duties and Responsibilities, of LBP EO No. 008, series of 2013 provides that "ProcD shall prepare the DRRs and submit to AAD within 24 hours from acceptance of delivered items."

7.2 This directive was reiterated and updated by the ProcD through a memorandum dated May 27, 2024, stating that all procuring units shall be responsible in submitting the Delivery Receiving Reports (DRRs) to COA, AAD and FMD within 24 hours after the acceptance of deliveries of goods and services, in accordance with COA Circular No. 2009-002.

7.3 The GAU of the AAD at LANDBANK is responsible for booking the recognition of Buildings, Property, Furniture, Fixtures, and Equipment (BPFFE). The FAsD under GAU is responsible for the updating and proper classification of the BPFFE in the National Fixed Asset System (NFAS), including the generation of property numbers. Upon receipt of the DRR from proponent/implementing/procuring unit, FAsD verifies the source documents to ascertain delivery and check whether the items meet the capitalization threshold. Once verified, the FAsD prepares accounting entry through a Journal Ticket, which is then approved by the FAsD Head. After approval, the entry is posted in the NFAS. The FAsD then submits the Approved Transaction Report together with the approved Journal Ticket to the SLD and FTD for booking of the transaction into SAP SL and FMS, respectively. BPFFE is recognized in the books on the date the transaction is posted in both the NFAS and the SAP SL and FMS.

7.4 In the previous year, in response to an audit recommendation to record properties when delivered and accepted and not when DRRs are received and posted, the ProcD issued an iterative Memorandum (ProcD Memo dated May 27, 2024) directing all

LANDBANK units concerned required that the DRR be submitted to COA, AAD, and the FMD within 24 hours after acceptance of deliveries of goods and services; provided all supporting documents are complete. It was also included in ProcD's comments that a request had been made to SMD to revise LANDBANK EO No. 008 s. 2013 or the Guidelines on the Requisition, Procurement and Issuance of Supplies and Fixed Assets. Based on our confirmation, the revision is still on-going, pending the finalization and roll-out of the guidelines of the Enterprise Procurement Management System (EPMS), which is expected to be implemented within CY 2025. Draft guidelines are still being developed for the Asset Management and the Planning and Budgeting sections of the EPMS. However, until the new guidelines are finalized and implemented, EO No. 008 s. 2013 remains the existing policy.

7.5 The proponent or procuring units then acknowledged that they hold the submission of DRRs to AAD until they receive billing statements and complete supporting documents such as Delivery Receipts, Installation Completion Report, Acceptance Maintenance Report and Inspection Reports. They also explained that having all these documents is necessary to validate and establish the correct cost to be booked, which is why there are delays in reporting deliveries to AAD.

7.6 For CY 2024, review noted that BPFFE is still recognized in the books based on date of posting in the NFAS and the SAP SL and FMS, instead of the actual date of delivery or completion and acceptance or acknowledgment and inspection, as reflected in documents such as delivery receipts or certificates of completion and acceptance, acknowledgement receipts or inspection reports. Based on inquiry, it was clarified that the posting date in the NFAS and SAP SL cannot be altered to reflect the actual date of receipt of the property. According to AAD, this is part of internal control measure to prevent discrepancies when comparing records across the NFAS, SAP and FMS. Since the EPMS is still in the testing phase in CY 2024, the acquisition date recorded in the NFAS continues to reflect the date of posting instead of the actual delivery or acceptance date.

7.7 It is reiterated that recording BPFFE based on the posting date, when it occurs significantly later than the actual delivery and acceptance dates, can have a substantial impact on the financial statements at year-end. This is especially critical for deliveries of BPFFE made within the year but not recorded prior to and/or as at the reporting date.

7.8 To determine the effect of the late reporting of the delivery receipts to the AAD, the Audit Team reviewed DRRs that were submitted after the reporting date of December 31, 2024. The review identified DRRs for items delivered and completed or accepted in CY 2024 and prior years. The DDRs were then traced to SL and Lapsing Schedules of BPFFE as of December 31, 2024, to determine whether items reported as delivered and accepted as at year-end were properly recorded. The review revealed that deliveries amounting to P60,021,706.46 were not included in the SL and Lapsing Schedules. Details as follows:

Table 7.1 2025 DRRs for properties received in CY 2024

Date of the DRR	PO No.	Delivery/ Completion and Acceptance Date (as applicable)	Date of the Sales Invoice/ Billing Statement	Class	Name of Supplier	Project Title/ Description	Unit Cost	Qty	Total Cost
02-Jan-25	FACD-2024-202411 26-017	27-Dec-24	26-Dec-24	OE	Functional Inc.	Portable Type Bill Counter "Glory GFS-220" With Counterfeit Detector (For Kabankalan and Infanta)	270,000.00	2	540,000.00
Sub-Total – PROCD									**540,000.00**

Date of the DRR	PO No.	Delivery/ Completion and Acceptance Date (as applicable)	Date of the Sales Invoice/ Billing Statement	Class	Name of Supplier	Project Title/ Description	Unit Cost	Qty	Total Cost
11-Mar-25	20240318-0123	October 17 to November 22, 2024	Oct. 29 to Nov. 29, 2024	ITE	Diebold Nixdorf Philippines, Inc.	Card Reader V2CU Nasugbu Branch	64,713.81	1	64,713.81
						Fascia 285 KMAT Various Field Unit	51,861.60	6	311,169.60
Sub-total - BBMG									**375,883.41**
14-Jan-25	20241010-0662	03-Dec-24	24-Oct-23	FF	Ramerson Office Furniture Inc.	SD of BSO Workstation Type 2 - EDSA Greenhills Cash Center	102,251.520	1	102,251.520
	20230710-0548	16-Dec-24	16-Dec-24	FF	Dargo Design Component Builders Corporation	Frontliner's Counter – Trece Martires (Cavite) Branch	51,445.170	9	463,006.530
	20210810-0760	13-Dec-24	26-Dec-24	FF	CPA Interiors	SDI of one lot sunscreen roller blinds- Trece Martires (Cavite) Branch	110,205.000	1	110,205.000
04-Feb-25	20220815-0552	07-Nov-22	16-Jan-25	FF	DPlus Sign Advertising Corporation	SDI Of Horizontal Signage - Bacolod North Drive Branch	207,000.000	1	207,000.000
17-Feb-25	FA 20230802-08 FASC &S 20230913 VBG-008	05-Mar-24	02-Jan-25	FF	TRI-M Vault Specialist	Insulated Filing Cabinet with Cash Locker - Samar Lofu	68,000.000	1	68,000.000
19-Feb-25	20240626-0378	Dec 16 - 27, 2024	No date	OE	NCO General Merchandise	SDI Of 10Kwp Photovoltaic/Hybrid Type Solar Panel System - San Juan City and Alaminos Branch	998,000.000	2	1,996,000.000
27-Feb-25	20221004-0751	14-Jun-23	16-Jan-25	OE	Deokma Eight Trading Inc.	SDI Testing and Commissioning Of 5.0Tr Floor Mounted (Inverter) - Calinan (Davao) Branch	174,988.800	5	874,944.000
						SDI Testing and Commissioning Of 2.0Tr Floor Mounted (Inverter) - Calinan (Davao) Branch	57,708.000	2	115,416.000
11-Mar-25		15-Feb-23	05-Feb-25	OE		SDI Testing and Commissioning Of 2.0Tr Wall Mounted (Inverter) - Pasig Sixto Avenue and Tomas Mapua Branch	56,733.33	2	113,466.660
						SDI Testing and Commissioning Of 3.0Tr Floor Mounted (Inverter) - Pasig Sixto Avenue and Tomas Mapua Branch	128,836.67	2	257,673.340
		04-Nov-22	16-Jan-25	OE		SDI Testing and Commissioning Of 2.0Tr Wall Mounted - Tomas Mapua Branch	57,376.24	1	57,376.240
						SDI Testing and Commissioning Of 3.0Tr Floor Mounted - Tomas Mapua Branch	115,666.88	2	231,333.760
11-Mar-25	20221007-0764	17-Nov-22	05-Feb-25	OE		SDI Testing and Commissioning Of 2.0Tr Wall Mounted - Ortigas Center - Emerald Avenue Branch	71,948.72	2	143,897.440
						SDI Testing and Commissioning Of 3.0Tr Floor Mounted - Ortigas Center - Emerald Avenue Branch	161,102.56	1	161,102.560
		25-Nov-22	No date	OE		SDI Testing and Commissioning Of 2.0Tr Wall Mounted - Soler Branch	106,000.00	1	106,000.000

Date of the DRR	PO No.	Delivery/ Completion and Acceptance Date (as applicable)	Date of the Sales Invoice/ Billing Statement	Class	Name of Supplier	Project Title/ Description	Unit Cost	Qty	Total Cost
Sub-Total – PMED									**5,007,673.05**
02-Jan-25	20241 010-0661	09-Dec-24	12-Dec-24	OE	Micro-D International, Inc.	One (1) unit 3TR floor mounted type ACU (Inverter) and installation cost for LANDBANK Visayas Avenue Branch	139,131.000	1	139,131.000
27-Jan-25	20240 925-0605	04-Nov-24	NO DATE	OE	Total Information Management	One (1) Lot supply and delivery of various interactive television at LANDBANK Plaza – 65-inch interactive TV	291,313.000	2	582,626.000
						One (1) Lot supply and delivery of various interactive television at LANDBANK Plaza – 75-inch interactive TV	369,468.000	1	369,468.000
18-Feb-25	20240 703-0398	Aug 27 to Oct 15, 2024	Sep 3 to Oct 16, 2024	OE	GoPrime Technology Corp.	Portable Power Supply with Solar Panels for various units	249,937.500	14	3,499,125.000
March 20, 2025	20240 802-0468	11-Oct-24	16-Oct-24	OE	Alternative Power Solutions, Inc.	Electrical power supply for the 20TR Precision Air-Conditioning Unit at LANDBANK Head Office	2,077,000.000	1	2,077,000.000
Sub-Total FMD									**6,667,350.00**
April 21, 2025	20240 821-0525	18-Oct-24 to 22-Oct-24	18-Feb-25	OE	Trends & Technologies, Inc.	Upgrading of the Existing PABX System with Three Years Warranty and Support Services	47,430,800.00	1	47,430,800.00
Sub-Total FONMD									**47,430,800.00**
Grand Total - Delivered items during the year not reflected in the Books in CY 2024									**60,021,706.46**

7.9 All of the deliveries to ProcD, BBMG and PMED amounting to P5,923,556.46 were verified fully accepted in CY 2024, while only P6,389,088 of the P6,667,350 delivered to FMD were confirmed accepted in CY 2024, or a total of P12,451,775.46 in deliveries to ProcD, BBMG, PMED and FMD delivered and fully accepted in CY 2024, but not recorded as part of FFE as of December 31, 2024. As for the P47,430,800, this was verified accepted only in January 2025, hence, appropriately not yet recorded by Management as part of FFE as at year-end. Following audit recommendations, Management made adjustments to the BPFFE account for the P12,451,775.46, and made additional adjustments of P60,377,145.92 to BPFFE based on DRRs received after issuance of the audit observation, or a total of P72,828,921.38 adjustments to BPFFE. A total of P1,067,094 in depreciation expenses were also recorded for CY 2024 as a consequence of the adjustments made to BPFFE.

7.10 AAD maintained that they cannot record the delivered items without the DRRs and the necessary supporting documents from the proponent units. Thus, delayed preparation and submission of these documents by the proponent unit to the AAD resulted in the corresponding delays in validation and recording of the BPFFE.

7.11 Proponent Units explained that they wait for the supplier/contractor to submit the Billing Statement/ or Sales Invoice (BS/SI) before including the received items in the DRR for submission to AAD. This is because the BS/SI is used as their basis for the validation and establishment of the correct cost of the assets for AAD's booking process. Moreover, the BS is one of the required documents listed in Administrative Order No. 057 Series of 2018. The complete set of documents required by AAD for the recognition and posting of the item as BPFFE includes: (1) Deliveries Receiving Report; (2) Sales Invoice; (3) Delivery Receipt; (4) Purchase Order; (5) Procurement Request Form; (6)

Acknowledgement Receipt and Inspection Report; (7) Inspection Report; and (8) Journal Ticket. In cases where the delivery and installation occur in various regions, the submission of the necessary supporting documents for the DRRs depends on the units assigned to oversee those activities. These challenges are expected to be solved with the full implementation of the EPMS.

7.12 The delays in the submissions and reporting, along with the practice of recognizing the acquisition date of BPFFE in the NFAS and SAP SL based on the posting date instead of actual delivery and acceptance date, is contrary to Paragraph 2.d, Part E, Duties and Responsibilities, of LBP EO No. 008, series of 2013. An asset should be recognized when control is obtained, specifically, in the case of LANDBANK, upon receipt and acceptance of delivery by the LANDBANK. As a result, the recording of the BPFFE account and the related Depreciation Expense and Accumulated Depreciation accounts amounting to P72,828,921.38 and P1,067,094.00, respectively, were also delayed. In response, Management has implemented the necessary adjustments as recommended.

7.13 **We recommended and Management agreed that:**

a. AAD recognize and record BPFFE in the SAP SL based on dates the items were delivered and fully accepted, as indicated in the Delivery Receiving Reports, instead of dates the Delivery Receiving Reports were received from end-user units, and FAsD correspondingly update NFAS;

b. To ensure consistency in implementation and guidance of all system users, SMD state in the policy guidelines the procedure on posting dates for BPFFE based on dates the items were delivered and fully accepted; and

c. All procuring units review their procurement contracts to determine whether a timeline for the submission of Supplier's Sales Invoice is specified. If such a provision is not included, it should be incorporated into future contract terms.

7.14 LANDBANK has committed to address the gap between the delivery date and posting date through the following actions: a.) amending the Purchase Orders to explicitly include the required timeline for submitting Sales Invoice or Billing statements, b.) Issuing a memorandum directing the end-users to submit all necessary documents within 24 hours, c.) Implementing the EPMS – Asset Management module on or before December 31, 2025 and d.) Updating the operational manual of the concerned units and reviewing the Terms of References for procurement projects.

7.15 The Audit Team acknowledged the commitments of Management and will monitor the implementation of the audit recommendations.

8. Real and Other Properties Acquired, with total book and appraised values of P1.899 billion and P3.644 billion, respectively, were found to be: a) poorly maintained; b) not regularly inspected c) occupied by informal settlers; d) without signages indicating ownership, sale/lease availability; e) subleased without authorization by former owners or third parties and f) one property cannot be located, highlighting deficiencies in LANDBANK's administration and protection of

its foreclosed properties, putting the preservation and value of these properties at risk until redemption or disposal.

8.1 Chapter 2 of the General Guidelines in the SPAD Operations Manual, Administration/Redemption of Foreclosed Properties, states that "SPAD shall continue to administer and protect the foreclosed properties until such time that the properties are redeemed or sold."

8.2 Chapter 4 on Administration of Consolidated ROPA of the SPAD Operations Manual states that "The administration of ROPA consolidated in the LANDBANK's name shall be performed by the SPAD in order to preserve and maintain the value of the properties until its disposal."

8.3 The General Guidelines also include, among others, the following:

1. Inspection of the properties to assess their physical status or condition

   a. Ocular Inspection

      1.) If the property is under a Property Management Contract (PMC), it shall be inspected by SPAD as the need arises since LBRDC or third-party property manager submits Monthly Inspection Reports to SPAD as to the status of the property.

      2.) For properties without management contract, SPAD shall conduct an ocular inspection at least once a year or as the need arises and shall prepare an Inspection Report relative thereto.

   X x x

2. Assessment of appropriate measures to protect the property from informal settlers, theft, pilferage, and other related contingencies.

X x x

3. Repairs and maintenance of chattels and improvements

8.4 Moreover, LANDBANK issued EO No. 019, series of 2000 on the guidelines on foreclosure and other transactions related to Real and Other Properties Owned or Acquired (ROPOA) in order to enhance the recovery of the Bank's investment in loans. Specifically, Section 12.1.7 of EO No. 019, series of 2000 dated May 11, 2000 states that:

12.1.7 OTHER ACTIVITIES

a. For purposes of protecting the property against unauthorized entry and marketing it for sale or lease, signboards shall be installed within the property premises, indicating any or all of the following information:

- "NO TRESSPASSING"
- "FOR SALE OR LEASE"
- "Contact Person/s:

Name : ______________

Tel No.: ______________

b. On a case-to-case basis, the Unit concerned may conduct other administrative activities it may deem necessary to protect the interest of the bank.

8.5 The ROPA Masterlist as of September 30, 2024 showed a total balance of P16,246,390,784.62, composing of 9,556 real and personal properties. Of this amount, P14,900,972,642.59 or 91.72 per cent was booked under the Head Office, composing of 9,118 properties.

8.6 To verify the existence of these properties and ensure they are properly administered by LANDBANK, the Head Office Audit Team, with the assistance of Regional Branches Audit Teams, conducted ocular inspections of 260 properties located nationwide. These inspected properties have a total book value of P2,144,215,691.98, representing 14.39 per cent of the ROPA balance under the Head Office. Among these, 190 properties with a total book and appraised values of P1,899,158,827.84 and P3,643,721,631.89, respectively, were found to have deviations from the guidelines outlined in Chapters 2 and 4 of the SPAD Manual.

Table 8.1 Summary of Properties with Deviations by Property Type

Type of Property	No. of Properties with deviations	Book Value	Appraised Value
Real Properties	136	1,850,081,873.88	3,589,353,631.89
Personal property/Chattel	54	49,076,953.96	54,368,000.00
TOTAL	**190**	**1,899,158,827.84**	**3,643,721,631.89**

8.7 The results of the ocular inspection are discussed below:

a. Poor maintenance of Properties and Vehicles

A total of 109 properties, composed of 56 real properties and 53 vehicles, with total book value of P678,300,411.11 and total appraised value of P1,501,550,333.50, were poorly maintained. Ocular inspections revealed that some of the properties need cleaning and repairs, and still contain personal belongings left by previous owners. Signs of deterioration, including broken windows, damaged roofs, cracked ceilings, cracked floor tiles, and overgrown grass, indicated that the properties had been neglected. Several vehicles were stored in open warehouses, exposing them to sun and rain, which contributed to further deterioration. Most of the vehicles showed signs of rust and corrosion, flat tires, and drained batteries. Management explained that due to the large number of ROPAs and the cost of caretakers or security guards, SPAD I prioritizes the Top 100 ROPAs based on value. For 42 of the 56 real properties, caretakers are usually posted based on value of the property vis-à-vis the maintenance expenses. The other 14 real properties were explained as follows: four have pending cases, two are still occupied by former owners, two are agricultural lots without caretakers, five are deteriorating due to wear and tear, and one is awaiting the retrieval of personal belongings from the previous owner. Regarding the 53 property vehicles, they are stored in the warehouses and open depot and pending sale on "as-is-where-is" basis. Management also asserted that the procurement of a covered warehouse is on-going.

b. Irregular inspection of real properties

Sixty-five real properties with book value of P764,784,367.84 and appraised value of P1,093,594,008.00 were not regularly inspected. The last inspections were conducted between 2016 and 2023, contrary to inspection frequency guidelines in Chapter 4 of the SPAD Manual. SPAD I explained that the volume of the accounts/ properties prevents regular inspections. As an alternative, they rely on appraisers' report conducted every other year and monthly inspection reports from properties managed by LBRDC under PMC. While these reports provide valuable information, these do not adequately substitute for physical inspection, as they may miss on-site critical issues.

c. Occupancy by informal settlers

Seventy-eight real properties, with book value of P1,093,683,850.54 and appraised value of P1,611,730,454.39 are occupied by informal settlers, mostly former owners. These properties are used as residences, business establishments or for agricultural activities such as growing crops or raising animals. In some cases, former owners leased them out without remitting any lease payments to LANDBANK. According to bank policy, leasing idle assets is allowed to generate income and reduce maintenance, storage and security costs, especially when immediate disposal is not possible. However, during property inspections, some informal settlers prevented Inspection Teams from entering the premises. Inquiry with the appraisers disclosed that they rely on spot evaluations, which can result in inaccurate property valuations. Additionally, it was observed that certain vacant lots have been developed with housing by informal settlers. Management stated that Notices to Vacate had been issued to 32 occupants.

d. Absence of property signages

Ninety-four real properties, with total book value of P1,266,576,197.81 and total appraised value of P2,707,270,347.89 have no signages indicating "No trespassing", For Sale or Lease, Contact Persons or contact details. These signs could have helped facilitate disposal and prevent unauthorized use. For some properties, the signage was only installed on the day of the inspection. Management informed that said signages are frequently removed, particularly on occupied properties, despite their efforts to post them.

e. Unauthorized subleasing

Six real properties with total book value of P32,120,361.23 and appraised value of P121,231,000.00 were found to be subleased by previous owner or third parties. Management informed that Notices to Vacate had already been issued to the occupants.

f. Unlocated personal property

One vehicle with a book value of P649,000.00 and an appraised value of P649,000.00 was missing from the warehouse. According to SPAD II, the Loan Recovery Department (LRD) mistakenly repossessed a different vehicle from the borrower. On December 14, 2023, SPAD II requested the return of the vehicle's

Certification of Registration but one year later, the issue remained unresolved, SPAD issued a follow-up memorandum dated December 9, 2024 but no response has been received to date.

8.8 The foregoing deficiencies are not consistent with LANDBANK's policy and guidelines on the proper administration and preservation of acquired properties. ROPA with total book and appraised values of P1,899,158,827.84 and 3,643,721,631.89, respectively, are exposed to risks of significant losses and rapid deterioration. Further, LANDBANK loses the opportunity to earn income from the sale or lease of higher-value properties due to their poor condition and lack of proper preservation.

8.9 During the previous 2022-2023 audit of accounts and transactions of the LANDBANK, the audit team also conducted ocular inspections of ROPA, where similar issues were identified. These included continued occupation by informal settlers, absence of signages indicating that the properties belong to LANDBANK and are available for sale/lease, and lack of proper maintenance. In response to the audit recommendations, Management took actions such as installing signages to facilitate disposal, issuing notices to vacate, and filing writs of possession against informal settlers. Management also committed to implementing the relevant provisions of SPAD's Operations Manual concerning the preservation, maintenance and enhancement of acquired properties. However, the persistence of these issues indicates that further improvements are needed on how LANDBANK administers and preserves its acquired properties, particularly in recovering its loan exposures.

8.10 **We recommended and Management, through SPAD, agreed to:**

a. For properties found to be poorly maintained, assess their current condition and determine the necessary repairs and maintenance to preserve their value and facilitate disposal at terms most favorable to LANDBANK;

b. For properties not regularly inspected, update the assessment of their physical condition to ensure accurate and current status reports;

c. For properties occupied by informal settlers, exhaust all available legal remedies, including the prompt issuance of Final Notices to Vacate and the filing of Writs of Possession to regain control of the properties and prevent further deterioration;

d. For properties without signages indicating LANDBANK ownership or sale/lease availability, consider installing appropriate signage or conduct other administrative measures allowed under LBP EO No. 019, series of 2000. Such other administrative actions should be documented for guidance and consistency in implementation;

e. For properties subleased without authorization, verify the full extent of such arrangements, notify tenants to redirect payments to LANDBANK, and take necessary steps to reclaim control and ensure legal compliance;

f. Regarding the vehicle that was mistakenly repossessed, expedite the retrieval of the correct foreclosed collateral to minimize financial impact and avoid potential legal complications; and

g. Review how the concerned units or personnel are implementing the guidelines for proper administration, identify any impediments or challenges hindering proper and appropriate executions and take corrective actions. with the end in view that acquired assets are maintained and preserved until their disposals. Revisit and revise the guidelines as necessary to improve the administration and preservation of acquired assets until they are disposed of.

8.11 SPAD I and II took note of the observations and recommendations and expressed their commitment to improving ROPA administration through the following activities: (a) conduct clean-up activities for properties without assigned caretakers to help maintain their condition; (b) immediately issue NTVs upon identifying illegal occupants, followed by filing of Writs of Possession prioritizing properties with favorable court rulings; (c) for subleased properties, to issue NTVs to both former owners and current tenants, directing tenants either to pay rent to LANDBANK or vacate the property; (d) Install signages on properties to attract buyers, though some areas pose safety risks that limit installation, full signage deployment is targeted by 3rd quarter of 2025.

8.12 With respect to the retrieval of the correct vehicle, SPAD II has obtained the necessary documents from LOMD and will endorse them to Loans and Recovery Department for appropriate action and resolution.

8.13 The Audit Team acknowledged the commitment of Management and will monitor the implementation of the recommendations

9. The titles of 2,519 acquired properties with total book value of P1.385 billion remained unconsolidated in LANDBANK's name for periods ranging from 2 to 43 years as of September 30, 2024, due to delays in completing the required documentation, inconsistent with Item 5, Chapter 3 of the SPAD Manual which requires that title consolidation be undertaken within 60 calendar days after the redemption period expires. As a result, the LANDBANK was deprived of maximizing the potential value of these assets through sale and from recovering its financial exposure on the acquired properties.

9.1 Item 5, Chapter 3 of the SPAD Manual states that "Consolidation of title shall be undertaken by the LD within sixty (60) calendar days from date of the expiration of the redemption period based on the date of registration of the COS."

9.2 AO No. 138, series of 2018 regarding the Guidelines on the Transfer/Centralization and Booking of ROPA provides:

2. General Guidelines

Xxx

4. LUs shall transmit photocopies of pertinent ROPA documents to SPAD for validation/checking.

Xxx

8. Once all deficiencies and/or inaccuracies noted are properly addressed, LUs shall turn over the original copies of the title, tax declaration and other pertinent ROPA documents to SPAD

9.3 Consolidation refers to the process of transferring ownership of foreclosed parcels of land to LANDBANK, resulting in the issuance of a Certificate of Title in its name. This process involves submitting necessary documents like the original land title, tax clearances, and proof of payment of transfer taxes. Upon booking of ROPA, the LU/LC forwards all pertinent ROPA documents to SPAD. SPAD then reviews and verifies the completeness of these documents before accepting the transfer of ROPA.

9.4 The Audit Team reviewed the ROPA Masterlist as of September 30, 2024, and it was observed that the consolidation of titles of 2,519 acquired properties with total book value of P1,385,240,879.85 was not undertaken within the required 60 calendar days from date of the expiration of the redemption period, contrary to Item 5 of Chapter 3 of the SPAD Manual. The delays were due to LUs/LCs not able to transmit photocopies of pertinent ROPA documents to SPAD for validation/checking, deficiencies and/or inaccuracies not properly addressed, and LUs/LCs not able to turn over the original copies of the title, tax declaration and other pertinent ROPA documents to SPAD contrary to AO No. 138, series of 2018 on Guidelines on the Transfer/Centralization and Booking of ROPA.

9.5 Further review disclosed that of the 8,334 titles, with total book value of P14,639,077,535.29 for consolidation, 30 per cent or 2,519 titles with total book value of P1,385,240,879.85 have remained unconsolidated in the name of LANDBANK for a period ranging from two years to more than 43 years since the issuance of the Certificate of Sale (COS). The details as follows:

Table 9.1 Unconsolidated Titles as of December 31, 2024

Booking RC	No. of Titles	Total Book Value	No. of Years From COS
Bacolod	2	100,568.76	36
Basilan	4	3,663,941.76	6
Cauayan	33	9,762,003.59	6-40
Guimaras	3	454,538.82	19-22
Isulan	6	5,559,000.00	5
Kalibo	2	3,635,765.10	3
Kidapawan	10	5,822,839.23	2-6
Lebak	5	2,871,799.35	10-16
Lipa	2	12,113,558.40	4
LOMD	584	262,659,985.68	2-6
Pagadian	4	1,858,469.21	5
Rosary Heights	36	5,517,472.79	10-21
Roxas (I)	2	621,159.49	16-17
San Fernando (P)	7	8,219,266.66	3-5
Sara (I)	1	384,000.00	8
SPAD I	1,601	637,748,881.87	2-43
SPAD II	203	411,735,792.84	2-5
Tabuk	1	2,287,426.38	3
Talavera	1	210,389.29	2
Tuguegarao	10	6,466,132.60	4-9
Valencia	2	3,547,888.03	2
TOTAL	**2,519**	**1,385,240,879.85**	**2-43**

9.6 Inquiry with Management disclosed the following reasons/causes of the delay in the consolidation of titles of the 2,519 properties:

a. 1,456 properties with total book value of P409,493,617.41 lack required documents for title consolidation. These include original copies of BIR payment deposit slips, Certificate Authorizing Registration (CAR), Affidavit of Non-redemption and Consolidation, COS, Tax Declarations and Tax Clearances. The main reason for the delay cited is the lack of assigned personnel in the LU/LC since the previous handling officer/s had either retired or moved to different departments of LANDBANK. To resolve this delay, the SPAD began personally securing the needed documents with priority on LUs/LCs having the highest number of unconsolidated titles.

b. 735 properties with total book value of 474,816,843.27 lack proof of payments of Capital Gains Tax (CGT), Documentary Stamp Tax (DST), Transfer Taxes and Association Dues. According to SPAD, documents of 619 properties were not included by the originating LUs/LCs during the centralization of ROPA in 2014 and are mostly still being located/reconstructed by LUs/LCs until now. In addition, SPAD is in coordination with the respective BIR, Local Government Units (LGU) offices and Condominium Corporation to settle unpaid taxes and secure certification of payments.

c. 212 properties with book value of P256,376,310.36 were acquired properties from People's Credit and Finance Corporation (PCFC), National Livelihood Development Corporation (NLDC), Overseas Filipino Bank (OFBank), Agricultural Credit Administration (ACA), and Comprehensive Agrarian Reform Program (CARP). The properties lacked vital documents like Dacion en pago agreements, proof of payments for CGT/DST/Transfer taxes, and/or other documents needed for consolidation. Management informed that due to insufficient documentation, the Registry of Deeds (RD) is not accepting these titles for consolidation. The management also informed that even though the titles of these properties are not yet consolidated, they are making an effort to sell these properties.

d. 116 properties with book value of P244,554,108.81 lack the required documents such as land titles, unnotarized dacion documents, Electronic Certificate Authorizing Registration (eCAR), Tax Clearances, Tax Declarations, COS Sheriff's Final Deed of Sale and Certificate of Management (COM). The said documents were not found in the folders turned over by UCPB to LANDBANK during the merger. SPAD is in coordination with the different agencies/offices to secure the documents and complete the consolidation process.

9.7 The common causes for the delay in the consolidation of titles are the incomplete supporting documents and the absence of proof of payment for the required taxes. To address this, SPAD has prepared revised guidelines incorporating procedures to avoid recurrence of these issues. Included in the modifications is the required execution of Deed of Undertaking (DOU) by the concerned LU/LC whenever the submitted ROPA documents are found to be incomplete. The DOU specified that the LU/LC shall take full responsibility for issues or penalties that may arise from the lacking documents.

9.8 Delays in the consolidation of property titles may result in future complications, such as ownership disputes and conflicting claims, and additional costs due to tax penalties for late transfers. Further, LANDBANK has been deprived of maximizing the potential value of these assets through sale and from recovering its financial exposure on the acquired properties.

9.9 **We recommended and Management agreed that:**

a. SPAD and the Lending Units/Lending Centers set timelines for the completion of necessary documentations for the consolidation of titles for ROPA; and

b. SPAD locate or fast-track within specified timelines the reconstruction of the lacking supporting documents for the 619 properties that were not included during the centralization of ROPA in 2014 by the originating LUs/LCs.

9.10 SPAD also informed that SPAD Manual is being updated to incorporate all approved guidelines and is currently under review by SMD. These updates are aimed to improving compliance and reducing the processing time for title consolidation.

9.11 The Audit Team acknowledged the commitment of Management and will monitor the implementation of the recommendations.

10. Reports on fund transfers from other government agencies to LANDBANK, acting as the implementing agency for specific government programs, together with all required supporting documents on fund disbursements and utilization, were not submitted to the Auditor within ten days from the end of the month, contrary to Section 6.5 of COA Circular No. 94-013 dated December 13, 1994.

10.1 COA Circular No. 94-013 dated December 13, 1994, the Rules and Regulations in the Grant, Utilization and Liquidation of Funds Transferred to Implementing Agencies, applies to financial transactions of National Government agencies and instrumentalities involving grant, utilization and liquidation of funds transferred to implementing agencies. Funds transferred are called Inter-Agency Transferred Funds or the cash or money transferred or sub-allotted by the agency to which the allotment was originally released in favor of another agency that will implement the project. Transfers are made between the Source Agency or the agency which the allotment has been originally released and in whose behalf or benefit the project will be executed/implemented, and the Implementing Agency or the Agency to which the funds are transferred for the purpose of executing/implementing the project. A key part of the Circular is found in Section 6, which specifies the duties and responsibilities of the IA:

The IA shall:

6.4 within five (5) days after the end of each month, the Accountable Officer (AO) shall prepare the RCI and the Registry of Disbursements and shall submit them with all supporting vouchers/payrolls and documents to the Accountant. These reports shall be approved by the Head of the Agency;

6.5 within ten (10) days after receipt from the AO, the Accountant shall verify the Reports, provide accounting entries, record and submit the duplicate copies of the Reports with all the originals of vouchers/payrolls and all supporting documents to the IA Auditor. The Accountant shall ensure that only expenses for the project are included in the Reports. He shall submit the original copy of the Reports to the SA (Attention: The SA Accountant).

10.2 COA Circular No. 94-013 was issued to ensure that all fund transfers from and to the SA and IA are properly taken up in the books of both agencies, transferred funds are used only for the intended purpose, and that proper accounting and reporting of fund utilization are made.

10.3 Government programs involving funds transfers from the SA to the IA are also required to be covered by a Memorandum of Agreement (MOA), while some programs are governed by specific LANDBANK Executive Orders or Implementing Rules and Regulations prescribing the duties and responsibilities as well as preparation and submission of reports.

10.4 As of December 31, 2024, the Lending Program Management Group (LPMG) reported the following existing Legislated and Special / Off-book lending programs, with LANDBANK acting as the IA:

Table 10.1 Legislated and Special / Off-book lending programs as of December 31, 2024

	Program Name	Source Agency	Fund Transferred in 2024 (in Php)	Fund Balance as of December 31, 2024 (in Php)	Effectivity Period
1	ACEF	NG through the DA	828,724,000.00	159,708,901.34	July 18, 2018 - Continuing until terminated/closed
2	CFID Lending Program	DA-PCA	375,000,000.00	68,401,139.50	March 13, 2023, to February 26, 2072
3	ERCA-ARCEF	NG through the DA	500,000,000.00	132,466,295.19	August 08, 2019 – 2031
4	LANDBANK-SRA SCP-SIDA	SRA	137,600,000.00	334,648,303.65	December 28, 2017 - Continuing until terminated/closed
5	ALERT ARBOs Program	DA-ACPC	100,000,000.00	177,984,168.87	June 21, 2022 – March 16, 2027
6	LANDBANK-DAR Enhanced ARISE ARBs Program	DAR	0.00	215,402,718.01	March 15, 2018 – March 15, 2023
7	I-TECH Lending Program	DOST-TAPI	0.00	297,340,007.93	November 16, 2016 - continuing
8	LGU MDF Support Program (Remaining fund From MDFO Assigned Loans)	MDFO	0.00	4,621,842,711.30	February 10, 2021 - Continuing until terminated/closed

10.5 In CY 2024, reports for the Legislated and Special / Off-book lending programs, together with all the originals of vouchers/payrolls and complete supporting documents were not submitted by the IA to the Auditor within 10 days from end of each month, as prescribed under COA Circular No. 94-013. Instead, the required reports under said Circular as well as those required by the respective program MOA and IRRs were submitted only upon request. A summary of our requests, among others, is as follows:

Table 10.2 – Summary of reports and documents per program

	Program Name	Reports and documents requested	Documents requested but not submitted
1	ACEF	Schedules of Collections, Schedule of Releases, Status Reports, A/P-GE Subsidiary Ledger, Authority for Fund Transfers	None
2	CFID Lending Program	Subsidiary Ledger, BFARs, SAP SL, A/P-GE SL (FMS), Fund Utilization Liquidation Report, Progress Report, Database of Releases/Borrowers and Outstanding loan balances	None
3	ERCA-ARCEF	Schedules of Collections, Schedule of Releases, Status Reports, A/P-GE Subsidiary Ledger, Authority for Fund Transfers	None
4	LANDBANK- SCP-SIDA	Monthly collections and releases, Status of Program Fund	Official Receipt issued by LANDBANK North Ave. Branch for the funds received in 2024.
5	ALERT ARBOS Program	Schedules of Collections, Schedule of Releases, Status Reports, A/P-GE Subsidiary Ledger	None
6	LANDBANK-DAR Enhanced ARISE ARBs Program	Schedules of Collections, Schedule of Releases, Status Reports, A/P-GE Subsidiary Ledger	None
7	I-TECH Lending Program	Financial Statements, List of Borrowers (SYMBOLS MIS Report)	Subsidiary Ledgers
8	LGU MDF Support Program *(Remaining fund From MDFO Assigned Loans)*	Quarterly report on the Status of Utilization, Schedule of Releases For MDFO Assigned Loans: Quarterly report on the Status of Utilization, Schedule of Outstanding Balances, Schedule of Outstanding A/P-Resident-Govt Entities - Non-Deposit,	Subsidiary Ledgers, supporting schedules for the Report on the Status of Utilization

Table 10.2 – Summary of reports and documents per program

Program Name	Reports and documents requested	Documents requested but not submitted
	Schedule of Application of Payments and Subsidiary Ledger for some LOFUs	

10.6 Moreover, the Status Reports, Schedule of Releases and Collections, copies of authority for fund transfers were submitted only upon.

10.7 In addition to the Programs already reported by the LPMG, the Audit Team also reviewed and confirmed the following reports and documents of the Lending Programs that still have outstanding balances despite the end of their effectivity periods.

Table 10.3 – Lending programs with outstanding balances despite the end of their effectivity periods

	Program Name	Source Agency	Fund Transferred in 2024	Fund Balance as of December 31, 2024 (in Php)	Effectivity period	Reports submitted upon request	Reports requested but not yet submitted
1	SURE-AID Covid 19	Department of Agriculture - Agricultural Credit Policy Council	0.00	8,030,827.71	December 15, 2020 – March 30, 2022	Schedules of Collections, Schedule of Releases, Status Reports, A/P-GE Subsidiary Ledger.	None
2	Survival and Recovery Assistance Lending Program (SURE Aid Program	Agricultural Credit Policy Council (ACPC)-General Appropriation Acts (GAA) of 2019 and from Agro-Industry Modernization Credit and Financing Program (AMCFP)	0.00	31,547,737.65	August 29, 2019 – December 2020	Status of SURE Aid Lending Program showing Amount Released (Cash Card Distributed).	Schedule of Loan Collections Supporting documents for Remittance of Loan Payments to DA-ACPC Status Reports showing Beginning Fund Balance, Fund movement and ending balance over a specific period.

10.8 LOMD commented that COA Circular No. 94-013 is not followed due to the absence of LANDBANK's internal guidelines directing compliance with the said Circular. May it be mentioned, however, that LANDBANK EO No. 39 series of 2024, which outlines the Internal Guidelines of CFID Lending Program adopting COA Circular No. 94-013. Conversely, the MOA and IRRs of other programs do not mention this requirement. As a result of these omissions, reports on some transactions involving fund transfers to LANDBANK were not submitted as required.

10.9 Because the LANDBANK does not have internal guidelines for the disposition and accounting of funds received from other agencies, there is no consistent method for determining how and when these funds are recorded whether they are treated as on-books or off-books transactions, and whether LANDBANK is functioning as an implementor of the program or merely a fund distribution arm of other agencies. Moreover, the completeness of reports on these funds received from other agencies could not be verified because no single Department/Unit within LANDBANK is designated to handle the recording and reporting of all such funds. For instance, LANDBANK is required to submit to COA a semi-annual report on the Status of Funds Received from Other Government/Implementing Agencies. However, the report prepared and submitted by the Agrarian Accounting Department did not include all program funds previously reported by LPMG. Specifically, the report submitted did not include funds related to CFID, I-TECH and LGU MDF. Furthermore, on January 28, 2025, the DTI Audit Team requested confirmation of a balance of P1, 797,327.36 transferred to LANDBANK on October 18, 2024 under the Rural Agro-Enterprise Partnership for Inclusive Development (RAPID) and Growth Program. This fund transfer was not included in the reports submitted by LANDBANK. In response to this confirmation, the Audit Team requested a copy of the MOA and its IRR, but only the MOA was submitted. The letter was also forwarded to PMD I on February 17, 2025, but no response has been received.

10.10 In 2023, the LANDBANK received a letter dated November 28, 2023 from the Department of Transportation (DOTr), concerning an unliquidated fund balance amounting to P14,253,051.20, which had been transferred by DOTr to LANDBANK for the implementation of the Automated Fare Collection System EMV Contactless Pilot Production Testing Project. In response, LANDBANK returned the unexpended balance of the program fund. Upon audit recommendation, Management agreed, to consider formulating policies and /guidelines setting out the procedures and internal controls for the receipt, utilization/disbursement, monitoring and reporting all funds received from the National Government and other government agencies, consistent with the requirements of COA Circular No. 94-013, and other applicable rules and regulations.

10.11 Despite the absence of internal policies and/or guidelines on reporting of fund transfers to COA, LANDBANK as the Implementing Agency is still subject to the provisions of COA Circular No. 94-013. Therefore, the non-submission of reports on fund transfers together with all required supporting documents on fund disbursements and utilization is contrary to COA Circular 94-013. Thus, it was not verified whether funds transferred to LANDBANK as implementing agency of specific government projects/programs were actually used for the intended purpose.

10.12 **We recommended and Management agreed that:**

a. Business Process Management Department approve and circularize policy/guidelines that clearly define the procedures, roles, responsibilities, and control mechanism for the receipt, /disbursement, utilization, monitoring and reporting of funds received from National Government and other government agencies, taking into account the provisions of COA Circular No. 94-013; and

b. Regulatory Compliance Department submit within the prescribed timeline to the Audit Team all the required reports and supporting documents in compliance with COA Circular No. 94-013.

10.13 Management informed that LANDBANK already endeavored to develop policy guidelines outlining the specific procedures and controls for the receipt, disbursement, utilization, monitoring and reporting of funds received from the National Government and other government agencies. A draft of the guidelines is being reviewed for finalization and approval, and targeted for issuance by the 4th quarter of 2025. While awaiting approval, LANDBANK issued an advisory dated December 20, 2024 instructing all concerned units to submit the required information for the preparation of the reports in compliance with COA Circular No. 94-013. In addition to the reports and documents submitted in response to COA request, Management also submitted the FAR, a quarterly report submitted to the DBM in calendar year 2024 which includes the details on the disbursement of funds transferred to LANDBANK.

10.14 The Audit Team acknowledged the initial actions and commitments of Management and will continue to monitor the implementation of the audit recommendations.

11. The undisbursed balances of the funds received by LANDBANK in 2023 and 2024 for the Coconut Farmers and Industry Development Lending Program were not automatically reverted and remitted to the Bureau of Treasury at the end of each fiscal year, in violation of Sections 4.2.1 and 4.2.4 of COA-DBM-BTR Joint Circular No.1, s. 2022 dated January 28, 2022, and Section H.2.c of LANDBANK Executive Order No. 39 series of 2024. Moreover, the accuracy of the amounts reported in the Financial Accountability Reports could not be ascertained due to differences between the balances reported in the Digital Lending System and those in the Subsidiary Ledgers. Furthermore, the LANDBANK's share of 25 per cent of the loans extended to borrowers were incorrectly reported as disbursements.

11.1 On February 26, 2021, RA No. 11524 was enacted creating the Coconut Farmers and Industry Trust Fund (CFITF), providing for its management and utilization, reconstituting for the purpose the Philippine Coconut Authority Board, and for other purposes. It aims to consolidate the benefits due to coconut farmers, especially the poor and marginalized, under various statutes and to expedite the delivery of said benefits thereof to attain increased incomes for coconut farmers, alleviate poverty, and achieve social equality.

11.2 On January 28, 2022, the COA, DBM and BTr issued Joint Circular No. 1, s. 2022, outlining the procedures for the release, disbursement, monitoring, accounting and reporting of Coconut Levy Funds, authorized under RA No. 11524 and pursuant to Rule VI, Section 3(h) of the DOF-DBM-DOJ Joint Memorandum Circular No. 001-2021. One of the functions of the Trust Fund Management Committee is to set and update the guidelines governing the fund disbursement process to the IAs to maximize the economic use of resources and enhance transparency in the monitoring of the utilization of funds.

11.3 In June 2022, the LANDBANK, the Development Bank of the Philippines (DBP), and the Philippine Coconut Authority (PCA) executed a MOA which led to the creation of the Coconut Farmers and Industry Development (CFID) Lending Program by March of 2023. The MOA was later amended, extending its effectivity to 50 years, or until February 26, 2072.

11.4 Under the amended MOA, the PCA, LANDBANK and DBP entered a Servicing Agency-Implementing Agency (SA-IA) arrangement where LANDBANK is responsible for opening an MDS sub-account where the Program Fund will be deposited. The utilization of funds from the account will be governed by the provisions of COA-DBM-BTr Joint Circular No. 1, s. 2022, as well as COA Circular No. 94-013 in conjunction with COA Circular Nos. 2012-001, 2013-001, and 2016-002 and other relevant circulars and issuances.

11.5 The Program fund received in the sub-MDS account will be transferred to an Operating Fund, as provided in Section H.1.a of LANDBANK EO No. 39, series of 2024. The loan repayments of principal and interest, earned through the CFID Lending Program will be ploughed back to the CFID Operating Fund for future lending to qualified borrowers. This process will be subject to a mandatory review by the CFITF Management Committee 5 years after implementation.

11.6 Relevant provisions of the COA-DBM-BTR Joint Circular No.1 s. 2022 dated January 28, 2022, are as follows:

> 4.2 Treatment of Balances of Trust Fund Transfer to IAs/OUs
>
> 4.2.1 All authorized allocations shall be available for utilization and disbursement only until the end of each fiscal year.
>
> 4.2.2 X x x.
>
> 4.2.3 X x x.
>
> *4*.2.4 No extended payment period will be allowed for the allocated funds from the Trust Fund Principal transferred to IAs and OUs for a given FY. Unexpended balances of allocations transferred, that is, any unutilized portion of the funds allocated to IAs for P/A/Ps and to OUs for TFM Expenses, as well as undisbursed funds at the end of the FY shall revert to the Trust Fund Principal in the custody of the Bureau of the Treasury in compliance with Section 12 of RA No. 11524.
>
> X x x

11.7 Item H.2.c of the LANDBANK EO No. 39 series of 2024 Guidelines on the implementation of the CFID Lending Program provides:

> Fund allocation shall be available for utilization and disbursement only until the end of reference year. No extended utilization/disbursement period shall be allowed for the allocated annual funds. At the end of the reference year, the LANDBANK's unutilized fund shall revert to the BTr.

11.8 Review of the submitted FARs covering the years 2023 and 2024 disclosed the following:

a. FAR No. 6 - Statement of Approved Budget, Utilizations, Disbursements and Balances for Trust Receipts as of the Quarter Ending December 31, 2023 contains a note stating that the unreleased portion of CY 2023 budget amounting to P183,976,437.49 had lapsed and was automatically returned to BTr in accordance with DOF-DBM-DOJ Joint Memorandum Circular No. 001.2021 series of 2021.

b. FAR No. 1 - Statement of Appropriations, Allotments, Obligations, Disbursements and Balances; FAR No. 6 - Statement of Approved Budget, Utilizations, Disbursements and Balances for Trust Receipts and Annex D-3 Statement of Approved Budget, Utilizations, Disbursements and Balances by Object of Expenditures for Trust Receipts, as of the Quarter Ending December 31, 2024, each contain a note stating that the unreleased portion of CY 2024 budget amounting to P50,903,088.16 had lapsed and automatically returned to BTr pursuant to DOF-DBM-DOJ Joint Memorandum Circular No. 001.2021 series of 2021.

11.9 On September 5, 2024, the Audit Team inquired through an email regarding whether the undisbursed CFID Fund for FY 2023 reported in the FARs had already been reverted to the BTr. It also requested submission of documents supporting the said return. In response, the Program Officer from PMD I explained that any undisbursed CFID funds within the reference year automatically lapse, and do not require manual remittance to the BTr as the fund release through SARO and NCA issued by DBM follows this mechanism.

11.10 On April 14, 2025, the Audit Team followed up with the Program Officer handling CFID Lending Program regarding the status of the return of the undisbursed funds reported in the FARs for FY 2023 and FY 2024, along with the request for documents supporting such return. The Program Officer responded that they are facilitating the return of the undisbursed CFID Program Funds to the BTr. Moreover, they informed that the reconciliation of records to determine the exact amount to be returned to BTr had just been completed. This information contradicts the earlier response in the first inquiry as well as the note in the submitted BFARs, which indicated that the undisbursed funds were automatically reverted to the BTr.

11.11 Although the reversion of lapsed funds to BTr is presumed to occur automatically, this may no longer be possible, since, as verified from the Statement of Account for 2024 of the sub-MDS account, all funds had already been transferred from the MDS sub-account to the Operating Fund during 2024. Moreover, review of the Statement of Account for December 2023, submitted by the Cash Department on April 23, 2025, showed an ending balance of Php73,585,000.00 in the CFID MDS sub-account, indicating that the undisbursed funds were not reverted to the BTr. Apart from this, the beginning balance of the immediately succeeding month, January 2024, was recorded as P0.00, warranting inquiry about the status or disposition of the Php73,585,000.00. The Cash Department has yet to address concern.

11.12 Furthermore, the exact amount of the remaining fund balance to be returned for both FY 2023 and FY 2024 has yet to be established due to variances noted in the submitted reports (DLS, SLs, FARs). The Management has not submitted its final reconciliation.

11.13 The Status of Fund Releases for the CFID Lending Program Fund, based on the LOMD SL as of December 31, 2023 and December 2024, are as follows:

Table 11.1- Status of Releases of CFID Lending Program Fund

	FY 2023 (in Php)	FY 2024 (in Php)
A. Sub-MDS account		
Total Allocation (NCA)	250,000,000.00	375,000,000.00
Transferred to Operating Fund (B)	176,415,000.00	375,000,000.00
Balance sub-MDS at December 31	73,585,000.00	0.00
B. CFID Operating Fund		
Amount transferred from Sub-MDS account (A)	176,415,000.00	375,000,000.00
Disbursements/Utilization	50,567,265.65	300,916,411.19
Balance at December 31	125,847,734.35	74,083,588.81
Total unutilized fund	199,432,734.35	74,083,588.81

Notes: Disbursements/Utilization for SL value includes DST
Disbursements/Utilization for 2024 SL value includes Management Fee amounting to P 4,233,534.24

11.14 Verification of the submitted reports disclosed the discrepancies in the reported total disbursements/utilizations and unutilized balances in FARs, DLS and SLs. The details of these discrepancies are as follows:

Table 11.2 – Discrepancies of balances between FARs, DLS and SL

	As of December 31, 2023 (in Php)			As of December 31, 2024 (in Php)		
	FARs	DLS/1	SL/2	FARs	DLS/1	SL/2
Sub-MDS account						
Allocation (NCA)	250,000,000.00	N/A	250,000,000.00	375,000,000.00	N/A	375,000,000.00
Transferred to Operating Fund	N/A	N/A	176,415,000.00	N/A	N/A	375,000,000.00
Balance sub-MDS at December 31 (a)	N/A	N/A	73,585,000.00	N/A	N/A	0.00
CFID Operating Fund						
Operating Fund Balance, Beg			0.00			125,883,448.64
Transfers to Operating Fund			176,415,000.00			375,000,000.00
Movements:						
Loan Releases			50,418,046.88			295,588,146.21

Table 11.2 – Discrepancies of balances between FARs, DLS and SL

	As of December 31, 2023 (in Php)			As of December 31, 2024 (in Php)		
	FARs	DLS/1	SL/2	FARs	DLS/1	SL/2
Sub-MDS account						
DST			149,218.77			1,094,730.74
Management Fee			0.00			4,233,534.24
Collection (Principal and Interest)			(35,714.29)			(35,156,168.09)
Sub-total			50,531,551.36			265,760,243.10
Operating Fund Balance, **End**			125,883,448.64			235,123,205.54
To determine the amount to be reverted to BTr from the allocation at the end of each FY:						
Disbursements/Utilization	66,023,562.51	64,224,062.51	50,567,265.65	324,096,911.84	310,299,566.02	300,916,411.19
Unutilized Funds (b)	183,976,437.49	N/A	125,847,734.35	50,903,088.16	N/A	74,083,588.81
Total unutilized from Current Year's Allocation (a + b)	183,976,437.49	N/A	199,432,734.35	50,903,088.16	N/A	74,083,588.81
Returned	0.00	N/A	0.00	-	N/A	-
Outstanding Balance to BTr	183,976,437.49	N/A	199,432,734.35	50,903,088.16	N/A	74,083,588.81

/1 Digital Lending System Summary of CFID Status Report as of DEC 2024_DLS (off-books) submitted by RCD on January 17, 2025
/2 Subsidiary Ledger- CFID Final SL as of 12.31.2025 (signed submitted by LOMD on March 25, 2025)
Included the amounts in DLS report to show the difference in amounts against the loan releases in SL.

11.15 The LANDBANK DLS is an automated loan system that handles the entire loan process for individual or retail borrowers covering both the front-end and back end operations. The back-end feature of the system allows the maintenance of the SLs for institutional borrowers and the overall loan database. The reports generated by the DLS are used as basis for recording entries in the CFID A/P-GE Subsidiary Ledger prepared by LOMD under FMU.

11.16 The A/P-GE SL submitted by LOMD records the collections of both principal and interest payments from borrowers by crediting to the A/P-GE account, thus, increasing the outstanding balance of the Operating Fund under the same account.

11.17 Management explained that the differences between the figures reported in the FARs and the SL are attributed to the inclusion of the LANDBANK-funded loan portion, and difference in the timing of booking of loans released. Regarding the DLS, Management emphasized that the migration of the CFID Loans into the system only started in December 2024.

11.18 The Audit Team also noted differences between the amounts of the Operating Fund under the SL and those reported in the Schedule of Outstanding A/P-Resident-Govt Entities - Non-Deposit for 2023 and 2024, as shown in the table below:

Table 11.3 CFID Fund balances per SL vs. GL

	2023(in Php)	2024 (in Php)
SL: A/P-GE From SAP[/a]	124,424,703.52	235,123,205.54
GL: A/P-GE From FMS/b	150,311,600.02	263,653,939.92
Difference	25,886,896.50	28,530,734.38

[/a] SAP CFID_12.31.2023 and SAP CFID_12.31.2024 submitted by LOMD-FMU on April 10, 2025
[/b] APGE DECEMBER 31 2023 and APGE DECEMBER 31 2024 submitted by LOMD on April 29, 2025

11.19 The noted differences are attributed to the timing differences in the recording of loan release and/or collections from various LOFUs at year end.

11.20 The Audit Team also noted that the amounts reported in the BFARs for FY 2023 and 2024 under disbursements were inclusive of the 25 per cent portion of loan releases sourced from LANDBANK internal funds, amounting to P16,056,015.63 and P20,594,265.63, respectively. These loan releases represent the portion equivalent to 25 per cent of the annual allocation from the CFITF Credit Fund. However, the inclusion of these amounts is improper, as this is not sourced from DBM allocation, hence overstating the reported disbursements and understating the unpaid utilizations, which are used as the bases for calculating the undisbursed funds to be returned to the BTr.

11.21 Management explained that the LANDBANK-funded loan disbursements were intentionally included in the FARs based on the assumption that the program would be treated as fully off-books, allowing retroactive reimbursements and reduced interest rates for affected loan borrowers. However, in a letter dated December 9, 2024, the CFID PMO relayed the CFITF Secretariat clarification that the CFID Lending Program would be treated as 100 per cent off-books, with the enhanced-fund sharing arrangement to be applied prospectively. In response, the PMD 1 committed to submit the revised BFARs for CY 2023 and CY 2024 to both CFID PMO and CFITF Secretariat, reflecting only the loan amounts financed through CFITF.

11.22 The undisbursed balances of the funds received by LANDBANK in 2023 and 2024 for the CFID lending program were not automatically reverted and remitted to the BTr at the end of each fiscal year due to the delays in determining the final amount of the undisbursed CFID fund, which is in violation of Section 4.2.1 and 4.2.4 of COA-DBM-BTR Joint Circular No.1 s. 2022 dated January 28, 2022 and Section H.2.c of LANDBANK EO No. 39 series of 2024.

11.23 **We recommended and Management, through LOMD, agreed to:**

a. Reconcile the CFID Fund balances for FY 2023 and FY 2024 as recorded in the DLS, SLs and FARs, and accordingly make the necessary adjustments;

b. Return the final undisbursed balance of the CFID Fund to the Bureau of Treasury in accordance with the provisions of COA-DBM-BTr Joint Circular No. 1, s.2022.

11.24 Management informed and the Audit Team has validated upon submission of the supporting documents, that the undisbursed balances from the FY 2023 and 2024 CFID Fund were returned to the BTr through both automatic reversion and manual remittance on April 21, 2025. Management added that the figures in the SL, which will be the basis of the revised 2023 and 2024 FARs submitted to the CFID and CFITF Secretariat have been updated and reconciled. The noted differences between the Operating Fund in SL against the schedule of outstanding A/P Resident -Gov't Entities-Non-Deposit had been identified and resolved. Regarding the DLS, while the figures have already been reconciled, adjustments in the system are still ongoing. As of May 22, 2025, loan accounts with the total amount of P 2,686,113.88 are still in the process of migration with target date of completion by end of June 2025 thus, the data in the DLS is still incomplete.

11.25 The Audit Team acknowledged the reconciliation of the differences between the SL and the schedule of outstanding A/P Resident -Gov't Entities-Non-Deposit balances, as well as the revisions made on the 2023 and 2024 FARs. However, the balances in the DLS are still not updated to reflect the correct balances in the SL and FARs, thus, the migration process will be monitored.

12. Forty-one properties that had already been sold and three properties that had been converted to LANDBANK assets for its own use were still listed in the ROPA Masterlist, compromising the reliability of the ROPA MS and affects its intended function, particularly in generating timely and accurate management reports.

12.1 Section 0101- General Guidelines of Chapter 1 of the SPAD Manual provides:

> Xxx
>
> 1. SPAD shall review and ensure the completeness and accuracy of the data encoded in the ROPA MS against the ROPA documents transmitted by the LUs.
>
> Xxx

12.2 In LBP EO No. 064, Series of 2014, which outlines the Implementing Guidelines on the Handling of Real and Other Properties Acquired Manager System (ROPA MS), it is stated that the objectives of the ROPA MS is aimed at providing the following benefits:

- Centralized data
- Electronic storage of information
- Enhance communication between the ROPA MS Users
- Efficient monitoring of properties
- Security of Data
- Generate timely and accurate reporting of management-required reports
- Faster response to customer queries
- Marketing tool through the internet

12.3 The ROPA MS is a web-based application system that handles the administration, management, reporting, accounting and disposal of ROPA. It can capture details of each acquired property, as encoded, and eventually monitor the progress from its documentation until the conclusion of the sale. Once a property is acquired by LANDBANK, the system provides facilities where other attributes of the property can be managed. The ROPA MS also generates report that classify and record ROPA items in the financial statements as either, NCAHS, or IP or PPE.

12.4 The Audit Team selected 260 properties for ocular inspection based on the ROPA Masterlist as of September 30, 2024. A total of 44 acquired personal properties, with total book value of P38,195,181.22 and appraised value of P39,923,000.00, were not inspected because they were found to have already been sold or classified as LANDBANK assets. Based on an inquiry from the ROPA MS Unit, the ROPA that have been sold, reclassified as NCAHS, or converted into LANDBANK Assets, should no longer appear in the ROPA

Masterlist. Records show that 41 of these properties had been sold, as evidenced by Deeds of Sale or Authorizations to Pull Out Acquired Vehicles, dated up to May 2023. On the other hand, three were converted into LANDBANK assets, supported by LBP Board Resolution No. 23-280, dated April 26, 2023. Despite this, all 44 properties were still listed in the ROPA Masterlist as of September 30, 2024, which was used to select properties for inspection, summarized as follows:

Table 12.1 Current status of 44 properties still listed in the ROPA Masterlist

Status	No. of Properties	Total Book Value	Total Appraised Value
Sold	41	35,189,181.22	36,917,000.00
Classified As LANDBANK Asset	3	3,006,000.00	3,006,000.00
Total	**44**	**38,195,181.22**	**39,923,000.00**

12.5 The SPAD personnel explained that due to the high volume of transactions and lack of manpower, they are unable to update the ROPA MS in real time. As a result, the system is not kept up to date, which compromises its effectiveness in tracking and managing acquired properties. This delay in updating affected the system's core function.

12.6 It was also noted that 21 properties had discrepancies between their actual locations and locations recorded in the ROPA MS. In response to the audit recommendation, Management has corrected and updated the property location details in the ROPA MS.

12.7 The 41 properties that had already been sold and 3 properties that had been converted to LANDBANK assets for its own use were still listed in the ROPA Masterlist, compromising the reliability of the ROPA MS. Since the ROPA MS functions as the database for all foreclosed properties, any incomplete and outdated entries negatively affect the accuracy of reports used for management decisions and financial reporting.

12.8 **We recommended and Management, through SPAD, agreed to:**

a. Review and update the ROPA MS records to reflect the current status of properties that have already been sold, including the 41 sold properties and the 3 that were classified as LANDBANK assets; and

b. Fortify measures to ensure that the ROPA MS data entry processes are regularly reviewed to ascertain accurate and up-to-date information system.

13. Unclaimed Balances from Domestic, FCDU and Third Currency dormant deposit accounts amounting to P74.102 million, $3,421.51, ¥0.161 million, respectively, that remained dormant for 10 years or more were not reported to the BTr for escheatment in calendar year 2025, in violation of Section 1 of PD No. 679.

13.1 Pertinent provisions of PD No. 679, provides:

Section 1, "Unclaimed Balances", x x x, shall include credits or deposits of money, bullion, security or other evidence of indebtedness of any kind, and interest thereon with banks, buildings and loan associations, and trust corporations, as hereinafter defined, in favor of any person known to be dead or who has not made further deposits or withdrawals during the preceding ten years or more. Such unclaimed balances, together with the increase and proceeds thereof, shall be deposited with the Treasurer of the Philippines to the credit of the Government of the Republic of the Philippines to be used as the National Assembly may direct.

Section 2. x x x within the month of January of every odd year, all banks, building and loan associations, and trust corporations shall forward to the Treasurer of the Philippines a statement, under oath, of their respective managing officers, of all credits and deposits held by them in favor of persons known to be dead, or who have not made further deposits or withdrawals during the preceding ten years or more, x x x.

13.2 On the other hand, the LANDBANK EO No. 83, series of 2017 on the Guidelines in Handling Dormant Deposit Accounts provides:

10. Reports

xxx

e. The accounts classified as "Other Credits – Unclaimed Balances" shall be removed from the books of the Branch of Account not later than the first week of January of every odd year (i.e., 2021, 2023, etc.) by transferring the account balance through Interbranch Transaction Online System (IBTOLS) as follows:

1) For Peso Deposit accounts, the account balance shall be transferred to Administrative Accounting Department (AAD); while
2) For Foreign Currency Deposit accounts, the account balance shall be transferred to FDRD.

13.3 Pertinent provisions of the LANDBANK Branch Operations Manual, regarding the Handling of Dormant Deposit Accounts, prescribe:

C. Reclassification of Dormant Accounts to Other Credits-Unclaimed Balances

Xxx

17. The Branch of Account shall prepare the SUBA (Exhibit 8.10) every December to document the details of dormant accounts which have already been removed from the books of the Branch and are subject for escheatment.

Xxx

D. Escheatment in Favor of the Republic of the Philippines

1. SSUB shall be prepared by the Branch of Account every December of the even year. It shall be duly notarized and supported

by a SUBA prepared by the Branch of Account prior to endorsement to AAD or FDRD.

Xxx

2. Accounts classified as Other Credits-Unclaimed Balances shall be transferred to AAD for Peso and FDRD for Foreign Currency Accounts through IBTOLS not later than the first week of January of every odd year.

Xxx

3. Certification of Unclaimed Balances shall be prepared by the Branch of Account sixty (60) days after filing of SSUB to BTr. It shall be duly notarized prior to endorsement to AAD not later than 15th of April of every odd year.

Xxx.

13.4 Dormant deposit accounts comprising of Domestic, FCDU and Third Currency dormant deposit accounts amounting to P74,101,978.21, $3,421.51, ¥161,390.53, respectively, that are due for escheatment in CY 2025, were not yet reclassified to the "Other Credits – Unclaimed Balances account. Verification disclosed that these accounts were not included in the SSUB filed with the BTr in CY 2025, hence, the accounts were not escheated in favor of the NG.

Table 13.1 Dormant deposits accounts not escheated in favor of the Government

Region	No. of Branches	Domestic (Php)		FCDU ($)		Third Currency (¥)	
		No. of Accounts	Sum of Balances	No. of Accounts	Sum of Balances	No. of Accounts	Sum of Balances
NCR	31	453	17,102,750.24	1	152.21	1	161,390.53
1	2	67	2,534,319.88	2	2,959.56	0	0.00
3	1	152	4,480,931.59	0	0.00	0	0.00
4A	1	3	54,007.72	0	0.00	0	0.00
4B	2	23	1,742,974.69	0	0.00	0	0.00
5	4	210	4,951,381.14	2	196.31	0	0.00
7	1	2	20,557.09	0	0.00	0	0.00
8	5	65	8,407,967.50	0	0.00	0	0.00
9	8	1,379	15,588,740.77	0	0.00	0	0.00
10	8	37	19,145,050.53	1	113.43	0	0.00
12	2	55	58,036.01	0	0.00	0	0.00
BARMM	1	1	15,261.05	0	0.00	0	0.00
Total	**66**	**2,447**	**74,101,978.21**	**6**	**3,421.51**	1	161,390.53

13.5 It was noted that the above accounts were not removed from the books of the Branches not later than the first week of January 2025 and were not transferred to the AAD and the FDRD, thus, escheatment proceedings were not initiated. These accounts were also not included in the SUBA, which is prepared annually by the Branch of Account every December to document the details of dormant accounts already been removed from the books of the Branch and are subject for escheatment. However, they were not included in the SSUB submitted to the BTr by AAD and FDRD for the odd year 2025.

13.6 Therefore, the unclaimed balances from Domestic, FCDU and Third Currency dormant deposit accounts amounting to P74,101,978.21, $3,421.51, ¥161,390.53, respectively, that remained dormant for 10 years or more, were not reported to the BTr for escheatment in calendar year 2025, in violation of Section 1 of PD No. 679. Instead, the concerned Branch Heads have committed to include these dormant accounts in the escheatment process for calendar year 2027.

13.7 **We recommended and Management agreed that:**

a. The Branches transfer accounts classified as Other Credits – Unclaimed Balances to AAD for Peso accounts and to FDRD for Foreign Currency and Third Currency accounts amounting to P74,101,978.21, $3,421.51, ¥161,390.53, respectively;

b. The Branches prepare the necessary SUBA and SSUB to support these transfers to AAD for Peso Accounts and FDRD for Foreign Currency Accounts and ensure that these are eligible for escheatment to the NG in CY 2027; and

c. The AAD facilitate the filing of the SSUB to the Treasury of the Philippines for the escheatment of dormant deposit accounts in favor of the government.

14. ATM/CDM shortages and overages totaling P9.307 million and P20.313 million, respectively, remained unresolved for more than 3 banking days to over 360 days as of December 31, 2024, contrary to LANDBANK EO No. 058, series of 2020.

14.1 LANDBANK EO No. 58, Series of 2020, on handling of ATM/CDM Overages and Shortages, prescribes that "overages and shortages from daily balancing or cash retrieval shall be recognized and booked upon discovery and the same shall be investigated and resolved at the Branch level." The EO further provides that "unaccounted ATM/CDM overages or shortages shall be reversed to "Miscellaneous Income or Expense" immediately upon approval in accordance with the provisions of the CASA, and that ATM/CDM overage or shortage resulting from the daily balancing's time difference may be temporarily booked to Sundry Account subject to immediate reversal once investigated and resolved. Overages and shortages during the cash retrieval shall be investigated and resolved within three banking days from retrieval date."

14.2 Review of the Schedules of ATM Outstanding Shortages and Overages of several Branches showed shortages and overages amounting to P9,307,140.00 and P20,313,395.48, respectively, and remained unresolved for periods ranging from more than 3 banking days to over 360 days as of December 31, 2024:

Table 14.1 ATM Overages/Shortages unresolved for more than 3 days to over 360 days

Regions	Shortages	Overages	Total
CAR	16,000.00	7,000.00	23,000.00
II	67,000.00	1,297,200.00	1,364,200.00
III	15,800.00	176,500.00	192,300.00
IV-A	18,600.00	50,400.00	69,000.00
IV-B	97,300.00	208,450.00	305,750.00
V	324,100.00	2,864,300.00	3,188,400.00
VI	264,400.00	730,500.00	994,900.00

Regions	Shortages	Overages	Total
VII	78,700.00	213,400.00	292,100.00
VIII	3,900.00	16,900.00	20,800.00
IX	3,324,600.00	8,368,440.00	11,693,040.00
X	280,600.00	1,084,400.00	1,365,000.00
XI	4,786,240.00	5,047,105.48	9,833,345.48
XII	0.00	248,400.00	248,400.00
XIII	29,900.00	400.00	30,300.00
Total	**9,307,140.00**	**20,313,395.48**	**29,620,535.48**

14.3 Notably, of the total amounts above, overages totaling P5,201,640 from 15 branches and shortages amounting to P2,112,540 from 12 branches have remained unresolved for more than 360 days as of December 31, 2024.

14.4 LANDBANK Branches explained that the delays in posting transactions and processing of reversals were due to the unavailability of ATM/CDM transaction details or reports from the LANDBANK ATM Reconciliation System (LARS) during system errors, system downtime, among other factors. Validations showed that there were still several instances that the system was unable to remotely generate the EJ. In these instances, the Branches use manual procedures for reconciliation, causing delay in the reconciliation of undispensed cash withdrawn in the ATM and crediting of the undispensed amount to client's accounts. These circumstances precluded Branches from completing timely reconciliations and preparation of ATM/CDM reports for submission to the Accounting Center. LARS, an upgraded and enhanced version of the LANDBANK ATM Hosts, relies on the software facility RARS to automatically retrieve/pull EJ File and TR from the ATM and to the Remote ATM reading server for uploading to IDRARS (now LARS). This issue was previously raised in the CY 2023 audit, and Management has yet to fully address the recommendation for Branch Heads to conduct independent reviews to resolve the recurring accumulation of unaccounted and unresolved ATM overages and shortages. Other contributing factors include the high volume of transactions for daily reconciliation and insufficient manpower in Branches responsible in handling these overages and shortages.

14.5 The prolonged delay in resolving discrepancies within the specified timeframe resulted in the accumulation of unaccounted overages and shortages. This situation raises concerns about management's faithful compliance with the timely resolution of overages and shortages, as outlined in LANDBANK EO No. 058, Series of 2020.

14.6 The non-compliance with the prescribed guidelines for handling ATM/CDM overages and shortages resulted in overages and shortages totaling P9,307,140.00 and P20,313,395.48, respectively, which remained unresolved for more than 3 banking days to over 360 days as of December 31, 2024, contrary to the provisions of LANDBANK EO No. 58 series of 2020.

14.7 **We recommended and Management agreed that:**

a. BBOMD conduct independent review to determine the underlying cause/s of recurring unresolved ATM overages and shortages within the prescribed period and implement appropriate corrective measures;

b. Branches coordinate with their respective Accounting Centers, to investigate unresolved ATM/CDM overages and shortages amounting to P20.313 million and P9.307 million which have remained outstanding from more than three to over 360 days since retrieval, and make the necessary adjustments based on the results of investigation. In coordination with the Accounting Centers, henceforth, ensure timely resolution of ATM/CDM overages and shortages in accordance with LANDBANK EO No. 058, series of 2020.

15. Twelve foreclosed properties recovered from a defaulting borrower with total book value of P5.195 million and appraised value of P4.658 million as of December 31, 2024 lack original Transfer Certificate of Title and have not been consolidated under LANDBANK's name. This situation exposes LANDBANK to ownership issues and raises concerns over rights and control over the properties, considering the presence of informal settlers claiming to have purchased portions of the properties, thus affecting the proper recognition of the properties in accordance with Paragraphs 4.3 and 4.4 of the 2018 Conceptual Framework for Financial Reporting.

15.1 Paragraphs 4.3 and 4.4 of 2018 Conceptual Framework for Financial Reporting defines asset as:

> 4.3 An asset is a present economic resource controlled by the entity as a result of past events.
>
> 4.4 An economic resource is a right that has the potential to produce economic benefits.

15.2 Item 5 of Chapter 3 of the SPAD Manual states that Consolidation of title shall be undertaken by the LD within 60 calendar days from date of the expiration of the redemption period based on the date of registration of the COS.

15.3 The Audit Team selected 134 properties listed in the ROPA Masterlist as of December 31, 2024 with total book value of P4,844,169,507.86 and total appraised value of P6,707,263,913.98. During the inventory of their titles, it was noted that 12 of these properties were only supported by a COS. These 12 properties have a total book value of P5,195,179.02 and an appraised value of P4,658,000.00.

15.4 Management explained that the 12 properties were acquired through a Notice of Sale on Execution of Real Property (NSERP) and a COS. These actions arise from a civil case filed by a borrower who sought to stop foreclosure proceedings initiated by LANDBANK. The Regional Trial Court ruled in favor of LANDBANK, ordering the borrower to settle an outstanding obligation, inclusive of interest and charges. Following the issuance of a Writ of Execution and the verification of assets, the identified properties were levied and sold through a public auction to enforce the court's judgment.

15.5 Notably, these properties were acquired as early as November 4, 2020; however, LANDBANK has yet to secure the titles to these assets. The Audit Team was provided a photocopy of the TCTs, which remain under the Borrower's name. Management informed that the Borrower has failed to surrender to the Court the original titles despite a court decision requiring the Borrower to surrender the titles. As a result, LANDBANK is unable to complete the transfer and consolidation of the titles under its name. To address this issue, LANDBANK's legal team has filed a petition in court to cancel the original titles of the properties, which is a necessary step before the RD can issue new titles in LANDBANK's name.

15.6 During the ocular inspection conducted by the Audit Team on the acquired properties, an occupant claimed to have purchased a portion of the land from an individual who had previously acquired it from the original owners. However, the occupant did not present any documentary evidence to validate this claim. Despite the lack of evidence, this situation raises concerns regarding LANDBANK's claim of ownership and potential encroachment and unauthorized dealings involving the property. The SPAD I personnel who joined the ocular inspection advised the occupant to seek legal advice.

15.7 In view of the foregoing, LANDBANK's inability to secure legal title to the 12 foreclosed properties exposes it to ownership issues and raises concern over its rights and control over the properties considering the presence of informal settlers claiming to have purchased portions of the properties, thus affecting the proper recognition of the properties under Paragraphs 4.3 and 4.4 of the 2018 Conceptual Framework for Financial Reporting, which require an entity to have control over a resource and expect future economic benefits for it to be recognized as an asset.

15.8 **We recommended and Management agreed that:**

a. **FLSD-Cainta to investigate the third-party claim of the occupant that a portion of the 12 properties were already purchased by said informal occupant;**

b. **FLSD-Cainta undertake proceedings against the informal settlers in accordance with LANDBANK policies and guidelines; and**

c. **LRD expedite consolidation of titles in the name of LANDBANK, closely coordinating with the Legal team of LANDBANK and the RD to ensure faster processing time.**

15.9 On May 13, 2025, Management requested Field Legal Services (FLS) Cainta to file the appropriate case for the issuance of new owner's duplicate titles. The matter was initially coordinated with FLS Cavite; however, the handling counsel advised that the request be routed through FLS Cainta, as the property falls within its jurisdiction. The request also includes the investigation and resolution of reported third-party claims and the presence of informal settlers. The case is targeted to be filed within June 2025.

15.10 The Audit Team acknowledged the updates on the legal proceedings and will monitor the implementation of the recommendations.

16. Claims against DBP DCI representing liquidated damages and advance payment for mobilization fee amounting to P3.567 million and P2.184 million, respectively, pertaining to the failed New HRIS Project remained uncollected as of December 31, 2024, is not in compliance with LANDBANK Administrative Order No. 018, Series of 2019 and Section 2 of Presidential Decree No. 1445.

16.1 Section 2 of PD No. 1445 provides:

> Section 2. Declaration of Policy. It is the declared policy of the State that all resources of the government shall be managed, expended or utilized in accordance with law and regulations, and safeguarded against loss or wastage through illegal or improper disposition, with a view to ensuring efficiency, economy and effectiveness in the operations of government. The responsibility to take care that such policy is faithfully adhered to rests directly with the chief or head of the government agency concerned.

16.2 Moreover, Section C.2 of LPB Administrative Order No. 018, Series of 2019 on Guidelines on Accounts Receivable states:

> C. General Guidelines
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>
> 2. A/R shall be collected immediately upon incurrence.

16.3 The HRIS is the Bank's system that handles various human resource related functions, such as personnel administration, recruitment, payroll, benefits and time management, among others. The system has been utilized by LANDBANK since 2003 but despite its presence, several HR functions continue to be carried out manually due to the system's limited functionalities and modules. In response to evolving technological needs, the Bank initiated the acquisition of New HRIS Project.

16.4 On April 16, 2021, LANDBANK approved an Agency-to-Agency Agreement with DBP Data Center Inc. (DCI), through its BAC, for the supply, delivery, installation and maintenance of the New HRIS Project. The Bank determined that an Agency-to-Agency agreement would be more efficient and economical for the government.

16.5 The LANDBANK Board of Directors, through its Board Resolution No. 21-371, approved awarding the New HRIS contract to DBP DCI for a total contract price of P52,640,000.00. The agreement was formalized through a Memorandum of Agreement signed on November 15, 2021. DCI, a wholly owned subsidiary of the Development Bank of the Philippines, is a government-owned and controlled corporation that provides information technology goods and services to both government and private entities.

16.6 According to the MOA and project's TOR, the New HRIS Project must be completed within 16 months from the supplier's receipt of the Notice to Proceed, which include LANDBANK's UAT. The project timeline is structured as follows: Project Initiation – 1 month; Infrastructure and Data Deployment – 3 months; Testing – 11 months; Implementation – 2 months; and Post Implementation – 1 month. These phases may overlap under the Agile Project Management framework. The NTP was signed by the President and CEO of DBP DCI on December 16, 2021, hence, the project completion deadline is April 16, 2023.

16.7 Review of correspondences/communications between LANDBANK and DBP DCI and inquiries made with Management disclosed various delays in the implementation of the project on the part of DBP DCI, resulting in the termination of the project. The events that led to the termination of the contract, imposition of liquidated damages and recognition of Account Receivable are summarized below:

a. The Bank's initial payment amounting to P2,184,000.00 representing the mobilization fee upon contract signing was released to DBP DCI on March 2, 2022, as documented in Disbursement Order No. 463772.

b. Pursuant to the MOA, the project was supposed to be completed within 16 months starting from December 16, 2021 to April 16, 2023. However, a memorandum from the HRMG indicated that by November 2023, only 2 of the 5 modules had been deployed in production but even those were not yet operational.

c. Due to repeated delays, incomplete outputs, and undelivered requirements, LANDBANK imposed liquidated damages with a total of P3,595,204.41 as of November 2023 on DBP DCI at various dates from April 1, 2022 to November 29, 2023.

d. Despite the Bank granting of several deadline extensions at the request of DBP DCI, the latter failed to implement the system on time and in accordance with quality expectations.

e. As a result, LANDBANK issued a Notice of Termination of the MOA to DBP DCI on March 15, 2024, citing key issues contributing to the delays, such as:

   e.1 Delayed delivery, review and sign-off of project documents required for each milestone, and delayed delivery of system modules for UAT.

   e.2 DBP DCI was unable to fulfill its commitment to deliver system based approved/signed-off documents such as Customization Requirements Specifications and UAT Certificates.

   e.3 Inadequate handling of UAT Problem Reports by DBP DCI and its partner resulted to prolonged UAT.

   e.4 DBP DCI failed to deliver agreed project milestones totaling P15,792,000.00 representing 30 per cent of the total contract price.

   LANDBANK has given DBP DCI a period of seven calendar days to submit a position paper contesting the termination pursuant to Section IV, Item No. 3 – Annex I of the 2016 RIRR of RA 9184. However, on June 19, 2024, the Bank issued an Order of Termination of the MOA to DBP-DCI stating the latter's failure to respond and submit the required position paper within the stipulated timeframe.

f. On July 18, 2024, the Head of HRMG, the Project Sponsor, issued a Memorandum addressed to the LSG endorsing the matter and requesting legal assistance for the recovery of claims imposed on DBP DCI.

g. On August 9, 2024, the Bank through its Litigation Department, issued a final demand letter to DBP DCI, requiring the full payment of the mobilization fee and liquidated damages amounting to P5,779,204.41.

h. In the memorandum dated February 6, 2025, the IT-Project Management Department informed that DBP DCI had expressed its intention to settle the refund and liquidated damages through the OGCC, which would coordinate with LANDBANK to trigger the settlement.

i. On March 6, 2025, LANDBANK forwarded another final demand letter, reiterating the previous demand. As of this date, DBP DCI has not issued a formal response to the said demand letter.

16.8 As of December 31, 2024, the total amount of P5,779,204.41 due from DBP DCI remained uncollected. Further review of supporting documents disclosed that the P2,184,000.00 pertaining to the paid mobilization fee previously paid was already booked as Accounts Receivable – Various (DBP DCI) under Journal Ticket No. 2025-02-131 dated February 26, 2025. However, the remaining P3,595,204.41, pertaining to the computed liquidated damages as of November 2023, has not yet been recorded as receivable, pending the recommended legal action of the Bank's Legal Services and awaiting response from DBP DCI and OGCC.

16.9 Moreover, review of the monthly demand letters and schedule of computation of liquidated damages, as compared to the amount indicated in the final demand letter, revealed a discrepancy of P27,775.99.

Table 16.1 Discrepancy in liquidated damages between final demand letter and monthly demand letters

Monthly Demand Letter Date	Received by Supplier	Period Covered	Amount of Liquidated Damages
July 12, 2022	July 15, 2022	April 1 to July 12, 2022	132,055.47
August 31, 2022	September 2, 2022	July 13 to August 11, 2022	124,739.63
		August 12-31, 2022	71,544.93
		*overcharged amount in 1st LD	-41,290.67
October 21, 2022	November 10, 2022	September 1-30, 2022	166,413.63
November 16, 2022	November 23, 2022	October 1-31, 2022	199,221.12
		*overcharged amount in 1st LD	-1,022.93
December 12, 2022	December 21, 2022	November 1-30, 2022	199,221.12
January 10, 2023	January 11,2023	December 1-31, 2022	173,983.26
January 31, 2023	February 9, 2023	January 1-31, 2023	232,821.12
March 6, 2023	March 8, 2023	February 1-28, 2023	201,176.86
March 31, 2023	April 12, 2023	March 1-31, 2023	232,941.63
May 11, 2023	May 17, 2023	April 1-30, 2023	179,648.90
		*overcharged amount in March 2023 LD	-522.14
June 14, 2023	July 6, 2023	May 1-31, 2023	281,728.83
August 4, 2023	August 16, 2023	June 1 - July 31, 2023	471,589.22
September 11, 2023	September 22, 2023	August 1-31, 2023	241,545.70

Monthly Demand Letter Date	Received by Supplier	Period Covered	Amount of Liquidated Damages
September 29, 2023	October 10, 2023	September 1-30, 2023	241,545.70
November 7, 2023	November 28, 2023	October 1-31, 2023	241,545.70
January 26, 2024		November 1-29, 2023	218,541.34
Total			**3,567,428.42**
Amount per Final Demand Letter			**3,595,204.41**
Variance			**27,775.99**

16.10 Inquiry with the Project Administrator from ITPMD disclosed that the total of the amounts reflected in the demand letter does not match the total of the monthly figures because of an encoding error made during the document preparation.

16.11 The claim against DBP DCI representing liquidated damages and advance payment for mobilization fee amounting to P3,567,428.42 and P2,184,000.00, respectively pertaining to the failed New HRIS Project, which remained uncollected as of December 31, 2024, is not in compliance with LANDBANK Administrative Order No. 018, Series of 2019 and Section 2 of PD No. 1445.

16.12 **We recommended and Management agreed to:**

a. Include the correct total amount of liquidated damages amounting to P3,567,428.42 in the final demand letter and issue it to DBP DCI, if warranted; and

b. Initiate or file arbitration proceedings against DBP DCI to recover the total claims of P5,751,428.42 representing mobilization fee and liquidated damages.

16.13 Management reissued the final demand letter to DBP DCI May 6, 2025, now reflecting the correct amount of the claim.

16.14 The Audit Team will monitor the progress of the arbitration proceeding against DBP DCI in CY 2025.

17. The LANDBANK paid P2.331 million for the procurement of 3,330 flu vaccine doses under its Flu Vaccination Program for employees assigned to the Head Office, NCR, Laguna, Cavite, Bulacan and Rizal in CY 2024. However, this benefit is not included under the Standard and Specific Purpose Allowances and Benefits and Incentive prescribed in the Compensation and Position Classification System (CPCS) pursuant to EO No. 150 s. 2021. Moreover, the procurement was made without the required endorsement from the DOF, recommendation from the GCG, and approval from the President of the Philippines, thereby violating the provisions of EO No. 150 s. 2021.

17.1 Paragraph B. 4 of Part VI Compensation System of the CPCS in EO 150 states:

> 2. Additional Allowances, Benefits and Incentives - Upon application of the CPCS, all the allowances, benefits, and incentives (ABIs) of GOCC officers and employees, whether they are incumbents or new hires,

shall be limited to those provided under the CPCS. All additional compensation outside of the CPCS shall be approved by the Board, endorsed by the Supervising Agency, recommended by the GCG, and approved by the President of the Philippines.

17.2 In addition, Paragraph No. 4 and Part II. Allowances, Benefits and Incentives under the Compensation System of the CPCS Implementing Guidelines No. 2021-01 requires:

> 4. CPCS Implementation – GOCCs shall implement the CPCS upon receipt of the CPCS authorization from the GCG which shall contain the GOCC's classification, job evaluation results, and tiering.
>
> X x x
>
> II. Allowances, Benefits and Incentives
>
> Upon receipt of their respective authorization to adopt the CPCS, all the allowances, benefits, and incentives (ABIs) of GOCC officers and employees, whether they are incumbent or new hires, shall be limited to those provided under the CPCS. The grant of ABIs outside those under the CPCS shall be discontinued.

17.3 In a letter by the GCG to the LBRDC dated December 27, 2024 regarding LBRDC's grant of insurance premiums and free vaccinations, it said and we quote:

> X x x
>
> Free vaccinations and personal accident insurance are not among the ABIs allowed under the Compensation and Position Classification System (CPCS).
>
> Based on the foregoing provisions, LBRDC should have already discontinued the allowances, benefits, and incentives (ABIs) outside those provided under the CPCS, such as free vaccinations and personal accident insurance, upon receipt of its Authorization to Implement (ATI) on 16 February 2022.
>
> X x x
>
> Hence, if LBRDC intends to continue granting fee vaccination and personnel accident insurance to its employees, LBRDC must submit: (i) its Board Resolution approving the continued grant thereof; and (ii) an endorsement from the Department of Finance (DOF) as LBRDC's Supervising Agency. The Governance Commission shall evaluate these submissions and elevate the appropriate endorsement to the Office of the President.

17.4 A review of the disbursement orders for CY 2024 to verify any payments made for the procurement of free vaccines for LANDBANK employees showed that a payment amounting to P2,331,000.00 was made to ME Purple Health and Wellness Products Trading (ME Purple) under DO No. 520266 dated January 29, 2024, and paid on April 2,

2024. Supporting documents showed that the payment was for the procurement of 3,330 single dose pre-filled syringes of the inactivated influenza vaccine Fluarix Tetra. The procurement was made through public bidding in the 4th quarter of 2023 based on Purchase Order No. 20231115-0904.

17.5 The review further disclosed that an accrued expense amounting to P2,830,500.00 related to the vaccine procurement was recorded under the Medical, Dental and Hospitalization Expense account in CY 2023. In addition, it was found that in CY 2022, an amount of P925,600.00 was charged to the same account for the purchase of 1,157 flu vaccine doses as part of the LANDBANK Flu Vaccination Program for employees based at the Head Office and in the NCR. These expenses were funded through the corporate funds of the LANDBANK.

17.6 Further, the Flu Vaccination Program lacks approval from the LANDBANK Board of Directors, endorsement from the Department of Finance, recommendation from the GCG and the approval of the Office of the President, thus, the program does not comply with EO No. 150, which requires prior approval for any additional benefit not included in the CPCS. Moreover, it was confirmed that the LANDBANK continued implementing the flu vaccination program even after receiving the Authority to Implement the CPCS from the GCG in May 2022, in violation of CPCS Implementing Guidelines No. 2021-01.

17.7 Also, the list of Allowances, Benefits and Incentives for submission by LANDBANK to the GCG as part of its compliance with the requirement to secure approval before implementing the CPCS was not available for review. Instead, the LANDBANK informed that it has been following the standard allowances, benefits, and incentives prescribed under the Salary Standardization Law, which is very similar with those allowed under the CPCS.

17.8 The PAD replied that certain small programs were not considered as benefits during the transition to the CPCS. It further explained that the flu vaccination program is voluntary and not a benefit, as participation is optional, especially for employees with differing religious beliefs. PAD also emphasized that such programs reduces the strain of workload especially given the recruitment and retention challenges faced by the LANDBANK due to the availability of various virtual work opportunities outside of the government sector. Hence, continuing these programs is viewed as necessary to maintain workplace safety and retain current work force.

17.9 The ERD under HRMG further informed that the flu vaccination program has been institutionalized since 2009 through LANDBANK EO No. 57 s. 2009. Its main objective is to protect the government employees from the dangers of sickness in the workplace, which aligns with CSC-DOLE Circular No. s. 2020 on Occupational Safety and Health Standards for the Public Sector. The relevant provisions of the guidelines include:

> I. Objectives
>
> This Guidelines on Occupational Safety and Health Standards for the Public Sector is aimed at protecting all government employees from the dangers of injury, sickness or death in the workplace through the adoption of safe and healthy working conditions to ensure the preservation of human lives and resources and prevent loss/damage of properties.

This shall also guide the government agencies in the deployment, implementation, monitoring and evaluation of Occupational Safety and Health for government employees.

More particularly, this Guidelines seeks to:

(1) Institutionalize occupational health and safety in the public sector and government workplaces;
(2) Identify and delineate roles and responsibilities of lead agencies, head of agencies and safety and health committees, within the scope of the Joint Memorandum Circular; and
(3) Establish Safety and Health Committees within government agencies.

X x x

V. Provision For Reasonable Working Conditions

X x x

(6) Work Environment

Implement policies and programs relative to:

(a) X x x
(f) Medical assistance and other benefits for employees

17.10 The ERD explained that the flu vaccination expenses were not treated as employee benefits but part of compliance with OSH standards. They maintain that it is the responsibility of the employer to provide a safe work environment and protect employees from health hazards which may hinder their job performance. This is most important for branches and field personnel who deals with LANDBANK clients on a day-to-day basis.

17.11 We do not oppose with the position that the flu vaccination program is an essential tool in providing protection for government employees considering the nature of work and mandate of the LANDBANK. It also plays a significant role in maintaining the biggest asset, which is human resources. However, it is important to clarify that employee benefits are not limited to financial considerations. Rather, they encompass any form of reward provided by the organization, in return for services rendered in addition to the base salaries. Although participation in the flu vaccination program is voluntary, this does not change its fundamental nature as a non-monetary benefit aimed at protecting its employees from health hazards. Nevertheless, the continued implementation of the flu vaccination program despite the issuance of the Authority to Implement the CPCS, which did not include provisions for vaccination benefits, and without obtaining the required endorsement from the DOF, recommendation from the GCG, and approval from the President of the Philippines, is in violation of the provisions of EO No. 150 and CPCS Implementing Guidelines. Therefore, the expenses incurred for this program are considered unauthorized.

17.12 **We recommended and Management agreed to comply with EO No. 150 and CPCS Implementing Guidelines No. 2021-01, by first obtaining the endorsement of the DOF, recommendation of the GCG and the approval of the President of the**

Philippines, to continue with the grant of free vaccinations and the Flu Vaccination Program.

18. LANDBANK's implementation of the AMLS and EFMS Upgrade Project was not completed within the timeline mandated by the BSP and does not cover all the Bank's digital financial services and channels, which is in violation of BSP Circular 1140, thus, exposing the Bank to potential operational, compliance and reputational risks.

18.1 The Monetary Board of BSP, in its Resolution No. 375 dated March 17, 2022, approved the amendments to Section 148 of the MORB and Sections 147-Q/145-S/142-P/126-N of the MORNBFI, incorporating requirements on the adoption of robust fraud management systems. The amendment aims to strengthen cybersecurity posture and minimize losses arising from fraud and cybercriminal activities, to wit:

> Section 1. Section 148 of the MORB and Sections 147-Q/145-S/142-P/126-N of the MORNBFI (IT Risk Management System) on IT controls implementation for electronic products and services shall be amended, as follows:
>
> "148/147-Q/145-S/142-P/126-N. INFORMATION TECHNOLOGY RISK MANAGEMENT
>
> X x x
>
> 5. Electronic products and services. Xxx
>
> BSFIs should protect customers from fraudulent schemes done electronically. Otherwise, consumer confidence on the use of electronic channels as safe and reliable method of making transactions will be eroded. To mitigate the impact of cyber fraud, BSFIs should adopt aggressive security posture such as the following:
>
> (a) X x x;
> (b) X x x;
> (c) X x x; and
> (d) Implement automated and real-time fraud monitoring and detection systems to identify and block suspicious or fraudulent online transactions. The expected sophistication and capabilities of BSFIs' fraud monitoring systems (FMS) should be commensurate to the risks associated with their digital financial and payment platforms. As fraud and cyber threats evolve, the FMS should be constantly calibrated to be able to process surges in transactions, collectively analyze customer profiles/behavior, and detect new fraud patterns. To ensure robustness and effectiveness in early detection and prevention of fraudulent and suspicious activities, it is optimal that the FMS is able to collect, monitor, and analyze transactions from <u>ALL</u> channels. Moreover, the FMS and AML

systems should be linked or integrated to have a cohesive and comprehensive financial crime prevention system in accordance with Section 803/801-Q/501-S/401-P/502-N.

Section 2. X x x

Section 3. X x x

Section 4. The following transitory provision shall be incorporated as footnote to Section 148/147-Q/145-S/142-P/126-N as follows:

> BSFIs shall comply with the foregoing standards until 31 December 2022. In this regard, BSFIs should be able to show its plan of actions with specific timelines, as well as the status of initiatives being undertaken to fully comply with the provisions of this Circular, upon request of the Bangko Sentral starting 1 September 2022."

18.2 The BSP approved LABDBANK's request to extend the implementation of the EFMS until September 2023. However, due to the various challenges faced during the project, the Bank later sought a further extension until December 2024. BSP, however, in its letter to LANDBANK dated February 20, 2024 denied the request. Instead, the Bank was only given a six-month period from the date of the letter, or until August 20, 2024, to implement the automated and real-time FMS.

18.3 It has been noted that the Bank has not yet fully implemented the automated and real-time FMS. It was only on March 27, 2024 that the Bank finalized the procurement and entered into contract for the Upgrade of the AMLS and EFMS, which included three years of software update and maintenance support. The licenses procured are as follows:

Table 18.1 Software update and maintenance support procured

Description of Cost Item	Unit of Measure	Quantity	Total Cost
Migrated Licenses			
1. Oracle Financial Services (OFS) Anti-Money Laundering Enterprise Edition to Premium Edition	Licenses	67	P 27,400,324,67
2. OFS Know Your Customer	Licenses	15	
3. Incremental Net Support Fees – Year 1	-	-	6,028,071.44
4. Incremental Net Support Fees – Year 2	-	-	6,148,632.86
5. Incremental Net Support Fees – Year 3	-	-	6,271,605.51
New Licenses			
1. OFS Inline Processing Engine	Licenses	67	
2. Oracle Enterprise Data Quality for OFS Applications	Licenses	67	
3. OFS Customer Screening	Licenses	67	49,320,134.08
4. OFS Know your Customer	Licenses	52	
5. OFS Enterprise Case Management	Licenses	67	
6. Update License & Support Fees – Year 1			10,850,429.50
7. Update License & Support Fees – Year 2			11,067,438.09
8. Update License & Support Fees – Year 3			11,288,786.85
Grand total			**P 128,375,423.00**

18.4 According to the Industry Survey/Market Study and Purchase Justification prepared by the Project Manager, the acquired licenses for the upgrade of AMLS and EFMS will enable the Bank to meet the requirements of the BSP Circular on the amendments to IT Risk Management regulations. Moreover, the document highlights that the upgrade and enhancement of the AMLS will ensure the operating and database systems are up-to-date as well as support seamless and automated reporting of CT transaction monitoring, conduct of sanction screening, alerts investigation and disposition, and generation and filing of STRs.

18.5 On May 30, 2024, the DCMD, the proponent unit of the project, issued a certification confirming that the supplier/service provider has satisfactorily rendered the upgrade of the AMLS and EFMS in accordance with the contract terms.

18.6 Since the original contract did not include the implementation services of these licenses specifically the actual skill on how the Bank is going to implement the project, the Bank subsequently procured these services separately. The contract for the implementation services was awarded on July 22, 2024. LANDBANK provided the following justifications for this procurement:

> Cyber security attacks are man-made calamities that impact major sectors of government that create critical negative effects to LANDBANK's operations, specifically as it handles 80% of government-related transactions that require urgent implementation of proactive controls for transaction monitoring through the EFMS.
>
> In 2023 alone, the Bank facilitated a total of 200 million digital transactions amounting to P8.784 trillion through various digital channels. The EFMS serves as a crucial preventive tool for consumer protection.
>
> LANDBANK is a corporation impressed with public interest to operate with a high degree of standard in public service. The basic law on banking RA 8791, enacted into law in 2000, provides the statutory basis for the high level of care and diligence that must be followed by banks. It states:
>
>> "The Bank should at all times be not remiss in updating IT and information security infrastructure to prevent the occurrence of fraud and be able be able to discharge responsibilities as an institution held to the highest degree of care and high standards of integrity and performance and no amount will compensate the reputational risk of the Bank."
>
> BSP has the authority to deploy suitable enforcement measures and can levy sanctions, as needed, to guarantee compliance with the stipulations outlined in the Circular 1140. As part of its enforcement actions, the BSP may enforce corrective measures and/or sanctions to enhance the risk management systems and processes of the Banking and Financial Institutions, or restrict or suspend any business activity that poses risk to the safety or stability of the BSFI, among other actions. Sanctions can also be applied against BSFI, its directors, officers, and employees when warranted by the circumstances.

18.7 As indicated in the TOR, the project must be completed within 12 months from receipt date of the NTP by the supplier. The supplier received the NTP on September 10, 2024, which means that the project under the contract had to start after the BSP-approved completion deadline of August 20, 2024.

18.8 It was also noted that the following timelines indicated in the TOR for project completion were not updated to reflect the actual start date, considering that the NTP was only issued on September 10, 2024:

Table 18.2 Timelines indicated in the TOR

Implementation Services	Target date of completion
Phase 1 • Implementation of first five real time fraud scenarios	On or before July 31, 2024
Phase 2 • Implementation of remaining five real time fraud scenarios • Implementation of Customer Screening • Streamline CTR/ STR • Implementation of FCCM Analytics Canned Reports	On or before November 30, 2024
Phase 3 • Implementation of Know Your Customer • Migration of existing Batch Fraud and AML scenarios (from v8.0.4 to v8.1.2.x) • Implementation of 2 product shipped AI/ML models	On or before March 31, 2025
One (1) calendar month post-launch support from the date of Go-Live	One month after Go-Live
30-manday Services usable for 1-year after Go-Live	Within 12 months after Go-Live

18.9 Even if the timelines set in the TOR were followed, it still is not compliant with the BSP-approved completion date of until August 20, 2024.

18.10 The Project Manager from IT-PMD explained that the project completion timelines indicated above were not met due to various factors such as procurement regulations, project development, and testing requirements. Based on his reply to the Audit Team's email inquiry on March 3, 2025, the Phase 1 was completed on December 6, 2024. Meanwhile, Phases 2 and 3 were still on-going with forecast dates of completion on June 5, 2025, and August 12, 2025, respectively. Also, based on its reply, Management is in the process of revising the contract and TOR in order to amend previous timelines indicated therein reflecting new baseline schedules aligned with August 12, 2025, the forecasted project completion. In addition, Management disclosed that there will be a presentation to the Project Steering Committee on April 10, 2025, and to the IT Committee on April 15, 2025 for the approval of the re-baselining of the project on August 12, 2025. There is, however, no approval obtained from the BSP to extend the August 20, 2024 completion date previously granted.

18.11 The importance to have a robust and effective EFMS in place is highlighted by the fact that based on the approved report from DPMD in CY 2024, the total volume and value of digital financial transactions on all digital products/channels of LANDBANK totaled P162,272,814 and P3,382,875,873,772.70, respectively, and have generated an aggregate income of P1,010,927,036.94. Details are shown below:

Table 18.3 Volume and value of digital financial transactions

Channel	Volume	Amount (in Peso)	Aggregate Income Jan - Dec 2024 (in Peso)
iAccess	1,432,661	19,854,790,059.20	12,188,283.17
MBA	106,817,285	450,589,779,320.64	662,729,920.58
weAccess	26,060,555	1,363,398,492,523.59	8,454,468.00
Electronic Modified Disbursement System	4,119,038	1,207,155,454,989.60	0.00
Link.Biz Portal	7,199,294	12,094,053,503.22	69,768,541.69
EPS -REGULAR (PHP)	1,594,690	1,020,372,584.54	12,696,999.00
EPS-REGULAR (USD)	13	512,219.32	186.58
ETPS	621,364	156,422,619,420.14	6,213,640.00
LBCS	8,073,266	72,777,482,464.92	5,622,962.80
LBRS (PHP)	1,075,178	57,048,841,961.05	157,579,318.14
LBRS (USD)	20,742	10,920,159,974.82	44,199,213.13
LANDBANKasama	2,624,304	13,257,217,262.51	24,650,014.85
POS Retail	2,634,424	18,336,097,489.15	6,823,489.01
Total	**162,272,814**	**3,382,875,873,772.70**	**1,010,927,036.94**

18.12 Furthermore, based on the report submitted by the Security Department personnel to the Audit Team, the Cyber Fraud Unit of LANDBANK received a total of 4,641, 1116 and 1,574 fraud-related or alleged unauthorized transaction complaints in calendar years 2022, 2023 and 2024, respectively.

18.13 Apart from the above cited issues, the Project Manager also pointed out that the Phase 1 of the EFMS Project is currently interfaced only to MBA and iAccess, and the Project does not include LANDBANK's other digital channels, contrary to the BSP Circular that mandates the FMS to cover transactions for all channels.

18.14 The non-completion of LANDBANK's Implementation Services for the Upgrade of AMLS and EFMS Project within the timeline mandated by the BSP and the project's limited coverage which excludes several of the Bank's digital financial services and channels is in violation of BSP Circular 1140, thus, exposing the Bank to potential operational, reputational and compliance risks, and its clients to cyber-threats. The Bank may be subjected to BSP corrective actions and/or sanctions to improve the risk management systems and processes. These actions may limit the level of or suspend any business activity that could compromise the Bank's safety or soundness, among others. Sanctions may likewise be imposed against the Bank itself and to its directors, officers and employees, if warranted.

18.15 **We recommended and Management agreed to:**

a. Cause the immediate revision to the contract to reflect timelines, which will serve as the basis for monitoring the service provider's compliance with its deliverables related to the implementation services for the upgrade of AMLS and EFMS;

b. Comply with the provisions of BSP Circular 1140 by: (i) enabling the Bank's FMS to collect, monitor, and analyze transactions from all its service channels, and (ii) expediting the completion of the implementation of the Bank's automated and real-time fraud monitoring and detection systems.

18.16 Management informed that they have already prepared an amended contract that aligns the timelines and deliverables for the service provider concerning the Upgrade of the AMLS and EFMS project, which will be submitted to the service provider for their concurrence. With regard to their compliance with BSP Circular 1140, LANDBANK prioritized the implementation of the real-time fraud detection scenarios for their iAccess and MBA channels which were included in the Phase 1 of the project. On the other hand, the remaining channels will be addressed in the next phase of the project. Anent to the LANBANK's letter to BSP dated April 14, 2025, requesting an extension for the implementation of the project, the BSP replied that no further extension requests to comply with BSP Circular 1140 will be granted. Also, LANDBANK will not be allowed to initiate and offer new Advanced Electronic Payment and Financial Services (EPFS) products and services until the full implementation of FMS is completed.

18.17 The Audit Team acknowledged the Management's updates regarding AMLS and EFMS projects and will monitor the implementation of the recommendations.

Gender and Development (GAD)

19. The LANDBANK's GAD Agenda is yet to be finalized and submitted to PCW, GAD budget below the required five per cent of the COB and certain projects not undertaken, contrary to PCW-NEDA-DBM Joint Memorandum Circular Nos. 2022-01, 2012-01 and PCW Memorandum Circular No. 2018-04, thus, LANDBANK GAD programs, activities, and projects reported are not assured whether aligned with international treaties and national laws and plan on gender equality.

19.1 PCW-NEDA-DBM Joint Memorandum Circular (JMC) No. 2012-01 on *Guidelines for the Preparation of Annual Gender and Development (GAD) Plans and Budgets and Accomplishment Reports to Implement the Magna Carta of Women* provides:

> 5.1 Set the GAD agenda or identify priority gender-issues and/or specific GAD mandates and targets to be addressed over a one-year or three-year term by the central office in consultation with regional offices, bureaus and attached agencies. This GAD agenda shall be the basis for the annual formulation of PAPs to be included in the GPB of the department and its attached agencies, bureaus, regional offices and units.
>
> X x x
>
> 6.1 At least five percent (5%) of the total agency budget appropriations authorized under the annual GAA correspond to activities supporting GAD plans and programs. The GAD budget shall be drawn from the agency's maintenance and other operating expenses (MOOE), capital outlay (CO, and personal services (PS). It is understood that the GAD budget does not constitute an additional budget over an agency's total budget appropriations.
>
> X x x

19.2 In addition, PCW Memorandum Circular No. 2018-04 dated May 4, 2018, provides that the GAD Agenda is the agency's strategic framework and plan on gender mainstreaming, and achieving gender equality and women's empowerment. It shall:

> 3.1.1 serve as basis in identifying programs, activities, and projects to be undertaken to achieve the GAD goals and outcomes;
>
> 3.1.2 provide the monitoring and evaluation (M&E) framework for assessing GAD results and outcomes that shall be the basis for strengthening the mainstreaming of a GAD perspective in the agency's operations and programs; and
>
> 3.1.3 be formulated in a participatory, consultative and inclusive process. It shall consider the results from consultations with women target beneficiaries as well women's groups/organizations working on the sector and other concerned stakeholders, and the identified gaps resulting from gender analysis.
>
> X x x
>
> 4. CONTENT AND TIMEFRAME OF THE GAD AGENDA
> The GAD Agenda is a teo-part document consisting of the GAD Strategic Framework (GADSF) and the GAD Strategic Plan (GADSP). The GADSF outlines the agency's GADSP defines the strategic interventions, indicators and targets to be pursued to achieve GAD goals over a period of time.
>
> X x x
>
> 8. Submission
>
> The GAD Agenda, progress and end- term reports shall be submitted by agencies to PCW for the purpose of monitoring, evaluation, reporting of GEWE results and as necessary, provision of technical assistance on its implementation.
> financial transactions and expenditures for GAD-related activities.

19.3 Review disclosed that LANDBANK's GAD Agenda remained not finalized and had not yet been submitted to PCW. Moreover, the GPB and GAD Accomplishment Report (AR) for FY 2024, which were submitted to the PCW, contained programs, activities and projects (PAPs) in the GPB with budget allocations below the minimum required of at least 5 per cent of the Corporate Operating Budget and the GAD AR showed a revised budget of 13.86 per cent and included certain planned activities which were not accomplished. Further, the GAD Agenda remained incomplete as of December 31, 2024.

19.4 This issue of the incomplete of the GAD Agenda had been raised in previous audits covering CY 2021, 2022 and 2023. At that time, Management explained that the GAD Agenda was being crafted as part of the planning session involving members of LANDBANK's GAD Focal Point System-Technical Working Group (GFPS-TWG) through their alternates. Management further explained that the formal articulation of the GAD mission had to be deferred pending policy directions for the next years, considering the change in the National Government leadership which would affect LANDBANK, and that the planned merger with the United Coconut Planters. In 2023, the ERD, the then TWG Secretariat, repeatedly sought the Management Committee's (ManCom) approval for the GAD GFPS but without success. The ERD further updated that the GAD Agenda would be recalibrated after ManCom approved of the reconstitution of the GAD-TWG and reassigned client-focused PAPs to the Strategic and Knowledge Management Group, Chaired by the LANDBANK's GFPS-TWG Chairman. According to the ERD's latest update, the draft GAD Agenda is complete but awaiting final approval from the Management Committee. Furthermore, at the 1st General Assembly of the Finance Sectoral GFPS on February 19, 2025, the Department of Finance (DOF) Director of Central Administration Office advised DOF attached agencies that the DOF is currently finalizing their GAD Agenda and instructed the assembly participants to defer submission of their GAD Agenda in order to align with DOF, which is still finalizing its own GAD Agenda.

19.5 Despite not having a finalized/completed GAD Agenda, LANDBANK prepared its FY 2024 GAD Plan and Budget (GPB) amounting to P170,038,924.20 and submitted it to PCW on February 5, 2024. However, this budget represented only 0.045 per cent of the total CY 2024 DBM-approved COB of P377,740,304,000.00. LANDBANK still has the option to amend and revise this budget during the preparation of the GAD AR given that the FY 2024 GPB has not yet been endorsed by the PCW. The ERD confirmed, and this was verified with the PCW, that GPBs from 2020 to 2024 are still under review by PCW, as reflected in the GMMSv3.

19.6 Although there was no PCW-endorsed GPB, LANDBANK managed to accomplish GAD-related programs and projects. They also prepared and submitted their FY 2024 GAD Accomplishment Report to the PCW through the Gender Mainstreaming Monitoring System version 3 (GMMSv3) on March 28, 2025, within the extended deadline approved by PCW. The report is still awaiting review by PCW, as indicated in the GMMSv3.

19.7 On the basis that the LANDBANK was not precluded from carrying out its GAD PAPs despite lack of not having a finalized GAD Agenda and PCW-endorsed GPB, the Audit Team reviewed the GAD Accomplishment Report for FY2024 submitted to them vis-à-vis the GPB for FY 2024 submitted to PCW. LANDBANK utilized a total of P67,792,121,099.88, which represents 46.13% of the revised GAD Budget amounting to P146,971,245,916.98. A comparison between GPB and GAD AR for FY2024 is presented as follows:

Table 19.1 GAD Budget vs. Utilization

GENDER ISSUE / GENDER MANDATE	RESPONSIBLE UNIT/OFFICE	GAD Budget Per GPB	GAD Budget Per GAD AR	GAD Expenditure Per GAD AR
A. Client-Focused	Various LANDBANK units	2,500,000.00	0.00*	0.00*
B. Organization-Focused	Primarily Employee Relations Department (ERD) including various units	120,288,924.20	26,255,354,453.65	19,668,393,202.23
C. GAD-Attributed	Loan Program Management Group and	47,250,000.00	120,715,842,251.55	48,123,727,897.65

GENDER ISSUE / GENDER MANDATE	RESPONSIBLE UNIT/OFFICE	GAD Budget Per GPB	GAD Budget Per GAD AR	GAD Expenditure Per GAD AR
Programs or Projects	Provident Fund Department			
Grand Total		170,038,924.20	146,971,196,705.20	67,792,121,099.88

*None reported in the CY 2024 GAD AR

19.8 The review of the FY 2024 AR vis-à-vis the GPB was conducted to determine whether the planned activities were carried out within the allocated budget. The following observations we noted:

a. The revised GAD budget amounting to 146,971,196,705.20 was underutilized with only P67,792,121,099.88 spent or equivalent to 46.13 per cent utilization rate. This actual GAD expenditure represents 17.95 per cent of the DBM-approved 2024 COB of P377,740,304,000.00. The underutilization is primarily attributed to the non-implementation of planned activities under the GAD-attributed programs and projects. Nonetheless, the actual utilization, amounting to 17.95 per cent GAD budget allocation based on the DBM-approved 2024 COB of P377,740,304,000.00, still surpassed the 5 per cent requirement of LANDBANK's COB amounting to P18,887,015,200.00.

b. None of the six client-focused activities identified in the GBP under gender issue/gender mandate were implemented, as reflected in the GAD AR. In the same manner, 16 of the 26 planned organization-focused activities were not reported as accomplished. Management cited that while these activities were encoded in the GPB as integral components of the GAD Agenda, they are still awaiting formal approval from the LANDBANK Management Committee (ManCom).

c. The two GAD-attributed programs/projects included in the GPB were not reported in GAD accomplishment. Conversely, 16 programs were reported as GAD accomplishment but were not originally included in the GPB, which significantly contributed in the utilization of the GAD budget.

19.9 Management maintained that the finalization of the GAD Agenda is dependent on the issuance of directives from the DOF, as this will ensure alignment between the institutions' identified GAD mandates and the effective implementation of related programs and activities. Regarding the inclusion of all of the LANDBANK employees' salaries in the GAD report, it was explained that technically, all employees contribute to the Bank's efforts toward financial inclusion. While this rationale is acknowledged, it must be properly reflected in the GAD Accomplishment Report and aligned to an identified GAD issue or mandate related to financial inclusion.

19.10 In the absence of the GAD Agenda to serve as a guide, it is difficult to validate the correctness and alignment of entries in the GPB and the GAD AR, including evaluating the clarity of indicators, targets and achievable budgets and number of activities. Further, submitting a GAD Accomplishment Report for FY 2024 that is not based on a GAD Plan and Budget and lacking a complete/finalized GAD Agenda is inconsistent with the provisions of PCW-NEDA-DBM Joint Memorandum Circular No. 2012-01 and PCW Memorandum Mc No. 2018-04, thus, it cannot be ascertained that the reported FY 2024

GAD PAPs are aligned with international treaties, national laws and plans related to gender equality.

19.11 **We recommended and Management agreed to finalize GAD Agenda and submit to PCW to support the implementation of GAD programs, activities and projects outlined in the GAD Plan and Budget and the GAD Accomplishment Report, in compliance with PCW-NEDA-DBM JMC No. 2012-01 and PCW Memorandum Circular No. 2018-04.**

19.12 Management explained that notwithstanding the pending approval, of the DOF GAD Agenda, the GAD GFPS Technical Working Group proceeded to secure approval from the ManCom on May 14, 2025. The ManCom-approved GADSF was then submitted to the PCW on May 28, 2025, to the PCW, and was duly acknowledged through email. The detailed six-year GADSP is currently undergoing recalibration to align with the updated institutional priorities and GAD-related directives, with completion target by the end of July 2025.

19.13 The Audit Team acknowledged Management updates on the formulation of the GAD Agenda and will monitor the implementation of the recommendation.

Compliance with Republic Act No. 7656

20 LANDBANK

LANDBANK Board of Directors in its Board Resolution No. 25-255 dated April 30, 2025 approved the declaration of cash dividends for CY 2024 net income in the amount of P33.53 billion. LANDBANK is seeking the DOF's approval to remit the cash dividend in two tranches within 2025. The first tranche, amounting to ₱26 billion, was already remitted on May 14, 2025, while the second and final tranche, covering the remaining amount, is scheduled for remittance on December 22, 2025

20.1 Subsidiaries

In compliance with RA No. 7656, three subsidiaries declared and remitted cash dividends totaling P261.688 million to the BTr for CY 2024, details as follows:

Name of Subsidiaries	Amount (In million pesos)
LBP Insurance Brokerage, Inc.	150.837
LBP Leasing and Finance Corporation	87.933
LBP Resources and Development Corporation	22.898
Total	**261.668**

Compliance with Tax Laws

21 Taxes withheld for the month were remitted on or before the 10th day of the following month, except those withheld for the month of December, which were remitted on or before the 15th day of January of the following year.

21.1 In compliance with Tax Laws, information on taxes and licenses paid or accrued during the taxable year 2024 were disclosed in Part I of this report, specifically under Note 22 to the Financial Statements. The taxes paid/accrued for the year amounting to P8.827 billion were remitted to the Bureau of Internal Revenue in accordance with the deadlines on payment/remittance of taxes prescribed by the National Internal Revenue Code.

Philhealth and Pag-ibig Premiums

22 In CY 2024, LANDBANK complied with Title III Rule III, Section 18 of the Implementing Rules and Regulations of Republic Act (R.A) No. 7875 as amended in the payment of national health insurance premium contributions to the Philhealth.

22.1 LANDBANK also complied with Rule VII, Section 3 of the Implementing Rules and Regulations of RA No. 9679 in the collection and remittance of contributions to the Pag-ibig Fund.

GSIS Contributions and Remittances

23 In CY 2024, LANDBANK received demand letters from the GSIS NCR Department I for failure to remit the GSIS loan repayments/amortizations for the contributions and various loan payments. LANDBANK maintains that changes in personnel were not reflected real time in GSIS's records/billed amounts and continues to reconcile the balances with the concerned GSIS Department. Deficiencies cited on the GSIS' demand letters were primarily due to the timing difference in reporting. It has been verified that LANDBANK complies with the rules and regulations implementing the GSIS Act of 1997, particularly on the collection and remittance of contributions to GSIS as follows:

a. Mandatory monthly contribution of covered employees and employer in accordance with Section 18 of the GSIS Act of 1997; and

b. Remittance of employees' and employer's contributions and employees' compensation premium within the due date pursuant to Section 19 of the GSIS Act of 1997.

STATUS OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

24 The total audit suspensions and disallowances as of December 31, 2024 was P2.851 billion, broken down as follows:

LANDBANK	Suspension	Disallowance	Total
Head Office	0	2,813,197,815.27	2,813,197,815.27
Regional Offices/Branches	24,006,022.34	13,576,826.98	37,582,849.32
TOTAL	**24,006,022.34**	**2,826,774,642.25**	**2,850,780,664.59**

24.1 The total disallowances of P2.827 billion consists of P2.802 billion Priority Development Assistance Fund and Development Acceleration Program from National Livelihood Development Corporation, P0.011 billion payments of benefits and allowances of LANDBANK Board of Directors, officers and employees, and P0.014 billion payments for other expenses which are not in accordance with existing laws, rules and regulations. Management has pending appeals for the disallowances, in accordance with the Revised Rules and Procedures of the Commission on Audit.

24.2 The total suspensions of P24.006 million issued by Audit Teams in Regions I, VI, and IX pertain to payments of various expenses without complete supporting documents.

24.3 There were no audit charges as of December 31, 2024.

PART III - STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Out of the 18 audit recommendations embodied in the prior years' Annual Audit Report, 8 were implemented and 10 were not implemented, of which 9 are reiterated in Part II of this report. The observation with not implemented recommendation is presented below:

References	Audit		Status of Implementation
	Observations	Recommendations	
CY 2023 AAR AOM No. 7 Pages 125 to 128	Accounts Receivable totaling P32.949 million as at December 31, 2023, representing indemnification sought by LANDBANK against a service provider for breaches, resulting in numerous invalid transactions via LANDBANKPay, remained not collected, contrary to LANDBANK Administrative Order No. 018, Series of 2019 and Section 2 of Presidential Decree (PD) No. 1445 on safeguarding of assets against losses.	Execute all remedies available to the LANDBANK to recover the Accounts Receivable amounting to P32,949,000.00 from the service provider.	Not Implemented LANDBANK and the service provider (SP) of LANDBANKPay had a meeting July 19, 2024 where they requested additional set of documents to further investigate the incident. On November 29, 2024, DBMD provided the additional documents to SP for further investigation. Currently, the SP is still evaluating these documents and DBMD intends to meet with the SP after the review. Nonetheless, LANDBANK is constantly coordinating with the SP for the recovery of the subject receivables.